MAS FINANCIAL SERVICES LIMITED

Policy for restructuring of advances to individuals and small businesses pursuant to Resolution Framework - 2.0

Formed, Approved and Adopted at the Board Meeting held on May 19, 2021

Policy for restructuring of advances to individual and small businesses pursuant to Resolution Framework - 2.0

Objective:

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, additional set of measures are being announced by the respected RBI for Resolution of Covid – 19 related stress of Individuals and Small Business vide notification dated May 5, 2021. The Company has decided to extend the support to its individual borrowers and small businesses and accordingly, framed internal guidelines/ policy on Restructuring of such loans.

Eligibility:

i.) 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"), excluding the credit facilities provided by lending institutions to their own personnel/staff.
ii.) 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.
iii.) 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.
iv.) The credit facilities / investment exposure to the borrower was classified as Standard by the Company as on March 31, 2021.
v.) Ability to demonstrate disruption in cash flow due to the Covid – 19 pandemic and ability to resume timely repayments under the restructured payment plan requested.

Ineligible accounts:

i.) The borrower accounts / credit facilities belonging to the 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).
ii.) The borrower accounts which have availed of any resolution in terms of the Resolution Framework – 1.0. **However**, in cases of loans of borrowers 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 may 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, 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.*

Timelines:

The restructuring of the borrower account is required to be invoked by September 30, 2021.

The resolution process under this window shall be treated as invoked when the Company 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 Company from its customers for invoking resolution process under this window, the assessment of eligibility for resolution as per the instructions contained in this circular and the Board approved policy put in place as above will be completed, and the decision on the application will be communicated in writing to the applicant within 30 days of receipt of such applications.

The decision to invoke the restructuring under this facility will be taken by the Company independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.

The restructuring of the borrower account will be implemented within 90 days from the date of invocation.

Features of Resolution Plan:

i.) 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.
ii.) No compromise settlements will be permitted as a resolution plan for this purpose.
iii.) 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.
iv.) 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 Paragraphs 30-32 of the Annex to the Resolution Framework – 1.0.
v.) 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.

Asset Classification:

i.) 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.
ii.) Post-restructuring, NPA classification of these accounts shall be as per the extant IRAC norms and ECL policy of the Company.

iii.) In respect of borrowers where the resolution process has been invoked, the Company 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.

iv.) Barring the one-time exception as per the policy within the norms prescribed by RBI, any loan account of the individual borrowers and small businesses which is restructured must be downgraded to NPA upon restructuring and will slip into progressively lower asset classification and higher provisioning requirements as per extant IRAC norms and ECL policy of the Company. Such an account may be considered for upgradation to 'standard' only if it demonstrates satisfactory performance during the specified period.

Provisioning Requirement:

i.) Upon implementation of the restructuring plan, the Company will 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 Company 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.

ii.) 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.

iii.) 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.

iv.) 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.

Working capital support for small businesses where resolution plans were implemented previously

In respect of the following category of borrowers where resolution plans had been implemented in terms of the Resolution Framework – 1.0, the Company may, as a one-time measure, to 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 will be taken by the Company 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.

i.) 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.

ii.) 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.

The above measures shall be contingent on the Company 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.

Documents required for restructuring benefits:

a) Request Letter for restructuring
b) Photo ID proof of all applicant and co-applicant
c) Latest Residence Proof
d) Last 6 Months Bank Statement
e) Proof / Self Declaration of Income Disruption with proper clarification
f) Plan for regularization of loan
g) Any other documents as the Company may require to process the request

Note: All documents need to be self-certified.

Deviation Matrix:
The approval authority for restructuring of the said loans is with the credit head of the respective products and if there is any deviation from the policy, the approval of the deviation to be taken from the CEO or any of the Executive Director.

Framework:

i.) Borrower should request for restructuring its account.
ii.) Action plan to revive the business & cash flow stress is required to be evaluated. Based on revival plan and cash flow stress assessment, revised terms for the loan to be finalized. The Company may ask for additional security coverage/guarantee based on the level of risk assessment.
iii.) Borrower should provide all the latest information & documents as required by the Company from time to time.
iv.) The Company will monitor the conduct of the borrower on monthly basis and will review the performance based on the conduct of the account.
v.) The Company may reject the request of the borrower based on its internal assessment and the decision of the Company shall be final.
vi.) Decision of the Company will also be based on the satisfactory assessment and response from the field team and other credit checks. The Company may instruct process for resolution to such customer which needs to be complied for granting of resolution.
vii.) Restructuring will be treated as implemented only if:
    a. all related documentation, including execution of necessary agreements between the Company and borrower / creation of security charge / perfection of securities are completed; and
    b. the new capital structure and / or changes in the terms and conditions of the existing loans get duly reflected in the books of the Company and the borrower.

c. borrower is not in default with the lending institution as per the revised terms.

Disclosures:

The Company will make following disclosure in financial statements for 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			

The Company will make disclosure as per the below format on half yearly basis till all exposures on which resolution plan was implemented are either fully extinguished or completely slips into NPA, whichever is earlier.

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

The number of borrower accounts where modifications were sanctioned and implemented in terms of para ii of ineligible accounts as above, and the aggregate exposure to such borrowers will be disclosed on a quarterly basis, starting from the quarter ending June 30, 2021.

Credit Bureau Reporting:

As per regulatory guidelines, loan facility will be reported to the credit bureau as “restructured due to COVID-19” under the Prudential Framework.

Processing fees or charges

The fees, charges and additional interest under the restructuring will depend upon the viability of the individual account and might vary from case to case.

Review:

The Board is authorized to review/amend this policy from time to time at its sole discretion and/or to bring it in conformity with statutory and regulatory requirements.

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