

PAHAL FINANCIAL SERVICES PRIVATE LIMITED

Policy Note on Restructuring Framework 2.0

Verified by

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The Policy is approved by the Board of Directors on 02nd June 2021

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1. Introduction:

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 firms, otherwise having a good track record under the existing promoters, due to their debt burden becoming disproportionate relative to their cash flow generation abilities. Such widespread impact could impair the entire recovery process, posing significant financial stability risks.

The resurgence of Covid-19 pandemic in India in the recent weeks and the consequent containment measures to check the spread of the pandemic has impacted the recovery process and created new uncertainties. With the objective of alleviating the potential stress to individual borrowers and small businesses, Reserve Bank of India vide its Circular RBI/2021-22/31, DOR.STR.REC.11/21.04.048/2021-22 dated May 5, 2021 has issued detailed guidelines on Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses. The Circular also mandates the lending institutions to frame a Board approved policy within 4 weeks from the date of issue of the above circular.

Accordingly, the following policy guidelines are issued for Loan Restructuring of impacted borrowers' loans in Pahal Financial Services Private Limited (herein after referred to as "Pahal").

2. Eligibility criteria for Loans:

- The resolution under this facility is extended only to borrowers having stress on account of Covid19 and to those not covered under the resolution framework 1.0 (Circular dated 6th August, 2020 DOR.No.BP.BC/3/21.04.048/2020-21).
- The borrower's account should be 'standard asset' as on March 31, 2021.
- Type of Borrowers covered: a. Individuals who have availed personal loans (as per Circular DBR.No.BP.BC.99/08.13.100/2017-18 dated January 4, 2018) b. Individuals who have availed loans and advances for business purposes and aggregate exposure is <= Rs 25 cr as on 31st March, 2021 c. Small businesses including those engaged in retail and wholesale trade, other than loans classified as MSME as on 31st March, 2021 and aggregate exposure is <= Rs 25 cr as on 31st March, 2021.
- The borrower accounts / credit facilities shall not belong 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)

3. Timelines:

- The date of invocation shall be the date on which both the borrower and Pahal have agreed to proceed with a resolution plan under this framework.

- Resolution under this framework may be invoked not later than 30th September, 2021.
- The resolution plan must be implemented within 90 days from the date of invocation. The resolution plan shall be deemed to be implemented only if all of the following conditions are met:
 - a) all related documentation, including execution of necessary agreements if required, between Pahal and borrower, are completed.
 - b) the changes in the terms of conditions of the loans get duly reflected in the books; and, borrower is not in default with Pahal as per the revised terms.

4. Qualification scenario of resolution plan for borrowers:

Only COVID-19 impacted borrowers (Financial/ medical impact) shall qualify for this resolution plan. Accordingly, any borrower facing financial stress on account of following shall be eligible for restructuring:

- on account of income/ employment uncertainty, or
- on account of impact on business, or
- health issues arising from COVID

5. Procedure for Loan Restructuring:

- The borrower has to submit a request in writing to the concerned branch.
- The borrower must be a standard account in the books of Pahal as of March 31, 2021.
- Pahal's Staff should visit the customer and evaluate the request of the customer w.r.t. impact of lockdown on the business of the customer.
- Restructuring of loans will be considered on case-to-case basis only after necessary checks and recommendations by Pahal's Employee.
- Pahal shall revert to borrower within 30 days from receipt of application from borrower for restructuring.
- The necessity to restructure the loan account will be determined by the sanctioning authority on a case-to-case basis taking a holistic view of the proposal / ability of customer to restart the income generation activity and service loan repayments.

6. Features of Resolution Plan:

The features of resolution plan shall include the following:

- Rescheduling of repayments including accrued interest.

- Granting of moratorium, based on an assessment of income streams of the borrower, subject to a maximum of three months. The moratorium period, if granted, shall come into force immediately upon implementation of the resolution plan. Correspondingly, the overall tenor of the loan shall get modified commensurately.
- Conversion of any interest accrued or to be accrued into another credit facility
- Sanction Additional Finance to customers who have been considered for resolution plan to meet the interim needs of the borrower.
- The repayment tenure extension for the rescheduled loans including moratorium period shall be for a maximum of 2 years.

7. Asset Classification and provisioning for restructured accounts:

I. Asset classification:

- a. The eligible borrowers' accounts should continue to be classified as Standard till the date of invocation of resolution.
- b. If a resolution plan is implemented in adherence to the provisions of this facility, 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 plan.
- c. However, if the resolution plan is not implemented within the stipulated timelines (date of invocation: 30th September 2021 & date of implementation: 90 days from invocation), the resolution plan shall be fully governed by the Prudential Framework.

II. Asset classification:

Pahal 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% of the renegotiated debt exposure post implementation (residual debt).

III. Asset classification:

The reversal may be carried out as under:

- a. half of the above provisions may be written back upon the borrower paying at least 20% of the residual debt without slipping into NPA post implementation of the plan, and
- b. the remaining half may be written back upon the borrower paying another 10% of the residual debt without slipping into NPA subsequently.

- c. However, in respect of provisions against exposures other than personal loans, the above provision shall not be written back before one year from the commencement of the first interest or principal payment (whichever is later) on the credit facility with the longest moratorium

8. Grievance Redressal:

Customers can contact the Branch Manager of respective branch or Nodal Officer for any grievances regarding restructuring of loan accounts or can send mail on Nisha.dwivedi@pahalfinance.com

9. Review:

- The performance of restructured account shall be monitored closely by the management.
- A quarterly report shall be presented to the Asset Liability & Risk Management and Audit Committee on restructured accounts during the period.

10. Disclosure:

The disclosures in the financial statements shall be made in following formats in 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			