

## **ADANI HOUSING FINANCE PVT LTD (AHFPL)**

### **Policy Guidelines on Resolution Framework – 2.0**

Resolution of Covid-19 related stress of Individuals and Small Businesses

Resolution of Covid-19 related stress of Micro, Medium and Small Enterprises

**Date: - June 05, 2021**

## Policy / Operating Guidelines:

Particular	Details
<p><b>Policy Type</b></p>	<p>The Reserve Bank of India (RBI) vide its 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") had provided a window to enable lenders to implement a resolution plan in respect of eligible exposures to individuals and MSMEs without change in ownership, and personal loans, while classifying such exposures as Standard, subject to specified conditions.</p> <p>Due to resurgence of the COVID-19 pandemic in India and the associated containment measures adopted at regional levels and it has most certainly impacted the nascent economic revival that was taking shape post 1st wave. The regulators and trade representatives felt it was imperative to support the individuals, small businesses and Micro, Small and Medium Enterprises (MSMEs) businesses. To grant relief from economic hardship during of these times, the RBI has issued circulars on Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses ("Resolution Framework 2.0") and Resolution Framework 2.0 – Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises ("MSME Restructuring 2.0") (Refer as the 'RBI Circulars').</p> <p>The Policy on Resolution Framework 2.0 (ResFra 2.0) - Resolution of Covid-19 related stress of Individuals, Small Businesses and MSMEs, will act as guidelines towards restructuring of existing loans of Adani Housing Finance Pvt. Ltd. (the Company), without any downgrade in the asset classification, subject to various terms and conditions as outlined in RBI Circulars. Any changes, clarifications or circulars pertaining to the subject matter of the Policy, as coming from the RBI, shall be deemed incorporated into this Policy, so as to make the Policy completely subservient to the RBI's regulatory framework.</p> <p>RBI notification no. 31 - Resolution of Covid-19 related stress of Individuals and Small Businesses. RBI notification no. 32 - Resolution of Covid-19 related stress of MSMEs</p>
<p><b>Purpose</b></p>	<p>To support existing AHFPL customers under RBI resolution framework.</p> <p>As per notification, lending institutions are permitted to offer a limited window to individual borrowers and small businesses to implement resolution plans in respect of their credit exposures while classifying the same as Standard upon implementation of the resolution plan subject to the conditions specified in eligibility section.</p>
<p><b>Approving Authority</b></p>	<p>The Policy guidelines as guided by the provisions of the RBI Circulars, has been approved by the Board of Directors of the Company.</p> <p>The Board has authorized the Head of Credit &amp; Risk to approve all operational procedures/ guidelines as may be required to implement the Policy and make any changes to the Policy in line with the directions/ guidelines/ clarifications issued by the RBI, from time to time. All the credit policy parameters related deviations arising due to implementation of the Resolution Plan and increase in loan tenure beyond the original sanction terms or policy cap is approved by the Board.</p>

## Individuals and Small Businesses:

### *(A) First time restructuring:*

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.

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.

**\*Personal loans** would include –

- i) Consumer credit (Credit Cards, Consumer Durable loan, Auto loans (other than commercial), PL against gold, immovable property, FD, Shares, Bonds etc., PL to professionals.
- ii) Education Loan
- iii) Loans for creation/ enhancement of immovable assets (e.g., housing, etc.)
- iv) Loans for investment in financial assets (shares, debentures, etc.)

### *(B) Convergence restructuring:*

This covers those borrowers who have availed restructuring under ResFra 1.0. Such borrowers will be eligible if the original restructuring either did not grant a moratorium, or the moratorium granted was less than 2 years, or the elongation of the residual term, was less than 2 years.

### *(C) Restructuring by review of working capital facilities:*

In respect of individuals who have availed advances for business, or small businesses (other than MSMEs), lending institutions are also being permitted as a one-time measure, to review the working capital sanctioned limits, based on a reassessment of the working capital cycle, margins, etc.

## MSMEs :

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.

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.

The borrower should be 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.

Eligible  
Borrowers as  
per ResFra 2.0

**Eligibility conditions as per ResFra 2.0**

**Individual and Small Businesses:**

- The eligible borrowers for resolution under this framework are those having stress on account of COVID-19.
- The borrower account was classified as standard as at March 31, 2021 and where viability of Resolution Plan is established.
- Aggregate exposure of lending institutions is not more than Rs 25 crores as on 31st March, 2021 (not applicable on personal loan exposure.)
- The credit exposure to the borrower should be standard as on 31st March, 2021.
- Borrowers having credit exposures from other lending institutions shall also be eligible for availing the benefit of the plan under the Resolution Framework 2.0 from the company, subject to compliance of all eligibility criteria.
- Credit facilities provided to Company staff shall not be eligible for resolution under this framework.
- Convergence of the norms for loans resolved previously : In cases of loans of borrowers where resolution plan had been implemented in terms of the Resolution Framework – 1.0, such borrowers are also eligible for resolution under this window to modify such plan to the extent of increasing the period of moratorium/extension of residual tenor subject to overall cap on moratorium and / or extension of residual tenor granted under Resolution Framework – 1.0 and this framework combined, shall be two years. Also, lending institutions are permitted, as a one-time convergence 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 shall be taken by lending institutions 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. (Refer to Part B - Working capital support for small businesses where resolution plans were implemented previously of Res Fra02)
- Borrowers must not be a part of ineligible businesses as per below list:
  - MSME borrowers where aggregate exposure of lending institutions collectively, is more than Rs. 25 crores (which has now been revised to more than Rs.50 cr vide RBI Circular on Res Fr.02 dated June 4, 2021) as on March 31, 2021.
  - Farm credit
  - Loans to primary agricultural society etc.
  - Exposures to financial service providers
  - Exposure to Central or State Governments, Local Government bodies
  - Borrowers who have been restructured under Resolution Framework 1.0 will be eligible for resolution 2.0, where the resolution plan under Framework 1.0 had permitted no moratorium or moratorium of less than 2 years and/or extension of residual tenor by a period of less than 2 years, only to extent of increasing the period of moratorium/ extension of residual tenor such that the total moratorium tenure/ extension of residual tenure granted under Framework 1.0 and Framework 2.0, does not exceed 2 years. No other change except this is allowed.
  - Such other exclusions, over and above the exclusions mentioned in the Resolution Framework 2.0, as may be specified by the respective business teams.

	<p><b>MSMEs:</b></p> <ol style="list-style-type: none"> <li>In respect of accounts of borrowers which were restructured in terms of the MSME restructuring circulars, lending institutions are permitted, 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 shall be taken by lending institutions by September 30, 2021. The reassessed sanctioned limit / drawing power shall be subject to review by the lending institution at least on a half yearly basis and the renewal / reassessment at least on an annual basis. The annual renewal/reassessment shall be expected to suitably modulate the limits as per the then-prevailing business conditions.</li> <li>The borrower should be standard as on March 31, 2021. In case of term loans or similar facilities, this would mean the account must not be more than 89 DPD. In case of working capital facilities, this would mean any of the credit facilities has not become a non-performing asset.</li> <li>The "aggregate exposure" of the borrower should be upto Rs 25 crore, (revised upto Rs.50 cr) including non-fund based facilities, from all lending institutions to the borrower as on March 31, 2021.</li> <li>The borrower should be GST-registered on the date of implementation of the restructuring. However, this condition will not apply to MSMEs that are exempt from GST-registration.</li> </ol>
<p><b>Eligible Borrowers in AHFPL</b></p>	<p>Existing AHFPL customers who have availed loan facility under:</p> <p><b>Individual and Small Businesses:</b></p> <p>Housing Loans Non-Housing Loans</p>
<p><b>Approach</b></p>	<ol style="list-style-type: none"> <li>Request for restructuring will be processed based on written application from Customer</li> <li>Branch Credit Manager (BCM) will cross check customer eligibility (for restructuring) as per defined parameters and underwriting policy.</li> <li>Documentation to be checked by branch team and BCM.</li> <li>Credit assessment of customer to check impact of Covid 19/lockdown on business, cash flows and scope of recovery.</li> </ol>
<p><b>Eligibility parameters</b></p>	<ol style="list-style-type: none"> <li>Account status as "standard" as on 31 Mar 21</li> <li>Customer must not have availed restructuring earlier under ResFra 1.0</li> <li>Not part of ineligible businesses as per guidelines in ResFra 2.0</li> <li>Aggregate exposure of lending institutions is not more than Rs 25 crores as on 31st March, 2021</li> </ol>
<p><b>Assessment</b></p>	<p>AHFPL will re-assess and establish certainty of repayment from borrower post restructure after relevant due diligence with prime focus on below 2 factors:-</p> <p><b>a. Intent</b> <b>b. Affordability</b></p>

<p><b>Scope of Restructuring</b></p>	<p>Can be either one or among other things listed below which is based on assessment of income streams of borrower:</p> <p><b>Option-1</b> Rescheduling of payments with or without step-up repayment with extension of balance tenure of loan by a further period of maximum 2 years. The Step-up repayment shall not exceed 2 years from the date of implementation of resolution plan including moratorium period.</p> <p><b>Option-2</b> Moratorium on payment of EMI/PEMI upto 2 years with or without Step-up repayment option. The Step-up repayment shall not exceed 2 years from the date of implementation of resolution plan including moratorium period, further the balance tenure of loan can be extended for a period of maximum 2 years.</p> <p>Other conditions:</p> <ol style="list-style-type: none"> <li>1. Restructuring will not include any "compromise settlement". Compromise settlement could be agreeing to a substantial sacrifice by AHFPL, mostly resulting into waiver of outstanding principal.</li> <li>2. Restructuring will not result into moratorium beyond 2 years or extension of the residual tenure of the loan by more than 2 years</li> <li>3. The re-structured contract will be tagged appropriately in the Company's Loan Management system to facilitate identification of such contracts in the portfolio.</li> </ol> <p>The proposed loan amount will cover the principal outstanding, overdue EMI and/or unrecovered charges, if not already cleared, as may be decided by the approving authority.</p>
<p><b>Maximum tenure increase</b></p>	<p>Upto 24 month (including moratorium - if granted)</p>
<p><b>Applicable ROI</b></p>	<p>as per existing loan</p>
<p><b>Invocation of resolution</b></p>	<ul style="list-style-type: none"> <li>• Resolution under this framework shall be invoked not later than September 30, 2021 or 30 days from the date of application whichever is earlier and must be implemented within 90 days from the date of invocation.</li> <li>• The resolution process under this window shall be treated as invoked when the Company and the borrower agree to proceed with the efforts towards finalizing a resolution plan to be implemented. In other words, the date of communication by the Company to the borrower agreeing to the Resolution Plan shall be treated as the date of invocation.</li> <li>• The Company can take decision to invoke the resolution process under this window independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.</li> <li>• The last date for invocation of resolution permitted under Resolution Framework 2.0 is September 30, 2021.</li> <li>• The decision to invoke the resolution process shall be taken by the Company independent of invocation decisions taken by other lending institutions having exposure on the same borrower.</li> <li>• The decision on applications for invoking restructuring received by the Company shall be communicated in writing by the Company within 30 days of receipt of such applications.</li> </ul>

<b>Documentation (pre-sanction)</b>	<p>Latest 12 month banking. Three month banking pre-lockdown to be documented in file (Jan-Mar 21) in restructuring requests.                      KYC if change in address or constitution                      Cash flow assessment by Credit manager who have assessed business turnover and Income at the time of personal visit at borrowers business place.                      Application from customer for Loan restructuring</p>
<b>Documentation (post-sanction)</b>	<ol style="list-style-type: none"> <li>1. Acceptance of customer on restructuring plan with revised terms and conditions.</li> <li>2. Revised repayment schedule and addendum to loan agreement.</li> <li>3. Revised NACH form</li> </ol>
<b>Underwriting process</b>	<p>Prevailing underwriting process will be followed in all restructuring requests as below:</p> <ol style="list-style-type: none"> <li>1. Credit Manager will visit customer's business place, residence and collateral.</li> <li>2. Assessment of business income / turnover / stock levels / existing obligations need to be checked during discussion with customer.</li> <li>3. Affordable EMI (post restructuring) need to be discussed and verified during visit.</li> <li>4. Latest photographs of Shop and Collateral to be taken for approval</li> <li>5. CAM and CFA to be prepared as per existing process</li> <li>6. PD report need to be filled and included in file.</li> <li>7. Latest Bureau report to be fetched to check overall outstanding of all financial institutions and repayment details.</li> </ol>
<b>Approval matrix</b>	<p>All restructuring proposals to be approved by NCM and Head – Credit &amp; Risk on email basis recommendation from the branch.                      This includes any approval on deviation related to documentation as mentioned above (pre-sanction).</p>
<b>Flagging of ResFra cases</b>	<p>Restructured accounts under ResFra 2.0 to be flagged as "Restructured for Covid" in loan management system (LMS)</p>
<b>Asset Classification of restructured account</b>	<ul style="list-style-type: none"> <li>• The asset classification of the borrower accounts shall continue to remain "Standard" upon implementation of resolution package.</li> <li>• The borrowers' accounts which may have slipped to NPA between invocation of resolution and implementation shall be upgraded to "Standard" as on the date of implementation of the resolution plan.</li> <li>• The Asset classification after implementation shall be as per applicable Income Recognition, Asset Classification and Provisioning Norms (IRAC norms), depending on the behaviour of the asset.</li> <li>• Additional facility provided to borrower between the period of invocation of plan till implementation shall be classified as "Standard" till the resolution plan is implemented irrespective of repayment performance of the borrower for this facility, subject to the plan has been implemented within stipulated timeline. However, if the 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.</li> </ul>

<b>Provisioning</b>	<ul style="list-style-type: none"><li>• Provisions, from the date of implementation, shall be higher of the provisions held as per IRAC norms immediately before implementation, or 10% of the renegotiated debt exposure of the lending institution post implementation (residual debt).</li><li>• 50% of the above provision may be written-back on the borrower paying at least 20% 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% of the residual debt without slipping into NPA subsequently.</li><li>• Above provision in case of exposure other than personal loan 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.</li></ul>
<b>Process of handling customer grievance</b>	Any grievance of the customers from the redressal process as per this policy shall be redressed as per the Grievance Redressal Policy as uploaded on the website of the Company.
<b>Disclosure &amp; Credit Reporting</b>	The credit reporting by the Company in respect of borrowers where the resolution plan is implemented under this facility 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.