

INCRD FINANCIAL SERVICES LTD
RESTRUCTURING POLICY 2.0

On 5 May 2021, considering the second COVID-19 wave, RBI announced Resolution 2.0 in two circulars, one for loans taken by individuals and small businesses, and the second for MSMEs. This Resolution 2.0 extends the special resolution facility to loans classified as a 'Standard Asset' as on March 31, 2021. The resolution needs to be invoked by 30 September 2021 and executed within 90 days from date of invocation.

InCred has adopted this Resolution Framework 2.0 in context of its product-verticals.

1. ELIGIBLE CUSTOMERS

- 1.1. Individuals who have availed of personal loans.
- 1.2. Individuals who have availed of loans and advances for business purposes and to whom the lending institutions have aggregate exposure of not more than INR 50¹ crores as on March 31, 2021.
- 1.3. 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 INR 50² crores as on March 31, 2021.
- 1.4. In cases of loans of borrowers specified in Clause 1.1 and 1.2 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.
- 1.5. Credit facilities classified as Standard by InCred as on March 31, 2021.

2. ELIGIBLE CUSTOMERS – MSME

- 2.1. Micro, Small and Medium Enterprises (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.)
- 2.2. 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.
- 2.3. The aggregate exposure, including non-fund based facilities, of all lending institutions to the borrower does not exceed ₹50³ crores as on March 31, 2021.
- 2.4. The borrower's account was a 'standard asset' as on March 31, 2021.
- 2.5. 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. NON-ELIGIBLE BORROWER ACCOUNTS / CREDIT FACILITIES

- 3.1. Farm credit as listed in Paragraph 6.1 of Master Direction FIDD.CO.Plan.1/04.09.01/2016-17 dated July 7, 2016 (as updated) or other relevant instructions as applicable to specific category of lending institutions.

¹ Revised to 50 Crores from 25 crores as per RBI Circular RBI/2021-22/46 DOR.STR.REC.20/21.04.048/2021-22 dated June 4, 2021

² Revised to 50 Crores from 25 crores as per RBI Circular RBI/2021-22/46 DOR.STR.REC.20/21.04.048/2021-22 dated June 4, 2021

³ Revised to 50 Crores from 25 crores as per RBI Circular RBI/2021-22/47 DOR.STR.REC.21/21.04.048/2021-22 dated June 4, 2021

- 3.2. Loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi- Purpose Societies (LAMPS) for on-lending to agriculture.
- 3.3. Exposures of lending institutions to financial service providers.
- 3.4. 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.
- 3.5. borrower accounts should not have availed of any resolution in terms of the Resolution Framework – 1.0 subject to the special exemption mentioned at Clause 7, 8 and 8 below.

4. INVOCATION

- 4.1. Borrower shall apply for resolution on or before September 30, 2021.
- 4.2. The decision on the application shall be communicated in writing to the applicant by InCred within 30 days of receipt of such applications.
- 4.3. If the MSME 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.

5. PERMITTED FEATURES OF RESOLUTION PLANS

- 5.1. 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.
- 5.2. The moratorium period, if granted, may be for a maximum of two years, and shall come into force immediately upon implementation of the resolution plan. The extension of the residual tenor of the loan facilities may also be granted to borrowers, with or without payment moratorium. The overall cap on extension of residual tenor, inclusive of moratorium period if any permitted, shall be two years.

6. DUE DILIGENCE CONSIDERATIONS TO ESTABLISH NECESSITY

- 6.1. Resolution 2.0 will be executed based on mutual agreement between borrower and InCred
- 6.2. With all individual borrowers, re-assessment of borrower's short-term and long-term financial viability will be done on the basis of the latest credit bureau data, and where needed, a due-diligence review by a qualified credit manager.
- 6.3. With all institutional or MSME borrowers, a comprehensive reassessment of the borrower's short-term and long-term financial viability will be conducted before Resolution 2.0 is offered. The review will be similar to that conducted during underwriting.

7. IMPLEMENTATION

- 7.1. The resolution plan should be finalised and implemented within 90 days from the date of invocation of the resolution process under this policy.
- 7.2. The resolution plan shall be deemed to be implemented only if all of the following conditions are met:
 - 7.2.1. all related documentation, including execution of necessary agreements between InCred and borrower and collaterals provided, if any, are completed by InCred in consonance with the resolution plan being implemented;

8. RESOLUTION OF PERSONAL LOANS WHERE RESOLUTION PLANS WERE IMPLEMENTED PREVIOUSLY

8.1. In cases of borrowers availed personal loans 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, InCred may modify such plans only to the extent of increasing the period of moratorium / extension of residual tenor subject to the caps stated above, and the consequent changes necessary in the terms of the loan for implementing such extension. 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.

9. RESOLUTION OF LOANS INDIVIDUALS WHO HAVE AVAILED OF LOANS FOR BUSINESS PURPOSES, AND SMALL BUSINESSES, WHERE RESOLUTION PLANS WERE IMPLEMENTED PREVIOUSLY

9.1. In respect of borrowers, individuals who have availed of loans for business purposes, and small businesses, where resolution plans had been implemented in terms of the Resolution Framework – 1.0, InCred, as a one-time measure, may review the working capital sanctioned limits and / or drawing power based on a reassessment of the working capital cycle, reduction of margins, etc.

9.2. The decision with regard to above shall be taken by InCred by September 30, 2021, with the margins and working capital limits being restored to the levels as per the resolution plan implemented under Resolution Framework – 1.0, by March 31, 2022.

10. RESOLUTION OF MSME LOANS WHERE RESOLUTION PLANS WERE IMPLEMENTED PREVIOUSLY

10.1. In respect of accounts of MSME borrowers which were restructured in terms of the MSME restructuring circulars, InCred, as a one-time measure, to review the working capital sanctioned limits and / or drawing power based on a reassessment of the working capital cycle, reduction of margins, etc. The decision with regard to above shall be taken by InCred by September 30, 2021. The reassessed sanctioned limit / drawing power shall be subject to review by the lending institution at least on a half yearly basis and the renewal / reassessment at least on an annual basis. The annual renewal/reassessment shall be expected to suitably modulate the limits as per the then-prevailing business conditions.

11. GRIEVANCE REDRESSAL PROCESS

Any disagreements between InCred and the borrower about a restructuring program can be registered through an inbound call to customer service on 1800 102 2192 or an email to care@incred.com, which will be resolved within one month. The nodal officer responsible for this resolution will be Mr. R Vaidyanathan, Head – Central Operations.