

LOAN RESTRUCTURING POLICY



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LOAN RESTRUCTURING POLICY

I. Introduction

The Reserve Bank of India vide its circular DBR.No.BP.BC.45/21.04.048/2018-19 dated June 7, 2019 on "Prudential Norms for Resolution of Stressed Assets" has issued directions for providing a framework for early recognition, reporting and time bound resolution of stressed assets.

Accordingly, in order to provide assistance to borrowers of Sindhuja Microcredit undergoing financial difficulties due to various reasons, the following policy guidelines are issued for Loan Restructuring.

II. Applicability of Loan Restructuring

Applicable to all Microfinance and MSME borrowers of Sindhuja Microcredit undergoing financial difficulties wherein borrower's account is in non-performing status or would be categorized as nonperforming without the concessions.

III. Procedure for Loan Restructuring

- The borrower has to submit a request in writing to the concerned branch.
- The ABMs/BMs/AMs should visit the customer and evaluate the request of the customer.
- Restructuring of loans will be considered on case-to-case basis only after necessary checks and recommendations by the Area Manager and above.
- Sindhuja Microcredit shall revert to borrower within 30 days from receipt of application from borrower for restructuring
- The necessity to restructure the loan account will be determined by the sanctioning authority on a case-to-case basis taking a holistic view of the proposal / ability of the borrower to restart the income generation activity and service loan repayments.
- The final decision for restructuring will be taken by MD/CEO

IV. Features of Resolution Plan

The features of resolution plan shall include the following.

- Rescheduling of repayments including accrued interest



- Granting of moratorium, based on an assessment of income streams of the borrower, subject to a maximum of three months. The moratorium period, if granted, shall come into force immediately upon implementation of the resolution plan. Correspondingly, the overall tenor of the loan shall get modified commensurately.
- Sanction Additional Finance to customers who have been considered for resolution plan to meet the interim needs of the borrower.
- The repayment tenure extension for the rescheduled loans including moratorium period shall be for a maximum of 3 years.
- For borrowers who have already availed restructuring, the above options shall be granted in such manner that the overall extended tenure including moratorium period, earlier extensions provided if any along with new the extension shall not exceed 3 years.

V. Asset Classification and provisioning for restructured accounts

In case of restructuring, the accounts shall continue to be classified as non-performing assets (NPAs), i.e., 'sub-standard' to begin with. The asset classification shall continue to be governed by the ageing criteria as per as per IRAC norms of RBI.

Provisioning for restructured loan shall be done as per Ind-AS norms. Restructured account shall be recognized as "SICR" (significant increase in credit risk) or "Impaired" immediately after implementation.

The restructured accounts shall be upgraded only when satisfactory payment behaviour is observed for a sustained period.

VI. Additional loans to restructured borrowers

Any additional finance approved under resolution plan or loans approved post restructuring may be treated as 'standard asset' provided the account demonstrates satisfactory performance. If the restructured accounts fail to perform satisfactorily during the monitoring period or does not qualify for upgradation at the end of the monitoring period, the additional finance and/or loans approved post restructuring shall be placed in the same asset classification category as the restructured loan.

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VII. Time frame

The decision on request received from the borrower for restructuring should be communicated within 30 days from the date of receipt of the request. The restructuring plan should be implemented within 90 days from the date of receipt of requests.

VIII. Grievance Redressal

Customers can contact the Sindhuja Microcredit grievance redressal department for any grievances regarding restructuring of loan accounts.

IX. Review

- The performance of restructured account shall be monitored closely by the management.
- A quarterly report shall be presented to the Risk Management and Audit Committee on restructured accounts during the period.

X. Disclosure

The information in respect of restructuring undertaken including provisions held for such accounts shall be disclosed in the financial statements under "Notes on Accounts."

XI. Some grounds of restructuring of Loans

1. Loss of Business
2. Health conditions
3. Flood
4. Famine
5. Pandemic
6. Any other stress situation (micro & macro)

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