Policy on Restructuring of Advances 2.0

PREAMBLE

RBI through its Notification dated August 6, 2020 had allowed Banks and NBFC's to restructure advances given to MSME and Other Borrowers. In view of the uncertainties created by the resurgence of the COVID-19 pandemic in India in the recent weeks, the RBI has further decided to extend the above facility and on May 5, 2021 further issued two Notifications under the Resolutions Framework 2.0:

- Notification RBI/2021-22/32/DOR.STR.REC.12/21.04.048/2021-22 dealing with Restructuring of Advances to MSMEs
- Notification RBI/2021-22/31/DOR.STR.REC.11/21.04.048/2021-22 dealing with Resolution framework for Advances to Individuals and other Businesses.

The aforementioned Notifications permit NBFCs to restructure the Borrower accounts through a Board approved policy. Accordingly, Hiranandani Financial Services Private Limited ("**the Company/HFS**") has framed and adopted this Policy named as "Policy on Restructuring of Advances-2.0" ("**Policy**").

This Policy has three sections:

- Part A - Restructuring of MSME Loans
- Part B - Restructuring of Personal Loans ,Individual Loans for Business Purpose and Small Businesses Loans and
- Part C - General provisions.

All terms used in this Policy shall have the meanings assigned to them in the aforementioned RBI Notifications, RBI Master Directions and Loan documents executed with Borrowers, unless expressly defined herein.

PART-A (Restructuring of MSME Advances)

1. Eligibility Norms

An MSME borrower account may be restructured without a downgrade in the asset classification, subject to the following conditions:

- The Borrower account should be Standard as on March 31, 2021.
- The borrower entity is GST registered on the date of restructuring or is exempt from GST registration.
- The aggregate exposure of the Borrower from all lending institutions does not exceed Rs. 25 Crore.
- The borrower should be classified as 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. *(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)*
- The Borrower account was not restructured in terms of restructuring Circular dated August 6, 2020 or any other previous Circular.
- The restructuring of the borrower account needs to be invoked by September 30, 2021 and must be implemented within 90 days from the date of invocation.
- Borrower should be demonstrating signs of stress due to COVID-19.

2. Methodology of Restructuring

Restructuring of the Borrower account may be through any or all of the below means:

- Tenor enhancement (without moratorium)
- Principal moratorium with tenor enhancement
- Interest and principal moratorium with tenor enhancement
- Conversion of any amount including any overdue amount into a new loan account, on such terms and conditions, as may be agreed with the Borrower

3. Provisioning & Reversal of Provisioning

For the accounts restructured under above mentioned notification, the Company shall maintain the provision of 10 percent of the residual debt of the borrower.

Such provision may be reversed at the end of specified period, subject to conditions that account is demonstrating satisfactory performance during the specified period

Specified period *means period of one year from the commencement of the first payment of interest or principal, whichever is later.*

Satisfactory performance means no payment (interest/principal) shall remain overdue for period of more than 30 days.

4. Asset Classification

Asset classification of the Borrowers classified as standard may be retained as such. Any Borrower account that may have slipped into NPA category between April 1, 2021 and the date of implementation of restructuring may be upgraded as “Standard Asset” upon restructuring with effect from the date of such restructuring.

Part-B (Restructuring of Personal Loans, Individual Business Loans & Small Business Loans)

Existing Individual business loans and loans to small businesses may be restructured without a downgrade in the asset classification under provisions of this part of the Policy.

1. Eligibility Norms

The following borrowers shall be eligible for resolution:

- A borrower who has availed personal loans
- Individuals who have availed of loans for **business purposes** and whose aggregate exposure from all lending institutions is not more than Rs.25 crore as on March 31, 2021.
- 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 whose aggregate exposure from all lending institutions is not more than Rs.25 crore as on March 31, 2021.
- The Borrower account should be standard as on March 31, 2021
- The credit facility provided by HFS to their own personnel/staff shall not be eligible for resolution under this framework.
- The resolution plan needs to be invoked before September 30, 2021 and must be implemented within 90 days from the date of invocation.
- Borrower should be demonstrating signs of stress due to COVID-19.
- The Borrower account was not restructured in terms of restructuring Circular dated August 6, 2020 or any other previous Circular.

Note: 1. Personal loans refers to loans given to individuals and consist of (a) consumer credit, (b) education loan, (c) loans given for creation/ enhancement of immovable assets (e.g., housing, etc.), and (d) loans given for investment in financial assets (shares, debentures, etc.).

2. Methodology of Restructuring

The Resolution may inter-alia include any of the below means:

- Tenor enhancement (without moratorium)
- Principal moratorium with tenor enhancement
- Interest and principal moratorium with tenor enhancement
- Conversion of any interest accrued or to be accrued into another credit facility account, on such terms and conditions, as may be agreed with the Borrower.

Note:

1. *In no case the tenor of the Loan shall be extended by a period more than 2 years.*
2. *The moratorium period, if granted, may be for a maximum of two years, and shall come into force immediately upon implementation of the resolution plan.*

3. *In respect of borrowers where the resolution process has been invoked, HFS can sanction additional finance even before implementation of the plan in order to meet the interim liquidity requirements of the borrower.*
4. *Cases 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 Company can modify such plans only to the extent of increasing the period of moratorium / extension of residual tenor subject to maximum cap of 2 years.*

3. Provisioning & Reversal of Provisioning

Upon implementation of the restructuring plan, HFS shall keep provision of 10 percent of the residual debt of the borrower.

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 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.

4. Asset Classification

If a resolution plan is implemented in adherence to the provisions of this circular, 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.

PART-C (GENERAL PROVISIONS)
(Applicable for both Part A and Part B)

1. Mandatory preconditions for restructuring

The resolution plan shall be deemed to be implemented only if all of the following conditions are met:

- all related documentation, including execution of necessary agreements, if any, between HFS and borrower and collaterals provided, if any, are completed; and
- the changes in the terms of conditions of the loans get duly reflected in the books of HFS;

2. Assessment before Restructuring

- Credit and risk team will assess the impact of COVID-19 on the customers' business.
- For assessing the impact the Credit/Sales team may visit the borrowers' business address, if required they can visit residential address as well.
- Credit team may ask the Borrower to provide the documents, as they deems fit.
- The assessment shall include viability of the business of the borrower to be gauged through various aspects including business resumption

3. Documentation

HFS shall require the Borrower who has been granted restructuring under this Policy to execute such documentation, as it may decide.

The decisions on application received by HFS from its customers for invoking restructuring under this facility shall be communicated in writing to the applicant within 30 days of receipt of such application. A letter mentioning the revised terms and repayment schedule shall be granted to the Borrower in this regard.

4. Others Provisions

- Company shall make prescribed disclosure in Annual financial statement in the format as prescribed by RBI .
- The credit reporting by the HFS in respect of borrowers where the resolution plan is implemented shall reflect the "restructured due to COVID-19" status of the account.
- Any resolution plan implemented in breach of the above stipulated timelines shall be fully governed by the Prudential Framework.
- The Borrower needs to submit a formal request to HFS either through email at wecare@hfs.in or handover the request letter to HFS representative or submit at the local HFS branch.
- The decision of restructuring rests with HFS and any proposal of restructuring under this Policy shall be approved on a case to case basis, depending upon the internal assessment of the cases by HFS.
- The CEO and CRO are jointly authorized to approve the restructuring, approve any operational procedures/guidelines/deviations as may be required to implement the Policy and make any minor changes to the Policy in line with the directions/guidelines issued by RBI from time to time.
- The Policy Can be further reviewed by the Board if the Board deems fit or there is a

Regulatory mandate to change the Policy.

- The above Policy will be read in conjunction with existing Policies of the Company including the Clarification/FAQ if any issued by RBI in future. .
- The Policy shall be placed on website of the HFS for reference of the Borrowers.

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