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# Satin Creditcare Network Limited

## RESTRUCTURING POLICY – RESOLUTION FRAMEWORK 2.0

### Individual & Small Business

### Version 1

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**SATIN CREDITCARE NETWORK LIMITED**
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**Document Control**

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| Date | Version | Description | Created/ Reviewed By |
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| 27.05.2021 | 1.0 | First Release | Created by:<br>o Mr. Giridhari Behera, Chief Risk Officer<br>o Mr. Ashish Dhamija, AVP – Finance<br><br>Reviewed by:<br>o Mr. Rakesh Sachdeva – Chief Financial Officer |

# Restructuring Policy under Resolution Framework 2.0
# – Resolution of Stressed Assets - Covid-19

**Introduction**

In view of the uncertainties created by the resurgence of the Covid-19- Wave 2 pandemic in India, most of the states witnessed lockdown from April 1, 2021 till the end of May 2021. After considering the resurgence of the Covid-19, RBI has provided a framework to the lending institutions for implementation of resolution plans for addressing the economic fallout due to the COVID-19 pandemic which has led to significant financial stress for customers. Basis the framework and regulatory guidelines, the Company has framed its policy for the restructuring of the existing loan/s that have been impacted due to the COVID-19 pandemic without a downgrade in the asset classification.

The resultant stress can potentially impact the long-term viability of many borrowers, due to their debt burden becoming disproportionate relative to their cash flow generation abilities. Such wide spread impact could impair the entire recovery process, posing significant financial stability risks.

On May 05, 2021, the Reserve Bank of India ("RBI") vide its circular (Ref. No.: RBI/2021-22/31, DOR. STR.REC. 11/21.04.048/2021-22) released guidelines for lending institutions to permit 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.

In light of the above development in Indian scenario, where we are witnessing lockdown across the country on account of resurgence of the Covid-19 Wave 2 crisis. Satin Creditcare Network Limited ("SCNL" or "the Company") has assessed the situation and the likely impact on its collection/recovery.

Considering the above, with the intent to facilitate revival of livelihood activities and mitigate the impact on the ultimate borrowers, it has been decided to provide a window to restructure the loan of existing eligible clients under the Resolution Framework 2.0

**Policy**

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| Eligibility | ➢ The borrowers who had not availed the re-structuring 1.0 as per previous policy can now avail of the restructuring if the aggregate exposure of loan amount is up to Rs 25 crores.<br>➢ The loans classified as standard loans as on March 31, 2021 will be considered for resolution under this Policy.<br>➢ The borrowers having stress on account of COVID-19 will be considered for the resolution under this Policy.<br>➢ All the Individuals and small business loan products offered by the Company are covered under this Policy which are not classified as MSME in terms of RBI guidelines. |

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| | ➢ The loans and advances granted for business purposes excluding Staff/Personnel loan. Small business including those engaged in retail and wholesale trade other than MSME |
| Invocation of Resolution | ➢ The resolution process 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 respect of borrowers.<br>➢ The decision on the applications received from the customer for invoking resolution shall be communicated to the customer in writing, through available resources, by the Company within 30 days of receipt of such applications.<br>➢ The Company shall finalise and implement the resolution plan within 90 days from the date of invocation of the resolution process.<br>➢ The last date for invocation of resolution shall be September 30, 2021. |
| Scope | ➢ Rescheduling of payments, conversion of any interest accrued or to be accrued into another credit facility, revisions in working capital sanctions, granting of moratorium etc. based on an assessment of income streams of the borrower.<br>➢ Conversion of a portion of the debt into equity or other marketable, non-convertible debt securities issued by the borrower, wherever applicable as per RBI guidelines.<br>➢ Compromise settlements are not permitted as a resolution plan for this purpose. |
| Moratorium Duration | ➢ The moratorium period, if granted by the Company shall be for a maximum of two years, and shall come into force immediately upon implementation of the resolution plan.<br>➢ The extension of the residual tenor of the loan facilities also be granted to borrowers, with or without payment moratorium.<br>➢ The overall cap on extension of residual tenor, inclusive of moratorium period if any permitted, shall be two years. |
| Due Diligence | ➢ The Company on receipt of a request application/email from the Eligible Borrower, shall evaluate the proposal for restructuring of the loan account(s) including evaluation and execution of necessary documents.<br>➢ On due evaluation of the request submitted by the Eligible Borrower, the Company shall execute with the Eligible Borrower necessary documentations. |
| Grievances Redressal Mechanism | ➢ Customer service team will manage all grievances and its resolution relating to restructuring. The team shall inform to the operations team/relevant team to provide the resolution and any other related information to the customers. |
| Repayment | ➢ Revised repayment structure will be agreed with the client depending upon the repayment capacity and revised repayment schedule will be communicated to the customer. |
| Classification of Assets | ➢ When the resolution plan is implemented, asset classification of borrowers' accounts classified as Standard shall be retained as such upon implementation |

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| | ➢ Borrowers' accounts which slipped into NPA between invocation and implementation shall be upgraded as Standard, as on the date of implementation of the resolution plan.<br>➢ Any subsequent asset classification for such exposures will be governed by the criteria laid out in the RBI Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015.<br>➢ In respect of borrowers where the resolution process has been invoked, Company may sanction additional finance even before implementation of the plan. This facility of additional finance shall be classified as 'Standard' till implementation of the plan regardless of the actual performance of the borrower 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 such additional finance or performance of the rest of the credit facilities, whichever is worse. |
| Provisioning | ➢ The Company 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 Company post implementation (residual debt). Residual debt, for this purpose, will also include the portion of non-fund based facilities that may have devolved into fund based facilities after the date of implementation.<br>➢ Half of the above provisions shall 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 shall 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.<br>➢ The provisions required to be maintained, 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. |
| Eligibility-Loans Resolved Previously | ➢ In cases of loans of borrowers where resolution plans had been implemented in terms of the Restructuring as per the previous policy implemented and executed in terms of RBI Notification RBI/2020-21/16 DOR.No.BP.BC/ 3 / 21.04.048/2020-21 dated 06-08-2020 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, Company will consider to modify such plans only to the extent of increasing the period of moratorium / extension of residual tenor subject to the caps of two years, and the consequent changes necessary in the terms of the loan for implementing such extension.<br>➢ The overall caps on moratorium and / or extension of residual tenor granted previously and this framework combined, shall be two years |

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| | ➢ Individuals availing loans for business purposes and small businesses, including those engaged in retail and wholesale trade (other than MSME) whose resolution plans had been implemented in terms of the Restructuring Framework of previous policy, Company may, as a one-time measure, 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. |
| Credit Reporting | ➢ The borrower whose accounts are restructured under this framework 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. |
| Approving Authority | ➢ The Concerned COO / Business Head / Dy COO in consultation with CMD will decide the restructuring plan within the overall guidelines issued by RBI from time to time.<br>➢ CMD is authorized to take overall decisions within the framework of RBI guidelines.<br>➢ The company shall prepare a process note to comply with this policy |
| Disclosure | ➢ Disclosure of restructured accounts shall be made by the Company under Notes on Accounts for the quarters ending September 30 and December 31, 2021. Summary of the cases so restructured will be shared with the Board.<br>➢ The number of borrower accounts where modifications were sanctioned and implemented and the aggregate exposure of the Company to such borrowers shall be disclosed on a quarterly basis, starting from the quarter ending June 30, 2021.<br>➢ This policy, after approval of the Board, shall be sufficiently publicised and shall be available on the website |

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