

RESOLUTION FRAMEWORK – 2.0: RESOLUTION OF COVID-19 RELATED STRESS OF MICRO, SMALL AND MEDIUM ENTERPRISES (MSME)

FINOVA CAPITAL PRIVATE LIMITED

CIN: U65993RJ2015PTC048340

Regd. Office: 702,7th Floor, Unique Aspire, Plot No. 13-14 Cosmo Colony, Amrapali Marg, Vaishali Nagar, Jaipur-302021

Corp. Office: 4th Floor, Unique Aspire, Plot No. 13-14 Cosmo Colony, Amrapali Marg, Vaishali Nagar, Jaipur -302021

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Resolution Framework – 2.0: Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSME)

1. Introduction:

Finova Capital Private Limited “(herein referred as “Company”) is a Non-Banking Financial Company - Systemically Important- Non Deposit taking company (NBFC-ND-SI) registered with Reserve Bank of India (RBI).

The RBI on May 05, 2021, vide its circular no. RBI/2021-22/31 DOR.STR.REC.12/21.04.048/2021-22 has released guidelines on Resolution Framework – 2.0: Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSME).

Earlier, The Reserve Bank of India vide its circular DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020 on “**Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances**” had allowed restructuring of in respect of eligible MSME Customer while classifying such exposures as Standard, subject to specified conditions in consonance with which, the Company in its Board Meeting held on 19th February, 2021, approved and adopted “Re-structuring Policy”.

The resurgence of Covid-19 pandemic in India in the recent weeks and the consequent containment measures to check the spread of the pandemic may impact the recovery process and create new uncertainties. With the objective of alleviating the potential stress to MSME Borrower, the following set of measures are being announced.

2. Objective of the Policy:

The objective of the Policy is to facilitate the overall revival of COVID -19 Impacted MSME customer in the long run, and to save their businesses from having an impact on its financial stability risks due to its debt burden becoming disproportionate relative to its cash flow generation abilities by implementing resolution plans for the eligible borrowers.

3. Eligible Borrower/s:

For the purpose of resolution plan under this Policy, eligible borrower shall mean:

- a) Micro, small or medium enterprise as on March 31, 2021 in terms of the Gazette Notification S.O. 2119 (E) dated June 26, 2020.
- b) The borrowing entity is GST-registered on the date of implementation of the restructuring. However, this condition will not apply to MSMEs that are exempt from

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GST-registration. This shall be determined on the basis of exemption limit obtaining as on March 31, 2021

- c) The aggregate exposure, including non-fund based facilities, of all lending institutions to the borrower does not exceed ₹ 50 crore as on March 31, 2021.
- d) The borrower's account was a 'standard asset' as on March 31, 2021.
- e) The borrower's account was not restructured in terms of the circulars DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020; DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020; or DBR.No.BP.BC.18/21.04.048/2018-19 dated January 1, 2019 (collectively referred to as MSME restructuring circulars).

4. Invocation of resolution process:

- a. The resolution process under this window shall be treated as invoked when Company and the borrower agree to proceed with the efforts towards finalizing a resolution plan to be implemented in respect of such borrower.
- b. In respect of applications received by the Company from its customers for invoking resolution process under this window the decision on the application shall be communicated in writing to the applicant by the company within 30 days of receipt of such applications.
- c. The last date for invocation of resolution permitted under this window is September 30, 2021

5. Permitted features of resolution plans and implementation:

- a. Allowing Moratorium and accordingly extension in Residual loan tenure.
- b. Sanction of Additional Limit/Loan Amount
- c. Capitalizing of Overdue Interest
- d. Conversion/ Capitalisation of Accrued Interest, or to be accrued into another credit facility.
- e. rescheduling of payments etc.

6. Process for Implementation:

- a. Customer shall approach company for restructuring and submit written application seeking resolution plan / restructuring of the loan.
- b. Company shall examine & evaluate the application by way of assessment of the cash flow and shall communicate resolution plan if any within 30 days from the date of application.
- c. Resolution plan if any communicated to customer should be accepted by customer and on acceptance of resolution plan, company shall implement the same within 90 days.

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- d. Documents required for implementing Resolution Plan shall be as under:
 - i. Application letter from customer seeking resolution plan.
 - ii. Income related documents if any.
 - iii. Supplementary loan agreement
 - iv. Accepted Sanction letter and repayment schedule.

7. Asset classification and provisioning:

- a. Asset classification of borrowers classified as standard shall be retained as such, whereas the accounts which may have slipped into NPA category between April 1, 2021 and date of implementation shall be upgraded as 'standard asset', as on the date of implementation of the restructuring plan.
- b. Upon implementation of the restructuring plan, the lending institutions shall keep provision of 10 percent of the residual debt of the borrower.

8. Miscellaneous

- a. If the borrower is not registered in the Udyam Registration portal, such registration shall be required to be completed before the date of implementation of the restructuring plan for the plan to be treated as implemented.
- b. While Policy outlines the broad internal guidance that the Company will follow to take decisions regarding this restructuring of stressed assets/loan, the Company reserves the right to amend the Policy within the framework of RBI guidelines.
- c. The MD & CEO is authorised to approve any operational procedures/guidelines/ Structural changes/ or case specific decisions, as may be required to implement the policy and make any changes to the policy in line with the directions/guidelines/clarification issued by RBI from time to time if required.
- d. All restructuring accounts will have to be approved by Chief Operating Officer/ VP Sales/ VP Credit/ VP policy and/ or above.

References:

Relevant Circulars issued by RBI as follows:.

- a. RBI circular no. RBI/2021-22/31 DOR.STR.REC.12/21.04.048/2021-22dated May 05, 2021- https://rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12086
- b. RBI Circular No DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020 - <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11942&Mode=0>

This policy has been approved and adopted at the Board meeting held on June 01, 2021.

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Version No.	Version Date	Types of changes	Prepared & Verified By	Date of Approval
V.3	June 05 , 2021	Revised document	Rakesh Tailor and Ravi Sharma	June 08, 2021

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**This resolution framework 2.0 has been modified as on June 08, 2021 in consonance with the RBI circular Resolution Framework - 2.0: Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs) – Revision in the threshold for aggregate exposure (RBI Circular DOR.STR.REC.21/21.04.048/2021-22) dated June 04, 2021.*

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