



Policy - Resolution Framework 2 - Resolution of Covid 19 related stress of Micro, Small & Medium Enterprises

of

HDB FINANCIAL SERVICES LIMITED
[CIN: U65993GJ2007PLC051028]

May 2021

Document Control

| | |
|-------------------|--|
| Document Title | Policy - Resolution Framework: 2 - Resolution of Covid 19 related stress of Micro, Small & Medium Enterprises (MSMEs) |
| Version | 1.0 |
| Effective Date | May 25, 2021 |
| Document Owner | Chief Financial Officer |
| Document Approver | Board of Directors |

Review

| Version | Date | Author | Description |
|--------------------|--------------|-------------------------|------------------|
| Final Version 1. 0 | May 25, 2021 | Chief Financial Officer | For Distribution |

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CONTENTS

| | |
|---|----------|
| 1. INTRODUCTION..... | 3 |
| 2. OBJECTIVE..... | 3 |
| 3. ELIGIBLE BORROWERS..... | 3 |
| 4. DUE DILIGENCE..... | 4 |
| 5. APPLICATION FOR RESOLUTION PLAN..... | 4 |
| 6. IMPLEMENTATION OF RESTRUCTURING..... | 5 |
| 7. GRIEVANCE REDRESSAL..... | 5 |
| 8. ASSET CLASSIFICATION & PROVISIONING..... | 5 |
| 9. REVIEW OF WORKING CAPITAL LIMITS / DRAWING POWER..... | 6 |
| 10. DISCLOSURE..... | 6 |

Policy - Resolution Framework: 2 - Resolution of Covid 19 related stress of Micro, Small & Medium Enterprises

1. Introduction

RBI vide circular (RBI/2021-22/32 DOR.STR.REC.12/21.04.048/2021-22) dated May 05, 2021 on Resolution Framework 2 - Resolution of Covid 19 related stress of Micro, Small & Medium Enterprises has issued measures for offering resolution plan for alleviating the potential stress to Micro, Small and Medium Enterprises (MSMEs) on account of Covid 19 related stress.

The lending institutions are permitted to offer a limited window to MSMEs to implement resolution plan in respect of their credit exposures, while classifying the same as Standard upon implementation of the resolution plan.

2. Objective

The objective of this policy is to implement viable resolution plans for eligible MSMEs as per the Resolution Framework: 2 - Covid 19 related stress of Micro, Small & Medium Enterprises, ensuring that the resolution under this facility is provided to MSME borrowers, having stress on account of Covid-19.

3. Eligible Borrowers

The following category of borrowers shall be the eligible borrowers:

- (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 i.e.:
 - a) a micro enterprise, where the investment in plant and machinery or equipment does not exceed one crore rupees and turnover does not exceed five crore rupees;
 - b) a small enterprise, where the investment in plant and machinery or equipment does not exceed ten crore rupees and turnover does not exceed fifty crore rupees; and
 - c) a medium enterprise, where the investment in plant and machinery or equipment does not exceed fifty crore rupees and turnover does not exceed two hundred and fifty crore rupees.

- (ii) The borrowing entity is GST-registered on the date of implementation of the restructuring. 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 all lending institutions to the borrower does not exceed ₹25 crore as on March 31, 2021.
- (iv) The borrower's account was a 'standard asset' as on March 31, 2021.
- (v) 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).

4. Due Diligence Considerations to establish necessity of implementing a Resolution Plan

- a) Borrower should be able to demonstrate that its cash flows have been adversely affected due to Covid 19 pandemic and that the borrower is unable to service the debt obligation.
- b) MSMEs may produce any written evidence that corroborates that their business was affected due to outbreak of covid 19 which necessitated a temporary closure of business / restrictions imposed by statutory authorities for prevention of spread of Covid 19 / curtailment of business hours imposed by statutory authorities, that has affected the cash flow of the business.

5. Application for Resolution Plan

Eligible borrowers can make an application to the Company. The decision on application received by the Company from MSME customers for invoking restructuring under this facility shall be communicated in writing to the applicant by the Company within 30 days of receipt of such application.

6. Implementation of Restructuring

- (i) The restructuring of the borrower account shall be invoked by September 30, 2021.

The restructuring shall be treated as invoked when the Company (HDB Financial Services Limited) and the borrower agree to proceed with the efforts towards finalising a restructuring plan to be implemented in respect of such borrower.

The decision to invoke the restructuring under this facility shall be taken by the Company independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.

- (ii) The restructuring of the borrower account shall be implemented within 90 days from the date of invocation.
- (iii) 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.

7. Grievance Redressal Process

The borrower who have applied for the resolution plan may file their grievance, if any, on the following link: <https://www.hdbfs.com/customer-support>

The borrower may also lodge their grievance on phone number +91 44 4298 4541 or write to the Company at:

Customer Service Cell

HDB Financial Services Ltd.

4th floor Loyal Towers,

68/1, Greams Road, M N Office Complex

Chennai 600006

The grievance Redressal process of the Company is available on the website at <https://www.hdbfs.com/customer-support>

8. Asset classification and provisioning

- a) In respect of resolution plan implemented in adherence to the provisions of this policy, the 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.

- b) Upon implementation of the restructuring plan, the Company shall keep provision of 10 percent of the residual debt of the borrower.

9. Review of working capital sanctioned limits and / or drawing power

In respect of accounts of borrowers which were restructured in terms of MSME restructuring circulars, the Company may, as a one-time measure, review the working capital sanctioned limits and / or drawing power based on a reassessment of the working capital cycle, reduction of margins, etc. without the same being treated as restructuring.

The decision with regard to above shall be taken by the Company by September 30, 2021.

The reassessed sanctioned limit / drawing power shall be subject to review by the Company at least on a half yearly basis and the renewal / reassessment at least on an annual basis. The annual renewal/reassessment shall suitably modulate the limits as per the then-prevailing business conditions.

10. Disclosures

The Company shall make appropriate disclosures in their financial statements, under 'Notes on Accounts', relating to the MSME accounts restructured under these instructions as per the following format:

| Number of Accounts Restructured | Amount (Rs. In million) |
|--|----------------------------------|
| | |
| | |

To be noted by:

| Name | Signature |
|--|------------------|
| Ms. Dipti Khandelwal, Company Secretary | |