

Policy on Restructuring of Stressed Assets

Adopted by the Board on May 6, 2021

1. Background

Saija Finance Private Limited (the ‘Company’) is engaged primarily in providing micro finance services to borrowers in the rural, semi-urban and urban areas of Bihar, Jharkhand, Uttar Pradesh, Haryana and Punjab who are enrolled as members and organised as Joint Liability Groups (JLGs).

The RBI on May 05, 2021, vide its circular no. RBI/2021-22/31 DOR.STR.REC.11/21.04.048/2021-22 has released guidelines for NBFCs on implementation of resolution framework 2.0 for COVID-19 related stress.

Earlier on June 7, 2019, the RBI had issued directions on Prudential Framework for Resolution of Stressed Assets commonly referred to as RBI (Prudential Framework for Resolution of Stressed Assets) Directions 2019 (“Prudential Framework”), which provides a principle-based resolution framework for addressing borrower defaults under a normal scenario.

However, the economic fallout on account of the COVID-19 pandemic has led to significant financial stress for borrowers nationwide and the resultant stress can potentially impact the long term viability of many Companies, otherwise having a good track record, due to their debt burden becoming disproportionate relative to their cash flow generation abilities.

Considering the above, the RBI provided a window under the Prudential Framework and enabled the lenders to provide a resolution framework to the eligible borrowers for repayment of their loan by way of restructuring the loan or extending the tenure for repayment of the debt.

2. Objective of the Policy:

The objective of the Policy is to facilitate the overall revival of the target segment of the Company and to allow the Company’s borrowers to service their obligations under the loan agreements despite of getting affected by COVID19.

3. Definitions:

For the purposes of this policy, the below terms shall have the meaning as provided herein under:

- a) Board: The Board shall mean the Board of Directors or any authorized committee(s) of the board of the Company.
- b) COVID-19: Coronavirus Disease or COVID-19 is an infectious disease, which was declared as a global pandemic by World Health Organization on 11 March 2020.
- c) Eligible Borrower/s: For the purpose of resolution plan under this Policy, eligible borrower shall mean:
 - the borrowers whose accounts were classified as standard assets as on 31 March 2021; and
 - the borrowers having stress on account of COVID-19;
- d) Standard Assets: Standard asset shall mean the asset in respect of which, no default in repayment of principal or payment of interest is perceived and which does not disclose any problem or carry more than normal risk attached to the business.
- e) Date of Invocation: The date of invocation means the date on which both the borrower and lender have agreed to proceed with a resolution plan for the Eligible Borrower in terms of this Policy. However, in no case the Date of Invocation be later than September 30, 2021.

4. Eligibility for resolution under this Policy:

The Company shall take into consideration only the Eligible Borrowers for the purpose of considering and implementing the resolution plans. However, it is necessary that the Eligible Borrowers account is classified as Standard Asset as on the Date of Invocation.

Keeping in view the RBI guidelines issued from time to time, the Board will consider and provide suitable resolution/restructuring plans for the Eligible Borrowers, provided the same shall not exceed a period of two year from the date of original maturity of the personal loans/credit facility.

- Timelines for resolution the resolution plan for the Eligible Borrower account under this Policy shall be invoked latest by September 30, 2021 and must be implemented within 90 (Ninety) days from the Date of Invocation.
- Implementation of resolution (also known as “Date of Implementation”) A restructuring of loan would be treated as implemented upon fulfilment of all of the following conditions:
 - a) All related documentation, including execution of necessary agreement(s), if any, between the Company and Eligible Borrower(s) are completed;
 - b) The new loan amount and/ changes in the terms and conditions of the existing loan account get duly reflected in the books of accounts of the Company.
 - c) The Eligible Borrower is not in default with the Company as per the revised terms and conditions.

5. Due Diligence Process

The Company will carry out the due diligence process before approving the restructuring of the loan account. The due diligence process would involve ascertaining the impact of COVID 19 on the economic activity of the Borrower, viability of payment after restructuring and existing cash flows of the Borrowers under discussion with the underlying Borrowers, and to record the revised terms and implement viable resolution plan(s).

6. Miscellaneous:

Display on Website: The Board approved policy on restructuring of stressed assets will be hosted on the Company’s website for its customers information and benefit.

Effective date: This Policy shall be effective from the date of approval of this Policy by the Board.

Review of Policy: The Policy shall be reviewed as and when required by the applicable rules and regulations.

While Policy outlines the broad internal guidance that the Company will follow to take decisions regarding this restructuring of stressed assets/loan, the Company retains the discretion to take decisions regarding this Policy depending on case specific issues or nuances. The Company reserves the right to amend the Policy within the framework of RBI guidelines.