
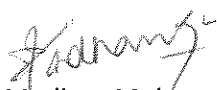


# PRAYAAN CAPITAL

## RESOLUTION FRAMEWORK POLICY FOR COVID - 19

Created by:   
Avijeet Rakshit  
Head Business

Reviewed by:   
Akash S Chelvam  
COO

Approved by:   
Madhan Mohan  
CEO and MD

## **INTRODUCTION**

Prayaan Capital Private Limited (hereinafter referred to as "PCPL") is a Private Limited Company incorporated under Companies Act, 2013 and registered as Non-deposit taking Non-Systematically Important Non-Banking Finance Company with Reserve Bank of India.

In view of recent 2<sup>nd</sup> wave of Covid-19 affecting business operations and social conditions of MSMEs, Reserve Bank of India (RBI) has taken multiple measures to mitigate the negative effect and revive growth to preserve financial stability.

Through this document, PCPL has proposed rescheduling of payments, granting of moratorium to customers who are facing financial difficulty due to the 2<sup>nd</sup> wave in line with RBI's Circular dated May 5, 2021 notifying "*Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses*".

## **POLICY APPLICABILITY**

For implementation of this Resolution Plan inter alia, the following categories of borrowers whose Loans have been classified as "Standard" as on March 31, 2021, are eligible:

- (a) Individuals who have availed of loans and advances for business purposes and to whom the lending institutions have aggregate exposure of not more than INR 25 Crores as on March 31, 2021; and
- (b) Small businesses, including those engaged in retail and wholesale trade, other than those classified as micro, small and medium enterprises as on March 31, 2021, and to whom the lending institutions have aggregate exposure of not more than INR 25 Crores as on March 31, 2021.

The Resolution Plans may *inter alia* include rescheduling of payments, conversion of any interest accrued or to be accrued into another credit facility, revisions in working capital sanctions, granting of moratorium etc. based on an assessment of income streams of the borrower, subject to compliance with conditions under the 2021 Resolution Circular. As per para 12 of the 2021 Resolution Circular, the overall cap on extension of residual tenor, inclusive of moratorium period if any permitted, shall be 2 (two) years.

Further, as per the 2021 Resolution Circular, the decision to invoke the resolution process shall be taken by each lending institution having exposure to a borrower independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower and the last date for invocation of a Resolution Plan permitted under the 2021 Resolution Circular is September 30, 2021.

## **MORATORIUM ON TERM LOAN**

The moratorium is being provided specifically to enable borrowers to tide over the economic fallout from COVID-19 second wave. Hence, the same will not be treated as change in terms and conditions of loan agreements due to financial difficulty of the borrowers and, consequently, will not result in asset classification downgrade as per notification.

## **MORATORIUM PERIOD AND METHODOLOGY**

Moratorium would be granted with the formal consent based on written request submitted by the Borrower either by walking into concerned PCPL Branch or through the employee assigned as Relationship Officer for the case.

PCPL Branch on receipt of a written request from the Eligible Borrower, shall forward the case to Head – Collection for approval.

Final decision on granting Moratorium to the requesting customer will be decided by the Company.

Moratorium to be granted to eligible customers for period ranging from 1 to 6 months from the date of their request. If the customer had availed moratorium in 2020, the number of months availed earlier would be added to the current facility and capped to an overall maximum period of 10 months.

Customers who are requesting for moratorium will be informed about financial implications of such moratorium including the applicable interest on such action.

- EMI would NOT be charged to the customer for whom moratorium is granted
- Interest amount for the months of the EMI deferred would be added back to the residual loan amount
- Keeping the EMI constant, residual tenor will increase for EMI capitalized portion and repayment schedule will be redrawn.
- Company would continue to present EMI dues as per normal process for the period subsequent to the month of availing of moratorium.
- Moratorium of EMI would be done month wise.

## **RESCHEDULING OF PAYMENTS**

The Customer Account should be classified as Standard. Tenor to be altered on current POS and EMI charged accordingly to accommodate customer's request.

## **PROCESS FOR RESCHEDULING**

Rescheduling would be carried out with the formal consent based on written request submitted by the Borrower either by walking into concerned PCPL Branch or through the employee assigned as Relationship Officer for the case

PCPL Branch on receipt of a written request from the Eligible Borrower, shall forward the case to Head – Collection for recommending the same to the Credit team for formal approval of the proposal.

The Credit Team through the concerned Branch Credit Manager would generate Bureau reports, assess through physical visit the customer's current cash flows, verify the KYCs and do third party reference checks. Post satisfactory verification results and positive current cashflows, the case is recommended to NCM for approval for restructuring or rescheduling as per the initial recommendation from Head - Collections.

Post approval the customer along with co-applicants are called to concerned PCPL branch and below mentioned documents are to be signed documents in order to record the revised terms and implement viable resolution plan(s)

1. Loan amendment agreement
2. Fresh NACH registration mandate (wherever applicable)
3. Fresh set of SPDCs (wherever applicable)

The above signed set of documents along with approval mails to be sent to Central OPS by the concerned Branch for restructuring/rescheduling of the existing loan. Central OPS upon receiving the documents would check for the correctness of the documents and approvals. Upon satisfactory checks the account would be restructured/rescheduled and re-registration of NACH (wherever applicable) initiated.

The revised Repayment Schedule to be sent to the customer post restructuring/rescheduling

## **PROVISIONING NORMS**

PCPL shall keep provisions from the date of implementation, which are higher of the provisions held as per the extant IRAC norms immediately before implementation, or 10 percent of the renegotiated debt exposure (residual debt).

Half of the above provisions may be written back upon the borrower paying at least 20 per cent of the residual debt without slipping into NPA post implementation of the plan, and the remaining half may be written back upon the borrower paying another 10 per cent of the residual debt without slipping into NPA subsequently. Provided that the above provisions shall not be written back before one year from the commencement of the first payment of interest or principal (whichever is later) on the credit facility with longest period of moratorium.

The provisions required to be maintained under this window, to the extent not already reversed, shall be available for the provisioning requirements when any of the accounts, where a resolution plan had been implemented, is subsequently classified as NPA

### **ASSET CLASSIFICATION**

The loan accounts to whom relief has been granted by way of moratorium within the ambit of this policy and as governed by RBI circular, will not result in asset reclassification and/or downgrade. The account status reporting to the credit bureaus will be reported as "Restructured due to COVID-19"

### **DISPLAY ON WEBSITE**

The Board Approved Policy will be hosted on the Company's website for information to our Customers and for their benefit as mentioned in the RBI's Circular

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