



Sitara[®]
A SEWA INITIATIVE

LOAN RESTRUCTURING POLICY 2.0

SEWA GRIH RIN LIMITED

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Prepared by: SEWA Grih Rin Limited
Approved by: Board of Directors on 27th May 2021

POLICY FOR RESTRUCTURING OF STRESSED LOANS

1. INTRODUCTION:

Reserve Bank of India (RBI), vide its Circular DOR.No.BP. BC/3/21.04.048/2020-21 dated August 6, 2020 and DOR.No.BP. BC/13/21.04.048/2020-21 September 7, 2020 introduced a “Resolution Framework for COVID-19 Related Stress” (‘Framework’) in order to combat financial stress of borrowers on account of COVID-19 pandemic during the early part of financial year 2020-21. The resolution framework adopted by the Company in compliance of the above referred circular is referred to as “**Resolution Framework - 1.0**”.

The second wave of the COVID-19 pandemic and the consequent localized lockdowns have impacted India's economic recovery with uncertainty among businesses and consumers. To mitigate the financial stress due to resurgence of the pandemic, RBI has announced the Resolution Framework 2.0 vide its Circular DOR.STR.REC.11/21.04.048/2021-22 dated May 5, 2021. The new resolution framework which Company seeks to adopt is being referred to as “**Resolution Framework - 2.0**”.

In compliance of the Circulars referred to above and other regulatory guidelines, the Company has framed this policy for the restructuring of the loans advanced to its borrowers that have been impacted due to the COVID-19 pandemic.

2. CONTEXT:

The Company offers loans to individual borrowers that are classified as 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”). The second wave of the COVID-19 pandemic has seriously impacted the earnings of the Company’s borrowers (comprising daily wage earners and other informal economy workers) in various ways.

The Company proposes to provide relief to its borrowers under a standard policy which the Company would term as **Resolution Framework - 2.0**. In view of the above, the Board of Directors of SGRL/ Sitara have approved the following policy for resolution or restructuring of loans:

3. RESTRUCTURING OF LOAN:

The objective of a loan restructuring is not only to offer concessions by way of moratorium, change in the amount or number of EMIs, rate of interests etc. but also, to ensure that the

loan is serviceable. This necessarily entails that the interests of the lender(s) should not be compromised.

As mandated by RBI, the facility of restructuring of loan shall be offered only to borrowers having financial stress on account of Covid19.

A. Eligible Borrowers:

To ascertain the eligibility of the borrowers the following parameters shall be considered while restructuring of any loan.

- i. The credit facility / loan exposure to the borrower was classified as Standard as on 31st of March, 2021.
- ii. Borrowers should not have availed of any resolution in terms of the **Resolution Framework 1.0**. (For borrowers where the resolution plans had been implemented in terms of the Resolution Framework 1.0, benefits as per clause 3 (H) of this policy shall be applicable).
- iii. This facility is provided only to borrowers who are financially impacted by COVID-19 pandemic (second wave) in the form of depletion of income or cash flows.

B. Due Diligence Criteria for restructuring:

- i. Bureau Check
- ii. Reassessment of the case.
- iii. Analysing other activities / documents that can support the reassessment.

C. Approval Process:

- i. The Company will educate and inform the borrowers about the revised resolution framework 2.0. Pursuant to such information the borrowers may indicate their willingness for invocation of a resolution plan as per the guidelines of resolution framework 2.0.
- ii. Basis above, the Company shall seek borrowers' consent for making efforts to finalise a resolution plan for restructuring of her/his loan.
- iii. Upon receiving borrowers' application, the Company shall review and verify the documents or information on repayment capacity / eligibility as provided by borrowers in order to show the depletion of income or cashflow due to financial

impact of COVID-19. In addition, the Company shall also check the financial condition and viability of borrowers to repay the restructured loan along with repayment track record of customer before granting the facility.

- iv. Any case for restructuring shall be initiated by Regional Credit Manager (RCM), reviewed by Collection Head, appraised by Chief Operating Officer (COO), recommended by Chief Financial Officer (CFO) and approved by Managing Director & CEO.
- v. The decision related to the resolution shall be communicated in writing to the borrower within 30 days of receipt of application from the borrower.

D. Timelines:

- i. The Company shall decide from the date of approval of this policy till September 30, 2021 the loans that are eligible for restructuring based on the reassessment exercise carried out by the Company during this period.
- ii. The resolution plan shall be implemented within 90 days from the date of invocation.

E. Approaches:

The resolution plans may inter alia include:

- i. Rescheduling of payments even by altering rate of interest, tenure and/or the EMI; or
- ii. Conversion of any interest accrued, or to be accrued, into another credit facility, or,
- iii. Sanctioning of additional loan /top-up loan to address financial stress.
- iv. 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, 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.

The date on which the Company and the borrower agree to proceed with the resolution plan shall be the date of “invocation”.

F. Documentation:

On finalisation of a resolution plan, the borrower shall be required to execute an addendum document specifying the terms and conditions of the resolution plan. The Company shall also ensure that the changes in the terms and conditions of the loans get duly reflected in the books of account.

The resolution plan shall be deemed to be implemented only if all of the following conditions are met:

- i. all related documentation, including execution of necessary agreements between the Company and borrower and collaterals provided, if any, are completed by the Company in consonance with the resolution plan being implemented;
- ii. the changes in the terms of conditions of the loans get duly reflected in the books of the Company; and,
- iii. borrower is not in default with the Company as per the revised terms.

G. Provisioning:

- i. In respect of loans where a resolution plan is implemented the Company shall make 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).
- ii. In case of loans resolved under this facility, 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. 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.

H. Assets Classification:

If a resolution plan is implemented in adherence to the provisions of this circular, 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.

Borrowers' account which may have slipped into NPA on or after 1st April, 2021 and before the date on implementation, but were standard on 31st March, 2021, shall also be classified as Standard on implementation of the resolution plan.

I. Convergence of the norms for loans resolved under Resolution Framework 1.0:

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 modify such plans only to the extent of increasing the period of moratorium / extension of residual tenor subject to the caps in Clause 3 E (v) of this policy, 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.

J. Post – Monitoring Performance:

All the restructured loans shall be monitored on regular basis over and above the monthly supervision of all loan accounts.

K. Reporting to Credit Information Companies:

The credit reporting in respect of borrowers where the resolution plan is implemented under this policy shall reflect the “restructured due to COVID-19” status of the account.

L. Disclosures:

The Company shall make the required disclosures related to restructuring of stressed loans in its annual financial statements.

M. Grievance Redressal:

The Company already has a Grievance Redressal mechanism and the same can be used by the borrowers to lodge any complaints / grievances arising out of the implementation of this resolution framework.

Details of Grievance Redressal Officer are as follows:

Ms. Sunila Sweta Minj
(Assistant Manager)
206-207, II Floor, Vikram Tower,
Rajendra Place,
New Delhi – 110008,
E-mail: sweta.m@sgrlimited.in/ complaints@sgrlimited.in

Toll Free Number: 1800113909

N. Amendments:

Managing Director & CEO is authorised to approve any operational procedures/ guidelines/clarifications in the interest of organisation as may be required to implement the policy and make any changes to the policy in line with the directions/guidelines/clarifications issued by Reserve Bank of India / Statutory / Constitutional authorities from time to time.

This policy will come into force with effect from 27th May 2021 and will be in force till the last date as per RBI guidelines vide its circular DOR.STR.REC.11/21.04.048/2021-22 dated May 5, 2021.