

SPANDANA SPHOORTY FINANCIAL LIMITED

POLICY ON RESTRUCTURING OF LOANS

Date of Approval: May 22, 2021

1. Introduction:

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.

The resurgence of Covid-19 pandemic in India in April and the consequent containment measures to check the spread of the pandemic impacted the recovery process and created new uncertainties once again. With the objective of alleviating the potential stress to individual borrowers and small businesses, RBI announced a set of measures vide its Circular RBI/2021- 22/31, DOR.STR.REC.11/21.04.048/2021-22 dated May 5, 2021 has issued detailed guidelines on Resolution Framework – 2.0: Lending institutions are permitted to offer a limited window to individual borrowers and small businesses to implement resolution plans in respect of their credit exposures while classifying the same as Standard upon implementation of the resolution plan subject to the conditions specified in the circular.

The following borrowers shall be eligible for the window of resolution to be invoked by the lending institutions:

- a. Individuals who have availed of personal loans (as defined in the [Circular DBR.No.BP.BC.99/08.13.100/2017-18 dated January 4, 2018](#) on “XBRL Returns – Harmonization of Banking Statistics”), excluding the credit facilities provided by lending institutions to their 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.

Provided that the borrower accounts / credit facilities shall not belong to the categories listed in sub-clauses (a) to (e) of the Clause 2 of the Annex to the

Resolution Framework 1.0, read with the response to Sl. No. 2 of [FAQs on Resolution Framework for Covid-19 related stress](#) (Revised on December 12, 2020).

As a result, Spandana's borrower base is suitably covered by these guidelines. Considering the impact of COVID-19 on otherwise good quality borrowers, we believe providing them an opportunity to selectively restructure their outstanding loans is appropriate. Accordingly, the following policy has been formulated, which ensures that the resolution under this facility is provided only to the good-quality borrowers having stress on account of Covid-19.

2. Eligibility of Borrowers to consider them for Resolution Plan:

Borrowers must meet all of the following conditions to be eligible for restructuring:

- ❖ Loan must be classified as 'standard' as on March 31, 2021;
- ❖ Borrower's current repayment challenges are specifically due to the stress related to Covid-19, and intends to resume repayments as soon as possible; and
- ❖ Borrower must have historically had a good track record of repayments, and will be in a position to generate sufficient cash flows subsequent to the proposed loan restructuring.

This policy applies to all Loans provided by Spandana to these Borrowers which include Group Loans, Individual Loans, Gold Loans, Business Loans and Loans against Property. However, to clarify, credit facilities provided to staff will be excluded from the resolution plan.

3. Features of Resolution Plan:

Restructuring plan will have following features. Based on the impact of Covid-19 on the Borrower's income and considering her income streams, some or all the features of resolution plan will be implemented:

- Rescheduling of payments (principal and interest).
- Sanction additional finance even before implementation of the plan in order to meet the interim liquidity requirements of the borrower.
- Conversion of interest accrued into another credit facility.
- Granting of moratorium for a maximum period of 4 [Four] months, which shall come into force immediately upon implementation of the resolution plan.
- Extension of the residual tenor of the loan facilities with or without payment moratorium.

To clarify, no 'compromise' settlements will be done as part of the restructuring plan.

4. Procedure and Implementation of Resolution Plan:

As a first step, Borrowers, whose loans are classified as standard as on March 31, 2021 will be identified. These Borrowers will be educated about the Resolution facility extended by RBI for Borrowers, who are impacted by Covid-19 stress. They will be explained about how the Resolution plan will help them to alleviate the stress. Borrowers who want their loans to be restructured will be guided on submitting a written request for invoking resolution process.

Upon receipt of application for resolution plan, the Credit Assistant / Branch Manager / Cluster Manager will assess the eligibility of resolution plan as per i) the instructions contained in RBI circular as referred above, and ii) the Board approved policy put in place. The decision on the application will be communicated in writing to the applicant within 30 days of receipt of such applications. The decision to invoke the resolution process under this window will be taken by us, independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.

The resolution process under this window shall be treated as invoked when the Borrower agree to proceed with the efforts towards finalising a resolution plan to be implemented in respect of such borrower.

Implementation steps are as follows:

- Collect application from Borrowers;
- Conduct due diligence and check the eligibility of the Borrower for restructuring in accordance with the guidelines released by RBI and Board approved policy of Spandana;
- Restructure Loans as per the recommendations of Branch Manager / Cluster Manager after necessary checks;
- Communicate Borrowers on the restructuring plan.

5. Time Frame:

The decision on request received from the borrower for restructuring will be communicated in writing within 30 days from the date of receipt of the request. The restructuring package will be implemented within 90 days from the date of receipt of request and not later than September 30, 2021.

6. Grievance Redressal:

Customers can contact the Spandana's grievance redressal Cell for any grievances regarding restructuring of loan accounts. Toll Free Number is published on all the Loan cards.

7. Review:

- The performance of restructured account shall be monitored closely by the management.
- A quarterly report shall be presented to the Risk Management Committee and Audit Committee on restructured accounts during the period.

8. Disclosures and Credit Reporting:

The information in respect of restructuring undertaken including provisions held for such accounts shall be disclosed in the financial statements under "Notes to Accounts". Disclosures will be made as per the format prescribed in Format-X in quarterly financial statements, including the aggregate exposure to restructured borrowers.

Board approved policy will be disclosed in public domain and placed on the website in an easily accessible manner.

The resolution plans implemented in terms of Part A of this framework shall be included in the continuous disclosures required as per Format-B prescribed in the Resolution Framework – 1.0.

Credit reporting in respect of borrowers where the resolution plan is implemented under Part A of this window 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.
