

**Policy – Restructuring of Advances – COVID**  
**19 06 Aug 20**

## Section A:

Background:

This Policy has been approved by Board of Directors as per the RBI notification dated: 6<sup>th</sup> August 2020.

The directive had three parts to it as mentioned below (1, 2 & 3):

**1) Advances classified as “Personal Loan”** means Loans sanctioned to Individuals and consist of

- a. Loans for consumer durables
- b. Auto loans (other than commercial vehicles)
- c. Loan against immovable Property (other than for Business/Commercial purposes)
- d. Loan sanctioned for other consumption purposes (e.g. social ceremonies etc.)
- e. Education Loans
- f. Loans sanctioned for creation/enhancement of immovable assets (e.g., housing etc.,)
- g. Loans sanctioned for investment in financial assets (shares, debentures etc.).

**2) Advances classified as “Other Exposures”**

All eligible exposures not covered under “Personal Loans” and not qualifying under “MSME borrowers” category.

**3) Advances to “MSME borrowers”** means borrowers that meet the criteria laid down in the MSMED Act 2006.

**4) Approach:**

- FIHFC will re-assess and establish certainty of repayment from the borrower post restructure after appropriate due-diligence, with following two factors being of paramount importance: affordability and intent.
- For all Loans sanctioned for creation/improvement of immovable assets (e.g., housing) and Personal Loans secured by immovable property (and not for business/commercial use), fresh valuation will be conducted.

**5) Types of Restructuring** - Can be either one or both of the following:

- a. EMI deferment with or without interest
- b. EMI reduction with tenure increase
- c. Change in Rate of Interest.

**Section B:**

Eligibility conditions for advances under Personal Loans:

1. **Only those borrowers that were classified as “Standard”, but not in default for more than 30 days as on March 1, 2020, will be eligible.** Such borrower accounts should continue as “Standard” till the date of invocation of resolution under this framework. “Invocation” shall be deemed as applicable; when both the borrower and FIHFC have agreed to proceed with a resolution plan.
2. **Invocation of the resolution plan cannot be later than December 31, 2020; with an effort for early invocation. And must be implemented within 90days from the date of invocation.**
3. **Implementation will be deemed to have been completed only if all of the following conditions are met:**
  - a. **All related documentation, including execution of necessary agreements and collaterals provided if any, are completed by FIHFC and borrower**
  - b. **The changes in the terms & conditions of the advances get fully reflected in the books of FIHFC and**
  - c. **Borrower is not in default with FIHFC as per the revised terms.**

**For Salaried individual borrowers:**

**Documents:**

- **Latest 3 months’ Bank statement is mandatory.**
- KYC, if change in address or if KYC norms having undergone change from the time of original booking
- Application and acceptance of Terms and Conditions pre requisite to Restructuring (OTR Kit)

**For all Non-Salaried individual borrowers:**

**Documents:**

- **Six (Dec’19, Jan 20 & Feb 20 and latest 3 months) months’ Bank statement is mandatory**
- KYC, if change in address or if KYC norms having undergone change from the time of original booking

Application and acceptance of Terms and Conditions pre requisite to Restructuring

**For all individual loans under FIHFC’s Rural business segment:**

**Documents:**

- KYC, if change in address or if KYC norms having undergone change from the time of original booking

Application and acceptance of Terms and Conditions pre requisite to Restructuring

**Section C:**

Eligibility conditions for advances under **Other Exposures**:

1. **Only those borrowers will be eligible for resolution under this framework which were “Standard” but not in default for more than 30days with FIHFC as on March1, 2020. Further accounts should continue to remain “Standard” till the date of invocation.**
2. In case the borrower has only FIHFC as a lender then the request for resolution will be taken up under the norms of this policy and for this the date of invocation will be, the date on which both FIHFC and borrower have agreed to proceed with the plan. **However, if the borrower has exposure to lenders, other than FIHFC as well, then the resolution shall be treated as invoked if the lending institutions representing 75% by value of the total outstanding credit facilities (fund as well as non-fund) and not less than 60% by number agree to invoke.**
3. **Resolution plan under this framework cannot be invoked later than December 31, 2020 and must be implemented within 180days from date of invocation.**
4. In all applications involving multiple lending institutions, where the resolution process has been invoked and to be implemented, Inter-Creditor–Agreement (ICA) shall have be signed by all lenders within 30days from date of invocation.
5. In case of multiple lenders, if conditions: 2 & 4 are not met (i.e., <75% by value, <60% by number and ICA not signed within 30days), the invocation will be treated as lapsed and cannot be invoked again.
6. The recommended list of financial parameters *inter alia* covering aspects related to leverage, liquidity, debt serviceability etc., by a committee of RBI called “**EXPERT COMMITTEE**” will have to be factored into the resolution plan.
7. Resolution plan in respect of accounts where the aggregate exposure of the lending institutions at the time of invocation is  $\geq$ INR 1billion, will require an independent credit evaluation (ICE) by any one Credit Rating Agency (CRA) authorized by RBI under the Prudential Framework.
8. The resolution plan for accounts involving consortium or multiple banking arrangements, post implementation of the plan, all receipts by the borrower, all repayments by the borrower to the lending institutions, as well as all additional disbursements, if any, to the borrower by the lending institutions as a part of the resolution plan, shall be routed through an ESCROW account maintained with one of the lending institutions. And lending institutions shall enter into a formal agreement with the ESCROW manager detailing the duties and responsibilities as well as enforcement mechanism that will be contractually available to the ESCROW manager and lending institutions.
9. **Any default by the borrower with any of the signatories to the ICA during the monitoring period will trigger a “Review Period” of 30days. Monitoring period would be defined as the period starting from the date of implementation of Resolution Plan, till the borrower pays 10% of the**

**residual debt subject** to a minimum of one year from the commencement of the first payment of interest or principal (whichever is later) on the credit facility with longest period under Restructuring.

10. If the borrower is in default with any of the signatories to the ICA at the end of the “review Period”, the Asset Classification of the borrower with all the lending institutions, including those who did not sign the ICA, will be downgraded to NPA from the date of implementation of plan or the date from which borrower had been classified as NPA before implementation of plan, whichever is earlier.
11. Upon completion of the monitoring period without being classified as NPA, the asset classification norms will revert to the criteria laid out in the Master Circular- Prudential norms on IRAC and Provisioning pertaining to Advances dated July 1 2015.

**Documents:**

- The borrower to submit self-certified or Chartered Accountant (CA) - certified (mandatory for auditable accounts) income details. **Bank statements for 6months pre-Covid & 6 months post-Covid both a mandatory requirement.**
- KYC, if change in address or if KYC norms having undergone change from the time of original booking
- Application and acceptance of Terms and Conditions pre requisite to Restructuring
- Also any document that will help establish viability e.g., contract copies etc.,

**For loan sizes >INR 50lacs**

**Documents:**

- The borrower to submit CA & self-certified projected financials including funds flow estimates for the entire period of repayment of interest and principal. Bank statements for 6months pre-Covid & 6 months post-Covid both a mandatory requirement.
- KYC, if change in address or if KYC norms having undergone change from the time of original booking
- Application and acceptance of Restructuring and revised terms & conditions (OTR Kit)
- Also any document that will help establish viability e.g., contract copies etc.,

**(a)The below recommended list of financial parameters by the “EXPERT COMMITTEE” are to be mandatorily considered for viability assessment and will be applicable for both , FIHFC as the only lender and FIHFC as one of the lenders:**

- 1. Total Outside liabilities over Adjusted Tangible Net Worth (TOL/ATNW)**
- 2. Total Debt over EBITDA**
- 3. Current Ratio**

**4. Debt Service Coverage Ratio (DSCR)**

**5. Average Debt Service Coverage Ratio (ADSCR)**

(For all of the above ratios, refer to the definition in ANNEX 2)

The below two ratio have to be complied with by all the eligible borrowers forming a part of “Other Exposures”

Current Ratio has to be  $\geq 1.0$

ADSCR has to be  $\geq 1.2$

The “EXPERT COMMITTEE” has also prescribed sector specific thresholds (ceilings or floors) detailed at ANNEX 2, that have to be considered for viability for borrowers operating in that sector. For borrowers operating in sectors not mentioned in the list, FIHFC’s internal norms on TOL/ATNW, TOTAL DEBT/EBITDA and DSCR as defined below will be applicable.

FIHFC norms for Borrowers outside of sectors specified in ANNEX 2:

(a) TOL/ATNW has to be  $\leq 4$ , AND

(b) Total DEBT/EBITDA has to be  $\leq 6$

FIHFC will ensure compliance to TOL/ATNW ratio agreed as per the plan at the time of implementation. Nevertheless, this ratio and all other key ratios as per the plan shall have to be maintained by March 31, 2022 and on an ongoing basis thereafter. These Ratios will have to be tracked quarterly as financial covenants and any breach not rectified within reasonable period in terms of loan contract will be termed as financial difficulty. Borrower will be required to submit information to this effect and non-compliance will again be termed as financial difficulty (@) if the information submission is delayed beyond two quarters.

@: Financial difficulty means inability to keep up with the repayment commitments under the revised terms. And if an account under this policy does get into such a situation post restructuring; the further course of action on the account will have to be as per the Prudential Framework for Resolution of Stressed Assets) Directions 2019, dated Jun 7, 2019

(b) In case of a multiple lender situation for an FIHFC borrower, the viability assessment will be jointly worked out in consultation with other lenders and at minimum include the recommended list by Expert Committee.

**Section D:**

Eligibility Conditions for the **MSME# accounts** to qualify for restructuring

1. The aggregate exposure, including non-fund based facilities, of banks and NBFCs to the borrower does not exceed ₹250 million as on March 1, 2020.
2. The borrower's account may be in default but should be 'Standard Asset' as on March 1, 2020
3. The restructuring should be implemented by March 31, 2021.
4. 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 obtained as on March 1, 2020.
5. Asset classification of borrowers as on March 1, 2020 will be retained as such even if the account would have slipped into NPA category between March 2, 2020 and the date of implementation of the restructuring plan. This benefit however will be available only if the plan is done as per the conditions laid herein.
6. Advances if any restructured earlier under the circular dated January 1 2019 will be ineligible under this circular.

**Documents:**

- The borrower to submit CA & self-certified projected financials including funds flow estimates for the entire period of repayment of interest and principal and details of capital infusion if part of the plan. **Bank statements for 6 months pre-Covid & 6 months post-Covid both a mandatory requirement.**
- KYC, if change in address or constitution or if KYC norms having undergone change from the time of original booking
- Application and acceptance of Restructuring and revised terms & conditions (OTR Kit)
- Also any document that will help establish viability e.g., contract copies etc.,

**Section E: Credit Bureau Reporting:**

1. The credit bureau reporting by FIHFC in respect of borrowers where the resolution plan is implemented under this facility shall reflect the "restructured" status of the account if the resolution plan involves re-negotiation that would be classified as "restructuring" under the Prudential Framework.

**ANNEX 1:**

Key Ratio	Definition
TOL/ATNW	Sum of long term debt, current liabilities and provisions along with deferred tax, divided by tangible net worth net of investments and loans in group and outside entities
Total Debt/EBIDTA	Sum of short term and long term debt , divided by sum of PBT, interest and finance charges along with depreciation and amortization
Current Ratio	Current assets divided by current liabilities
Debt Service Coverage Ratio DSCR	Sum of net cash accruals along with interest & finance charges , divided by sum of current portion of long term debt with interest & finance charges
Average DSCR	Over the period of loan , sum of net cash accruals along with interest and finance charges, divided by sum of current portion of long term debt with interest and finance charges



<b>ANNEX 2</b>					
<b>Sector</b>	<b>TOL/ATNW</b>	<b>TOTAL DEBT/EBITDA</b>	<b>CURRENT RATIO</b>	<b>ADSCR</b>	<b>DSCR</b>
Auto Components	<=4.50	<=4.50	>=1.00	>=1.20	>=1.00
Auto Dealerships	<=4.00	<=5.00	>=1.00	>=1.20	>=1.00
Automobile Manufacturing	<=4.00	<=4.00	-	>=1.20	>=1.00
Aviation	<=6.00	<=5.50	>=0.40	-	-
Building Material -Tiles	<=4.00	<=4.00	>=1.00	>=1.20	>=1.00
Cement	<=3.00	<=4.00	>=1.00	>=1.20	>=1.00
Chemicals	<=3.00	<=4.00	>=1.00	>=1.20	>=1.00
Construction	<=4.00	<=4.75	>=1.00	>=1.20	>=1.00
Consumer Durables/FMCG	<=3.00	<=4.00	>=1.00	>=1.20	>=1.00
Corporate Retail Outlets	<=4.50	<=5.00	>=1.00	>=1.20	>=1.00
Gems & Jewellery	<=3.50	<=5.00	>=1.00	>=1.20	>=1.00
Hotesl, Resturants, Tourism	<=4.00	<=5.00	>=1.00	>=1.20	>=1.00
Iron & Steel Manufacturing	<=3.00	<=5.30	>=1.00	>=1.20	>=1.00
Logistics	<=3.00	<=5.00	>=1.00	>=1.20	>=1.00
Mining	<=3.00	<=4.50	>=1.00	>=1.20	>=1.00
Non Ferrous Metals	<=3.00	<=4.50	>=1.00	>=1.20	>=1.00
Pharmaceuticals Manufacturing	<=3.50	<=4.00	>=1.00	>=1.20	>=1.00
Plastic Products Manufacturing	<=3.00	<=4.00	>=1.00	>=1.20	>=1.00
Port & Port Services	<=3.00	<=5.00	>=1.00	>=1.20	>=1.00
Power					
Generation	<=4.00	<=6.00	>=1.00	>=1.20	>=1.00
Transmission	<=4.00	<=6.00	>=1.00	>=1.20	>=1.00
Distribution	<=3.00	<=6.00	>=1.00	>=1.20	>=1.00
Real Estate *					
Residential	<=7.00	<=9.00	>=1.00	>=1.20	>=1.00
Commercial	<=10.00	<=12.00	>=1.00	>=1.20	>=1.00
Roads	-	-	-	>=1.20	>=1.00
Shipping	<=3.00	<=5.50	>=1.00	>=1.20	>=1.00
Sugar	<=3.75	<=4.50	>=1.00	>=1.20	>=1.00
Textiles	<=3.50	<=5.50	>=1.00	>=1.20	>=1.00
Trading Wholesale	<=4.00	<=6.00	>=1.00	-	>=1.70
Others Not specified above	-	-	-	>=1.20	>=1.00
<b>" *": The parameters are to be considered at a project level and not at an entity level</b>					

**“# “MSME Definitions:**

- 1) Old MSME definition based on investment, MSMED Act, 2006

Composite Criteria	Micro	Small	Medium
Manufacturing Enterprises – Investment in Plant & Machinery	< Rs. 25 Lacs	Rs.25 Lacs to Rs. 5 Crore	Rs.5 Crore to Rs.10 Crore
Service Enterprises – Investment in Equipments	Rs. 10 Lacs	Rs.10 Lacs to Rs. 2 Crore	Rs.2 Crore to Rs.5 Crore

- 2) As per the revised classification of Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 with effect from 1st July 2020):

Classification	Composite Criteria	Micro	Small	Medium
Manufacturing Enterprises and Enterprises rendering Services	Investment in Plant and Machinery or Equipment Not More than	Rs.1 Crore	Rs.10 Crore	Rs.50 crore
	Annual Turnover Not More than	Rs. 5 crore	Rs. 50 crore	Rs. 250 crore

- 3) New Definition of Micro, Small and Medium Enterprises revised on August 21, 2020

All enterprises are required to register online and obtain ‘Udyami Registration Certificate’\*\* basis the grid below:

\*\*\* “: Mandatorily obtain copy of Udyog Aadhaar (till Mar 31, 2021) and/or Udayami for reckoning a borrower under MSME:

Document Type	Conditions
If a customer provides FIHFC Udyog Aadhar Memorandum (UAM)	<ul style="list-style-type: none"> <li>-Validity of this document is till 31/03/21</li> <li>-Customer needs to file new registration in Udyami registration portal well before 31/03/21</li> <li>-For cases processed with UAM, sanction condition can be put mentioning 'Onus to be on customer to submit the Udyami Registration certificate to FIHFC before 31/03/21</li> <li>-This document will be tracked as PDD</li> </ul>
If customer doesn't have a UAM, he needs to register under Udyami registration portal to be classified as MSME	<ul style="list-style-type: none"> <li>-Udyami registration certificate number to be documented in file at time of login.</li> <li>-Registration certificate can be kept as part of sanction condition as it takes 2-5 days' time to get the certificate</li> </ul>
WDV of Plant and Machinery/ Equipment	Under the new MSME definition, the WDV <sup>^</sup> of Plant & Machinery/Equipment will be relevant and not cost of acquisition/original price
'Udyami Registration Certificate' issued on self-declaration basis for enterprises exempted from filing GSTR and / or ITR returns	<ul style="list-style-type: none"> <li>-Validity of this certificate is Upto 31/03/21</li> <li>-Sanction condition can be put stating, customer to provide FIHFC revised Udyami Registration Certificate as per the prevailing norms post 31/03/21. <i>(Currently the circular doesn't mention whether the customer to apply for new registration for cases wherein customers are exempt from GST/ITR)</i></li> </ul>

“<sup>^</sup>”: The value of Plant and Machinery or Equipment for all purposes of the Notification No. S.O. 2119(E) dated June 26, 2020 and for all the enterprises shall mean the Written Down Value (WDV) as at the end of

the Financial Year as defined in the Income Tax Act and not cost of acquisition or original price, which was applicable in the context of the earlier classification criteria.