

AADHAR HOUSING FINANCE LIMITED

Policy on One-time Restructuring
(Resolution Framework 2.0 for COVID-19-related Stress released by
RBI on May 5, 2021)

(Effective from 28 May 2021)

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1. Objective & Introduction

The Reserve Bank of India (“RBI”) vide its circular no. DOR.No.BP.BC/3/21.04.048/2020-21 (Individuals and Small Business) and circular no. DOR.No.BP.BC/4/21.04.048/2020-21 (MSME) dated August 6, 2020 on “Resolution Framework for COVID-19-related Stress” (“Resolution Framework – 1.0”) had provided a window to enable lenders to implement a resolution plan in respect of eligible Borrowers while classifying such exposures as Standard, subject to specified conditions.

Policy w.r.t. above both the circular was approved by the AADHAR Board on 10th November 2020 and 21st December 20 for Personal Loans and MSME Respectively.

Further to above, RBI has come up with Resolution Framework 2.0 via RBI Circular no. RBI/2021-22/31 DOR.STR.REC.11/21.04.048/2021-22 (Personal & Small Business) & Circular no. RBI/2021-22/32 DOR.STR.REC.12/21.04.048/2021-22 (MSME) dated May 5, 2021 to ease out COVID-19-related Stress, by resolution plan to mitigate the burden of debt servicing brought by disruptions on account of resurgence of Covid-19 pandemic in India.

The core objective of this policy is to give durable relief to customer in Mild stress / moderate stress / Severe stress, assist to get back to normal cash-flow and get their EMI as well.

In accordance with the above mentioned circular, Aadhar housing finance limited (“AADHAR” or “the company”) Board has approved following policy guidelines.

2. Eligible Customers

This facility is extended only to customers falling in below criteria’s and subject to detailed due diligence process as per the policy.

- All personal loans (as defined by RBI) which includes individual Home Loans, LAP loans for personal purpose.
- Business Loans availed by Individuals, Small Business and MSME customers not exceeding 25 Crs as on March 31, 2021
- This facility is extended only to borrowers having stress on account of Covid19. (Salary Reduction / loss of job / Reduction / loss of business Income due to Covid stress). The reduction of income and its financial impact on the customer will be reviewed by the company.

Specific to Home Loans and LAP loans for Personal use

- Borrower who has availed 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 overall caps on moratorium and / or extension of residual tenor granted under Resolution Framework – 1.0 and this framework combined, shall not exceed two years

Specific to LAP loans for Business Purpose (MSME)

- 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.
- 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.

Ineligible Customers:

- Home loan granted to staff are not eligible for resolution under this framework.
- Exposures of AHFL where the account has been rescheduled in terms of para 2(1)(zc)(ii) of the Master Circular - The Housing Finance Companies (NHB) Directions, 2010 after March 1, 2020, unless a resolution plan under this framework has been invoked by other lending institutions. However, there are no such accounts in mentioned category with AADHAR.
- 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).

3. Key Definition

Date on Invocation: Date of invocation shall be the date on which both the borrower and the company have agreed to proceed with a resolution plan under this framework.

Implementation date: Date on which resolution plan is implemented, shall be within 90 days from invocation date.

Residual debt means the aggregate debt envisaged to be held by company as per the proposed resolution plan

4. Implementation Condition

Resolution Plan would be deemed to be implemented upon fulfillment of all the condition:

General Conditions:

- The reference date for the outstanding amount of debt that may be considered for resolution shall be March 31, 2021.
- 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.
- The customer can submit the Request for restructuring through various channels and an acknowledgement for such request will be sent to the customer. The decision on the request shall

be communicated in writing to the applicant by AHFL within 30 days from date of implementation or Rejection.

- The new Repayment schedule will be communicated to customer along with the revised sanction letter for restructured loan
- The changes in the terms and conditions of the loans will get duly reflected in the books of the company
- Borrower to comply with all the terms and conditions quoted above.
- Other terms and conditions as per the original loan agreement will be applicable.

Specific to Home Loans and LAP loans for Personal use

- Any resolution plan implemented in breach of the above stipulated timeline will not be governed by One-time Restructuring Scheme. However, same will be governed by Master Circular- the Housing Finance Companies (NHB) Directions, 2010, updated on 1st July 2019/ Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015 by RBI.

Specific LAP loans for Business Purpose (MSME)

- 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

5. Due Diligence Process

Inquiry / review would be conducted and information will be collected as per the format in Annexure 1 to ascertain stress on customer due to Covid, possibility of revival, expected timeline for revival of business/Income/Job to assess the viability of the customer to pay the restructured EMIs basis the documents provided before recommending for the restructuring. All Restructuring cases to be approved as per the delegation of authority matrix laid down in SOP

- Personal discussion/ Tele-verification /Online Verification to be conducted by BCM / BM / any other company official as may be delegated from time to time

6. Resolution plan

Below resolution plan can be offered based on an assessment of income streams of the borrower:

- Rescheduling of payments
 - Conversion of EMI to Pre-EMI (Interest Payment) such that overall tenure should not exceed beyond 2 years from existing balance tenure
 - Reduction in EMI and Increase in Tenure; maximum upto 2 years

- Step-up EMI Option
- Granting of moratorium for reasonable period based on restoration of income (maximum 2 years)
- Reduction of interest rate for highly stressed customers

7. Asset Classification and Provisioning Norms

Asset Classification:

- Additional finance to borrowers in respect of whom the resolution plan has been invoked, if sanctioned even before implementation of the plan in order to meet the interim liquidity requirements of the borrower, may be classified as 'standard asset' till implementation of the plan regardless of the actual performance of the borrower with respect to such facilities 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 the additional finance or the rest of the credit facilities, whichever is worse.
- Borrowers' accounts eligible for restructuring as per point 5 of Resolution framework 2.0 shall be upgraded as Standard, as on the date of implementation of the plan.
- The subsequent asset classification for such exposures will be governed by the criteria laid out in the Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015 or other relevant instructions as applicable to specific category of lending institutions ("extant IRAC norms").

Provisioning Norms

In respect of loans where a resolution plan is implemented under this facility, AHFL shall keep provisions from the date of implementation, which is higher of the provisions held as per the extant prudential norms immediately before implementation, or 10 percent of the renegotiated debt exposure post implementation

Norms for Reversal of Provision:

Home Loans/ LAP Loans for Personal Purpose

In case of loans resolved under this facility, half of the above provisions may be written back upon the borrower paying at least 20 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 per cent of the residual debt without slipping into NPA subsequently.

LAP loans for Business Purpose (MSME)

AHFL will 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 at paragraph below.

‘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’ means no payment (interest and/or principal) shall remain overdue for a period of more than 30 days

8. Grievance redressal Mechanism

The customers may approach branches or to the Corporate Office, Mumbai or communicate through call centre / email and other modes available for request / query / complain in regards to resolution / Restructuring under this policy.

The customer shall be responded within a period of 30 days from the date of receipt of Request / Query / complaint.

In case, the response given by Branch is unsatisfactory, dissatisfied or did not receive any response from the Branch within the above time-limit, the customer can escalate his/her complaint/grievance to the Corporate office at Mumbai, either by way of a Letter addressed to the Customer Care Officer or Principal Officer of AADHAR at the address or by e-mail send to the address given below:-

The Customer Care Officer, Aadhar
Housing Finance Ltd., Corp. Office, No.
201, 2nd Floor,
Raheja Point-1, Nehru Road, Vakola, Santacruz
(East), Mumbai Pin -400055, Maharashtra State.
Email ID :- customercare@aadharhousing.com.

9. Disclosure and Credit Reporting

- Quarterly disclosures as per the [Annexure 1](#) for the quarters ending September 30, 2021, and December 31, 2021. The resolution plans implemented in terms of Resolution Framework 2.0 should also be included in the continuous disclosures required in the Resolution Framework – 1.0.
- The number of borrower accounts where modifications were sanctioned and implemented in terms of Resolution Framework 1.0, and the aggregate exposure of the AADHAR to such borrowers also be disclosed on a quarterly basis, starting from the quarter ending June 30, 2021.
- AHFL shall make the required disclosures in their annual financial statements, along with other prescribed disclosures.

- The credit reporting by AHFL in respect of borrowers where the resolution plan is implemented under Resolution Framework of this window 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.

LAP loans for Business Purpose (MSME)

- AHFL shall make appropriate disclosures in their 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 (In Million)

10. Circular Reference

- 1- RBI/2018-19/100 DBR.No.BP.BC.18/21.04.048/2018-19 January 1, 2019
- 2- RBI/2019-20/160 DOR.No.BP.BC.34/21.04.048/2019-20 February 11, 2020
- 3- RBI/2020-21/17 DOR.No.BP.BC/4/21.04.048/2020-21 August 6, 2020
- 4- FAQs on Resolution Framework for Covid-19 related stress (Revised on December 12, 2020)

Annexure 1- Restructuring Due Diligence Report

Restructuring Due Diligence Report				
1	Applicant Name			
2	Application No.			
3	Branch Name			
4	Region			
5	Current Balance (Loan Outstanding)			
6	Total Sanctioned Amount			
7	Month on Board (MOB)			
8	Current EMI (Rs.)			
9	Balance Loan Tenure (Months)			
10	Current Rate of Interest			
11	No of EMI opted for Moratorium			
12	Maximum Bucket (In Last 12 months)			
13	Product	<input type="checkbox"/> Home Loan <input type="checkbox"/> Plot Loan <input type="checkbox"/> Non Home Loan		
14	Nature of business/ Employer			
15	Industry of Customer			
16	Covid Stress Due to	<input type="checkbox"/> Salary Reduction <input type="checkbox"/> Loss of job <input type="checkbox"/> Reduction / loss of business Income		
17	Possibility of revival, expected timeline for revival of business/ Income/Job			
<table style="width: 100%; border: none;"> <tr> <td style="width: 60%; border: none;"> (Branch Credit Manager) (Employee ID) (Employee Name) </td> <td style="width: 40%; border: none; text-align: right;"> (Branch Manager) (Employee ID) (Employee Name) </td> </tr> </table>			(Branch Credit Manager) (Employee ID) (Employee Name)	(Branch Manager) (Employee ID) (Employee Name)
(Branch Credit Manager) (Employee ID) (Employee Name)	(Branch Manager) (Employee ID) (Employee Name)			

Annexure 2- Format for disclosures to be made in the quarterly financials

Type of borrower	(A) Number of accounts where resolution plan has been implemented under this window	(B) exposure to accounts mentioned at (A) before implementation of the plan	(C) Of (B), aggregate amount of debt that was converted into other securities	(D) Additional funding sanctioned, if any, including between invocation of the plan and implementation	(E) Increase in provisions on account of the implementation of the resolution plan
Housing & LAP Loan					