



Prudential Framework for Resolution of Stressed Assets

Approval Authority	Board
Owner of the Policy	Business & Operations
Reviewed by	Board
Review Frequency	Annual
Last Review Done	17 Jan'25 by Board
Current Review Done	16 Jan'26 by Board

1.Objective

This Policy is framed in accordance with the Reserve Bank of India (Non-Banking Financial Companies – Resolution of Stressed Assets) Directions, 2025 (“Directions”). The objective is to ensure early recognition, reporting, and time-bound resolution of stressed assets in a transparent and consistent manner.

2. Scope and Applicability

This Policy shall apply to all fund-based and non-fund-based credit exposures of the Company, including revolving credit facilities, unless specifically exempted under the Directions. The Policy shall be applicable to all borrowers, singly or jointly, and shall be binding on all departments involved in credit, risk, recovery, and compliance functions.

Default Definition

For the purpose of this Policy, “**Default**” shall mean **non-payment of the whole or any part of the principal, interest, or any other amount** due under a credit facility on the **scheduled due date**, in accordance with the applicable RBI Directions. Default shall be identified on a **per-borrower basis** and shall include defaults in respect of **fund-based as well as non-fund-based facilities**, as applicable.

Reference Date

The “**Reference Date**” shall mean the **date of first occurrence of default** by the borrower, as identified by the Company or reported by any lender. The Reference Date shall be used as the **trigger date** for computing all regulatory timelines under this Policy, including:

- The **Review Period**, and
- Timelines for formulation and implementation of the **Resolution Plan (RP)**.

3.Early identification and reporting of stress

The Company shall recognize incipient stress immediately on default and classify loan accounts as Special Mention Accounts (SMA) in a system-driven manner as under (Including retail loans):

SMA Sub-categories	Basis for classification – Principal or interest payment or any other amount wholly or partly overdue between
SMA-0	1 – 30 days
SMA-1	31 -60 days



SMA-2	61 -90 days
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In the case of revolving credit facilities like cash credit, the SMA sub-categories would be as follows

SMA Sub-categories	Basis for classification –Outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for a period of
SMA-1	31 -60 days
SMA-2	61 -90 days

4. Central Repository of Information on Large Credits

The Company shall report credit information of borrowers having aggregate exposure of ₹5 Crore and above to the Central Repository of Information on Large Credits (CRILC), including:

- CRILC-Main Report
- CRILC-SMA Report
- Weekly default reporting

Appropriate internal controls shall be established to ensure accuracy, timeliness, and validation of data submitted.

5. Review Period

Upon occurrence of default by any borrower, the Company shall conduct a prima facie review of the account within 30 days (“Review Period”) to assess the nature of stress and decide the resolution strategy, including restructuring, recovery, or initiation of legal proceedings.

6. Resolution Plan (RP)

Where a Resolution Plan is considered, it shall be implemented within 180 days from the end of the Review Period. Resolution Plans may include restructuring, change in ownership, or other strategies permitted under the Directions. Monitoring mechanisms and milestones shall be clearly defined.

7. Inter-Creditor Agreement (ICA)

In cases involving multiple lenders, the Company shall enter into an ICA during the Review Period. Decisions under the ICA shall be binding if approved by lenders representing at least 75% by value and 60% by number.

8. Independent Credit Evaluation (ICE)

Resolution Plans involving restructuring or change in ownership shall require an Independent Credit Evaluation conducted by an RBI-empanelled credit rating agency.

9. Asset Classification and Provisioning

Asset classification and provisioning shall be carried out in accordance with RBI Directions during and after implementation of the Resolution Plan. Additional provisioning shall be made in case of delays.



10 Disclosures

Appropriate disclosures shall be made in financial statements in the 'Notes to Accounts', as specified in **Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025.**

11. Non-cooperative borrowers

All NBFCs shall identify “non-co-operative borrowers”. A “ non-co-operative borrower” is defined as one who does not provide necessary information required by a lender to assess its financial health even after two reminders; or denies access to securities etc. as per terms of sanction or does not comply with other terms of loan agreements within stipulated period; or is hostile / indifferent / in denial mode to negotiate with the NBFC on repayment issues; or plays for time by giving false impression that some solution is on horizon; or resorts to vexatious tactics such as litigation to thwart timely resolution of the interest of the lender/s. The borrowers will be given 30 days’ notice to clarify their stand before their names are reported as non-cooperative borrowers.

12. Credit Risk Management

The Company should carry out independent and objective credit appraisal in all cases of lending and must not depend on credit appraisal reports of in house consultants of the borrowing entity.

At the time of credit appraisal the Company should verify as to whether the names of any of the directors of the companies appear in the list of defaulters.

13.Registration of transactions with CERSAI

The Company should file records of all equitable mortgages with the Central Registry of Securitisation Asset Reconstruction and the Security interest of India (CERSAI)

Decision to Invoke Legal / Insolvency Proceedings

- o **Criteria for choosing resolution vs legal recovery (IBC / SARFAESI / DRT)**
 - Each default will need to be assessed on its own merits. Mode of legal action will depend on availability to a forum such as Debt Recovery Tribunal, the quantum of default and presence of Arbitration clause in the loan agreement.
- o **Approval authority for initiating insolvency or recovery proceedings:**
 - Respective Business department head / Collection related concern person shall inform Legal team for initiating insolvency or recovery proceedings.

Borrower Classification – Linked / Connected Borrowers

The following Borrowers but not limited to who have committed frauds/ malfeasance/ wilful default as well as any entity with which a wilful defaulter is associated shall remain ineligible for restructuring.

For the purpose of identification and resolution of stressed assets, the Company shall identify **linked or connected borrowers**, including entities forming part of the **same borrower group**, based on **common**



control, common ownership, management influence, or economic interdependence, in line with applicable RBI guidelines.

Stress recognition, SMA classification, default identification, and resolution planning shall be undertaken after **aggregating exposure across all connected borrowers and across all lending relationships**, including fund-based and non-fund-based facilities, whether extended singly or jointly. Any default or stress event in one entity of the borrower group shall be **appropriately assessed for its impact on other connected entities**, and the Company shall take a **group-level view** while determining the resolution strategy.

14. Review of Policy

This Policy shall be reviewed periodically and updated in line with regulatory changes.

INDEX OF THE REVIEW OF THE POLICY FROM FY 2024 ONWARDS

Sr. No.	Date of the Review
1	12 th March, 2024
2	17 th January, 2025
3	16 th January, 2026