



# Policy framework for restructuring of loans of borrowers – 2021

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Approved by Board of Directors on 18.06.2021

**Effective from 02.06.2021**

# **POLICY FRAMEWORK FOR RESTRUCTURING OF LOANS OF BORROWERS – 2021**

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## **PREAMBLE:**

Cheraman Financial Services Limited is a Non Deposit accepting Non-Banking Financial Company (NBFC) registered with the Reserve Bank of India (RBI). The policy Framework for Restructuring of Loans of Borrowers 2021 is to identify borrowers suffered from COVID-19 stress and restructuring of the loans of such borrowers.

## **BACKGROUND:**

Reserve Bank of India (RBI) has come out with Resolution framework 2.0 applicable to all eligible borrowers vide its notification RBI/2021-22/31 DOR.STR.REC.11/21.04.048/2021-22 dated May 5, 2021 for Individuals and Small Businesses and vide its notification RBI/2021-22/32 DOR.STR.REC.12/21.04.048/2021-22 dated May 5, 2021 for Micro, Small and Medium Enterprises (MSMEs).

The Board of Directors (“Board”) of Cheraman Financial Services Limited (“Company/CFSL”) based on the above mentioned notification issued by the Reserve Bank of India (RBI) and based on the current market situation, decided to adopt Policy Framework For Restructuring Of Loans Of Borrowers – 2021(Policy) for borrower accounts under stress due to COVID-19. Specific framework has been laid down below:

## **ELIGIBILITY:**

1. The following borrowers are eligible for resolution:
  - a) Individuals who have availed of personal loans excluding the credit facilities provided by the company to own personnel/staff.
  - 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.25 crore as on March 31, 2021.
  - 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.25 crore as on March 31, 2021.
2. The borrower’s account was a ‘standard asset’ as on March 31, 2021.

**OTHER CONDITIONS:**

1. Borrower should be impacted on account of Economic fallout due to COVID-19 related stress.
2. The maximum loan amount that can be considered for resolution shall be the outstanding amount at March 31,2021.
3. The actual resolution plan/loan restructuring will vary from borrower to borrower depending on the stress levels that they are undergoing in the current environment.
4. The resolution plans implemented under the framework may include rescheduling of payments, conversion of any Annualised cost to Customer (ACC) accrued or to be accrued into another credit facility, granting of moratorium etc. based on an assessment of income streams of the borrower. However, compromise settlements are not permitted as a resolution plan for this purpose.
5. 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.
6. Invocation should be completed within 30 days from the date of application by the borrower and the decision on the application shall be communicated in writing.
7. The date of invocation shall be the date on which both the borrower and the company have agreed to proceed with a resolution plan under this framework. Resolution must be implemented within 90 days from the date of invocation.
8. The last date for invocation of resolution permitted under this window is September 30,2021.
9. The restructured loans would be sanctioned by the Managing Director up to Loan exposure of Rs 5 crores and by the credit committee for Loan exposure beyond Rs 5 crores after perusing the request letter along with the proposal application form received from interested borrowers giving the details of loans to be restructured.
10. The existing credit policy will be followed with respect to any deviations while restructuring the Loans.
11. If a resolution plan is implemented in adherence to the provisions of this facility, the asset classification of borrowers' accounts classified as "Standard" may be retained as such upon implementation, whereas the borrowers' accounts which may have slipped into Stage 3 between invocation and implementation may be upgraded as "Standard", as

on the date of implementation of the plan. The account slipped to NPA from 01.04.2021 till the date of invocation shall also be eligible under Resolution Framework 2.0 and may be upgraded as standard on implementation of Resolutions Framework 2.0.

12. 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, the same may be extended subject to the residual tenor not exceeding beyond 2 years in comparison to the residual tenor prior to the implementation of resolution under resolution plan 1.0. *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.*
13. A restructuring would be treated as implemented if the following conditions are met:
14. All related documentation, including execution of necessary agreements between the company and borrower / creation of security charge / perfection of securities are completed; and the new structure and / or changes in the terms and conditions of the existing loans get duly reflected in the books of the company and the borrower.

#### **RESOLUTION OF ADVANCES TO MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs)**

In case of restructuring of loans to Small and Medium Enterprises (MSMEs) the following additional conditions are also to be satisfied

1. The borrower should be classified as MSME as on March 31, 2021 in terms of Gazette Notification S.O. 2119 (E) dated June 26, 2020.
2. The borrowing entity is GST- registered on the date of implementation of the resolution plan. However, this condition will not apply to MSMEs that are exempt from GST Registration. Exemption limit shall be checked as of March 31, 2021.
3. If the borrower is not registered in the Udyam Registration portal, such registration shall be required to be completed before the date of implementation of the restructuring plan for the plan to be treated as implemented.
4. Upon implementation of the restructuring plan, the lending institutions shall keep provision of 10 percent of the residual debt of the borrower.