

MAS FINANCIAL SERVICES LIMITED

Policy for restructuring of MSME Loans pursuant to Resolution Framework 2.0



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Objective:

In view of the continuous need to support the viable MSME entities on account of the fallout of Covid-19, respected RBI had allowed NBFCs to restructure existing loans to those MSMEs which got impacted because of Covid – 19 situation through their notification DOR.No.BP.BC/4/21.04.048/2020-21 “Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances” dated August 6, 2020. In view of the uncertainties created by the resurgence of the Covid-19 pandemic in India in the recent weeks, RBI vide its notification no. RBI/2021-22/32 DOR.STR.REC.12/21.04.048/2021-22 dated May 5, 2021, has decided to extend the above facility for restructuring existing loans without a downgrade in the asset classification. The Company has decided to extend the support to its MSME borrowers in current scenario and accordingly, framed internal guidelines/ policy on Restructuring of MSME loans.

Eligibility:

- i.) The borrower should be classified as a micro, small or medium enterprise as on March 31, 2021 in terms of the Gazette Notification S.O. 2119 (E) dated June 26, 2020.
- ii.) The borrowing entity is GST-registered on the date of implementation of the restructuring. However, this condition will not apply to MSMEs that are exempt from GST-registration. This shall be determined on the basis of exemption limit obtaining as on March 31, 2021.
- iii.) The aggregate exposure, including non-fund based facilities, of all lending institutions to the borrower does not exceed ₹25 crore as on March 31, 2021.
- iv.) The borrower’s account was a ‘standard asset’ as on March 31, 2021.
- v.) The borrower’s account was not restructured in terms of the circulars DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020; DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020; or DBR.No.BP.BC.18/21.04.048/2018-19 dated January 1, 2019 (collectively referred to as MSME restructuring circulars).
- vi.) 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.
- vii.) Ability to demonstrate disruption in cash flow due to the Covid – 19 pandemic and ability to resume timely repayments under the restructured payment plan requested.

Timelines:

The restructuring of the borrower account is required to be invoked by September 30, 2021.

For this purpose, the restructuring shall be treated as invoked when the Company and the borrower agree to proceed with the efforts towards finalising a restructuring plan to be implemented in respect of such borrower. The decisions on applications received by the Company from its customers for invoking restructuring under this facility will be communicated in writing to the applicant within 30 days of receipt of such applications. The decision to invoke the restructuring under this facility will be taken by the Company independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.

The restructuring of the borrower account will be implemented within 90 days from the date of invocation.

Asset Classification:

- i.) Asset classification of borrowers classified as standard as on March 31, 2021 may be retained as such, whereas the accounts which may have slipped into NPA category between April 1, 2021 and date of

implementation may be upgraded as 'standard asset', as on the date of implementation of the restructuring plan.

- ii.) Post-restructuring, NPA classification of these accounts shall be as per the extant IRAC norms and ECL policy of the Company.
- iii.) Barring the one-time exception as per the policy within the norms prescribed by RBI, any MSME account which is restructured must be downgraded to NPA upon restructuring and will slip into progressively lower asset classification and higher provisioning requirements as per extant IRAC norms and ECL policy of the Company. Such an account may be considered for upgradation to 'standard' only if it demonstrates satisfactory performance during the specified period.

Provisioning Requirement:

Upon implementation of the restructuring plan, the Company will keep provision of 10 percent of the residual debt of the borrower. The Company will, however, have the option of reversing such provisions at the end of the specified period, subject to the account demonstrating satisfactory performance during the specified period as defined below.

Specified Period:

Specified Period means a period of 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 under the terms of restructuring package.

Satisfactory Performance:

Satisfactory Performance means no payment (interest and/or principal) shall remain overdue for a period of more than 30 days. In case of cash credit / overdraft account, satisfactory performance means that the outstanding in the account shall not be more than the sanctioned limit or drawing power, whichever is lower, for a period of more than 30 days.

Working capital support for MSMEs where restructuring were implemented previously:

In respect of accounts of borrowers which were restructured in terms of the MSME restructuring circulars, Company may, as a one-time measure, 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 September 30, 2021. The reassessed sanctioned limit / drawing power shall be subject to review by the Company at least on a half yearly basis and the renewal / reassessment at least on an annual basis. The annual renewal/reassessment shall be expected to suitably modulate the limits as per the then-prevailing business conditions.

Documents required for restructuring benefits:

- a. Request Letter for restructuring
- b. Photo ID proof of all applicant and co-applicant
- c. Latest Residence Proof
- d. Last 6 Months Bank Statement
- e. Proof / Self Declaration of Income Disruption with proper clarification
- f. Plan for regularization of loan
- g. Any other documents as the Company may require to process the request

Note: All documents need to be self-certified.

Deviation Matrix:

The approval authority for restructuring of the said loans is with the credit head of the respective products and if there is any deviation from the policy, the approval of the deviation to be taken from the CEO or any of the Executive Director.

Framework:

- i.) Borrower should request for restructuring its account.
- ii.) Action plan to revive the business & cash flow stress is required to be evaluated. Based on revival plan and cash flow stress assessment, revised terms for the loan to be finalized. The Company may ask for additional security coverage/guarantee based on the level of risk assessment.
- iii.) Borrower should provide all the latest information & documents as required by the Company from time to time.
- iv.) The Company will monitor the conduct of the borrower on monthly basis and will review the performance based on the conduct of the account.
- v.) The Company may reject the request of the borrower based on its internal assessment and the decision of the Company shall be final.
- vi.) Decision of the Company will also be based on the satisfactory assessment and response from the field team and other credit checks. The Company may instruct process for resolution to such customer which needs to be complied for granting of resolution.
- vii.) Restructuring will be treated as implemented only if:
 - a. all related documentation, including execution of necessary agreements between the Company and borrower / creation of security charge / perfection of securities are completed; and
 - b. the new capital 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.

Disclosures:

The Company will make appropriate disclosures in its financial statements, under ‘Notes on Accounts’, relating to the MSME accounts restructured under these instructions as per the following format:

No. of accounts restructured	Amount

Credit Bureau Reporting:

As per regulatory guidelines, loan facility will be reported to the credit bureau as “Restructured” under the Prudential Framework.

Processing fees or charges:

The fees, charges and additional interest under the restructuring will depend upon the viability of the individual account and might vary from case to case.

Review:

The Board is authorized to review/amend this policy from time to time at its sole discretion and/or to bring it in conformity with statutory and regulatory requirements.
