



## **DEBT RESTRUCUTRING POLICY 2.0**

### **Laxmi India Finleasecap Private Limited**

(Sapne dekho Bade Dekho Hamare Saath Unhe Pura Hote Hue Dekho)



## **INTRODUCTION**

Laxmi India Finesecap Private Limited (“**Laxmi India**”) is a private limited company incorporated under the provisions of Companies Act, 1956, existing under the provision of Companies Act, 2013 and registered as a non-deposit accepting Non-Banking Financial Company (NBFC) with the Reserve Bank of India (“**RBI**”).

The RBI, vide its circular no. RBI/2021-22/31 DOR.STR.REC.11/21.04.048/2021-22 dated May 5, 2021, has issued guidelines towards “**Resolution of Covid-19 related stress of Individuals and Small Businesses**” that provides a one -time window under the prudential framework to enable lenders to implement a resolution plan in respect of the eligible borrowers having stress on account of COVID-19. RBI has also extended the restructuring window for MSME borrowers, who are having stress on account of Covid19, in terms of its circular RBI/2021-22/32/ DOR.STR.REC.12/21.04.048/2021-22 dated May 5, 2021.

In accordance with the said RBI circulars, Laxmi India has put in place this policy (“**Policy**”), approved by the board of Laxmi India (“**Board**”), for restructuring/resolution of loan/debt, subject to detailed evaluation and assessment of future income/cash flows to meet timely repayment under restructured terms, of eligible borrowers having stress on account of Covid-19.

### **A. Personal Loans**

1. **Applicability** : The following are the broad categories of borrowers to whom this policy is applicable:-
  - A. Advances to individuals and small businesses who have not availed any resolution in terms of the Resolution Framework 1.0
  - B. For individuals and Small Businesses, where resolution plan has been implemented in terms of the Resolution Framework 1.0 with less than 24 months of moratorium, increasing the period of moratorium / extension of residual tenor up to maximum of 24 months
2. **Eligibility** : The following borrowers shall be eligible for the window of resolution to be invoked by the lending institutions:
  - A. Individuals who have availed of personal loans  
(which consists of (a) loans for consumer durables, (b) credit card receivables, (c) auto loans (other than loans for commercial use), (d) personal loans secured by gold, gold jewellery, immovable property, fixed deposits (including FCNR(B)), shares and bonds, etc., (other than for business / commercial purposes), (e) personal loans to professionals (excluding loans for business purposes), and (f) loans given for other consumptions purposes (e.g., social ceremonies, etc.) (g) education loans, (h) loans given for creation/enhancement of immovable assets (e.g., housing, etc.), (g) loans given for investment in financial assets (shares, debentures, etc.). However it excludes consumption loans given to farmers under KCC



- 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.25 50 crore as on March 31, 2021. **(As per RBI circular RBI/2021-22/47 DOR.STR.REC.21/21.04.048/2021-22 dated June 4, 2021 enhance the above limit from ₹25 crore to ₹50 crore)**
- C. Small businesses, including those engaged in retail and wholesale trade, other than those classified as micro, small and medium enterprises as on March 31, 2021, and to whom the lending institutions have aggregate exposure of not more than Rs.25 50 crore as on March 31, 2021
- D. Provided that the credit facilities / investment exposure to the borrower was classified as Standard by the lending institution as on March 31, 2021.
- E. Provided further that Borrowers is having financial stress on account of COVID 19
- F. The following categories of borrowers / credit facilities shall not be eligible for a resolution plan under this framework
- i. MSME borrowers whose aggregate exposure to lending institutions collectively, is Rs.25 50 crore or less as on March 1, 2020 (Separate scheme notified by RBI)
  - ii. Farm credit consists of
    1. Loans to individual farmers [including Self Help Groups (SHGs) or Joint Liability Groups (JLGs), i.e. groups of individual farmers and Proprietorship firms of farmers directly engaged in Agriculture
    2. Loans to corporate farmers, farmers' producer organizations/companies of individual farmers, partnership firms and co-operatives of farmers directly engaged in Agriculture;
    3. Loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi- Purpose Societies (LAMPS) for on-lending to agriculture
  - iii. Exposures of lending institutions to financial service providers, including NBFCs
  - iv. Exposures of lending institutions to Central and State Governments; Local Government bodies (eg. Municipal Corporations); and, body corporates established by an Act of Parliament or State Legislature.
  - v. Credit facilities provided by lending institutions to their own personnel/staff.
3. **Process of confirming the stress due to COVID affecting the income stream**
- A. Personal Loans**
- i. In case of salaried persons/ pensioners: There should be a reduction in salary/ job loss etc. To ascertain this, the latest salary slips / bank account details of the borrower may be verified and compared with the earlier period.



- ii. In case of Non-salaried persons: There should be a reduction in income stream. The Bank account details, GST return etc may be verified for this purpose.

In both the above cases, in the absence of any documentary evidence, the income loss due to COVID shall be taken on declaration basis as well or on the basis of any other document

#### **B. Small Business**

Through any or more of the following manner:-

- i. Bank statements of the individual /entity for last 6 months may be verified and compared with that of earlier period.
- ii. GST Return of the individual / entity for last 6 months may be verified and compared with that of earlier period
- iii. Self-attested Profit & Loss statement for the FY ended 31 March 2021 may be verified
- iv. In the absence of any documentary evidence, the income loss due to COVID shall be taken on declaration basis as well or on the basis of any other document

#### **4. Features of the resolution plan**

##### **A. Advances to individuals and small businesses who have not availed any resolution in terms of the Resolution Framework 1.0**

##### **I. Personal Loan- Term Loan & Demand Loan**

- i. The resolution plans implemented under this window may inter alia include rescheduling of payments, conversion of any interest accrued or to be accrued into another credit facility, revisions in working capital sanctions, granting of moratorium etc. based on an assessment of income streams of the borrower. However, compromise settlements are not permitted as a resolution plan for this purpose.
- ii. Allow moratorium period during the expected future period of stress, subject to a maximum of two years. The future period of stress shall be assessed based on the borrower's declaration of projected income.
- iii. The extension of residual tenure may also be granted, with or without payment during moratorium, with an overall cap of extension (including the moratorium period, if any) of 2 years.
- iv. The instalment shall be re-fixed after capitalising the interest during the moratorium, if not paid
- v. The moratorium shall come into force immediately upon implementation of the resolution plan.
- vi. In case overdue of instalment and/or interest already exist at the time of implementation of the resolution plan, that shall be removed from system. However, in these cases, the period of instalments pending should also to be



notionally taken as the moratorium period and to be added with the future moratorium subject to overall moratorium of 2 years

## **II. Loans to individuals for business purposes and small businesses other than MSME (refer 3 B (ii) & (iii)) - Term Loans and Demand Loans**

- i. The resolution plans implemented under this window may inter alia include rescheduling of payments, conversion of any interest accrued or to be accrued into another credit facility, revisions in working capital sanctions, granting of moratorium etc. based on an assessment of income streams of the borrower. However, compromise settlements are not permitted as a resolution plan for this purpose.
- ii. Allow moratorium period during the expected future period of stress, subject to a maximum of two years. The future period of stress shall be assessed based on the borrower's declaration of projected income.
- iii. The extension of residual tenure may also be granted, with or without payment during moratorium, with an overall cap on period of extension (including the moratorium period, if any) of 2 years.
- iv. The instalment shall be re-fixed/ re-scheduled based on the projected cash flow, after capitalising the interest during the moratorium, if not paid.
- v. The moratorium shall come into force immediately upon implementation of the resolution plan.
- vi. In case overdue of instalment and/or interest already exist at the time of implementation of the resolution plan, that shall be removed from system. However, in these cases, the period of instalments pending should also to be notionally taken as the moratorium period and to be added with the future moratorium subject to overall moratorium of 2 years
- vii. The resolution plan also provide for conversion of a portion of the debt into equity or other marketable, non-convertible debt securities issued by the borrower, wherever applicable, and the same shall be governed in terms of Paragraphs 30-32 of the Annex to the Resolution Framework issued by RBI vide notification dated 06 August 2020.

### **B. Advances to individuals and small businesses who have availed resolution in terms of the Resolution Framework 1.0**

In cases of loans of borrowers 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, modify such plans only to the extent of increasing the period of moratorium and / or extension of residual tenor up to a maximum of 24 months. 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.

## **5. Invocation & implementation of Resolution Process**



## I. Invocation of Resolution Plan

- a. The resolution process under this window shall be treated as invoked when the Laxmi India and the borrower agree to proceed with the efforts towards finalising a resolution plan to be implemented in respect of such borrower. In respect of applications received by the LIFC from borrowers for invoking resolution process, the assessment of eligibility for resolution as per the instructions contained in this policy will be completed within a reasonable period. On being satisfied with the eligibility conditions the date on which Laxmi India decide to process the application can be taken as date of invocation.
- b. The decision to invoke the resolution process under this window shall be taken by each lending institution having exposure to a borrower independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.
- c. The last date for invocation of resolution permitted under this window is September 30, 2021.
- d. The decision on the application (sanction/ rejection) shall be communicated in writing to the applicant by the Laxmi India within 30 days of receipt of such applications

## II. Implementation of Resolution Plan

- a. The resolution plan should be finalised and implemented within 90 days from the date of invocation of the resolution process.
- b. 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 Laxmi India and borrower and collaterals provided, if any, are completed by the Laxmi India in consonance with the resolution plan being implemented;
  - ii. The changes in the terms of conditions of the loans get duly reflected in CBS; and,
  - iii. Borrower is not in default with the Laxmi India as per the revised terms.
- c. Any resolution plan implemented in breach of the above stipulated timeline shall be fully governed by the Prudential Framework, or the relevant instructions as applicable to specific category of Laxmi India where the Prudential Framework is not applicable.

## B. MSME

### 1. Applicability :

Loan to MSME's who have not availed any resolution in terms of previous restructuring circulars:



- a. DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020;
- b. DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020; or
- c. DBR.No.BP.BC.18/21.04.048/2018-19 dated January 1, 2019  
(collectively referred to as MSME restructuring circulars).

2. **Eligibility:** The following borrowers shall be eligible for the window of resolution to be invoked by the lending institutions:

- i. 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.
- ii. 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
- iii. The aggregate exposure, including non-fund based facilities, of banks and NBFCs to the borrower does not exceed ₹25 50 Crore as on March 31, 2021.
- iv. The borrower's account is in default but was a 'standard asset' as on March 31, 2021.
- v. Asset classification of borrowers classified as standard may be retained as such, whereas the accounts which may have slipped into NPA category between April 1, 2021 and date of implementation may be upgraded as 'standard asset', as on 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..
- vi. 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.

3. **Features of the resolution plan**

- a. The resolution plans implemented under this window may inter alia include rescheduling of payments, conversion of any interest accrued or to be accrued into another credit facility, revisions in working capital sanctions, granting of moratorium etc. based on an assessment of income streams of the borrower. However, compromise settlements are not permitted as a resolution plan for this purpose.
- b. Allow moratorium period during the expected future period..
- c. The extension of residual tenure may also be granted, with or without payment during moratorium.
- d. The instalment shall be re-fixed after capitalising the interest during the moratorium, if not paid
- e. The moratorium shall come into force immediately upon implementation of the resolution plan.
- f. In case overdue of instalment and/or interest already exist at the time of implementation of the resolution plan, that shall be removed from system. However, in these cases, the period of instalments pending should also to be notionally taken as the moratorium period and to be added with the future moratorium



#### 4. **Invocation & implementation of Resolution Process**

- a. The restructuring of the borrower account is invoked by September 30, 2021. For this purpose, the restructuring shall be treated as invoked when the lending institution and the borrower agree to proceed with the efforts towards finalising a restructuring plan to be implemented in respect of such borrower. The decisions on applications received by the lending institutions from their customers for invoking restructuring under this facility shall be communicated in writing to the applicant by the lending institutions within 30 days of receipt of such applications. The decision to invoke the restructuring under this facility shall be taken by each lending institution having exposure to a borrower independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower
- b. A restructuring would be treated as implemented if the following conditions are met:
  - i. all related documentation, including execution of necessary agreements between lenders and borrower / creation of security charge / perfection of securities are completed by all lenders; and
  - ii. the new capital structure and / or changes in the terms and conditions of the existing loans get duly reflected in the books of all the lenders and the borrower.

#### **MISCELLANEOUS:**

- (a) Effective date: This Policy shall be effective from the date of approval of this Policy by the Board.
- (b) Review of Policy: The Policy shall be reviewed as and when required by the applicable rules and regulations.
- (c) While Policy outlines the broad internal guidance that Laxmi India will follow to take decisions regarding this restructuring of stressed assets/loan, Laxmi India retains the discretion to take decisions regarding this Policy depending on case specific issues or nuances. Laxmi India also reserves the right to amend the Policy within the framework of RBI guidelines.
- (d) All working in this regard should be adhering to RBI Circulars mentioned above.

**Note 1: Changes are made as per new circular RBI/2021-22/47 DOR.STR.REC.21/21.04.048/2021-22 dated June 4, 2021**