

**Shapoorji Pallonji Finance Private Limited**  
**Resolution Framework for COVID Related Stress - 2**

The resurgence of Covid-19 pandemic in India in the recent weeks and the consequent containment measures to check the spread of the pandemic may impact the recovery process and create new uncertainties. With the objective of alleviating the potential stress to individual borrowers and small businesses, **the Reserve Bank of India (RBI) has issued a Circular dated May 05, 2021 for Resolution of Covid-19 related stress of Individuals and Small Businesses (“Resolution Framework – 2.0/ RBI Circular”)**.

RBI has mandated Lending Institutions including NBFC’s to formulate a Board approved Policy pertaining to implementation of viable Resolution Plans for eligible borrowers under this framework, ensuring that the resolution under this facility is provided only to the borrowers having stress on account of Covid-19.

The Policy provides for the eligibility parameters, conditions, due diligence, disclosures requirements, etc. in respect of resolution facility to borrowers of Shapoorji Pallonji Finance Private Limited (The Company/ SP Finance) under the Resolution Framework – 2.0/ RBI Circular. Accordingly, the Policy has been placed and approved by the Board of Directors of the Company.

**Eligibility:**

- Individuals who have availed of personal loans excluding the credit facilities provided by lending institutions to their own personnel/staff.
- 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 Crores (Rupees Twenty Five Crores) as on March 31, 2021.
- 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 Crores (Rupees Twenty Five Crores) as on March 31, 2021.

**Conditions:**

- For becoming eligible under this Framework, the borrower accounts should not have availed of any resolution in terms of the Resolution Framework – 1.0 i.e. RBI circular DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6, 2020 on Resolution Framework for COVID-19-related Stress
- The credit facilities / investment exposure to the borrower was classified as Standard by the Lending Institution as on March 31, 2021. The reference date for the outstanding amount of debt may be considered for resolution under this policy shall be March 31, 2021.
- Satisfactory debt servicing and compliance with security terms.

*(“Satisfactory debt servicing means the account should not have been classified as SMA-2 during the period from September 01, 2020 till March 31, 2021.”)*

- Any other conditions as the Authority for the purpose of this Policy may deem fit.

The following categories of borrowers / credit facilities were not eligible for a resolution plan vide circular DOR. No. BP. BC/3/21.04.048/2020-21 dated August 6, 2020 and continue to be not eligible for a Resolution Plan under this Policy / Framework as hitherto:

- MSME borrowers whose aggregate exposure to lending institutions collectively, is Rs. 25 crores or less as on March 1, 2020.
- Farm credit as listed in Paragraph 6.1 of Master Direction FIDD.CO.Plan.1/04.09.01/2016-17 dated July 7, 2016 (as updated) or other relevant instructions as applicable to specific category of Lending Institutions.
- Loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi- Purpose Societies (LAMPS) for on-lending to agriculture.
- Exposures of Lending Institutions to financial service providers
- Exposures of Lending Institutions to Central and State Governments; Local Government bodies (e.g. Municipal Corporations); and, body corporates established by an Act of Parliament or State Legislature

Credit Exposures which do not satisfy the required eligibility conditions to be considered for resolution under Resolution Framework – 2.0/ RBI Circular, resolution of Covid-19 related stress may be considered for resolution under the Restructuring framework specified in the Master Directions (Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 ) or governed by the Prudential Framework for Resolution of Stressed Assets issued on June 7, 2019 (“Prudential Framework”).

#### **Invocation of Resolution Process:**

The resolution process under the Resolution Framework – 2.0/ RBI Circular shall be treated as invoked when the Company and the borrower agree to proceed with the resolution plan to be implemented in respect of such borrower.

Audited/ Provisional and Projected Financials Statements (including P&L and Balance Sheet) to be obtained from the borrower. In addition to that the Company will seek from the borrower, information relating to impact on the business of the borrower due to Covid-19 and Restructuring Plan for assessment by the Company.

The Restructuring will be offered by the Company basis its assessment and will be independent on any invocation decision taken by any other Lending Institution, if any, having exposure to the same borrower.

The decision on the application shall be communicated in writing to the applicant/ borrower within 30 days of receipt of such applications.

**The Authority under this Policy for deciding the invocation and implementation of Resolution Plan shall be the Credit Committee.**

The last date for invocation of resolution is September 30, 2021.

#### **Timelines:**

The Resolution Plan should be implemented within 90 days from the date of invocation.

The Resolution Plan shall be deemed to be implemented only if following conditions are fulfilled:

- all related documentation, including execution of necessary agreements between the lending institutions and borrower and collaterals provided, if any, are completed by the lenders concerned in consonance with the resolution plan being implemented;
- the changes in the terms of conditions of the loans get duly reflected in the books of the lending institutions; and
- borrower is not in default with the lending institution as per the revised terms.

### **Resolution Plan:**

The Resolution Plans implemented under the Resolution Framework – 2.0/ RBI Circular may *inter alia* include rescheduling of payments, conversion of any interest accrued or to be accrued into another credit facility, revisions in working capital sanctions, granting of moratorium etc. based on an assessment of income streams of the borrower. *The compromise settlements are not permitted as a resolution plan for this purpose.*

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 restricted to two years.

The resolution plan may also provide for conversion of a portion of the debt into equity or other marketable, non-convertible debt securities issued by the borrower, wherever applicable, and the same shall be governed by following:

- The resolution plan may provide for conversion of a portion of the debt into equity or other marketable, non-convertible debt securities issued by the borrower, provided the amortisation schedule and the coupon carried by such debt securities are similar to the terms of the debt held on the books of the lending institutions, post implementation of the resolution plan. The holding of such instruments by the respective lending institutions shall be subject to the extant instructions on investments as applicable to them.
- The valuation of equity instruments issued, if any, shall be governed by the provisions of Paragraphs 19(c) and 19(d) of the Annex to the Prudential Framework whereas debt securities shall be valued as per the instructions compiled at Paragraph 3.7.1 of the Master Circular - Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks dated July 1, 2015 (as amended from time to time), or other relevant instructions as applicable to specific category of lending institutions.
- In case the lending institutions convert any portion of the debt into any other security, the same shall collectively be valued at Re.1.

### **Assessment Norms and Due Diligence Considerations:**

Review of Audited/ Provisional and Projected Financials Statements (including P&L and Balance Sheet) and any other information as the Company may deem fit to be assessed. The Assessment for invocation and viability of Resolution Plan will be based on the satisfaction of the Company.

### **Product Level Standardized Templates:**

Internal Credit Rating Model to be applied and minimum rating to be in “B” rating band unless specifically approved by the Credit Committee.

### **Criteria for concluding that the Borrower has been affected by Covid-19 pandemic:**

The Company will analyze / evaluate the information relating to impact on the business of the borrower due to Covid-19 and assess the following:

- Impact on Revenue/ Turnover
- Impact on Debtors ageing/ collection
- Impact on payment of dues
- Other criteria impacting business of the borrower significantly, if any.

### **Asset classification and provisioning:**

- 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.
- The subsequent asset classification for such exposures will be governed as per the extant IRAC Norms.
- Additional Finance - In respect of borrowers where the resolution process has been invoked, lending institutions are permitted to sanction additional finance even before implementation of the plan in order to meet the interim liquidity requirements of the borrower.
- The facility of additional finance may be classified as 'Standard' till implementation of the plan regardless of the actual performance of the borrower in the interim. However, if the resolution plan is not implemented within the stipulated timelines, the asset classification of the additional finance sanctioned will be as per the actual performance of the borrower with respect to such additional finance or performance of the rest of the credit facilities, whichever is worse.
- The lending institutions shall keep provisions from the date of implementation, which are higher of the provisions held as per the extant IRAC norms immediately before implementation, or 10% (Ten percent) of the renegotiated debt exposure of the lending institution post implementation (residual debt).
- Half of the above provisions may be written back upon the borrower paying at least 20% (Twenty 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% (Ten per cent) of the residual debt without slipping into NPA subsequently.

Provided that in respect of exposures other than personal loans, the above provisions shall not be written back before 1 (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.

- The provisions required to be maintained under the Resolution Framework – 2.0/ RBI Circular, 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.

### **Disclosures:**

SP Finance shall make the appropriate disclosures as specified in the Resolution Framework-2/ RBI Circular.

### **Reporting:**

The credit reporting by SP Finance in respect of borrowers where the resolution plan is implemented under the Resolution Framework – 2.0/ RBI Circular 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.

### **Grievance Redressal Mechanism:**

The Policy also provides the system for redressing the grievance of borrowers who request for resolution under the Resolution Framework – 2.0/ RBI Circular and / or are undergoing resolution under the Resolution Framework – 2.0/ RBI Circular as under:

<https://www.shapoorjipallonjifinance.com/wp-content/uploads/2021/03/SPFPL-Grievance-Redressal-Mechanism-2.pdf#toolbar=0>

**Miscellaneous:**

The Policy shall be subject to the Circular and guidelines issued by RBI from time to time. The Policy shall stand amended / modified from time to time in accordance with and to align with RBI guidelines issued in this regard.

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