

Caterpillar Financial Services India Private Limited

Policy on Resolution Framework for Covid-19 Related Stress

Caterpillar Financial Services India Private Limited (hereinafter referred to as “**the Company**” or “**CFSIPL**” or “**Lender**”) is a Private Limited Company incorporated under the provisions of the Companies Act, 2013 and registered as a Non-Deposit Taking Non-Banking Financial Company (“**NBFC**”) registered with the Reserve Bank of India (“**RBI**”).

The RBI vide its circular no. DOR.STR.REC.11/21.04.048/2021-22, dated May 05, 2021 on “Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses” (“**ResFra1**”); and circular no. DOR.STR.REC.12/21.04.048/2021-22, dated May 05, 2021 on “Resolution Framework – 2.0: Resolution of Covid-19 related stress of Micro, Small and Medium Enterprise (MSMEs)” (“**ResFra2**”) has provided a Framework for implementation of resolution plan amidst the resurgence of Covid-19 pandemic in India.

This resolution framework permits the lending institutions to re-assess the repayment capabilities of their borrowers and provide resolution to such existing loans which fall within the eligibility criteria of the ResFra1 and ResFra2 and approved Lender policy and internal guidelines. These set of measures are broadly in line with the contour of the RBI circular DOR.No.BP.BC/3/21.04.048/2020-21 dated August 06, 2020 on “Resolution Framework for Covid-19 related stress” and circular DOR.NO.BP.BC/4/21.04.048/2020-21 dated August 06, 2020 on “Restructuring of advances to the MSME borrowers” (hereinafter together referred as “**Resolution Framework 1**”).

A. Objective of the Policy

The objective of the policy is to provide a resolution framework enabling the CFSIPL in implementing resolution plans for alleviating the potential stress to eligible borrowers and small businesses which may be caused by the resurgence of the Covid-19 pandemic in India in the recent weeks..

B. Policy Approval

The policy has been adopted by the Board of Directors of the Company in the board meeting dated June 01, 2021. Any significant changes therein in lines of the Resolution Framework Package and guidelines issued by Reserve Bank of India from time to time shall be approved by the Board of Directors of the Company.

C. Definitions

Eligible Borrower (Other than MSME)	For the purpose of resolution plan under this policy, eligible borrower shall mean:
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	<p>(i) Individuals who have availed loans and advances for business purpose and to whom lending institutions have aggregate exposure of not more than INR 250,000,000 as on March 31, 2021</p> <p>(ii) Small businesses, including those engaged in retail and wholesale trade, other than those classified as MSME as on March 31, 2021, and to whom the lending institutions have aggregate exposure of not more than INR 250,000,000 as on March 31, 2021</p> <p>Additional Eligibility:</p> <p>(i) Borrower should not have availed restructuring as per Resolution Framework 1</p> <p>(ii) Borrower is categorized as standard as on March 31, 2021 by the Lender</p>
Eligible Borrower (MSME)	<p>(i) Borrower classified as a micro, small, medium enterprise as on March 31, 2021</p> <p>(ii) Borrower to be GST registered (if applicable as per exemption limit to be checked on March 31, 2021) on date of implementation of restructuring</p> <p>(iii) Aggregate exposure (fund based and non-fund based) of all the lending institutions to the borrower does not exceed INR 250,000,000 as on March 31, 2021</p> <p>(iv) Categorized as standard asset as on March 31, 2021</p> <p>(v) Borrower account was not restructured under the circular “MSME – Restructuring of Advances” issued by RBI on January 01, 2019; February, 11, 2020; August 06, 2020 respectively</p>
Date of invocation of resolution process	<p>The date of invocation of resolution process means the date on which both the borrower and lender have agreed to proceed with the efforts towards finalising a resolution plan to be implemented in respect of such borrower.. The last date for invocation of resolution process is September 30, 2021.</p>

D. Applicability

This policy is only applicable to eligible borrower of the Company who are in financial distress because of Covid-19 pandemic.

E. Timeline for Resolution

The resolution plan should be finalised and implemented within 90 days from the date of invocation of the resolution process.

F. Implementation of Resolution (“Date of Implementation”)

A restructuring of loan would be treated as implemented upon fulfilment of all of the following conditions:

(a) All related additional documentation, including execution of necessary agreement(s), if any, between Lender and Eligible Borrower are completed;

(b) The new loan amount and/ changes in the terms and conditions of the existing loan account get duly reflected in the books of accounts of the Lender.

G. Procedure for Applying for Restructuring

The borrowers who wish to avail the loan restructuring facility can submit an application in the prescribed format along with the copy of documents mentioned therein to cfsi.customerservice@cat.com (please refer to Annexure II for loan application).

H. Due Diligence Process

The Company on receipt of a written request application/email from the Eligible Borrower, shall evaluate the proposal for restructuring of the loan account including evaluation of necessary documents.

On due evaluation of the request submitted by the Eligible Borrower, the concerned team of the Lender shall execute with the Eligible Borrower necessary amendment agreement or other necessary documents in order to record the revised terms and implement viable resolution plan.

G. Disclosures

Disclosure in the financial statements: The Company shall make appropriate disclosures about the restructured accounts in terms of this policy in its annual financial statements as per ResFra 1 and ResFra 2.

Credit Reporting by the Company: The restructuring of loan granted to the Eligible Borrowers under this Policy will be treated as new restructured loan account and the credit history of the Eligible Borrowers shall consequently be governed by the respective policies of the credit information companies as applicable to accounts that are restructured. Borrowers restructured under this facility will be reported as “restructured due to COVID-19” to the bureaus.

H. Grievance Redressal

The borrowers can register their complaints referring to the Grievance Redressal Policy of the Company published on https://www.catfinancial.com/en_IN/legal-notices/rbi-compliance.html

I. Miscellaneous

Display on website: The Board approved policy on restructuring of stressed assets will be hosted on the Company’s website for our customers information and benefit.

Effective date: This policy shall be effective from the date of approval of this Policy by the Board.

While the policy outlines the broad internal guidance that the Company will follow to take decisions regarding this restructuring of stressed assets/loan, the Company retains the discretion to take

decisions regarding this policy depending on case specific issues or nuances. The Company reserves the right to amend the policy within the framework of RBI guidelines.

In consonance with the regulatory framework and guidelines as provided by the RBI under the ResFra 1 and ResFra 2 and to facilitate our customers through this journey, we provide below certain Frequently Asked Questions (FAQs) to further answer any queries that our customers may have towards this purpose.

J. Policy Amendment

This policy shall be reviewed by the Board at periodic intervals, as may be deemed necessary and any significant changes approved by the Board shall be in accordance with guidelines issued by RBI from time to time.

FREQUENTLY ASKED QUESTIONS (FAQs)

1. What is the restructuring scheme announced by the RBI?

RBI has announced the restructuring scheme as per its circular ResFra 1 and ResFra 2 to address the financial stress arisen out COVID -19 pandemic. Restructuring scheme can be offered to customers whose repayment is impacted due to COVID-19 crisis based on assessment of stress by the Lender and the viability of resolution plan.

2. What are the eligibility criteria for a borrower to avail loan restructuring?

The following are the eligibility criterion for considering an account for restructuring:

(i) Borrowers whose accounts are classified as “Standard”, with CFSIPL as on March 31, 2021 and continue to remain standard across all its loans till the date of invocation of the resolution plan i.e., the date on which both the borrower and Lender have agreed in writing to proceed with a terms of the resolution plan. Until such time the restructured terms are implemented by CFSIPL, the borrower shall be required to continue to honour his/her obligations towards payment of EMI/Instalments as per the terms and conditions of the main Loan Agreement.

(ii) Borrowers who has availed loans and advances for business purpose and to whom the lending institutions have aggregate exposure of not more than INR 25 crore as on March 31, 2021.

(iii) Borrowers should not fall under the list of ineligible loans/exposures provided under Resolution Framework 1.

(iv) Borrowers should not have availed of any resolution in terms of the Resolution Framework 1 subject to the special exemption in cases of loans of borrowers where the resolution plans had been implemented in terms of the Resolution Framework 1.0, and where the resolution plans had permitted no moratorium or moratorium of less than two years and / or extension of residual tenor by a period of less than two years, the Company may under the ResFra 1 and ResFra 2 use the window to modify such plans only to the extent of increasing the period of moratorium / extension of residual tenor subject to the overall cap on extension of residual tenor, inclusive of moratorium period if any permitted, shall be two years. The extension of the residual tenor of the loan facilities may also be granted to borrowers, with or without payment moratorium.

(v) Borrowers who fall in the above category and are facing loss of /reduction in income from their businesses due to COVID 19 pandemic, as per the internal assessment of CFSIPL, may be considered eligible for further assessment under the resolution framework.

3. Am I eligible if I have taken a loan after March 31, 2021 but affected due to COVID-19 pandemic?

No, only those accounts that has exposure in the books of the Company on March 31, 2021, are eligible for consideration under this policy.

4. How to apply for restructuring of the credit facility?

The borrowers can apply for restructuring of their credit facility by sending an e-mail to the Company along with duly filled and complete application form (refer to Annexure II) along with relevant supporting documents before September 30, 2021. The email should mentioned have subject line as "Application for Restructuring" and the email needs to be sent on the email id cfsi.customerservice@cat.com. Kindly mention your loan account number in the body of the email.

5. If borrower has applied for restructuring, can it be considered as having been accepted and implemented by the Company?

No. The application for restructuring of credit facility does not guarantee its acceptance. This is the beginning of the whole process. Once the borrower applies for restructuring, the Company will review the application on the basis of its internal policies.

Thereafter, the Company will communicate the acceptance of the application along with the terms thereof or the rejection of the application within 30 days of receipt of the application from the borrower.

6. What are documents to be submitted to along with the application for availing of the restructuring facility?

A. Loans to individuals:

a) Other than salary

- KYC documents of borrower, co-borrower, guarantor
- Bank statement for last 12 month
- Annual GST returns
- Self-declaration declaring that their business is affected by COVID-19
- MSME certificates / letter issued to the customer
- Form 26AS of latest 2 years
- Income tax return along with the computation of latest 2 years
- Any other document as may be required to assess the impact of COVID-19 by such borrower

B. Loans to the non-individual:

- Board Resolution (in case of Companies) stating that the Company's operations are under stress on account of Covid-19. In case of other applicants, an undertaking, that unit's operations are under stress on account of COVID-19
- Latest audited financials with complete annexures, notes to accounts, main audit report, Board's report, accounting policies and tax audit report
- Interim (provisional) financials till immediate previous month to the one in which application is made certified by CA
- Detailed projected financials for next years for which restructuring is requested for 'or' for the remaining tenure in case of term loan
- Details of changes in the management since last renewal (if any) and latest CA certified shareholding
- KYC documents of directors, shareholders & dealership
- Copy of GST returns for the period for which interim provisional are submitted
- Bank Statements of all Working Capital lenders for last 12 months

- Break up of Existing Secured/unsecured loans
- Personal Guarantee of promoters
- Any other document as may be required to assess the impact of COVID-19 on such borrower

7. Are there any additional cost or charges if I restructure my loan?

Company can levy a processing fee of 0.25% of the restructured finance amount before signing of the restructured agreement and charge a higher rate of interest rate of 0.50% will be applicable should the borrower choose to restructure his/her loan.

8. Will opting for the restructuring package have an impact on my credit bureau report?

As per the RBI Circular, the borrower's loan will be reported to the credit bureau as "Restructured due to Covid-19" and the credit history of the borrowers shall consequently be governed by the respective policies of the credit information companies as applicable to accounts that are restructured.

9. Who all needs to sign on the restructuring agreement?

As per regulatory and legal requirements, all borrowers/co-borrowers/guarantors of the original loan need to agree and sign on any changes in the loan structure including the restructuring agreement.

APPLICATION FOR LOAN RESTRUCTURING UNDER RESOLUTION FRAMEWORK 2.0

1. Name of Applicant(s): _____
2. Name of the Legal Entity: _____
3. Constitution of the Legal Entity: _____
4. PAN of Applicant(s): _____
5. PAN of the Legal Entity: _____
6. MSME Registered: _____
7. Contract Number for Restructuring: _____
8. Registered Mobile No.: _____
9. Registered Email-ID: _____
10. Reason for Income Disruption:

11. Plan for Repayment of Loan:

Declaration: I/We hereby certify that all information furnished by me/us is true, correct and complete to the best of my/our knowledge and belief. I/We shall furnish all other information that may be required by Company in connection with my/our application. The information may also be exchanged by you with any agency or regulator you may deem fit. You, your representatives or any other agency as authorised by you, may at any time, inspect/ verify my/our assets, books of accounts etc. in my/our factory/business premises. You may take appropriate safeguards/action for recovery of CFSIPL's dues.

Signature:

Name:

Place:

Date: