Svasti Microfinance Private Limited

Policy on viable Resolution Plan for the Company's Borrowers who are in financial stress due to the adverse impact of Covid19 (including the Second Wave) on their livelihoods

1) Background
   a) Many customers' household incomes have been affected because of the disruption of their livelihoods/ economic activity due to COVID19, including the second wave of infections that commenced in February 2021
   b) Post the moratorium period that ended on August 31, 2020, loan repayments have been due since 01-Sep-2020. The Company has adopted a Policy on Viable Resolution Plan for the Company's Borrowers who are in financial stress due to the adverse impact of Covid19 on their livelihoods that was approved at its Board Meeting dated 19th November, 2020 ("Restructuring Policy 1.0"). Since September 2020, the Company's collection efficiency has seen a steady improvement month on month until February 2021. However, the Second Wave of Covid19 commenced in Maharashtra in February 2020 and started expanding to other States in March and April 2021 leading to phased severe lock downs being implemented in several States. The Second Wave of Covid19 has had an adverse impact on the livelihoods of many of the Company's customers, including some of those who have availed of restructuring of their loans under Restructuring Policy 1.0.
   c) During interactions between our branch staff and customers at collection meetings and otherwise, many customers have expressed their difficulties in repaying their monthly/ weekly loan installments as per their existing amortization schedules due to disruptions in their livelihoods/ economic activities due to COVID19, including its Second Wave and they have requested our branch staff to consider giving them more time to make their repayments. Such customers have clearly expressed to us that they are both willing and able to make their repayments to us, provided we give them sufficient time to recover from the disruptions of COVID19, including its Second Wave, as they need this time to get their regular livelihoods/ economic activities back on track. They have assured us that the repayments as per the revised schedule shall not go into default.
   d) As a result, we believe that it is necessary to give such customers more time to recover from the COVID19 disruption, including its Second Wave and then service their obligations. This would also ensure that the customer is not classified as NPA immediately resulting in further difficulty for the customer in going to their pre-COVID19 financial state.

2) Applicable regulations and circulars
   a) https://m.rbi.org.in/commonman/english/scripts/Notification.aspx?Id=3305

3) Eligibility
   a) Loan should not be classified as NPA on March 31, 2021
   b) Loan to be active as on date of invocation of the restructuring

c) Loan is in 30+ DPD bucket as on the date of invocation of restructuring

4) Resolution proposal
   a) The balance outstanding (current and overdue) as on the date of restructuring will be the restructured principal outstanding
   b) EMI Moratorium will be given for such period as may be requested by the Borrower, provided that we shall ensure the total residual tenor granted under Restructuring 1.0 (if any) and this framework combined shall not exceed 2 years.
   c) Interest will be computed at originally contracted rates
   d) Account will be considered as 0 DPD on implementation of restructuring
   e) Restructuring shall be deemed to be implemented only if:
      - All related documentation, including execution of necessary agreements between Svasti and borrower and collaterals provided, (if any), are completed by Svasti concerned in consonance with the resolution plan being implemented;
      - the changes in the terms of conditions of the loans get duly reflected in the books of Svasti; and,
      - Borrower is not in default with Svasti as per the revised terms.
   f) Revision of cash flow will be done on the following basis:

Term	**Basis**
Restructured Principal	Balance outstanding (current and overdue), including all accrued/ unpaid interest as on date of implementation of the restructuring will be the opening balance.
First collection date	First date on which the center collection day falls on or after the moratorium period of the restructured loan
Tenor	Balance tenor as on date of restructuring plus as many months/ weeks as required for full repayment of principal and all accrued interest Additional instalments may be implemented as part of the restructuring considering the increase in the obligation arising from interest during moratorium and restructuring holiday periods (subject to the to the overall residual tenor granted under Restructuring 1.0 (if any) and this framework combined, shall not exceed 2 years.
Interest rate	IRR of transaction will be at originally contracted interest rates
Fees	Nil
EMI	Will match the last EMI amount Any adjustments to the EMI amount to match the IRR / cashflow expectations will be done in the last instalment(s)
Repayment dates	Determined in the same manner as in the case of any new loan disbursed, starting from the first collection date mentioned above

Interest computation for the loan schedule	Interest during the holiday period will be accrued, added to the principal outstanding, and reflected in the loan card. For interest computation, interest will be calculated on scheduled cashflows on the basis of 30 days intervals between each instalment

5) Asset Classification & Provisioning
   a) As on date of implementation of restructuring, the loan will be considered and reported as a standard asset with 0 DPD with restructured flag.
   b) After the date of the implementation of restructuring, DPD computation and NPA classification will be based on the dues as per the restructured repayment schedule
   c) Provision as per the RBI guidelines on restructured account to be created on the date of implementation of restructuring. The provision requirement is 10% or IRAC norms whichever is higher.
   d) Additional provisions maintained, if any, by lending institutions in terms of the applicable circulars in respect of such borrowers, to the extent not already reversed, can be utilised for meeting the provision requirements.
   e) Reversal of Provision
      - 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.
      - Provided that in respect of exposures other than personal loans, the above provisions shall not be written back before 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.
      - The provisions required to be maintained under this window, to the extent not already reversed, shall be available for the provisioning requirements when any of the accounts, where a resolution plan had been implemented, is subsequently classified as NPA

6) Documentation
   a) The following documentation will be taken prior to invocation:
      - Application from customer requesting for restructuring
      - A document communicating the decision to the customer
   b) The following documentation will be provided / taken within 90 days of the invocation of restructuring:
      - A new loan card/revised agreement containing the original loan terms, balance outstanding as on the date of restructuring will be prepared including additional provisions to convey the key terms of restructuring
      - Acknowledgement copy will be retained by the Company.

Format – A

Format for disclosures to be made in the quarters
ending March 31, 2021, June 30, 2021 and September 30, 2021
(as defined under Resolution Framework 1.0)

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
Personal Loans					
Corporate persons*					
Of which, MSMEs					
Others					
Total					
*As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016					

Format - B

Format for disclosures to be made half yearly
starting September 30, 2021

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of the previous half-year (A)	Of (A), aggregate debt that slipped into NPA during the half-year	Of (A) amount written off during the half-year	Of (A) amount paid by the borrowers during the half-year	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year
Personal Loans					
Corporate persons*					
Of which MSMEs					
Others					
Total					

* As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016

Format - X
Format for disclosures to be made in
the quarters ending September 30, 2021 and December 31, 2021

S. No.	Description	Individual borrowers		Small Businesses
		Personal Loans	Business Loans	
(A)	Number of requests received for invoking resolution process under Part A			
(B)	Number of accounts where resolution plan has been implemented under this window			
(C)	Exposure to accounts mentioned at (B) before implementation of the plan			
(D)	Of (C), aggregate amount of debt that was converted into other securities			
(E)	Additional funding sanctioned, if any, including between invocation of the plan and implementation			
(F)	Increase in provisions on account of the implementation of the resolution plan			