

Policy on Resolution Framework 2.0 for COVID-19 related stress

Approvals

Date	Approving Authority
October 27, 2023	Board of Directors
July 30, 2022	Board of Directors
November 02, 2021	Board of Directors
May 12, 2021	Board of Directors
November 09, 2020	Board of Directors

Version Control

Version	Date	Change History
2.0	October 27, 2023	No Change
1.3	July 30, 2022	No Change
1.2	November 02, 2021	No Change
1.1	May 12, 2021	<p>Policy framework for resolution of COVID-19 related financial stress of the borrowers under resolution framework 2.0</p> <p>Define Criteria for eligibility as well evaluation of a resolution plan</p> <p>Provide Uniform relief, through appropriate resolution under the resolution Framework 2.0, to eligible borrowers whose income/cashflows have</p>

		got impacted due to covid-19 and would request the company
1	November 09, 2020	NA

Policy Owner: Finance Department

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Policy on Resolution Framework 2.0 for COVID-19 related stress

(A) BACKGROUND AND OBJECTIVES

1) Background

The Reserve Bank of India 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 corporate exposures without change in ownership, and personal loans, while classifying such exposures as Standard, subject to specified conditions.

With the objective of alleviating the potential stress to individual borrowers and small businesses due to resurgence of Covid-19 pandemic in India and the consequent containment measures, (RBI), vide its circular dated 5th May 2021 (“**Resolution Framework 2.0**” or “**RBI Circular**”) has provided a window to enable lenders to implement a resolution plan in respect of individual borrowers and small businesses, while classifying such exposures as Standard subject to specified conditions. These set of measures are broadly in line with the contours of the Resolution Framework- 1.0, with suitable modifications.

Accordingly, India Shelter Finance Corporation Ltd. (“**the Company**” or “**ISFCL**”) proposes to adopt this ‘**Policy on Resolution Framework 2.0 for COVID-19 related Stress**’ (“**the Policy**”) with approval of the Board of Directors.

2) Objectives

- a) To put in place a policy framework for resolution of Covid-19 related financial stress of the borrowers under the Resolution Framework 2.0.
- b) To define criteria for eligibility as well as evaluation of a resolution plan.
- c) To provide uniform relief, through appropriate resolution plan under the Resolution Framework 2.0, to eligible borrowers whose income/ cashflows have got impacted due to COVID 19 and who would request the Company for resolution.

(B) RESOLUTION FRAMEWORK FOR LOANS INCLUDING HOUSING LOANS

1) Eligibility for Resolution

- a) **Loans** for this purpose will be as under:
 - (i) Housing Loans/ Loans given for creation/ enhancement of immovable assets (e.g., housing, etc.).
 - (ii) Loans given to individuals for various consumptions purposes (e.g., social ceremonies, etc.). Accordingly, Loan Against Property (“**LAP**”) extended to individual borrowers for any other reason other than business purposes will be also eligible.
 - (iii) 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 31st March, 2021. Accordingly, LAP extended to individual borrowers

for business purposes and to whom lending institutions have aggregate exposure of not more than Rs.25 crores will also be eligible.

- (iv) Small businesses, including those engaged in retail and wholesale trade, other than those classified as Micro, Small and Medium enterprises as on 31st March, 2021, and to whom the lending institutions have aggregate exposure of not more than Rs.25 crore as on 31st March, 2021.
 - (v) Any other Non- Housing Loan, if eligible as per the RBI Circular.
- b)** The borrower account should not have availed any resolution in terms of the Resolution Framework- 1.0. However, where resolution plan had been implemented in terms of the Resolution Framework 1.0, and where such the resolution plan 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, the Company may use this window to modify such plans only to the extent of increasing the period of moratorium/ extension of residual tenor subject to the period/ tenor caps mentioned in this Policy and the consequent changes necessary in the terms of the loan for implementing such extension. Thus, overall caps on moratorium and/ or extension of residual tenor granted under Resolution Framework 1.0 and this framework combined, shall be two years.
- c)** The loan account should have been classified as standard as on 31st March, 2021.
- d)** The borrower should have been impacted financially by the Covid-19 pandemic in the form of reduction/ loss of income or cash flows, for example:
- (i) Reduction in Salary/income.
 - (ii) Reduction/suspension in salary during lockdown period.
 - (iii) Job Loss/closure of business.
 - (iv) Closure during lockdown/reduced activity of units/ shops/ business establishments in case of self-employed/ professionals/ businessmen.

2) Due Diligence parameters

- a)** Resolution plan should be in line with expected cash flows of the borrower.
- b)** Current income assessment to done as per the customer income and employment/ business profile. Fresh PD shall be done by credit manager for ascertaining the same.
- c)** The borrowers should not be a willful defaulter.
- d)** Any other regulatory requirements prescribed in this regard.

3) Resolution options that may be available

- a)** Moratorium can be given for period upto 24 months.
- b)** Rescheduling of instalments and extension of tenure granted subject to a maximum of 2 years.
- c)** EMI shall be adjusted (increase or decrease or step-up) to ensure that tenure of the facility not getting extended beyond 24 months.

4) Documents Required

- a)** The resolution shall be initiated based on written request from the borrower.

- b) Document evidencing an agreement between the Company and the borrower(s) to proceed with a Resolution Plan.
- 5) The decision to invoke the resolution process under this window shall be taken by the Company independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.
- 6) **Timelines for invocation of resolution and implementation**
- a) While the Company shall endeavour to ensure invocation as early as possible, no resolution under this framework should be invoked later than 30th September, 2021.
 - b) The resolution process shall be treated as invoked when the Company & the borrower(s) agree to proceed with efforts towards finalizing the resolution plan.
 - c) In respect of application received from customer, the decision on the application shall be communicated within 30 days of receipt of such application.
 - d) The resolution must be implemented within 90 days from the date of invocation.
 - e) A resolution plan would be deemed implemented only if all of the following conditions are met:
 - (i) All related documentation, including execution of necessary documents between the Company & its borrower(s) and collaterals provided, if any, are completed in accordance with the resolution plan.
 - (ii) Changes in the terms & conditions of such loan is duly reflected in the books of the Company.
 - (iii) The borrower is not in default with the Company as per the revised terms.
 - f) The moratorium period, if granted, shall come into force immediately upon implementation of the resolution plan.

(C) OTHER PROVISIONS APPLICABLE TO RESOLUTION OF STRESS

1) Authority

- a) **The MD & CEO of the Company** shall have the following authorities:
 - (i) To approve detailed processes, documentation and parameters for implementing this Policy.
 - (ii) To further delegate any of the above authorities to any of the Company's officials as per his discretion.
 - (iii) To review and approve any amendments in the Policy or to draw interpretation of the Policy.
- b) **The Head- Credit of the Company** shall have the authority to approve any eligible Resolution Plan under this Policy. Further, the Head- Credit shall also have authority to delegate any of his authorities under this Policy to any of the Company's officials as per his discretion.
- c) Documentation shall for modification in terms shall continue as per existing procedures and authority.

2) Asset Classification, Provisioning and Post Implementation Performance

- a) **Asset Classification-** If a resolution plan is implemented as per the provisions of the RBI Circular, the asset classification of the accounts classified as Standard will be retained as Standard upon implementation, whereas the accounts which may have slipped into NPA between invocation and implementation will be upgraded as Standard, on the date of implementation of the plan.
- b) **Asset Classification for the additional finance-** Additional finance to borrowers in respect of whom the resolution plan has been invoked, if sanctioned even before implementation of the plan in order to meet the interim liquidity requirements of the borrower, will be classified as 'standard asset' till implementation of the plan regardless of actual performance of his/ her loan accounts in the interim.

However, if resolution plan is not implemented within the stipulated timelines, the asset classification of additional finance sanctioned will be as per actual performance of the additional finance or the rest of the credit facilities, whichever is worse.

- c) **Provisioning on Loan Exposures-** The Company will maintain provisions as per IndAS as prescribed in the RBI circular, bearing no. DOR (NBFC).CC.PD.No.109/22.10.106/ 2019-20 dated 13th March, 2020 on Implementation of Indian Accounting Standards.

Additional provisions mentioned in the circular dated May 5, 2021 would constitute the overall prudential floors for the purpose of Paragraph 2 of the Annex to the circular DOR (NBFC).CC.PD.No.109/22.10.106/2019-20 dated March 13, 2020 on Implementation of Indian Accounting Standards.

d) **Post Implementation Performance**

- (i) After implementation of the resolution plan in terms of this Policy, the subsequent asset classification will be governed by the applicable IRAC norms.
- (ii) The provisions required to be maintained under this Policy, to the extent not already reversed, shall be available for: (i) the provisioning requirements when any of the accounts, where a resolution plan had been implemented, is subsequently classified as NPA; as well as (ii) the additional provisioning requirements as per the applicable Prudential Framework, as and when the Prudential Framework becomes applicable in respect of the particular account.

3) **Disclosures**

- a) The Policy shall sufficiently be publicized and should be available on the website of the Company.
- b) **Quarterly Disclosures-** If the Company publishes its quarterly statements, in addition to other required disclosures, it shall make disclosures, as per the format prescribed in **Annexure A**, in their financial statements for the quarters ending 30th September, 2021 and 31st December, 2021.

The resolution plans implemented in terms of the Policy should also be included in the continuous disclosures required as per Format B prescribed in the Resolution Framework 1.0, which has been illustrated as **Annexure B** of the Policy.

The number of borrower accounts which were also provided resolution under the Resolution Framework 1.0 and where modifications were sanctioned & implemented under this Policy, the aggregate exposure of the Company to such borrowers may also be disclosed on a quarterly basis, starting from the quarter ending 30th June,

2021.

- c) **Half Yearly Disclosures-** If the Company publishes its half-yearly statements, in addition to other required disclosures, it shall make disclosures in the format prescribed in **Annexure B** every half-year, i.e., in the financial statements as on 30th September and 31st March, starting from the half-year ending 30th September, 2021 till all exposures on which resolution plan was implemented are either fully extinguished or completely slips into NPA, whichever is earlier.
- d) **Annual Disclosures-** If the Company publishes only annual financial statements, along with other required disclosures, it shall make disclosures as per **Annexure B** format as on 31st March, 2021 and, starting from 31st March, 2022, as per **Annexure B** format every 31st March till all exposures on which resolution plan was implemented are either fully extinguished or completely slips into NPA, whichever is earlier.

4) **Credit Reporting**

The credit reporting by the Company 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. 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.

5) **Any applicable statutory/ regulatory requirements prescribed shall supersede this Policy.**

Format for disclosures to be made in the quarters ending 30th September, 2021 and 31st December, 2021

S. N.	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			

Format for disclosures to be made starting 30th September, 2021/ 31st March, 2022

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan– Position as at the end of the previous half-year (A)	Of (A), aggregate debt that slipped into NPA during the half-year	Of (A) amount written off during the half-year	Of (A) amount paid by the borrowers during the half-year	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year
Personal Loan					
Corporate persons*					
<i>Of which, MSMEs</i>					
Others					
Total					

*As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016

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