

## Hero Housing Finance Ltd : Restructuring Policy 2.0 for - Individuals/Other business/MS ME Covid Impact

### 1. Purpose

Review and implementation of instructions as per the following RBI Notifications dated May 5, 2021 on Resolution Framework 2.0 – Resolution of COVID-19 related stress

- a. **Resolution Framework 2.0 – Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs)** (RBI/2021-22/32; DOR.STR.REC.12/21.04.048/2021-22)
- b. **Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses** (RBI/2021-22/31; DOR.STR.REC.11/21.04.048/2021-22)

*in conjunction with the following:*

- a. **Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances** (RBI/2020-21/17; DOR.No.BP.BC/4/21.04.048/2020-21) dated August 6, 2020
- b. **Resolution Framework for COVID-19-related Stress** (RBI/2020-21/16; DOR.No.BP.BC/3/21.04.048/2020-21) dated August 6, 2020
- c. **Micro, Small and Medium Enterprise (MSME) Sector – Restructuring of Advances** (RBI/2019-20/160; DOR.No.BP.BC.34/21.04.048/2019-20) dated February 11, 2020
- d. **Prudential Framework for Resolution of Stressed Assets** (RBI/2018-19/203; DBR.No.BP.BC.45/21.04.048/2018-19) dated June 7, 2019
- e. **Micro, Small and Medium Enterprise (MSME) Sector – Restructuring of Advances** (RBI/2018-19/100; DBR.No.BP.BC.18/21.04.048/2018-19) dated January 1, 2019
- f. **Master Circular – Prudential Norms on Income Recognition, Asset Classification and Provisioning Pertaining to Advances** (RBI/2015-16/101; DBR.No.BP.BC.2/21.04.048/2015-16) dated July 1, 2015

### 2. Details of the Notifications

In view of the uncertainties created by the resurgence of the 2<sup>nd</sup> wave of Covid-19 pandemic in India in the recent weeks, the said Notifications provide a limited window to borrowers to implement resolution plans, in respect of their credit exposures/extend the facility for restructuring existing loans, without a downgrade in the asset classification for the following categories of borrowers in the SME Finance and CIF LOBs:

- a. Borrowers classified as Micro, Small or Medium Enterprises as on March 31, 2021 with aggregate exposure, including non-fund-based facilities, of all lending institutions to the borrower does not exceed ₹50 crore as on March 31, 2021 – *Detailed in Part A of the document*
- 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.50 crore as on March 31, 2021 – *Detailed in Part B of the document*
- 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.50 crore as on March 31, 2021 - *Detailed in Part B of the document*

### **3. PART A: Resolution Framework 2.0 – Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs)**

The Scheme on One-time restructuring of advances to the MSME Sector (as detailed in the RBI Notification dated August 6, 2020) is extended in view of the uncertainties created by the resurgence of the Covid-19 pandemic in India in the recent weeks

In line with the directions of the Notifications, this policy on restructuring of MSME advances under these instructions is being put up to the Board. The policy includes eligibility conditions for MSMEs, framework for viability assessment of the stressed accounts and regular monitoring of the restructured accounts

#### ***a. Conditions for Borrower Eligibility***

- i. 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
- ii. The borrowing entity 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
- iii. The aggregate exposure, including non-fund-based facilities, of all lending institutions to the borrower does not exceed ₹50 crore as on March 31, 2021
- iv. The borrower's account was a 'standard asset' as on March 31, 2021
- v. The borrower's account has not been 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)
- vi. The borrower is having stress on account of COVID-19 and its economic fallout and the restructuring will help mitigate the potential situation where the debt burden of the borrower is disproportionate to their cash flow generation ability
- vii. All of the above-mentioned conditions are non-deviatable

#### ***b. Permitted Features of the Resolution Framework***

- i. Restructuring is an act in which a lender, for economic or legal reasons relating to the borrower's financial difficulty, grants concessions to the borrower
- ii. Restructuring may involve modification of terms of the advances / securities, which would generally include, among others,
  - alteration of payment period (including moratorium)/payable amount/amount of instalments/rate of interest
  - roll over of credit facilities
  - sanction of additional credit facility/release of additional funds for an account in default to aid curing of default
- iii. Indicative scope of restructuring options permitted under the Scheme – individually or in any combination
  - ROI reduction – as per approval matrix.
  - Extension of repayment tenure
  - Step up EMI option
  - Principal moratorium – max up to 24 months

- The existing POS of the borrower, as well as overdue principal, interest and charges, to be restructured under revised terms and conditions of restructuring
- iv. Restructuring cannot take place unless alteration / changes in the original loan agreement are made with the formal consent / application of the debtor. However, the process of restructuring can be initiated by the HHFL in deserving cases subject to customer expressly agreeing to the terms and conditions

#### **4. PART B: Resolution Framework 2.0 – Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses**

The framework covers individuals who have availed of loans and advances for business purposes and to whom lending institutions have aggregate exposures of not more than Rs.50 crore as on March 31, 2021, and 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 lending institutions have aggregate exposures of not more than Rs.50 crore as on March 31, 2021

##### ***a. Conditions for Borrower Eligibility***

- i. The aggregate exposure of all lending institutions to the borrower does not exceed ₹50 crore as on March 31, 2021
- ii. The credit facilities to the borrower were classified as Standard by HHFL as on March 31, 2021
- iii. Borrower should not have availed of any resolution in terms of the Resolution Framework – 1.0 subject to the special exemption detailed under Section 4.e of the document.
- iv. The borrower is having stress on account of COVID-19 and its economic fallout and the restructuring will help mitigate the potential situation where the debt burden of the borrower is disproportionate to their cash flow generation ability.
- v. The following categories of borrowers / credit facilities shall not be eligible for a resolution plan under this framework:
  - MSME borrowers whose aggregate exposure to lending institutions collectively, is ₹50 crore or less as on March 31, 2021 (*covered in Part A of his document*)
  - Farm credit as listed in Paragraph 6.1 of Master Direction FIDD.CO.Plan.1/04.09.01/2016-17 dated July 7, 2016 (as updated) or other relevant instructions as applicable to specific category of lending institutions.
  - Loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi-Purpose Societies (LAMPS) for on-lending to agriculture.
  - Credit facilities provided by HHFL to their own personnel/staff shall not be eligible for resolution under this policy
  - Exposures of lending institutions to financial service providers.
  - Exposures of lending institutions to Central and State Governments; Local Government bodies (eg. Municipal Corporations); and, body corporates established by an Act of Parliament or State Legislature.
  - Exposures of housing finance companies where the account has been rescheduled in terms of para 2(1)(zc)(ii) of the Master Circular - The Housing Finance Companies (NHB) Directions, 2010 after March 1, 2020, unless a resolution plan under this framework has been invoked by other lending institutions. However, from the date of this circular, any resolution necessitated

on account of the economic fallout of Covid-19 pandemic, shall be undertaken only under this framework.

- vi. All of the above-mentioned conditions are non-deviatable

**b. Permitted Features of the Resolution Framework**

- i. Restructuring is an act in which a lender, for economic or legal reasons relating to the borrower's financial difficulty, grants concessions to the borrower
- ii. Restructuring may involve modification of terms of the advances / securities, which would generally include, among others,
  - alteration of payment period (including moratorium)/payable amount/amount of instalments/rate of interest
  - roll over of credit facilities
  - sanction of additional credit facility/release of additional funds for an account in default to aid curing of default
- iii. Indicative scope of restructuring options permitted under the Scheme – individually or in any combination
  - ROI reduction – as per approval matrix
  - Extension of repayment tenure - the overall cap on extension of residual tenor, inclusive of moratorium period, if any permitted, shall be two years
  - Step up EMI option
  - Principal moratorium – max up to 24 months, included within the overall cap on extension of residual tenor
  - The existing POS of the borrower, as well as overdue principal, interest and charges, to be restructured under revised terms and conditions of restructuring
- iv. Restructuring cannot take place unless alteration / changes in the original loan agreement are made with the formal consent / application of the debtor. However, the process of restructuring can be initiated by the HHFL in deserving cases subject to customer expressly agreeing to the terms and conditions
- v. Compromise settlements are not permitted as a resolution plan for this purpose
- vi. The resolution plan may also provide for conversion of a portion of the debt into equity or other marketable, non-convertible debt securities issued by the borrower, wherever applicable, and the same shall be governed in terms of Paragraphs 30-32 of the Annex to the Resolution Framework – 1.0

**c. Working capital support for small businesses where resolution plans were implemented previously**

- i. For borrowers where resolution plans had been implemented in terms of the Resolution Framework – 1.0, HHFL 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.
- ii. The decision with regard to above shall be taken by HHFL 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

**Timelines for Restructuring**

- i. The restructuring of the borrower account should be invoked by September 30, 2021 – the restructuring shall be treated as invoked when HHFL and the borrower agree to proceed with the efforts towards finalizing a restructuring plan to be implemented.

- ii. The decisions on applications received by HHFL for invoking restructuring under this facility shall be communicated in writing to the borrower within 30 days of receipt of such applications and such decisions shall be independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower
- iii. The restructuring of the borrower account is implemented within 90 days from the date of invocation. A customer request and acceptance on resolution plan shall be taken from customer in physical / digital form

**Customer Grievance Redressal Mechanism**

- iv. Grievances, if any, of the borrowers who request for resolution will be handled in line with the 'Customer Grievance Redressal Policy' of HHFL
- v. Registration of customer complaints, handling of the same, time frames, and escalation grids, including Appellate Authority, would be as detailed in the said Policy
- vi. The 'Customer Grievance Redressal Policy' of HHFL is available on the website of the Company

Customer may contact Hero Housing Finance Ltd at the mentioned Email ID for further information or request for restructuring if applicable as per RBI guidelines.

Email ID : [restructuring@herohfl.com](mailto:restructuring@herohfl.com)

\*\*\*\*\*End of Document\*\*\*\*\*