



POLICY ON RESOLUTION FRAMEWORK 2.0
FOR COVID-19 RELATED STRESS FOR INDIVIDUAL, SMALL BUSINESS

1. Restructuring program 2.0

RBI 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 borrowers (Individual / MSME / Corporate), while classifying such exposures as Standard, subject to specified conditions.

Further to the resurgence of Covid-19 pandemic in India in recent weeks, RBI vide its following circulars have allowed restructuring to eligible borrowers under Resolution framework 2.0.

- a) Circular No RBI/2021-22/31/DOR.STR.REC.11/21.04.048/2021-22 on Resolution Framework – 2.0 -Resolution of Covid-19 related stress of Individuals and Small Businesses &
- b) Circular Nos RBI/202122/32/DOR.STR.REC.12/21.04.048/2021-22 on Resolution Framework 2.0 – Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs) dated May 05, 2021

RBI circular requires each lending institution to put in place a Board approved policy detailing the way such evaluation may be done and the objective criteria that may be applied while considering the resolution plan in each case.

2. Objective

Primary objective of the policy is to provide relaxation to borrowers to mitigate the burden of debt servicing obligation brought about by disruption because of COVID-19 pandemic. Through this document, Company intends to establish a resolution framework for:

- ✓ Evaluation of impact during pandemic on repayment capacity of borrower/s;
- ✓ To assess the viability of resolution plan to be provided to borrowers;
- ✓ Offer suitable resolution plan agreed mutually;
- ✓ Implement mutually agreed plan within stipulated timeframe of these guidelines; and
- ✓ Reporting and provisioning methodology.

3. Applicability

As per Circular RBI/2021-22/31 DOR.STR.REC.11/21.04.048/2021-22 for Resolution Framework – 2.0 it shall be applicable to below borrowers related to MHIL.

- a) Individuals who have availed of personal loans (Personal loans refer to loans given to individuals and consist of (a) consumer credit, (b) education loan, (c) loans given for creation/ enhancement of immovable assets (e.g., housing, etc.), and (d) loans given for investment in financial assets (shares, debentures, etc.) (Refer: RBI/2017-18/117 DBR.No.BP.BC.99/08.13.100/2017-18 and RBI Circular - XBRL Returns – Harmonization of Banking Statistics- DBR.No.BP.BC.99/08.13.100/2017-dated 18 January 04, 2018).

- 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 ₹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 (MSME) as on March 31, 2021, and to whom the lending institutions have aggregate exposure of not more than ₹25 crore as on March 31, 2021.

4. Resolution framework for Individuals and Small Businesses

Resolution plan is applicable for following borrowers subject to conditions mentioned below:

- a) Account should be classified as standard with the Company as on March 31, 2021.
- b) Resolution plan must be invoked by September 30, 2021 and must be implemented within 90 days from the date of invocation.
- c) 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, MHIL 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 maximum 2 years.

The resolution plans may inter alia include rescheduling of payments, conversion of any interest accrued, or to be accrued into another credit facility OR granting of moratorium based on an assessment of income streams of the borrower subject to a maximum of two years.

Correspondingly, the overall tenor of the loan may also get modified commensurately. The moratorium period, if granted, shall come into force immediately upon implementation of the resolution plan.

5. Assets classification and Provisioning – Resolution of Covid-19 related stress to Individuals and Small Businesses

- a) If a resolution plan is implemented in adherence to the provisions of this circular, 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 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 HFC ("extant IRAC norms").
- c) If a resolution plan is implemented under this framework, MHIL shall keep provision from the date of implementation as below:
 - i. Higher of provision as per IRAC norms just before implementation or 10% of the renegotiated debt exposure, this will also include the portion of non-fund based facilities that may have devolved into fund based facilities after the date of implementation.

6. Guideline for reversal of provision in case of Individual and Small businesses:

- a) 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.
- b) 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.
- c) 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.

7. Assessment/Evaluation

- ✓ Notwithstanding Company's Suo moto approaching to borrower's basis its internal assessment, the Company also accepts requests from customers who approaches the Company on a standalone basis for granting one Time restructuring after proving that COVID stress impacted their earning capacity. The decision on the same shall be with the Company and binding on the borrower.
- ✓ Cases where no impact established due to COVID-19 or impact is prior to COVID-19 then case may be declined under this framework.
- ✓ The decision on the application shall be communicated in writing to the applicant by MHIL within 30 days of receipt of such applications.
- ✓ Resolution plan along with agreed commercials to be communicated to the customer.
- ✓ As per the RBI direction, company has to take additional provisioning on the loan which gets restructured and may entail charging of processing fee/higher rate of interest on the loan.

8. Restructuring Options / schemes

Following restructuring options may be offered based on the compliance of our internal credit norms:

Sr. No	Scenario	Proposition
1	Tenor Extension	Residual Tenor + Tenor extension
2	EMI Holiday + Tenor Extension	EMI Holiday + Tenor extension
3	Principal Deferment + Tenor Extension	Principal deferment (interest to be paid monthly) + Tenor extension
4	EMI Holiday + Principal Deferment + Tenor Extension	EMI Holiday + Interest start after the end of EMI holiday period (Principal continue to be deferred) + Tenor extension
5	Additional Funding	Additional funding basis internal assessment

9. What all can be restructured

- a) Principal outstanding (due but not paid and future principal) and/or
- b) Interest due and /or overdue.
- c) Loan restructuring will be done on the total outstanding amount consisting of both the Principal as well as interest.

10. Documents required

- a) Request letter from the borrower for restructuring
- b) Any such income document of the customer to be collected on best efforts basis.

11. Process to be followed

- a) Credit Manager will go through the system CAM to understand customer profile, Business details, Income levels of the customer.
- b) Credit manager / empanelled agency will visit / call the customer for personal discussion (PD). The same has to be done at the business place / office/ residence.
- c) PD to establish the reduction in cash flows due to Covid through comparison of existing / earlier cash flows taken for our initial assessment.
- d) The entire details will be captured by the credit manager / agency in the PD sheet
- e) The Credit Manager will forward the PD note with approval sheet to the approval authority.
- f) Basis the existing cash flows / Income either of Option 1,2,3, 4 or 5 will be offered to the customer.
- g) The Customer will accept the option and sign the supplementary agreement sheet as an acceptance of the option selected.

12. Charges

As suggested by the approver case to case basis.

13. Disclosure Format

Format for disclosures to be made in quarters ending 30th Sept 21 and 31st Dec 21

SI No	Description	Nos / Rs
1	Number of requests received for invoking resolution process under Part A	
2	Number of accounts where resolution plan has been implemented under this window	
3	Exposure to accounts mentioned at (B) before implementation of the plan	
4	Of (C), aggregate amount of debt that was converted into other securities	
5	Additional funding sanctioned, if any, including between invocation of the plan and implementation	
6	Increase in provisions on account of the implementation of the resolution plan	



14. Grievance Redressal

MHIL shall address grievances of the customers under the Resolution Framework –2.0 as per its existing grievance redressal mechanism for customers.
