

## Roha Housing Finance Private Limited Policy on Restructuring under COVID-19 Framework-2.0 (May 2021)

### Background and Objective

The economic fallout on account of the Covid-19 pandemic has led to significant financial stress for borrowers across the board. The resultant stress can potentially impact the long-term viability of many businesses, otherwise having a good track record under the existing promoters, due to their debt burden becoming disproportionate relative to their cash flow generation abilities. It further resulted into significant job losses/ Salary Cuts being prevalent across. Such wide spread impact could impair the entire recovery process, posing significant financial stability risks.

In order to combat the COVID-19 pandemic effect, Reserve Bank of India (RBI) has announced various measures including moratorium on EMI payment for term loans/ deferment of interest in working capital facilities vide (RBI Notification Ref: no RBI/2021-22/31 DOR.STR.REC.11/21.04.048/2021-22 “**Resolution Framework - 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses**” dated May 5<sup>th</sup> 2021, to be read along with the FAQ’s released from time to time from RBI on the said subject.

The aforesaid framework is applicable to eligible borrowers – corporate persons or otherwise – subject to the conditions specified herein. Part A of this Annex pertains to requirements specific to resolution of advances to individuals and small businesses and Part B pertains to working capital support for: (i) individuals who have availed of loans for business purposes.

As desired in the said circular, each lending institution shall put in place a Board approved policy detailing the manner in which such evaluation may be done and the objective criteria that may be applied while considering the resolution plan in each case.

In line with the same, Roha Housing Finance Private Limited (hereinafter known as “RHFPL”) has also decided to give the benefit of the framework for eligible borrowers to enable them come out of the financial stress and make their account regular.

In line with this notification the following “Policy – Restructuring on stressed borrowers” is being proposed **under part A** of the framework:

### Applicability & Coverage:

This policy is extended to all the existing loan assets as on March 31<sup>st</sup> 2021 standing in RHFPL’s books of accounts which are

- 1) Standard Assets as on March 31, 2021
- 2) Which have faced financial stress due to Pandemic and finding difficult to pay their EMI’s on time.

- 3) Credit facilities provided to their own personnel/staff shall not be eligible for resolution under this framework.
- 4) The following borrowers shall be eligible for the window of resolution to be invoked by the lending institutions:
  - a) 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.
  - b) 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 (or such other amount as may be prescribed by Reserve Bank of India from time to time) as on March 31, 2021.
  - c) 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 (or such other amount as may be prescribed by Reserve Bank of India from time to time) as on March 31, 2021.

**Process:**

- Customer has to apply to RHFPL in writing expressing his financial stress in detail. RHFPL reserves a right to accept or withdraw the application.
- For this purpose, the date of invocation shall be the date on which both the borrower and lending institution have agreed to proceed with a resolution plan under this framework.
- Resolution under this framework may be invoked not later than September 30, 2021 (or such other time period as may be prescribed by Reserve Bank of India from time to time)
- The resolution plans may inter alia include rescheduling of payments, conversion of any interest accrued, or to be accrued, into another credit facility, or, granting of moratorium, based on an assessment of income streams of the borrower, subject to a maximum of two years. Correspondingly, the overall tenor of the loan may also get modified commensurately. The moratorium period, if granted, shall come into force immediately upon implementation of the resolution plan.
- RHFPL while accepting any such request shall assess the request through any of the below means:
  - 1) To judge the financial difficulty through visiting the customer and his establishments and taking a stock of his current financial situation.
  - 2) Previous payment history and feedback of various visits/ collection calls to the customer.

**Implementation:**

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 between lending institutions and borrower and collaterals provided, if any, are completed by the lenders concerned in consonance with the resolution plan being implemented.

- The changes in the terms of conditions of the loans get duly reflected in the books of the lending institutions; and,
- Borrower is not in default with the lending institution as per the revised terms.

The resolution plan offered by RHFPL will include:

- Rescheduling of payments including past overdues, conversion of any interest accrued, or to be accrued, into another credit facility,
- And/ or, granting of moratorium, based on an assessment of income streams of the borrower, subject to a maximum of two years. The moratorium period, if granted, 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.

In case of Moratorium being granted, the accrued interest for the moratorium period will be added to the original outstanding loan including all overdues and will be recovered along with the interest as per the contracted interest rate over the balance agreed tenor of the loan. No penalty/charges shall be charged for deferred PEMI/EMI for existing loan repayments during this period for the loan accounts where moratorium has been given.

- The revised repayment schedule will be communicated to the customer via e-mail to his registered email id available with RHFPL or via courier to its registered address available with RHFPL.
- Resolution under this framework may be invoked not later than Sep 30, 2021 and must be implemented within 90 days from the date of invocation.
- The decisions on applications received by RHFPL for invoking restructuring under this facility shall be communicated in writing to the borrower within 30 days of receipt of such applications and such decisions shall be independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower
- Due to the restructuring and resultant capitalization of accrued interest for the moratorium period including all overdues, the credit parameters including but not limited to the LTV, Tenor and Loan amount will change and may exceed the limits set in any prevailing Lending Policy of the company.

Any resolution plan implemented in breach of the stipulations of this circular 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.

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

- 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 in line with the RBI’s notification as aforesaid

- The extant guidelines of the RBI under the said framework for provisioning will be applied for in the letter and spirit of the prevailing guidelines.
- Additional finance to borrowers in respect of whom the resolution plan has been invoked, if sanctioned even before implementation of the plan in order to meet the interim liquidity requirements of the borrower, may be classified as 'standard asset' till implementation of the plan regardless of the actual performance of the borrower with respect to such facilities 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 the additional finance or the rest of the credit facilities, whichever is worse.
- In respect of loans where a resolution plan is implemented under this facility, the RHFPL 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).

#### **Reversal of Provisions**

- 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.
- 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.

#### **Post Implementation Performance**

- For Individual loans, after implementation of the resolution plan in terms of this facility, the subsequent asset classification 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 as amended from time to time or other relevant instructions as applicable to specific category of lending institutions.

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

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, old restructuring plan can be modified **only** to the extent of increasing the period of moratorium / extension of residual tenor subject to the caps in Clause 12 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 the previous policy under Resolution Framework – 1.0 and this policy combined, shall be two years.

### Grievance Redressal Mechanism

- i. Grievances, if any, of the borrowers who request for resolution will be handled in line with the 'Grievance Redressal Policy' of RHFPL
- ii. Registration of customer complaints, handling of the same, time frames, and escalation grids, would be as detailed in the said Policy
- iii. The 'Grievance Redressal Policy' is available on the website of the Company

### Disclosures and Credit Reporting

- The Policy shall sufficiently be publicized and should be available on the website of the Company.
- RHFPL will be guided by the disclosures as mandated in the **Resolution Framework - 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses issued by RBI dated May 5, 2021.**
- Lending institutions that are required to publish only annual financial statements shall make the required disclosures in their annual financial statements, along with other prescribed disclosures.

The **credit reporting** by the lending institutions 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.

Any change in the extant guidelines issued from time to time from the regulator shall be followed in letter and spirit of the relevant circulars. While 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

MD & CEO is authorised to approve any operational procedures/guidelines/exceptions as may be required to implement the policy and make any changes to the policy in line with the directions/guidelines issued by RBI/NHB from time to time.

*This policy will come into force with effect from 15<sup>th</sup> May 2021 and remain effective till amended or withdrawn.*