RESTRUCTURING POLICY

Introduction

In view of the uncertainties created by the ups and down in the business environment in India, most of the organization have witnessed setbacks. RBI has provided a framework to the lending institutions for implementation of resolution plans for addressing the economic fallout due to the down in the business environment which has led to significant financial stress for customers. Basis the framework and regulatory guidelines, the Company has framed its policy for the restructuring of the existing loan/s that has been impacted without a downgrade in the asset classification.

The resultant stress can potentially impact the long-term viability of many borrowers, due to their debt burden becoming disproportionate relative to their cash flow generation abilities. Such wide spread impact could impair the entire recovery process, posing significant financial stability risks.

In light of the development in Indian scenario, where we are witnessing uncertainties Usha Financial Services limited ("the Company") has assessed the situation and the likely impact on its collection/recovery.

Considering the above, with the intent to facilitate revival of livelihood activities and mitigate the impact on the ultimate borrowers, it has been decided to provide a window to restructure the loan of existing eligible clients under the Restructure Policy.

The basic objective of restructuring is to put in place a transparent mechanism for restructuring of debts of potentially viable entities facing temporary problems due to factors beyond their control. In particular, the policy framework will aim at preserving viable units that are affected by certain internal and external factors and minimize the losses to the creditors and other stakeholders by way of providing timely support through an orderly and coordinated restructuring program.

It is to be ensured that while taking up restructuring in any account, the ultimate viability/repaying capacity of the borrowers should be kept in view instead of considering temporary/short term restructuring of the account. It assumes greater importance in the context that second time restructuring of account will downgrade the account as regulatory concessions are not available in case of second/repeated restructuring.

No account shall be taken up for restructuring unless the financial viability is established and there is a reasonable certainty of repayment from the borrower as per the terms of restructuring package.
Borrowers indulging in fraud and malfeasance shall not be eligible for restructuring, willful defaulters shall also not generally be considered for restructuring. Where strong justifiable reasons exist for considering restructuring the accounts of a willful defaulter, it should be ensured that the borrower has taken satisfactory steps to rectify the willful default.

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Policy

Eligibility	• Restructuring cannot be done with retrospective effect. • The accounts classified under standard, sub-standard and doubtful categories may be restructured. • The process of restructuring can be initiated in deserving cases subject to borrower agreeing to the terms and conditions. • No account will be taken up for restructuring unless the financial viability is established and there is a reasonable certainty of repayment from the borrower. • The restructuring approach will generally be adopted provided the company is satisfied that: ▪ Eligibility criteria and regulatory guidelines with respect to restructuring are fulfilled. ▪ The Loan has become an NPA due to the factors other than lack of integrity on the part of the owner of business. ▪ Genuineness of the obligor and viability of the proposal is established. ▪ There is prima facie case for considering such a proposal.
Key Concepts	• **Advances** The term 'Advances' shall mean all kinds of credit facilities including, term loans, bills discounted / purchased, factored receivables, etc. and investments other than that in the nature of equity. • **Fully Secured** When the amounts due to the company (present value of principal and interest receivable as per restructured loan terms) are fully covered by the value of security, duly charged in its favour in respect of those dues, the company dues are considered to be fully secured. While assessing the realisable value of security, primary as well as collateral securities shall be reckoned, provided such securities are tangible securities and are not in intangible form like guarantee etc., of the promoter/others. However, for this purpose the bank guarantees, State Government Guarantees and Central Government Guarantees shall be treated on par with tangible security. • **Restructured Accounts** A restructured account is one where the company, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the company would not otherwise consider. Restructuring shall normally involve modification of terms of the advances/securities, which shall generally include, among others, alteration of repayment period/repayable amount/the amount of instalments/rate of interest (due to reasons other than competitive reasons). However, extension in repayment tenor of a floating rate loan

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	on reset of interest rate, so as to keep the EMI unchanged provided it is applied to a class of accounts uniformly shall not render the account to be classified as 'Restructured account'. In other words, extension or deferment of EMIs to individual borrowers as against to an entire class, shall render the accounts to be classified as 'restructured accounts'. In the cases of roll-over of short term loans, where proper pre-sanction assessment has been made, and the roll-over is allowed based on the actual requirement of the borrower and no concession has been provided due to credit weakness of the borrower, then these shall not be considered as restructured accounts. However, if such accounts are rolled-over more than two times, then third roll-over onwards the account shall be treated as a restructured account. Besides, company must be circumspect while granting such facilities as the borrower may be availing similar facilities from other banks/creditors in the consortium or under multiple banking. Further, Short Term Loans for the purpose of this provision do not include properly assessed regular Working Capital Loans like revolving Cash Credit or Working Capital Demand Loans. • **Specified Period** Specified Period means a period of 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 under the terms of restructuring package.
Restructuring Committee	A Committee shall be formed to consider restructuring applications/proposals. The composition of committee shall be as under:- • One senior member of the Board shall be chairperson of the committee. • The Credit Manager/Business Manager for evaluating current and future credit capacity/viability including repayment capacity of the case. • Risk Manager to look for future unforeseeable incidents.
Process	The process of restructuring shall be as follows:- • The sales manager shall move a duly signed application for restructuring of Loan by the client to the committee, along with his recommendation note and account history of the case. • The committee shall take into consideration the application for restructuring only after looking through the recommendation note of sales manager. • A background check of the case shall be conducted by the Collections manager as well as from an independent authority and both will submit their report to the committee. • The Credit Manager shall study the credit capability of the case and thoroughly access the banking, current balance sheet, ITR etc. of the

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	case and submit his report to the committee. • The risk manager shall access the case for future risks and market scenario to access the future repayment capability of the case and submit his report to the committee. • The committee can take help of external agencies for conducting background check of the client/case. The external agency shall after conducting due check shall present it's report to the committee. • The chairperson of the committee shall consider all reports presented by the respected members of the committee and after due consideration put the proposal in front of the committee. • The committee shall present its decision after due consideration of all reports and thereafter will give its assent for restructuring.
Invocation of Restructuring	• The restructuring shall be treated as invoked when the Company and the borrower agree to proceed with the efforts towards finalizing a restructuring plan to be implemented in respect of borrowers. • The decision on the applications received from the customer for invoking restructuring shall be communicated to the customer in writing, through available resources, by the Company within 30 days of receipt of such applications. • The Company shall finalise and implement the restructuring within 90 days from the date of invocation of the resolution process. • The restructuring package should have right of recompense clause. • The NBFC shall have right to prepone repayment installments if projections are over- achieved
Scope	• Restructuring process shall involve modification of terms of the advances as per RBI guidelines
Due Diligence	• The Company on receipt of a request application/email from the Eligible Borrower, shall evaluate the proposal for restructuring of the loan account(s) including evaluation and execution of necessary documents. • On due evaluation of the request submitted by the Eligible Borrower, the Company shall execute with the Eligible Borrower necessary documentations.
Grievances Redressal Mechanism	• Customer service team will manage all grievances and its resolution relating to restructuring. The team shall inform to the operations team/relevant team to provide the resolution and any other related information to the customers.
Repayment	• Revised repayment structure will be agreed with the client depending upon the repayment capacity and revised repayment schedule will be communicated to the customer.
Classification of Assets	• Asset classification of borrowers classified as standard shall be retained as such

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Provisioning	• Upon implementation of the restructuring plan, the company shall keep provision of 10 percent of the residual debt of the borrower • Restructured accounts classified as standard advances shall attract a higher provision (as prescribed from time to time) in the first two years from the date of restructuring. In cases of moratorium on payment of interest/principal after restructuring, such advances shall attract the prescribed higher provision for the period covering moratorium and two years thereafter. • Restructured accounts classified as non-performing advances, when upgraded to standard category shall attract a higher provision (as prescribed from time to time) in the first year from the date of upgradation.
Asset Classification after restructuring	• Restructuring of advances shall take place in the following stages: a) before commencement of commercial production/operation; b) after commencement of commercial production/operation but before the asset has been classified as 'sub-standard'; c) after commencement of commercial production/operation and the asset has been classified as 'sub-standard' or 'doubtful'. • The accounts classified as 'standard assets' shall be immediately reclassified as 'sub-standard assets' upon restructuring. • The non-performing assets, upon restructuring, shall continue to have the same asset classification as prior to restructuring and slip into further lower asset classification categories as per extant asset classification norms with reference to the pre-restructuring repayment schedule. • Standard accounts classified as NPA and NPA accounts retained in the same category on restructuring by the NBFC shall be upgraded only when all the outstanding loan/facilities in the account perform satisfactorily during the 'specified period' i.e. principal and interest on all facilities in the account are serviced as per terms of payment during that period. • In case, however, satisfactory performance after the specified period is not evidenced, the asset classification of the restructured account shall be governed as per the applicable prudential norms with reference to the pre-restructuring payment schedule. • Any additional finance shall be treated as 'standard asset' during the specified period under the approved restructuring package. However, in the case of accounts where the pre-restructuring facilities were classified as 'substandard' and 'doubtful', interest income on the additional finance shall be recognised only on cash basis. If the restructured asset does not qualify for upgradation at the end of the above specified period, the additional finance shall be placed in the same asset classification category as the restructured debt. • If a restructured asset, which is a standard asset on restructuring is subjected to restructuring on a subsequent occasion, it shall be classified as substandard. If the restructured asset is a sub-standard or a doubtful

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	asset and is subjected to restructuring, on a subsequent occasion, its asset classification will be reckoned from the date when it became NPA on the first occasion. However, such advances restructured on second or more occasion shall be allowed to be upgraded to standard category after the specified period in terms of the current restructuring package, subject to satisfactory performance.
Approving Authority	➢ The Concerned Head in consultation with Board will decide the restructuring plan within the overall guidelines and policy of the company. ➢ Board is authorized to take overall decisions within the framework of RBI guidelines. ➢ The Company shall prepare a process note to comply with this policy.

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