SK Finance Limited

Resolution for Covid-19 Related Stress Policy

April 2022

SUMMARY OF POLICY

Policy Name	Resolution for Covid-19 Related Stress Policy
Regulations	RBI Circular DOR.No.BP.BC/3/21.04.048/2020-21 and DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020
Review Cycle	Annually or in the event of any change in regulatory guidelines
Approver	Board of Directors of SK Finance Limited (Formerly known as Ess Kay Fincorp Limited)
Latest Approval/Review Date	April 2022
Version	1.0

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1. Introduction:

The policy is adopted by SK Finance Limited pursuant to RBI Notification *DOR.No.BP.BC/3/21.04.048/2020-21 and DOR.No.BP.BC/4/21.04.048/2020-21* dated August 6, 2020 (“Restructuring Notifications”) 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 the 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 financing auto loans (other than loans for commercial use), secured personal loans, loans given for creation/ enhancement of immovable assets and loans given for other consumptions purposes.

b) **MSME Loans** includes financing Commercial Vehicles and 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 1, 2020)
The above classification is made on the basis of guidelines issued by Reserve bank of India in this regards on timely manner.

4. Eligibility Criteria:

Personal Loans:

a) The Borrower is an existing customer of SK as on March 01, 2020. The actual debt that may be considered for resolution will be the outstanding as on the date of invocation.

b) The Borrower’s account should be standard but not in default for more than 30 days as on March 1,
2020

c) Credit facilities provided by lending institutions to their own personnel/staff shall not be eligible for resolution under this framework

MSME Loans:

a) The Borrower is an existing customer of SK as on March 01, 2020. 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 ₹25 crore as on March 1, 2020.

c) The Borrower's account was a 'standard asset' as on March 1, 2020.

d) The Borrower's account should be less than or equal to 90 days past due as on March 1, 2020. It should be classified as Stage 1 or Stage 2 asset under the Ind AS Financial reporting framework as on March 1,
2020

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 1, 2020.

5. Restructuring Criteria:

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, the moratorium period, if granted, shall come into force immediately upon implementation of the resolution plan.

d) The Company shall have the right to reschedule the loan with or without modifying the interest rate and/or charges.

6. Other points to be considered:

a) 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 lending institutions 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.

b) Date of Invocation:

   i. **For Personal Loans:** Resolution under this framework may be invoked not later than December 31, 2020 and must be implemented within 90 days from the date of invocation.

   ii. **For MSME Loans:** The restructuring of the borrower account is implemented by March 31, 2021.

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

d) For Post Implementation Performance, Credit Reporting and Disclosure Requirements, the above listed Restructuring Notification shall be duly followed.

e) For All the other matters in relation to Asset classification, Provisioning, Post implemented performance, disclosure and credit reporting etc. will be governed by the RBI policy in this regards.

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

7. Policy Severable:

This policy read with RBI Circular 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.