



**POLICY ON RESOLUTION FRAMEWORK FOR  
COVID-19 RELATED STRESS OF MICRO SMALL  
AND MEDIUM ENTERPRISES (MSME) – 2.0**

**OF**

**PNB HOUSING FINANCE LIMITED**



## Table of Contents

<b>S. No</b>	<b>Particulars</b>	<b>Page No</b>
1	Background	2
2	Framework	2
3	Eligible Customers	2
4	Invocation and date of Implementation	3
5	Type of Resolution Plan	3
6	Evaluation Criteria	3
7	Authority	3
8	Asset Classification and Provisioning	3
9	Other Operational Matters	3
10	Disclosures and Credit Reporting	3

## Summary of Version History

<b>Policy approved by</b>	Board of Directors
<b>Policy drafted by</b>	Credit Head
<b>Last Date of Renewal of Policy</b>	NA
<b>Current Revision Date/No</b>	June 07, 2021/V1.0

## **POLICY ON RESOLUTION FRAMEWORK FOR COVID-19 RELATED STRESS OF MICRO SMALL AND MEDIUM ENTERPRISES (MSME) – 2.0**

### **A. Background**

Reserve Bank of India vide its circular RBI/2021-22/32 DOR.STR.REC.12/21.04.048/2021-22 dated May 05, 2021 (RBI's May 5 circular), has announced a set of measures with the objective of alleviating the potential stress to Micro, Small and Medium Enterprises (MSMEs).

This policy pertains to Self-Employed/MSME loan accounts where the repaying capacity is impaired by the Covid19, terms of the loan agreement regarding interest and/ or principal may be rescheduled without a downgrade in the asset classification subject to the conditions laid out in the circular.

Previously, RBI had issued guidelines for restructuring of MSMEs vide its circular DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020. However, the said circular was not applicable on HFCs. The HFCs were covered by the instructions of NHB as per the Master Circular of The Housing Finance Companies (NHB) Directions 2010 circulated vide NHB (ND)/DRS/REG/MC-01/2018 amended on July 2, 2018. The rescheduling of assets is covered under the Para 2(1)(zc)(ii) of this circular and the relevant extract of para 2(1)(ZC)(ii) is as follows –

*“..... where natural calamities impair the repaying capacity of a borrower, terms of the loan agreement regarding interest and/ or principal may be rescheduled and such loans shall not be classified as sub-standard; the classification of such loans would thereafter be governed by the revised terms and conditions”.*

RBI circular dated May 5, 2021 is applicable on All Non-Banking Financial Companies (including Housing Finance Companies), the company is proposing a framework for restructuring of MSME customers. The contours of this policy are in line with the previous policy approved by the Board in the October 2020 for COVID related stress for self-employed / MSME customers.

### **B. The Framework**

#### **I. Eligible Customers**

- 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.
- b. 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 to be determined on the basis of exemption limit obtaining as on March 31, 2021.
- c. The aggregate exposure, including non-fund based facilities, of all lending institutions to such borrowers does not exceed INR 25 crore as on March 31, 2021.
- d. The borrower's account was a 'standard asset' as on March 31, 2021.
- e. The credit facilities including Home loans, Non-residential premise loans, Loan against properties and LRD advanced to MSME customers is covered under the purview of this framework.
- f. 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).

## **II. Invocation and date of implementation**

The restructuring of the borrower account shall be invoked by September 30, 2021 and it will be implemented within 90 days from the date of invocation. The Company will communicate its decision on the application in writing to the applicant within 30 days of receipt of such applications.

The resolution plan shall be deemed to be implemented only if the borrower is registered at the Udyam registration portal before the date of implementation.

## **III. Type of Resolution Plan**

- a. Moratorium of principal and/ or interest for a period not exceeding 24 months.
- b. The tenure of the rescheduled loan can be extended up to 48 months if no additional loan is granted and up to 84 months if additional loan is granted.

## **IV. Evaluation criteria to offer resolution plan**

The Company will evaluate the proposals based upon the income assessment of the borrowers, after conducting personal discussion with the borrowers to assess the impact of Covid-19.

## **V. Authority to approve resolution plan**

Board of Directors vide Credit Policy Framework for Retail has delegated loan approval authority to Managing Director & CEO of the Company. It allows Managing Director & CEO to delegate loan approval authority to employees of the Company.

## **VI. Asset Classification and Provisioning**

- a. As per RBI May 5 circular, upon implementation of the restructuring plan, the Company shall keep provision of 10 percent of the residual debt of the borrower.
- b. 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.

## **VII. Other Operational Matters:**

- a. Company will ensure that all related documentation, including execution of necessary agreements between with the borrower / creation of security charge / perfection of securities are completed.
- b. The revision in repayment terms/ restructuring will be done in the existing loan account. Such loan accounts will be tagged separately in the system to enable review and reporting.
- c. Company will charge administrative/ processing fee for executing the restructuring and may also charge a higher rate of interest keeping in view the perceived risk.

## **VIII. Disclosures and Credit Reporting**

The Company will make appropriate disclosures in its financial statements, under 'Notes on Accounts', relating to the MSME accounts restructured under this framework. Further, the credit reporting of the borrowers where the resolution plan has been implemented under this policy shall reflect as 'restructured due to COVID-19'.