

JUN 2020**Background:**

The National disaster response fund framework currently recognizes twelve types of natural calamities viz. cyclone, drought, earthquake, fire, flood, tsunami, hailstorm, landslide, avalanche, cloud burst, pest attack and cold wave/frost. The Ministry of Home Affairs has decided to notify COVID 19 as a “Notified disaster”.

In the event of a natural calamity, the repaying capacity of the customer gets severely affected due to the disruption of their economic activities and loss of economic assets. Therefore, relief in loan repayment by restructuring their existing loan may become necessary.

In such an event of natural calamity, the company to frame a restructuring policy duly approved by the Board of Directors for giving quick relief with utmost speed and without any loss of time.

Restructuring is an act in which a lender, for economic or legal reasons relating to the borrower's financial difficulty as appended below grants concessions to the borrower.

Restructuring would normally involve modification of terms of the loan / securities, which would generally include, among others, alteration of repayment period / repayable amount / the amount of instalments / rate of interest / sanction of additional credit facility / enhancement of existing credit limits etc.,

All Segments of Loans

Depending on the severity of the calamity, company may take a view as to whether a general rescheduling of all other loans such as loans granted for agriculture/agriculture allied activities, loans to rural artisans, traders, micro/small enterprises, joint liability group loans etc., need to be assessed.

If such a decision is taken, while recovery of all the loans be postponed by the specified period, company may assess the requirement of individual borrowers in each case and depending on the nature of his/her account, repayment capacity and the need for fresh loans, appropriate decisions may be taken.

Asset Classification Status of Restructured Loans:

The restructured portion may be treated as “current dues” for these customers are “regular” and need not be classified as NPA.

The asset classification of these term loans would thereafter be governed by ECL norms applicable to the company.



Further, interest income from such restructured accounts classified as 'standard assets' (Stage I) will be recognized as per norms.

The company can provide a higher ECL provisioning in the form of PD/LGD for these restructured loans, if necessary, to monitor performance of these loans.

The benefit of asset classification of the restructured accounts as on the date of natural calamity will be available only if the restructuring is completed **within a period of three months** from the date of natural calamity.

The restructuring of loans would be considered **based on the merits of each case** and as assessed by the branch.

The accounts that are restructured or moratorium given for the second time (Phase II) or more on account of recurrence of natural calamities shall retain the same asset classification category on restructuring. However, all other restructuring norms shall apply.

The company need to take prior approval from the lenders as per the covenants wherever applicable.

Sanctioning of Fresh Loans

The primary consideration for extending credit to any unit for its rehabilitation shall be based on the viability of the venture as assessed by the company.

Once the decision to reschedule loans is taken by the company it shall grant fresh loan to the affected customers based on the genuineness of the need and the impact of the calamity.

All genuine borrowers in the areas affected by natural calamity may require fresh credit to sustain their livelihood.

The company shall assess the need and decide the quantum of loans to be granted to the affected borrowers taking into consideration, amongst others, the credit requirement and the due procedure for sanctioning fresh loans as per the credit policy of the company.

Recommendation:

The company anticipates such eventualities after the completion of moratorium period and the need to give relief and assistance to the customer will become utmost importance during this outbreak of COVID 19 and hence this policy is recommended to Board for approval.

The Board may review this restructuring policy as recommended and approve the same as deemed fit.