

## **RESOLUTION FRAMEWORK – 2.0 POLICY ON RESOLUTION FRAMEWORK FOR COVID-19 RELATED STRESS**

### **SECTION A- BACKGROUND AND OBJECTIVES**

#### **1) Background**

In view of economic fallout on account of the Covid-19 pandemic and resultant financial stress for borrowers, the Reserve Bank of India (RBI), with an intent to facilitate revival of real sector activities and mitigate the impact on the ultimate borrowers, vide its circular dated 6<sup>th</sup> August, 2020 (**RBI Circular**) has allowed a one-time resolution framework for loans without classifying them as Non-Performing Assets (“**NPA**s”) to help individuals and other entities to manage the financial stress caused by the COVID -19 pandemic.

The resurgence of COVID-19 pandemic in India in the recent weeks and the consequent containment measures to check the spread of the pandemic may impact the recovery process and create new uncertainties. With the objective of alleviating the potential stress to individual borrowers and small businesses, few other measures are announced by RBI vide its circular dated May 05, 2021, which is in line with the contours of the Resolution Framework-1.0 with suitable modifications.

One of the conditions mentioned in the RBI Circular is that each lending institution should put in place a Board approved policy detailing the manner in which evaluation may be done and also defining the objective criteria that may be applied while considering the resolution plan in each case. Accordingly, to comply with the requirements prescribed under the RBI Circular while implementing a framework for resolution of Covid-19 related financial stress of its borrowers, **Religare Housing Development Finance Corporation Ltd.** (“**the Company**” or “**RHDFCL**”) is adopting this ‘**Resolution Framework – 2.0, Policy on Resolution Framework 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 Company’s borrowers.
- b) To define criteria for eligibility as well as evaluation of a resolution plan.
- c) System for redressing the grievance of borrowers who request for resolution under this window and / or are undergoing resolution under this window.

### **SECTION B- CRITERIA FOR RESOLUTION OF STRESS IN PERSONAL LOANS & SMALL BUSINESSES:**

#### **3) Eligibility for Resolution**

- a) The resolution under this Policy will be provided only to the borrowers having financial stress on account of Covid19.

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- b) Applicable for resolution of **Personal Loans** which includes Housing Loans sanctioned to **individual borrowers** and Loans granted for business purpose to individual & small businesses who are engaged in retail & wholesale trade other than MSME
- c) Credit facilities provided by RHFCL to its own personnel/ staff shall not be eligible for resolution under this framework.
- d) **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
- e) **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 as on March 31, 2021.
- f) Only those borrower accounts shall be eligible for resolution under this framework which were classified **as standard as on March 31, 2021**

The following category of exposures will not be eligible for resolution under this Section:

- a. MSME borrowers whose aggregate exposure to lending institutions collectively, is ₹25 crore or less as on March 1, 2020.
- b. 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.
- c. Loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi-Purpose Societies (LAMPS) for on-lending to agriculture.
- d. Exposures of lending institutions to financial service providers.
- e. 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.

**g) Provided further that the borrower accounts should not have availed of any resolution in terms of the Resolution Framework – 1.0 subject to below condition:**

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 moratorium or moratorium of less than two years and / or extension of residual tenor by a period of less than two years, lending institutions are permitted to use this window to modify such plans **only** to the extent of increasing the period of moratorium / extension of residual tenor subject to the caps in Clause 6 (b), 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.**

- h) Any resolution plan implemented in breach of the stipulations of this circular shall be fully governed by the Prudential Framework for Resolution of Stressed Assets issued on June 7, 2019 (“**Prudential Framework**”).

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### **4) Parameters for Due Diligence**

- a) The resolution shall be initiated based on written request from the customer. The request for resolution of loan should be routed through the Collection team which may recommend for resolution after meeting with the client and assessing that the borrower is having financial stress on account of Covid19, and is otherwise, prima facie, viable and is not a wilful defaulter.

***The decision on the application shall be communicated in writing to the applicant by the lending institutions within 30 days of receipt of such applications.***

- b) The decision to invoke the resolution process under this window shall be taken by each lending institution having exposure to a borrower independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.
- c) The resolution plan which the customer intends to avail should be properly documented; *i.e.* tenor of moratorium like 6 months, 9 months etc, or EMI based on step up method or EMI based on balloon method; or rescheduling of payments, or conversion of interest accrued or to be accrued into another credit facility, granting of moratorium, revisions in working capital sanctions, etc. based on an assessment of income streams of the borrower.

***However, compromise settlements are not permitted as resolution plan for this purpose.***

- d) Borrower should be standard with R HDFCL as on March 31, 2021 and also as on invocation date i.e. date of accepted sanction letter.
- e) Current valuation of the property mortgaged should to be carried out before implementation of the resolution. LTV should be calculated based on the latest valuation. LTV under resolution scheme shall not be more than 80% across all credit programs, subject to applicable regulatory limits. However, subject to applicable regulatory limits, an authority to approve maximum 5% deviation would be with the Head- Credit.
- f) Banking has to be checked for all accounts falling under resolution scheme. Banking should be analyzed to check the following:
- (i) Banking behavior for the last 6 months just before moratorium-period, from Oct 2019 till March 2020
  - (ii) Banking behavior for the latest 6 months before request of customer for resolution.
  - (iii) Paytm credit and other wallets are also considered as part of banking.

If banking is not available then there should be a detailed cash flow assessment duly prepared and validated by the Credit Manager.

- g) Fresh CIBIL/ Credit Information report to be generated to check the status of other loans customer availing. Before approving/ recommending the resolution It should also be assessed whether customer has availed resolution/ restructuring in any of his other accounts.

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- h) FI is not required to be done. However, Credit Manager/ RM visit is compulsory to customer’s business/ Residence.
- i) Resolution plan should be in line with the expected cash flows of the borrower.
- j) **For Salaried profile:** Below scenarios are possible:
  - (i) **Job loss and currently customer is unemployed**– Moratorium may be given upto maximum 24 months and EMI shall be increased for balance tenure.
    - Proof of job loss to be verified by Credit Manager during customer visit.
  - (ii) **Salary cut in case of salaried customer receiving salary through banking channels:** Step up method may be used whereby EMI is reduced for upto maximum 24 months and then there is increase in EMI accordingly for rest of the tenor. For calculating the reduced EMI, current FOIR shall be calculated and basis current FOIR, reduced EMI shall be calculated.
    - Salary slip for latest 2 months alongwith bank statement shall be documented and compared with original income and customer visit is also required to be done.
  - (iii) **Temporary on hold but rejoining at later date** - Moratorium may be given upto maximum 24 months and EMI shall be increased for balance tenure.
    - Proof of temporary job on hold to be verified by Credit Manager during customer visit.
- k) **For SENP Profile & Cash Salaried profile:**
  - (i) **Industries majorly impacted by COVID pandemic**- In addition to due diligence criteria mentioned below, Credit should use additional discretion while assessing viability and resolution proposal with respect to certain industries which have been majorly impacted by COVID pandemic; *i.e.* Travel and Tourism, Entertainment, Airlines, Hospitality, Restaurant, Transportation etc.
  - (ii) **Other Industries**

**For both the types of industries mentioned above, due diligence should be done as under:**

  - (a) Fresh PD shall be done by credit manager for ascertaining the current income.
  - (b) Assessment of Current obligations to be done.
  - (c) Latest FOIR shall be calculated.
  - (d) Step up method may be used in cases where cash flow has been impacted and customer wants to reduce the EMI. In such scenario, EMI may be reduced upto maximum 24 months and, thereafter, proportionate increase in EMI should be there for rest of tenor.
  - (e) Moratorium may be given upto maximum 24 months and EMI shall be increased for balance tenure.

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FOIR at the time of sanction (A)	Current FOIR (B)	Difference (A-B)	Customer request for EMI reduction	Reduced EMI

**NOTE: Any deviation to the above mentioned Due Diligence parameters would be with CEO.**

**5) Timelines for invocation of resolution and implementation**

- a) The eligible borrowers’ accounts should continue to be classified as Standard till the date of invocation of resolution (*the date on which both the borrower(s) and the Company agree to proceed with a resolution plan under this framework*).
- b) While the Company shall endeavour to ensure invocation as early as possible, no resolution under this framework should be invoked later than September 30, 2021.
- c) The resolution must be implemented within 90 days from the date of invocation.

**6) Actions which may be taken under a Resolution Plan**

- a) A resolution plan may, inter alia, include rescheduling of payments, conversion of any interest accrued/ to be accrued into another credit facility, revisions in working capital sanctions, , granting of moratorium etc. based on an assessment of income streams/ repayment capacity of the borrower.
- b) 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.
- c) 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. The instructions contained in the circular DOR.No.BP.BC/13/21.04.048/2020-21 dated September 7, 2020 on “Resolution Framework for COVID-19-related Stress – Financial Parameters” shall not be applicable to resolution plans implemented under this window.

**7) Implementation of a Resolution Plan**

- a) The resolution plan should be finalized and implemented within 90 days from the date of invocation of the resolution process under this window.

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- b) A resolution plan should be deemed implemented only if all of the following conditions are met:
- i. All related documentation, including execution of necessary agreements 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

### **SECTION C- WORKING CAPITAL SUPPORT FOR SMALL BUSINESSES WHERE RESOLUTION PLANS WERE IMPLEMENTED PREVIOUSLY:**

- a) In respect of borrowers specified at sub-clauses (d) and (e) of Clause 3 above where resolution plans had been implemented in terms of the Resolution Framework – 1.0, 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, 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.
- b) The above measures shall be contingent on the RHDFCL satisfying itself that the same is necessitated on account of the economic fallout from COVID-19. Further, accounts provided relief under these instructions shall be subject to subsequent supervisory review with regard to their justifiability on account of the economic fallout from COVID-19.
- c) Lending institutions may, accordingly, put in place a Board approved policy to implement the above measures, which should be disclosed in the public domain and placed on their websites in a prominent and easily accessible manner.

### **SECTION D- COMMON PROVISIONS APPLICABLE TO RESOLUTION OF STRESS IN ALL TYPES OF LOAN EXPOSURES**

- 8) **Reference Date-** Reference date for outstanding amount of debt resolution would be March 31, 2021.
- 9) **Authority-** The following officials shall have authority to recommend any resolution proposal including the terms and conditions thereof:
- (a) **For Cases upto Rs.50 lacs-** Head- Credit should be the final recommending authority.
  - (b) **For Cases above Rs. 50 lacs-** Head- Credit + Risk & Policy Head Or CFO, should be the final recommending authority.
- (Case can be initially recommended by BCM/ACM based on PD conducted)

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**Further, the Managing Director & CEO of the Company shall have the following authorities:**

- (i) To approve any resolution proposal as recommended by authorities specified in 9 (a) and (b)
- (ii) To approve any amendment/ modification in this Policy, while ensuring compliance with the applicable regulatory/ supervisory requirements.
- (iii) To approve addition/ modification of any of the due diligence criteria.

**10) Asset Classification, Provisioning and Post Implementation Performance**

- a) Asset Classification-** If a resolution plan is implemented in adherence to the provisions of the this Circular, the asset classification of the accounts classified as Standard may be retained as such upon implementation, whereas the 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.
- b)** The subsequent asset classification for such exposures will be governed by the criteria laid out in the Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015 or other relevant instructions as applicable to specific category of lending institutions (“extant IRAC norms”).
- c) 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, may 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.

- d) Provisioning** Where a resolution plan is implemented under this facility, from the date of implementation, the Company will maintain provisions, which are higher of the provisions held as per the extant ‘Income Recognition, Asset Classification and Provisioning’ (“IRAC”) norms immediately before implementation, or 10 percent of the renegotiated debt exposure post implementation (residual debt).
- e) Utilisation of provisions in terms of the RBI COVID19 Regulatory Package-** The additional provisions maintained, if any, by the Company in terms of the circular DOR.No.BP.BC.63/21.04.048/ 2019-20 dated 17<sup>th</sup> April, 2020 in respect of such borrowers, to the extent not already reversed, may be utilised for meeting the provision requirements in all cases under this framework/ Policy.
- f)** 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.

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### **g) Reversal of Provisions**

- (i) In case of personal 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.

*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.

- (ii) 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.

### **11) Convergence of the norms for loans resolved previously**

a) 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 moratorium or moratorium of less than two years and / or extension of residual tenor by a period of less than two years, R HDFCL is permitted to use this window to modify such plans **only** to the extent of increasing the period of moratorium / extension of residual tenor subject to the caps in 6 (b) above, 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.*

b) For loans where modifications are implemented, the instructions regarding asset classification and provisioning shall continue to be as per the Resolution Framework – 1.0.

### **12) Disclosures and Credit Reporting**

- a) Quarterly financial statements Shall , at the minimum, make disclosures as per the format prescribed in Format-X in their financial statements for the quarters ending September 30, 2021 and December 31, 2021. The resolution plans implemented in terms of Section B of this framework should also be included in the continuous disclosures required as per Annexure III prescribed in the Resolution Framework – 1.0.
- b) The number of borrower accounts where modifications were sanctioned and implemented in terms of Clause 11 above, and the aggregate exposure of the lending institution to such borrowers may also be disclosed on a quarterly basis, starting from the quarter ending June 30,2021.

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- c) R HDFCL to publish only annual financial statements, consequently shall make the required disclosures in their annual financial statements, along with other prescribed disclosures.
- d) The credit reporting by the R HDFCL in respect of borrowers where the resolution plan is implemented under Section B of this window will 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.

### **13) Guidelines by RBI on MSME**

Since R HDFCL is into Retail loans i.e. Housing Loans and LAP, thus MSME guidelines as defined by RBI doesn't apply to R HDFCL.

### **14) Redressing the Grievance**

R HDFCL should have a system for redressing the grievance of borrowers who request for resolution under the window and / or are undergoing resolution under this window.

#### **How to log in a complaint/ where can a complaint be made:**

Any customer having a query/complaint with respect to restructuring Framework 2.0 offered by Religare Housing Development Finance Corporation Limited can highlight to The Customer Service Department of Religare Housing Development Finance Corporation Limited through following established channels of communication. Customers can log in their queries and complaints through any of the below mentioned channels:

**Call-** Call at 1860-266-4111 / 1800-309-9711 /1800-103-9711

**SMS-** SMS **Credit** to 575758

**Email** – [homeloans@religare.com](mailto:homeloans@religare.com)

**Letter-** The Customer Service Department, Religare Housing Development Finance Corporation Limited

Plot No A-3, 4 & 5, 2nd floor, Club-125, Sector 125, Noida, Uttar Pradesh – 201301

**Website-** [www.religarehomeloans.com](http://www.religarehomeloans.com)

If the Customer does not receive any response from the company within 10 days or is dissatisfied with the response received, s/he may escalate the matter to **Grievance Redressal Officer (GRO)** appointed by the company and write an email/call as per the details mentioned hereunder.

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<b>Business Segment</b>	<b>Grievance Redressal Officer</b>	<b>Contact No.</b>	<b>Email Id</b>
SVP Operations & CRM	Mr Harish Gupta	9958197853	<a href="mailto:harish.gupta@religare.com">harish.gupta@religare.com</a> <a href="mailto:homeloans@religare.com">homeloans@religare.com</a>

15. **Authority:** RHDFCL Board hereby delegates the authority to CEO, with regard to any suitable revision or updation basis any subsequent clarifications or modifications as advised by RBI.CEO would also be authorized to approve the ‘standard operating procedure (SOP)’ and other routine changes within this policy for smooth operationalization.

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**Format – X**

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

S No	Description	Individual Borrowers		Small Businesses
		Personal Loan	Business Loan	
<b>A</b>	Number of requests received for invoking resolution process under Part A			
<b>B</b>	Number of accounts where resolution plan has been implemented under this window			
<b>C</b>	Exposure to accounts mentioned at (B) before implementation of the plan			
<b>D</b>	Of (C), aggregate amount of debt that was converted into other securities			
<b>E</b>	Additional funding sanctioned, if any, including between invocation of the plan and implementation			
<b>F</b>	Increase in provisions on account of the implementation of the resolution plan			