



**MUTHOOT FINCORP LIMITED**

**Policy on**

**Restructuring of Individual & Small business Loans and MSMEs**

(Pursuant to RBI Notifications dated May 5, 2021)

**Approved by the Board on 24<sup>th</sup> May 2021**

## **Background**

In view of the resurgence of Covid-19 pandemic in India and the impact of consequent containment measures to contain the spread of pandemic on recovery process, the Reserve Bank of India (RBI) vide its Circulars RBI/2021-22/31/ DOR.STR.REC.11/21.04.048/2021-22 dated May 5, 2021 and RBI/2021-22/32/ DOR.STR.REC.12/21.04.048/2021-22 dated May 5, 2021 announced measures to directly address the stress to individual borrowers & small businesses and MSMEs respectively (hereinafter individually referred to as “the Circular” and collectively as “the Circulars”). These set of measures are broadly in line with the contours of earlier Resolution Framework, with suitable modifications.

As per the Circulars, all lending institutions shall frame Board approved policies for providing the reliefs to all eligible borrowers, including inter alia, the objective criteria for considering reliefs as provided therein and disclose in public domain.

Hence this policy, which is comprising of Part A and Part B, covering both the Circulars respectively.

## **Part A**

### **1. Introduction**

Further to the circular DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6, 2020 on “Resolution Framework for COVID-19-related Stress” (“Resolution Framework – 1.0”), RBI has issued a circular RBI/2021-22/31/ DOR.STR.REC.11/21.04.048/2021-22 dated May 5, 2021 with the objective of alleviating the potential stress to individual borrowers and small businesses due to the impact of Covid 19 by announcing certain set of measures to support such eligible customers (“Resolution Framework – 2.0”).

### **2. The resolution plan addresses following:**

- a. Requirements specific to resolution of advances to individuals and small businesses
- b. working capital support for:
  - i. individuals who have availed of loans for business purposes, and
  - ii. small businesses, where resolution plans were implemented previously
- c. the disclosure requirements for the lending institutions with respect to the resolution plans implemented under this window

### **3. Objective of the Policy**

The objective of this Policy is to aid and assist MFLs stressed borrowers due to Covid 19 through the permitted rescheduling / restructuring plan and ensuring sustenance of livelihood. It will also help MFL address the impact arising out of borrower’s debt turning into a nonperforming asset (NPA)

#### **4. Policy Features**

A limited window will be offered to individual borrowers and small businesses to implement resolution plans in respect of their credit exposures. These loans will be classified as Standard upon implementation of the resolution plan subject to the conditions.

#### **5. Eligibility**

The following borrowers shall be eligible for the window of resolution to be invoked

- a. Individuals who have availed Personal Loans (as defined in the Circular DBR.No.BP.BC.99/08.13.100/2017-18 dated January 4, 2018 8 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 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 as on March 31, 2021.

The credit facilities / investment exposure to the borrower which are classified as Standard by MFL as on March 31, 2021 shall only be eligible for the resolution framework 2.0.

All borrowers who have availed benefit under Resolution Framework 1.0 will be ineligible to avail benefits under this Resolution Framework 2.0. Also, the eligibility mentioned above shall be subject to the specific exclusions as provided under the Circular.

#### **6. Key Features**

Subject to eligibility of each customer and independent assessment made by MFL on a case-to-case basis, the relief provided under this policy will include following:

##### **a. Rescheduling of payments:**

Pending repayments will be rescheduled, as per request of the customer subject to credit verification of cashflows, upto maximum of 48 months from the date of restructuring with overall increase in original tenure being less than or equal to 24 months including moratorium period

##### **b. Conversion to other available credit facilities:**

Loans other than personal loans under 5(a) above, will be, evaluated to be shifted to other product viz,

- i. Equated Daily installment product upto 6 months period
- ii. Equated weekly installment product upto 12 months period

- iii. Equated monthly installment product upto 48 months period including restructuring or moratorium or both.
- iv. Suvarna loans upto maximum of 36 months period
- v. Loan Against property

**c. Granting of Moratorium:**

Loans other than personal loans under 5(a) above, will be eligible for obtaining moratorium as below:

- i. Upto 12 months moratorium for repayment of installments including principal and Interest and
- ii. A moratorium for repayment of principal amount for maximum of 18\* months period
- iii. Combination of above will be total of maximum 24 months of moratorium'

**d. Special Conditions:**

- i. All existing loans will cease to exist in case of restructuring by way of shifting to new credit facilities.
- ii. The above-mentioned schemes can be offered in combination with full moratorium of interest and principal repayments or partial moratorium of principal only for varied tenures and new credit facilities.
- iii. Customers who availed moratorium as per Resolution Framework - 1.0, will be only eligible for extension of moratorium up to 18 months in combination of c (i) and (ii)
- iv. MFL must agree on all requests of Invocation of resolution applied by customers and all resolutions will be subject to credit underwriting decision of MFL.
- v. All Loans falling under 5 above shall not automatically become eligible for Resolution Framework 2.0. MFL shall have absolute discretion in deciding the eligibility for each accounts and to offer such resolution framework to such customers on the basis of its individual assessment of each of such loan and such decision by MFL shall be final.

**Asset Classification**

Since the moratorium is being provided specifically to enable the borrowers to tide over economic fallout from COVID-19, the same will not be treated as concession or change in terms and conditions of loan agreements due to financial difficulty of the borrower under paragraph 2 of the Annex to the Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions, 2019 dated June 7, 2019 ("Prudential Framework"). Consequently, such a measure, by itself, shall not result in asset classification downgrade for the purposes of RBI reporting as well as Stage III classification under Indian Accounting Standards (IndAS) for the purposes of Expected Credit Loss (ECL) provisioning applicable to NBFCs. The asset classification of term loans which are granted relief as per this Policy shall be determined on the basis of revised due dates and the revised repayment schedule.

## Supervisory and Credit Bureau Reporting

The credit reporting by the lending institutions in respect of borrowers where the resolution plan is implemented under this window shall reflect the “restructured due to COVID-19” status<sup>1</sup> 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.

### Format for disclosures to be made 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			

### Part B

#### 1. Introduction

Further to the circular the circular DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020 on restructuring of advances to the MSME borrowers on “Resolution Framework for COVID-19-related Stress” (“Resolution Framework – 1.0”), RBI has issued a circular RBI/2021-22/32/DOR.STR.REC.12/21.04.048/2021-22 dated May 5, 2021 with the objective of extend the above facility for restructuring existing loans without a downgrade in the asset classification (“Resolution Framework – 2.0”).

#### 2. The resolution plan

In view of the uncertainties created by the resurgence of the Covid-19 pandemic in India, upon the request from a customer, restructuring of existing eligible loans may be considered without a downgrade in the asset classification, subject to following conditions:

- a. 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.
- b. 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.
- c. 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.
- d. The borrower's account shall be 'standard asset' as on March 31, 2021.
- e. 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)

### 3. Key Features

Subject to eligibility of each customer and independent assessment made by MFL on a case-to-case basis, the loans of the eligible customers will be restructured, upon the terms and conditions as may be decided and communicated by MFL.

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