

Resolution  
Framework –  
2.0: Resolution  
of Covid-19  
related stress  
of Individuals

01-06-2021

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## Abbreviations/Acronyms

CWDL	COVID-19 Working Capital Demand Loan
ECLGS	Emergency Credit Line Guarantee Scheme
FITL	Funded Interest Term Loan
GECL	Guaranteed Emergency credit Facility
GST	Goods and Services Tax
IRAC	Income Recognition and Asset Classification
MBA	Multiple Banking Arrangement
MSME	Micro Small and Medium Enterprises
NPA	Non-Performing Assets
RP	Resolution Plan
TEV	Techno Economic Viability
WCTL	Working Capital Term Loan

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## **Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses**

### **1. Introduction:**

The Reserve Bank of India vide its circular DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6, 2020 on “Resolution Framework for COVID-19-related Stress” (“Resolution Framework – 1.0” which was circulated by the bank vide Circular No 44-462 dated 19.10.2020) - had provided a window to enable lenders to implement a resolution plan in respect of eligible corporate exposures without change in ownership, and personal loans, while classifying such exposures as Standard, subject to specified conditions.

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 individual borrowers and small businesses, a new set of measures has been announced vide RBI circular no DOR.STR.REC.11/21.04.048/2021-22 dated 05.05.2021. These set of measures are broadly in line with the contours of the Resolution Framework - 1.0, with suitable modifications.

The bank has been advised to frame Board approved policies pertaining to implementation of viable resolution plans for eligible borrowers under Resolution Framework – 2.0. Accordingly, the policy document has been framed in line with RBI directions, which comprises of Part-A, Part-B and Part-C as under:

**Part A:** Resolution of advances to individuals and small businesses

**Part B:** Working Capital support for: (i) individuals who have availed of loans for business purposes, and (ii) small businesses, where resolution plans were implemented previously.

**Part C:** Disclosure requirements for the bank with respect to the resolution plans implemented under this window.

## **2.0 Part A: Resolution of Advances to Individuals and Small Businesses:**

The Bank shall offer a limited window to individual borrowers and small businesses to implement resolution plans in respect of their credit exposures while classifying the same as Standard upon implementation of the resolution plan subject to the conditions specified hereafter.

### **2.1 Eligible Borrowers:**

a) The resolution shall only be invoked by the operative levels after satisfying themselves that same is necessitated on account of the economic fallout from Covid-19.

b) Individuals who have availed of following types of personal loans:

- i. Loans for Consumer Durables,
- ii. Credit Card Receivables,
- iii. Auto Loans (other than loans for commercial use),
- iv. Personal Loans secured by gold, gold jewellery, immovable property, fixed deposits (including FCNR(B)), shares and bonds, etc., (other than for business / commercial purposes),
- v. Personal Loans to Professionals (excluding loans for business purposes), and
- vi. Loans given for other consumption purposes (e.g., social ceremonies, etc.)
- vii. Education Loan,
- viii. Loans given for creation/ enhancement of immovable assets (e.g., housing, etc.), and
- ix. Loans given for investment in financial assets (shares, debentures, etc.)

c) Individuals who have availed of loans and advances for business purposes and to whom all the lending institutions have aggregate exposure of not more than Rs.25 crore as on March 31, 2021.

d) 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 all the lending institutions have aggregate exposure of not more than Rs.25 crore as on March 31, 2021.

e) Loans to individuals and small businesses for allied activities, viz., dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture.

f) The credit facilities/ investment exposure to the borrower was classified as Standard by the bank as on March 31, 2021.

### **2.2 Exclusions/Non-Applicability of the Resolution Plan:**

The following categories of borrowers / credit facilities shall not be eligible for a resolution plan under this framework:

- i. MSME borrowers whose aggregate exposure to all lending institutions collectively, is Rs 25 crore or less as on March 01, 2020.
- ii. FARM CREDIT other than allied activities at para 2.1 (e) as listed in Paragraph 6.1 of Master Direction FIDD.CO.Plan.1/04.09.01/2016-17 dated July 7, 2016 (as updated from time to time) or other relevant instructions as applicable to specific category of lending institutions. (Refer Annexure 2 for definition of Farm Credit)
- iii. Loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi- Purpose Societies (LAMPS) for on-lending to agriculture.
- iv. Exposures of the bank to financial service providers. (As per sub-section (17) of Section 3 of the Insolvency and Bankruptcy Act, 2016, Financial service provider means a person engaged in the business of providing financial services in terms of authorisation issued or registration granted by a financial services regulator.
- v. Exposures of the bank to Central and State Governments; Local Government bodies (e.g. Municipal Corporations); and, body corporates established by an Act of Parliament or State Legislature.
- vi. Credit facilities provided by the bank to own personnel/staff shall not be eligible for resolution under this framework.
- vii. The borrower accounts should not have availed of any resolution in terms of the Resolution Framework – 1.0 subject to the special exemption mentioned at **Clause 2.16** below.

### **2.3 Invocation of Resolution Plan:**

a) The resolution process under this window shall be treated as invoked when the Bank and the borrower agree to proceed with the efforts towards finalising a resolution plan to be implemented in respect of such borrower. In respect of applications received by the Bank from the customers for invoking resolution process under this window, the assessment of eligibility for resolution as per the instructions contained in this Board approved policy shall be completed, and the decision on the application shall be communicated in writing to the applicant by the Bank within 30 days of receipt of such applications. In order to optimise the processing time, Bank has prepared a standardized template enclosed as **Annexure-3**, for resolution under this window.

b) The decision to invoke the resolution process under this window shall be taken by the bank independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.

c) The last date for invocation of resolution permitted under this window is September 30, 2021.

### **2.4 Permitted features of resolution plans and implementation:**

a) The resolution plans implemented under this window 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. However, compromise settlements are not permitted as a resolution plan for this purpose.

b) The moratorium period, if granted, may be for a maximum of two years including the period of moratorium/ extension of the residual tenor, if any granted under Resolution Framework 1.0, as detailed at para 2.16 below, and shall come into force immediately upon implementation of the resolution plan. The extension of the residual tenor of the loan facilities may also be granted to borrowers, with or without payment moratorium. The overall cap on extension of residual tenor, inclusive of moratorium period if any permitted, shall be two years.

c) The resolution plan may also provide for conversion of a portion of the debt into equity or other marketable, non-convertible debt securities issued by the borrower, wherever applicable, and the same shall be governed in terms of following clauses:

- the amortisation schedule and the coupon carried by such debt securities are similar to the terms of the debt held on the books of the bank, post implementation of the resolution plan. The holding of such instruments by the bank shall be subject to the extant instructions on investments as applicable to them.
- The valuation of equity instruments issued, if any, shall be governed by the provisions of Paragraphs 19(c) and 19(d) of the Annex to the Prudential Framework whereas debt securities shall be valued as per the instructions compiled at Paragraph 3.7.1 of the Master Circular - Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks dated July 1, 2015 (as amended from time to time), or other relevant instructions as applicable to specific category of lending institutions.
- In case the bank converts any portion of the debt into any other security, the same shall collectively be valued at Re.1.

d) The instructions contained in the circular DOR.No.BP.BC/13/21.04.048/2020-21 dated September 7, 2020 on “Resolution Framework for COVID-19-related Stress – Financial Parameters” shall not be applicable to resolution plans implemented under this window.

e) The resolution plan should be finalised and implemented within 90 days from the date of invocation of the resolution process under this window. The resolution plan shall be deemed to be implemented only if the following conditions are met:

- i. all related documentation, including execution of necessary agreements between the bank and borrower and collaterals provided, if any, are completed by the lenders concerned in consonance with the resolution plan being implemented;
- ii. the changes in the terms of conditions of the loans get duly reflected in the books of the bank; and,
- iii. borrower is not in default with the bank as per the revised terms.

## **2.5 Identification of Stress and Assessment of Viability of Resolution Plan:**

### **2.5.1 For Personal Loans:**

- A. For aggregate exposure up to Rs Two Lakhs**  
(employees/businessman/professionals/other eligible individuals/entities)



- i. Self-declaration by the borrower declaring therein the type of employment/business activity he was involved in and loss of business/income suffered or reduction of income suffered due to COVID-19 impact.
- ii. Statement of account of the borrower indicating loss of income /reduction in income after examining the credit turnover/credits in lieu of salary /stream of cash flows in the account during the COVID-19 period.

## **B. For aggregate exposure above Two Lakhs**

### **I. In respect of employees**

- i. A letter from employer certifying the layoff /cessation/removal of the employee from the job or reduction /withholding of salary of the employee on account of COVID-19 stress as the case may be.
- ii. Salary Certificate for the month of February 2021 and Latest Salary Certificate
- iii. Statement of salary account/operative account confirming the loss of income/reduction of income due to lay off/cessation/removal from job during the COVID-19 period.

### **II. In respect of professional/business man/other eligible (individuals/entities):**

- i. Provisional Balance sheet and Profit & Loss statement covering the COVID period w.e.f. March 01, 2020 till the month preceding the date of submission of application duly certified by Chartered Accountant along with the YOY comparison with figures of the past year clearly spelling out the stress on financials of the business enterprise due to COVID-19 impact.  
OR  
GST returns of pre-COVID and post-COVID outbreak period i.e. before March, 2020 and after March 2020 indicating comparative loss/drop of sales/revenue (wherever applicable).
- ii. Statement of account indicating loss of income/reduction in income after examining the credit turnover in the account for the COVID-19 period.

## **2.5.2 For Small Businesses:**

In order to ascertain stress on account of COVID-19 and to ascertain viability of the resolution plan, following documents shall be obtained from the applicant:

- i. Board Resolution (in case of companies) or an undertaking (in case of other applicants) stating that the operations of the concern are under stress on account of COVID-19,
- ii. Borrower to provide documents evidencing stress due to COVID pandemic which may include GST Returns (wherever applicable for Pre-COVID period and Post-COVID outbreak period i.e. before March 2020 and after March 2020 indicating comparative loss/drop in sales/revenue) , stocks and book debt statements, monthly sales of pre & post COVID period certified by Chartered Accountant (*for borrowers not required to have GST Registration*)
- iii. Projected Profit and Loss Statement, Balance Sheet, Fund Flow/Cash Flow Statement duly certified by a Chartered Accountant covering the entire tenure of restructured/rescheduled/additional credit facility and indicating certainty of repayment,

iv. Techno Economic Viability and Feasibility Report (Wherever applicable).

In addition to the above, wherever applicable, the following reports/documents are also required to be obtained:

- i. Stock & Receivables statement duly authenticated by chartered accountant in order to validate the working capital irregularity and carving out Working Capital Term Loan (WCTL).

**2.6 Categorisation of Stress:**

The Bank shall make an assessment of pre & post COVID operating & financial performance in case of **small businesses** & accordingly classify the impact of COVID 19 as Mild, Moderate & Severe. To complete the task & prescribe appropriate resolution plan, simplified restructuring for mild & moderate stress may be adopted, whereas, severe stress cases would require comprehensive restructuring.

The categorisation shall be based on decline in Sales/Revenue **and/ or** erosion in Net worth and shall be as follows:

Decline in Sales or Erosion in Net Worth (Pre-COVID vs Post COVID)	Category	Resolution Plan
Upto 10%	Mild	All available relaxations in Resolution Plan (RP) in any one or combined form shall be provided i.e. 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.
From 11% to 20%	Moderate	
Above 20%	Severe	In addition to above (i.e. for Mild & Moderate), the borrowers may be facilitated through sanction of Additional Credit Facilities (Para 2.9 Below) & conversion of a portion of the debt into equity.

However, based on an assessment of income streams in case of **personal loans**, the resolution plan may include following:-

- i. Rescheduling of payments,
- ii. Conversion of interest accrued, or to be accrued, into another credit facility i.e. FITL, or
- iii. Granting of moratorium on payment of interest and/or instalment

The above mentioned relaxations (personal loans) shall be applicable for a maximum period of **02 years** from the date of implementation of the resolution plan.

**2.7 Rescheduling of Payments i.e. extension of the residual tenor of the loan, with or without payment moratorium:**

Based on the assessment of cash flows, a borrower can be provided extension of the residual tenor of the loan, with or without moratorium by a period not more than two years.

If a borrower opts for extension of residual tenor without payment moratorium, the existing instalment/EMI shall be reworked in accordance with the residual tenor of loan, however, the repayment shall continue as per revised schedule of Instalments.

If the borrower opts for extension of residual tenor with payment moratorium, the interest accrued/to be accrued in the loan during the moratorium period shall be converted into fresh FITL facility.

The moratorium period, so granted, shall come into force immediately upon implementation of the resolution plan.

## **2.8 Conversion of any interest accrued or to be accrued into another credit facility i.e. conversion of Interest into FITL:**

### **Working Capital Facilities:-**

The interest accrued /to be accrued in the working capital facilities during the moratorium period subject to a maximum of up to 24 months shall be funded through FITL account. The interest applicable on fresh FITL facility till commencement of repayment shall be capitalized and shall form a part of the overall limit of fresh FITL.

The FITL facility so created shall be repayable in maximum 24 Equated Monthly Installments (EMIs) excluding of moratorium period.

### **Term Loans:-**

If the borrower opts for extension of residual tenor with payment moratorium the interest accrued /to be accrued in the loan during the moratorium period shall be converted into fresh FITL facility, which shall be repayable in maximum 24 months exclusive of moratorium period. The interest applicable on fresh FITL facility till commencement of repayment shall be capitalized and shall form a part of the overall limit of fresh FITL.

## **2.9 Sanctioning of additional credit facilities (Excluding Personal loans):**

In respect of borrowers where the resolution process has been invoked, the bank may sanction additional finance even before implementation of the plan in order to meet the interim liquidity requirements of the borrower, which shall be based on the financial assessment & establishment of viability. The additional credit facility shall be sanctioned in the shape of working capital term loan (WCTL) and shall not exceed 10% of existing fund based working capital limit as on March 31, 2021 to address the financial stress of the borrower on account of COVID-19 pandemic.

The additional facility can be sanctioned even if there is no renegotiation of existing debt (borrower is not desirous of availing moratorium in respect of payment of interest/instalment & has requested for sanction of additional facility only).

However, additional finance shall not be extended to the borrowers who have availed additional funding after March 01, 2020 under ECLGS/GECL, CWDL Scheme, J&K Bank Business Support Loan Scheme or through normal enhancement.

Further, the WCTL facility shall have a moratorium on payment of interest & principal up to a maximum of **24 months**. The interest on WCTL during the moratorium period shall be served from a separate FITL account and such portion of interest served from FITL shall be capitalized. The WCTL facility along with the related FITL account shall be repayable in maximum 24 Equated Monthly Installments (EMIs) after expiry of moratorium period.

#### **2.10 Moratorium Period:**

Primary Term Loan / Primary Working Capital Limit/ FITL/ WCTL shall have a maximum moratorium period of **24 months**.

#### **2.11 Rate of Interest on Fresh FITL/ WCTL:**

The Rate of Interest on Fresh FITL shall be @ 9.25% p.a. (Fixed) with monthly rests.

#### **2.12 Loan Processing Charges:**

Loan Processing Charges at the rate of 0.25% of the aggregate limit (Primary + Restructured Facilities) to be obtained upfront.

#### **2.13 Security:**

The additional/fresh credit exposure as a result of sanction of fresh FITL under resolution framework shall be secured by way of extension of charge on existing securities (Primary and collateral). However, if the resolution plan includes sanction of additional finance (other than FITL) operative levels shall ensure that the borrower provides additional tangible collateral security to cover the same.

#### **2.14 Loan and Security Documentation**

Loan & Security Documentation necessitated on account of extension of resolution plan shall be devised in consultation with Law Department.

#### **2.15 Asset classification and provisioning**

a) If a resolution plan is implemented in adherence to the provisions of this policy, the asset classification of borrowers' accounts classified as Standard may be retained as such upon implementation, whereas the borrowers' accounts which may have slipped into NPA between invocation and implementation may be upgraded as Standard, as on the date of implementation of the resolution plan.

b) The subsequent asset classification for such exposures will be governed by the criteria laid out in the Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015 or other relevant instructions as applicable to specific category of lending institutions (“extant IRAC norms”).

c) In respect of borrowers where the resolution process has been invoked, the bank may sanction additional finance even before implementation of the plan in order to meet the interim liquidity requirements of the borrower. This facility of additional finance may be classified as ‘Standard’ till implementation of the plan regardless of the actual performance of the borrower in the interim. However, if the resolution plan is not implemented within the stipulated timelines, the asset classification of the additional finance sanctioned will be as per the actual performance of the borrower with respect to such additional finance or performance of the rest of the credit facilities, whichever is worse.

d) The Bank 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 of the Bank post implementation (residual debt). Residual debt, for this purpose, will also include the portion of non-fund based facilities that may have devolved into fund based facilities after the date of implementation.

e) 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.

f) **Provided that** in respect of exposures other than personal loans, 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.

g) 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.

## **2.16 Convergence of the norms for loans resolved previously**

In cases of loans of borrowers specified in **Clause 2.2 (vii)** above where resolution plans had been implemented in terms of the Resolution Framework – 1.0, and where the resolution plans had permitted no moratoria or moratoria of less than two years and / or extension of residual tenor by a period of less than two years, the Bank has been permitted to use this window to modify such plans only to the extent of increasing the period of moratorium / extension of residual tenor subject to the caps in **Clause 2.4 (b) above**, and the consequent changes necessary in the terms of the loan for implementing such extension. The overall caps on moratorium and / or extension of residual tenor granted under Resolution Framework – 1.0 and this framework combined, shall be two years.

This modification shall also follow the timelines specified in **Clauses 2.3 (c) and 2.4 (e)** above. For loans where modifications are implemented in line with **Clause 2.16**, the instructions regarding asset classification and provisioning shall continue to be as per the Resolution Framework – 1.0.

### **2.17 Consequences of any breach of the resolution framework requirements**

Any resolution plan implemented in breach of the stipulations of this framework shall be fully governed by the Prudential Framework for Resolution of Stressed Assets issued by RBI vide circular reference DBR. No.BP.BC.45/21.04.048/ 2018-19 dated June 7, 2019 and the corresponding Policy of the Bank for Resolution of Stressed Assets circulated vide Circular No. 31-534 dated November 29, 2019.

## **3.0 PART-B: Working capital support for small businesses where resolution plans were implemented previously**

a) In respect of borrowers specified at **sub-clauses (b) and (c) of Clause 2.1** above where resolution plans had been implemented in terms of the Resolution Framework – 1.0, the Bank, as a one-time measure, may review the working capital sanctioned limits and / or drawing power based on a reassessment of the working capital cycle, reduction of margins, etc. without the same being treated as restructuring. The decision with regard to above shall be taken by the bank by September 30, 2021, with the margins and working capital limits being restored to the levels as per the resolution plan implemented under Resolution Framework – 1.0, by March 31, 2022.

b) The above measures shall be contingent on the Bank satisfying itself that the same is necessitated on account of the economic fallout from COVID-19. Further, accounts provided relief under these instructions shall be subject to subsequent supervisory review with regard to their justifiability on account of the economic fallout from COVID-19.

## **4.0 PART-C: Disclosures and Credit Reporting:**

Bank is required to make disclosures as per the format prescribed in Format-A of **Annexure-1** in the financial statements for the quarters ending September 30, 2021 and December 31, 2021. The resolution plans implemented in terms of Part A of this framework should also be included in the continuous disclosures required as per **Format-B** of **Annexure-1**.

The number of borrower accounts where modifications were sanctioned and implemented in terms of Clause 2.16 above, and the aggregate exposure of the Bank to such borrowers may also be disclosed on a quarterly basis, starting from the quarter ending June 30, 2021.

The credit reporting by the Bank in respect of borrowers where the resolution plan is implemented under **Part A** of this window shall reflect the “restructured due to COVID- 19” status of the account.

Such disclosures & reporting shall be handled by Credit Monitoring & Management Department of the Bank. The department shall work in consultation with MIS to ensure that requisite MIS reports are ready before stipulated timelines.

Further, the Board approved policy shall be sufficiently publicised on electronic/ print/ social media and shall be made available on the website of the Bank in an easily accessible manner.

## **5. Delegation of Powers:**

The powers to sanction/ approve the restructuring package as defined above at **Para 2.4** (including FITL/ Additional finance under the resolution plan) shall vest with the sanctioning authority in whose powers the sanction of basic limit falls. Security dilution on account of sanction of FITL vis a vis existing security coverage ratio shall not be considered as security dilution for the purpose of delegation of powers.

#### **6. Grievance Redressal Mechanism:**

The Customer Care Department of the bank at CHQ shall be the Nodal Office for receipt of grievances of borrowers who request for resolution under the window and / or are undergoing resolution under this window. The Customer Care Department in turn shall forward the grievances of the borrowers to C&CB CHQ/ Zonal Offices/ Cluster Offices/ BU's, as the case may be, for their redressal/ resolution. The borrowers shall be required to forward their grievances to Customer Care Department CHQ at their email ID [custcare.chq@jkbmail.com](mailto:custcare.chq@jkbmail.com) .

#### **7. IT Customization:**

IT Customization necessitated on account of extension of resolution plan has been devised by Service Operations/ MIS, CHQ and is enclosed as **Annexure-C** to the circular.




#### **8. Powers for Procedural/Operational Changes:**

Any amendments/ modifications in the policy document consequent to change in RBI guidelines or any operational/ procedural change in the framework shall be vested within the powers of the Chairman and Managing Director subject to the condition that the same are in line with RBI guidelines on the framework. However, any amendments / modifications effected to this Board-approved policy, the Board of directors shall be kept informed of such changes at its meeting immediately ensuing such amendments.

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## Annexures

-  Annexure-1 Disclosures & Reporting
-  Annexure-2 Definition of Farm Credit as per RBI Master Circular on Priority Sector Lending
-  Annexure-3 Standardized Template



**Annexure-1**
**Format – A**

 Format for disclosures to be made in the quarters ending September 30, 2021 and  
 December 31, 2021

Sl. No	Description	Individual Borrowers		Small businesses
		Personal Loans	Business Loans	
(A)	Number of requests received for invoking resolution process under Part A			
(B)	Number of accounts where resolution plan has been implemented under this window			
(C)	Exposure to accounts mentioned at (B) before implementation of the plan			
(D)	Of (C), aggregate amount of debt that was converted into other securities			
(E)	Additional funding sanctioned, if any, including between invocation of the plan and implementation			
(F)	Increase in provisions on account of the implementation of the resolution plan			

**Format-B**

Format for disclosures to be made half yearly starting September 30, 2021

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of the previous half-year (A)	Of (A), aggregate debt that slipped into NPA during the half-year	Of (A) amount written off during the half-year	Of (A) amount paid by the borrowers during the half-year	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year
Personal Loans					
Corporate persons*					
Of which MSMEs					
Others					
Total					
* As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016					

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## Annexure 2

Definition of Farm Credit (to be read with the response to Sl. No. 2 of FAQs on Resolution Framework for Covid-19 related stress, which is also given as under) :

Definition of Farm Credit as per Paragraph 6.1 of Master Direction FIDD.CO.Plan.1/04.09.01/2016-17 dated July 7, 2016:

A. Loans to individual farmers [including Self Help Groups (SHGs) or Joint Liability Groups (JLGs), i.e. groups of individual farmers, provided banks maintain disaggregated data of such loans] and Proprietorship firms of farmers, directly engaged in Agriculture and Allied Activities, viz., dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture. This will include:

- (i) Crop loans to farmers, which will include traditional/non-traditional plantations and horticulture, and, loans for allied activities.
- (ii) Medium and long-term loans to farmers for agriculture and allied activities (e.g. purchase of agricultural implements and machinery, loans for irrigation and other developmental activities undertaken in the farm, and developmental loans for allied activities.)
- (iii) Loans to farmers for pre and post-harvest activities, viz., spraying, weeding, harvesting, sorting, grading and transporting of their own farm produce.
- (iv) Loans to farmers up to ₹50 lakh against pledge/hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months.
- (v) Loans to distressed farmers indebted to non-institutional lenders.
- (vi) Loans to farmers under the Kisan Credit Card Scheme.
- (vii) Loans to small and marginal farmers for purchase of land for agricultural purposes.

B. Loans to corporate farmers, farmers' producer organizations/companies of individual farmers, partnership firms and co-operatives of farmers directly engaged in Agriculture and Allied Activities, viz. dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture up to an aggregate limit of ₹2 crore per borrower. This will include:

- (i) Crop loans to farmers which will include traditional/non-traditional plantations and horticulture, and, loans for allied activities.
- (ii) Medium and long-term loans to farmers for agriculture and allied activities (e.g. purchase of agricultural implements and machinery, loans for irrigation and other developmental activities undertaken in the farm, and developmental loans for allied activities.)
- (iii) Loans to farmers for pre and post-harvest activities, viz., spraying, weeding, harvesting, sorting, grading and transporting of their own farm produce.
- (iv) Loans up to ₹50 lakh against pledge/hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months.

FAQ Serial No.2: Are all the farm credit as listed in Paragraph 6.1 of Master Direction FIDD.CO.Plan.1/04.09.01/2016-17 dated July 7, 2016 (as updated) ineligible under the Resolution Framework? Are the JLG loans provided to farmer households by MFIs are eligible for resolution plan under the Resolution Framework?

Response: All the farm credit exposures of all lending institutions, including NBFCs, of the nature listed in Paragraph 6.1 of Master Direction FIDD.CO.Plan.1/04.09.01/2016-17 dated July 7, 2016 (as updated), except for loans to allied activities, viz., dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture are excluded from the scope of the

Resolution Framework. Subject to the above, loans given to farmer households would be eligible for resolution under the Resolution Framework if they do not meet any other conditions for exclusions listed in the Resolution Framework.

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**Annexure-3**

Application for Restructuring of Loan Accounts under RBI's Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses.

Date: \_\_/\_\_/\_\_\_\_

The Branch Head,

B/u:\_\_\_\_\_.

Sub: Restructuring of Loan Accounts (Term Loan/ Working Capital) under Resolution Framework – 2.0 of RBI.

Dear Sir/ Madam,

1. We/ I have been availing following credit facilities from your Bank.

Details of Loan accounts:					(Amount in Lacs)
S. No	Account Number	Type of Loan Account (Term Loan CC/SOD/PCL/PSL/PCFC/PSCFC/Bill Discounting/LC/BG etc. ( mention the type of loan account type)	Sanction Limit	BOS as on 31.03.2021	Date of sanction
1					
2					
3					

2. I have been regular in servicing of the installments/ interest on the above said loan accounts., however, due the adverse impact on business on account of COVID-19 pandemic I have not/ will not be able to continue servicing of installments/ interest as per the existing prescribed schedule. Therefore, I seek relief in terms of Resolution Framework 2.0- Resolution of Covid -19 related stress of Individuals and Small Businesses announced by RBI vide their circular no. DOR.STR.REC.11/21.04.048/2021-22 dated May 05, 2021 and request the bank to restructure my above listed loan account (s). Accordingly, I hereby submit the following resolution plan for restructuring of the said loan accounts ( Tick mark whichever is applicable):

- a) Grant/ Extension of moratorium for a period of ----- months (maximum 24 months) in term loan account number .....and grant of FITL facility for moratorium period.
- b) Extension in repayment tenor of loan of the term loan account number..... by a period of ----- months (maximum 24 months) without moratorium.
- c) Grant of moratorium for a period of ----- months (maximum 24 months) in working capital account (CC/SOD/PCL/PSL ) account number .....and grant of FITL facility for moratorium period.

- d) Conversion of existing working capital (CC/SOD/PCL/PSL/bill discounting) account number.....into WCTL with a repayment period of ----- months (maximum 24 months) .
- e) Reduction in margin of working capital facility from ..... to .....
- f) Grant of Additional Working Capital facility to the tune of Rs. \_\_\_\_\_ lacs.
- g) Conversion of Devolved LCs /Invoked BG into term loan with repayment period of ---- - months (maximum 24 months) .
- h) Conversion of portion of the debt into equity or other marketable, non-convertible debt securities as per applicable norms.

3. I hereby submit following documents as an evidence in support of my restructuring proposal (please mention the name of documents below):

- i)
- ii)
- iii)

4. Details of Additional Security (if any) offered by the borrower:

5. Declaration:

I hereby declare that:

- a) I am not a wilful defaulter with any bank and I am not involved in any fraud, malpractice or diversion of funds.
- b) I am not a staff member of the bank.
- c) The information and data furnished by me to the bank is true and correct.

6. I/ We hereby agree:

- a) that banks decision will be final and binding.
- b) to provide/ execute all the documents as may be required by the bank within stipulated timeline.
- c) Comply all terms and conditions/covenants stipulated by the bank for restructuring of my loan accounts.

Yours Sincerely,

For \_\_\_\_\_

Applicant Borrower \_\_\_\_\_

List of documents:

- v. Board Resolution (in case of companies) or an undertaking (in case of other applicants) stating that the operations of the concern are under stress on account of COVID-19,

- vi. Borrower to provide documents evidencing stress due to COVID pandemic which may include GST Returns (wherever applicable for Pre-COVID period and Post-COVID outbreak period i.e. before March 2020 and after March 2020 indicating comparative loss/drop in sales/revenue) , stocks and book debt statements, monthly sales of pre & post COVID period certified by Chartered Accountant (for borrowers not required to have GST Registration)
- vii. Projected Profit and Loss Statement, Balance Sheet, Fund Flow/Cash Flow Statement duly certified by a Chartered Accountant covering the entire tenure of restructured/rescheduled/additional credit facility and indicating certainty of repayment,
- viii. Techno Economic Viability and Feasibility Report.

In addition to the above, wherever applicable, the following reports/documents are also required to be obtained:

- Valuation Reports from one/two valuers for arriving at liquidation value for payout to dissenting creditors.
- Stock & Receivables Audit in order to validate the working capital irregularity and carving out Working Capital Term Loan (WCTL).
- Any other document as may be required by the bank on case to case basis.

Acknowledgement of Application for Invocation under Resolution Framework (RF - 2.0):

We here by acknowledge your application for invocation of Resolution under RF - 2.0.

Please note that the bank is in-principle agreeable for your proposal for invocation of Resolution Plan 2.0, however this should not be construed as final sanction for Resolution. The final sanction shall be subject to following:

- a) Submission of evidence that the business has been hit by COVID-19 pandemic.
- b) Bank is satisfied that the borrower requires treatment under RF – 2.0.
- c) Other Documents required under the framework.

Branch Head

B/U \_\_\_\_\_

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The Jammu and Kashmir Bank Limited  
Corporate Headquarters, M. A.  
Road,  
Srinagar 190001, Kashmir  
(J&K)