SK Finance Limited

Board Policy: Restructuring Framework 2.O

April 2022

SUMMARY OF POLICY

Policy Name	Board Policy: Restructuring Framework 2.O
Regulations	RBI Directions and Circulars
Review Cycle	Annually or such earlier frequency as required
Approver	Board of Directors of SK Finance Limited (Formerly known as Ess Kay Fincorp Limited)
Latest Approval/Review Date	April 2022
Version	1.0

Responsibility for Implementation	**Head of Operations** **Head of Credit**	
Vetted by	**Head of Compliance** **Chief Risk Officer**	

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1. INTRODUCTION:

The policy is adopted by SK Finance Limited pursuant to RBI Notification RBI/2021-22/31 DOR.STR.REC.11/21.04.048/2021-22 and RBI/2021-22/32 DOR.STR.REC.12/21.04.048/2021-22 dated May 05, 2021 ("Restructuring framework 2.0") and FAQs on Resolution Framework for Covid-19 related stress issued by RBI to provide one time relief to borrowers of SK Finance Limited impacted by Covid-19

Considering the economic fallout on account of second wave of Covid-19 pandemic and with the intent to facilitate revival of the ultimate borrowers RBI has provided a **window under the Prudential Framework** to enable the lenders to implement a resolution plan in respect of eligible MSME and Retail borrowers without any change in asset classification

2. PURPOSE AND SCOPE:

The purpose of this policy is to adopt a framework to support eligible borrowers whose long term viability might have been potentially impacted adversely on account of the economic fallout of the Covid 19 pandemic. The policy details the manner in which such evaluation may be done and the objective criteria that may be applied while considering the resolution plan in each case.

3. ELIGIBLE BORROWERS:

Under the light of the above listed notification, the following set of borrowers of SK Finance Limited shall be eligible for a restructuring package/resolution plan under this policy:

a) Personal Loans includes:

a. Financing auto loans (other than loans for commercial use),
b. secured personal loans other than staff loans,
c. loans given for creation/ enhancement of immovable assets and
d. loans given for other consumptions purposes.
Excludes consumption loans given to farmers under KCC

b) **Small businesses** includes financing commercial vehicles and loans to borrowers involved in business purposes other than the customer classified under MSME Customers as on March 31, 2021.

c) **MSME Loans** includes Loans to MSME customers (For the purpose of eligibility for resolution under the Resolution Framework, the definition of MSME that would be applicable is the one that existed as on March 31, 2021, and having registered with Udhyam)

The above classification is made on the basis of guidelines issued by Reserve bank of India in this regards on timely manner.

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).

Clause (a) to (e) of the Clause 2 of the Annex to Resolution Framework 1.0 includes 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.

Farm Credit shall refer to Loans to individual farmers directly engaged in Agriculture and Allied Activities, viz., dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture. Further defined in the circular referred above.
This framework will not cover any concession granted when accompanied by “Change of ownership"

4. ELIGIBILITY CRITERIA:

4.1. **Personal Loans & Small Businesses:**
Personal Loans:
The definition of Personal Loans under this circular will have the same meaning as defined in the Circular “DBR.NO.BP.BC.99/08.13.100/2017-18 dated January 4, 2018 on XBRL Returns” and as:
Loans given to Individuals and consist of:
1) Consumer-Credit*,
2) Education Loans,
3) Loans given for creation/enhancement of immovable assets (e.g., housing etc.,) and
4) Loans given for investment in financial assets (shares, debentures etc.).

“*”: Consumer Credit under this circular being defined as: loans given to individuals consisting of:
1) Loans for consumer durables,
2) Credit Card receivables,
3) Auto loans (other than Commercial vehicles),
4) Personal Loans secured by Gold, Gold-Jewellery, immovable property, fixed deposits (including FCNR B), shares & bonds etc. (other than for Business/Commercial purposes),
5) Personal Loans to professionals (excluding loans for business purpose) and
6) Loans given for other consumption purposes (e.g., social ceremonies etc.,)

Eligibility Conditions:

a) The Borrower is an existing customer of SK Finance Limited as on March 31, 2021. The actual debt that may be considered for resolution will be the outstanding as on the date of invocation.
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.50 crore as on March 31, 2021.
c) The Borrower’s account should be standard as on March 31, 2021.
d) Credit facilities provided by lending institutions to their own personnel/staff shall not be eligible for resolution under this framework.
e) The Borrower should not have availed of any resolution in terms of the Resolution Framework – 1.0 subject to where resolution plans had been implemented in terms of the Resolution

Framework – 1.0, and where the resolution plans had permitted no moratoria or moratoria of less than two years and / or extension of residual tenor by a period of less than two years, lending institutions are 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 the caps . *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.*

f) Any resolution plan implemented shall be fully governed by the Prudential Framework

4.2. **MSME Loans:**

a) The Borrower is an existing customer of SK Finance Limited as on March 31, 2021. The actual debt that may be considered for resolution will be the outstanding as on the date of invocation.
b) The aggregate exposure, including non-fund based facilities, of banks and NBFCs to the borrower does not exceed ₹50 crore as on March 31, 2021.
c) The Borrower's account was a 'standard asset' as on March 31, 2021. It should be classified as Stage 1 or Stage 2 asset under the Ind AS Financial reporting framework as on March 31, 2021.
d) The Borrower entity is registered in Udhyam portal, Or 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.
e) 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.

5. RESTRUCTURING CRITERIA INCLUDES:

a) Rescheduling of payments: Under this option, the borrower may be permitted to repay smaller instalments in the same frequency as compared to the original loan. The loan tenure may be correspondingly increased as per permitted under this policy.
b) Conversion of any interest accrued, or to be accrued, to be capitalized in the same facility or into another credit facility, or,
c) Granting of moratorium based on assessment of income stream: The maximum permissible moratorium period of two years inclusive of moratorium, if any, if granted, shall come into force immediately upon implementation of the resolution plan.

The Company have right to reschedule the loan with or without modifying the interest rate and/or charges. *Note: compromise settlements are not permitted as a resolution plan for this purpose.

6. DUE DILIGENCE:

The company shall satisfy itself that the same is necessitated on account of the economic fallout from Covid-19. The business shall assess the location geographic impact and cash flows of the customer. The reduction of income and its financial impact on the customer will be considered on the basis of the information provided. Any borrower who could not run his business in the normal way during the restrictions/lockdown period announced by the Government/areas impacted by COVID is considered as

COVID impacted. The decision to extend restructuring / moratorium shall be at the discretion of the company.

7. OTHER POINTS TO BE CONSIDERED:

d) The Resolution plan shall be deemed to be implemented only if all of the following conditions are met:
   i. all related documentation, including execution of necessary agreements between the Company and borrower and collaterals provided, if any, are completed by the lenders concerned in consonance with the resolution plan being implemented;
   ii. the changes in the terms of conditions of the loans get duly reflected in the books of SK Finance Limited; and,
   iii. borrower is not in default with the lending institution as per the revised terms

e) Date of Invocation:
   i. **For Personal Loans & Small Businesses:**
   Resolution under this framework may be invoked not later than September 30, 2021 and must be implemented within 90 days from the date of invocation.
   For MSME Loans: Invocation of the resolution plan cannot be later than September 30, 2021.The restructuring should be implemented maximum by December 31, 2021 subject to implementation within 90 days from date of invocation.

Please Note: For this purpose, the date of invocation shall be the date on which both the borrower and lending institution have agreed to proceed with a resolution plan under this framework

c) In respect of applications received from customers for invoking resolution process under this window, the assessment of eligibility shall be completed, and the decision on the application shall be communicated in writing to the applicant by the Company within 30 days of receipt of such applications.

d) The Resolution Framework may be invoked for resolution of all exposures of the Company to eligible borrowers, **including investment exposures**.

e) 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.

f) For post Implementation performance, Credit Reporting and Disclosure Requirements, the above listed Restructuring Notification shall be duly followed.

g) For all the other matters in relation to Asset classification, Provisioning, post implementation performance, disclosure and credit reporting etc. will be governed by the RBI policy in this regards.

h) In case of any disagreement between the policy and regulatory guidelines, the regulatory guidelines will prevail over this policy.

8. SYSTEM FOR REDRESSING THE GRIEVANCE OF BORROWERS:

The Company has a well formalised and Customer Grievance Redressal Mechanism in place which is displayed on the website. This desk will be responsible for handling and responding to queries/grievances of customers who request for resolution and / or are undergoing resolution under this Policy. Customers can reach out to us through the modes available in the Grievance Redressal Mechanism.

9. POLICY SEVERABLE:

This policy read with RBI Master Direction constitutes the entire document in relation to its subject matter. In the event that any term, condition or provision of this policy being held to be a violation of any applicable law, statute or regulation, the same shall be severable from the rest of this policy and shall be of no force and effect, and this policy shall remain in full force and effect as if such term, condition or provision had not originally been contained in this Policy.