

## **POLICY ON RESTRUCTURING OF LOANS 2.0**

### **1. Background: Prudential Framework for Resolution of Stressed Assets**

In view of the resurgence of Covid-19 pandemic in India and the consequent containment measures taken by the Government Machinery in various States to check the spread of pandemic, Reserve Bank of India, with an objective to alleviate the potential stress to individual borrowers and small business, announced a set of measures vide its circular no. RBI/2021-22/31 DOR.STR.REC.11/21.04.048/2021-22 dated May 05, 2021 in continuation to its earlier Circular No. DOR. No. BP. BC/3/21.04.048/ 2020-21 dated August 6, 2020 under the Prudential Framework to enable the lenders to implement a resolution plan.

RBI also had issued another circular no. RBI/2021-22/32 DOR.STR.REC.12/21.04.048/2021-22 dated May 05, 2021 consisting of the Resolution Framework 2.0 for covid related stress for MSMEs, in continuation to its earlier circular no. DOR. No. BP. BC/4/21.04.048/ 2020-21 dated August 6, 2020.

The aforementioned circulars dated May 5, 2021, *inter-alia*, requires every Housing Finance Company, to frame suitable policy under the Resolution Framework 2.0 duly approved by the Board of Directors.

Part A of this policy consists of eligibility requirements specific to resolution of advances to individuals and small business (not registered as MSME as on March 31, 2021) and Part B of this policy consists of eligibility requirements specific to resolution of advances to Micro, Small and Medium Enterprises (MSMEs).

### **PART A – RESOLUTION OF ADVANCES TO INDIVIDUALS AND SMALL BUSINESS**

#### **2. Eligibility Criteria:**

##### **2.1 Individual borrowers and small business:**

The following borrowers shall be eligible for the window of resolution to be invoked by Shriram Housing Finance Limited (“SHFL” / “Company”), as per RBI Circular No. RBI/2021-22/31 DOR.STR.REC.11/21.04.048/2021-22 dated May 05, 2021

- Individuals who have availed of personal loans (as defined in the Circular DBR.No.BP.BC.99/08.13.100/2017-18 dated January 4, 2018 on “XBRL Returns – Harmonization of Banking Statistics”), which include, Loans given for creation/ enhancement of immovable assets (e.g., housing, etc.),
- Individuals who have availed of loans and advances for business purposes and to whom the lending institutions have aggregate exposure of 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 to whom the lending institutions have aggregate exposure of not more than Rs.25 crore as on March 31, 2021.
- Credit facilities / investment exposure to the borrower was classified as Standard by SHFL as on March 31, 2021.

Provided further that the borrower accounts should not have availed of any resolution in terms of the Resolution Framework – 1.0 subject to the special exemption mentioned below:

*In cases of loans of borrowers specified in the proviso 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, SHFL is 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 paragraph 5.4 below, 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.*

## **2.2 Ineligible accounts**

- The credit facilities provided by SHFL to their own personnel / staff, are not eligible
- Borrower accounts / credit facilities belonging to the following categories listed in sub-clauses (a) to (e) of the Clause 2 of the Annex to the Resolution Framework 1.0, read with the response to Sl. No. 2 of FAQs on Resolution Framework for Covid-19 related stress (Revised on December 12, 2020):
  - MSME borrowers whose aggregate exposure to lending institutions collectively, is `25 crore or less as on March 1, 2020.
  - 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) or other relevant instructions as applicable to specific category of lending institutions.
  - Loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi- Purpose Societies (LAMPS) for on-lending to agriculture.
  - Exposures of lending institutions to financial service providers<sup>2</sup>.
  - Exposures of lending institutions to Central and State Governments; Local Government bodies (eg. Municipal Corporations); and, body corporates established by an Act of Parliament or State Legislature.
  - Borrowers who have availed resolution in terms of Resolution Framework 1.0, subject to exemption mentioned paragraph 2.1 above.

- 2.3 Any resolution plan implemented in breach of the stipulations of RBI circular No. RBI/2021-22/31 DOR.STR.REC.11/21.04.048/2021-22 dated May 05, 2021 shall be fully governed by the Prudential Framework for Resolution of Stressed Assets issued on June 7, 2019 ("Prudential Framework"), or the relevant instructions as applicable to specific category of lending institutions where the Prudential Framework is not applicable.

## **PART B – RESOLUTION OF ADVANCES TO MSMEs**

### **3. Eligibility Criteria**

#### **3.1 Micro Small and Medium Enterprises**

- 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.

- 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 GST-registration. This shall be determined on the basis of exemption limit obtaining as on March 31, 2021.
- The aggregate exposure, including non-fund based facilities, of all lending institutions to the borrower does not exceed ₹25 crore as on March 31, 2021.
- The borrower’s account was a ‘standard asset’ as on March 31, 2021.
- 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).
- 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.
- SHFL has prepared product-level standardized templates as part of this policy, for resolution under this window, which shall be utilised to optimise the processing time, as per Annexure ‘A’.

**4. Identification of Stress:**

4.1 Before a loan account turns into Non-performing assets (NPA) as per RBI framework, SHFL shall identify the stress in account by creating three sub categories under the special mention account(SMA) category given in the table below:

<b>SMA Sub Category</b>	<b>Basis of Classification</b>
SMA-0	Principal or interest payment overdue between 01-30 days
SMA-1	Principal or interest payment overdue between 31-60 days
SMA-2	Principal or interest payment overdue between 61-90 days

4.2 Further, in order to ascertain the impact of COVID, the types of borrowers in SHFL shall be classified into:

- Type A - Those who had credit weakness/deterioration in credit prior to the beginning of the crisis
- Type B - Those who did not demonstrate credit weakness before the COVID disruption (that is, before March 2021) but have had cash flow stress (mild, moderate or severe) during the COVID disruption; once the moratorium period is over, their business is normal and are not having any issues in their ability to service the facility.
- Type C - Those who did not demonstrate any credit weakness either before, during or after the COVID disruption;
- Type D - Those who did not demonstrate credit weakness before the COVID disruption (that is, before March 2021) but have had cash flow stress during the COVID disruption, which now seems to have a lasting impact on their servicing ability.

- 4.3 The Type D borrowers, shall be identified for restructuring under this framework, if the following conditions are fulfilled:
- Salary / income has got reduced when compared to March 2021.
  - Reduction/suspension in salary during lockdown period.
  - Job Loss due to closure of business.
  - Closure during lockdown/reduced activity of units / shops / business establishments in case of self-employed / professionals / businessmen.

## **5. Application, Date of Invocation and Resolution Plan**

- 5.1 The eligible borrower may apply for restructuring on or before 20.09.2021 in the prescribed format along with necessary enclosures, mentioned therein. SHFL shall communicate its decision on the application to the borrower within 30 days from the date of receipt of such application. SHFL shall evaluate the proposal for invoking the resolution plan under this framework.
- 5.2 Date of Invocation shall be the date on which both the borrower and SHFL agree to proceed with a resolution plan under this framework.
- 5.3 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, 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.
- 5.4 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. 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.**
- The reference date for the outstanding amount of debt that may be considered for resolution shall be March 31, 2021.
  - In case of individual loans, small business and MSMEs whose aggregate exposures of all lending institutions does not exceed Rs.25 crores as on March 31, 2021, the decision on the application shall be communicated in writing to the applicant by the lending institutions within 30 days of receipt of such applications and the resolution under this policy may be invoked not later than September 30, 2021 and the resolution plan shall be finalised and implemented within 90 days from the date of invocation of the resolution process under this window.

## **6. Asset Classification & Provisioning**

- 6.1 In all cases, where the resolution plan is implemented in adherence to the provisions of this facility, the asset classification of borrowers' accounts classified as Standard shall be retained as such upon implementation, whereas the borrowers' accounts which may be slipped into NPA between invocation and implementation may be upgraded as Standard, as on the date of implementation of the plan.

- 6.2 In respect of loans, where a resolution plan is implemented under this facility, SHFL 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 lending institution 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.

## **7. Reversal of Provisions**

- 7.1 In respect of individual loans and small business, 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 (housing 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.

- 7.2 7.2 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.

- 7.3 7.3 In respect of provisions held towards the exposure, for MSME accounts, SHFL shall have the option of reversing such provisions at the end of the specified period, subject to the account demonstrating satisfactory performance during the specified period.

*Specified Period' means a period of 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 under the terms of restructuring package. 'Satisfactory Performance' means no payment (interest and/or principal) shall remain overdue for a period of more than 30 days.*

## **8. Convergence of the norms for loans resolved previously**

- 8.1 In cases of loans of borrowers specified in paragraph 2.1 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, lending institutions are 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 paragraph 5.4 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.**

- 8.2 This modification shall also follow the timelines specified in paragraph 5 above. For loans where modifications are implemented in line with paragraph 8.1 above, the instructions regarding asset classification and provisioning shall continue to be as per the Resolution Framework – 1.0, i.e., as per Board Approved Policy dated October 28, 2020 on Restructuring of Loans.

## **9. Disclosures and Credit Reporting**

- 9.1 SHFL shall make disclosure prescribed in Format-X given in Annexure B, in quarterly financial statements for the quarters ending September 30, 2021 and December 31, 2021. The resolution plans implemented in terms of Part A (Individual Loans and Small Business) of this framework should also be included in the continuous disclosures required as per Format-B prescribed in the Resolution Framework – 1.0, i.e., as per Board Approved Policy dated October 28, 2020 on Restructuring of Loans.
- 9.2 The number of borrower accounts where modifications were sanctioned and implemented in terms of paragraph 8.1 above, and the aggregate exposure of the lending institution to such borrowers may also be disclosed on a quarterly basis, starting from the quarter ending June 30, 2021.
- 9.3 SHFL shall also make the required disclosures in the Annual Financial Statements, along with other prescribed disclosures.
- 9.4 The credit reporting by SHFL 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. 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.

## **10. Constitution of the Restructuring Evaluation Committee (REC)**

All the applications received from eligible borrowers and recommended by the Collection Head shall be placed before the REC, consisting of the following members, who shall evaluate and grant approval for the same, as deemed fit:

- (i) Mr. Subramanian Jambunathan, Managing Director & CEO - Chairman
- (ii) Mr. Gauri Shankar Agarwal, Chief Financial Officer - Member
- (iii) Mr. Nagendra Singh, Head – Mortgages - Member
- (iv) Mr. Shivram Jagadeswaran, Chief Risk Officer - Member

## **11. Grievance Redressal Mechanism**

In a rare event of borrower not being satisfied with the services of SHFL he / she may prefer to submit your grievances or queries, through the following channels of communication:

- Branch – Make a Complaint to respective Branch Head and it shall be recorded in Complaint Register.
- Call Toll Free No. – 1800-102-4345
- E-mail – [contact@shriramhousing.in](mailto:contact@shriramhousing.in)
- Letter: Shriram Housing Finance Limited, Level 3, East Wing, Wockhardt Towers, Bandra Kurla Complex, Mumbai – 400 051

SHFL will make available facilities at each of its branches and offices for the customers to lodge and/or submit their complaints or grievances, if any. In case customers are not satisfied with the initial response to complaint, from the Company, they may escalate your concerns to:

**Grievance Redressal Officer**

Shriram Housing Finance Limited

Level 3, Wockhardt Towers, East Wing Bandra Kurla Complex,

Mumbai - 400051 | Phone - (022) 42410400 | Fax - (022) 42410422 |

In case the response given is still unsatisfactory the customer may approach NHB either through online mode at the link <https://grids.nhbonline.org.in> or through offline mode, in prescribed format, at the following address:

**National Housing Bank (Complaint Redressal Cell)**

Department of Regulation and Supervision

4<sup>th</sup> Floor, Core 5-A, India Habitat Centre

Lodhi Road, New Delhi - 110 003

**Annexure 'A'**

**Standardised Template for Processing of Application for Restructuring**

**Credit Viability Report**

<b>Sr. No.</b>	<b>Parameter</b>	<b>Details</b>
1	Location	
2	LAN No.	
3	Customer name	
4	Product (HL/HL-BT, etc.)	
5	Sanction Amount (Rs. in Lacs)	
6	Date of Disbursement	
7	Current POS (Rs. in Lacs)	
8	EMI amount in Rs.	
9	Performance of our loan –RTR (Till March 2021 EMI bounce in which months and paid within how many days) - can be taken as per bounce string shared by HO.	
10 a.	Whether Morat 1 and Morat 2 taken or not	
10 b.	Whether Restructuring 1.0 availed or not	
10 c.	DPD as on 31.03.2021	
11	Profile of customer (Details of business / source of income, etc.)	
12	Eligibility under which scheme (Banking surrogate with ABB.../net-profit with FOIR...)	
13	Property details (Market value, occupied by whom and LTV at time of funding)	
14	Current live loan details (Total Loan as on date and total monthly obligations as on date)	
15	Current cash flow/Business details (Mention turnover and margin till March 2021 and actual income till March 2021 and against that what is his current turnover and margins and actual income / cash-flow p.m.)	
16	What is request of customer (Need restructuring - reduce EMI, Pay only interest, Need Full Moratorium)	
17	Assessment of Customer post PD and checking documents submitted (He / she has to ascertain COVID Impact on business, likely time period for recovery of cash flows to pre-COVID levels,	



Sr. No.	Parameter	Details
	any significant change in business model to tide over COVID Impact, any sub sequent de-leveraging by way of sale of Company / personal assets)	
18	Whether ECLGS loan availed from any other FI by applicant or co-applicants- pls give details	
19	If restructuring applied or availed from any other FI - pls provide details	
20	Suggestion from branch	
	Restructure – Yes / No	
	Proposed Restructure Suggestion if Yes (Reduce EMI, Pay only interest, Need Full Moratorium)	
21	PD Done by	
22	Recommended by	

Attachments
Old Mail approval, CAM, CIBIL, Valuation
Current CIBIL
SOA

**Annexure 'B'**

**Format – X**

**Format for Disclosures to be made in the  
Quarters ending September 30, 2021 & December 31, 2021**

Sr. No.	Description	Individual Borrowers		Small Business
		Personal Loans (Housing)	Business Loans (LAP)	
(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.			