

MUKESH BABU FINANCIAL SERVICES LIMITED

Policy on Restructuring of Stressed Assets

Background

Mukesh Babu Financial Services Limited (hereinafter referred to as “the Company” or “NBFC” or “Lender”) is a Public Limited Company incorporated under the provisions of the Companies Act, 1956 and registered as a non-deposit taking Non-Banking Financial Company (“NBFC”) with the Reserve Bank of India (“RBI”).

As a part of measures for combating the effect of COVID-19 on the economy, the Reserve Bank of India (RBI), on August 6, 2020, vide its circular no. RBI/2020-21/16/DOR.No.BP.BC/3/21.04.048/2020-21 has released guidelines for NBFCs on implementation of resolution framework for COVID-19 related stress, a special window for resolution of assets undergoing stress due to COVID-19 disruption (“Resolution Framework”).

This special window was introduced in addition to the Prudential Framework on Resolution of Stressed Assets issued on June 7, 2019 (“Prudential Framework”) that provided a principle-based resolution framework for addressing borrower defaults under a normal scenario.

The economic fallout on account of the COVID-19 pandemic has led to significant financial stress for borrowers nationwide and the resultant stress can potentially impact the long-term viability of many Companies, otherwise having a good track record, due to their debt burden becoming disproportionate relative to their cash flow generation abilities. Considering the above, the RBI provided a window under the Prudential Framework and enabled the lenders to provide a resolution framework to the eligible borrowers for repayment of their loan by way of restructuring the loan or extending the tenure for repayment of the debt.

A. Objective of the Policy

The objective of the Policy is to provide relief to the eligible borrowers whose loan/debt repayment capability has been impaired due to Covid 19 pandemic but can have long term viability and ability to generate cash flows/earn revenues towards repayment of loans/debt within the ambit of Resolution framework.

B. Definitions

For the purposes of this policy, the below terms shall have the meaning as provided herein under:

1. Board: The Board shall mean the Board of Directors or any authorized committee(s) of the board of the Company;
2. COVID-19: Coronavirus Disease or COVID-19, an infectious disease, which was declared as a global pandemic by World Health Organization on 11th March 2020;
3. Eligible Borrower(s): For being an eligible borrower, the following eligibility conditions have to be fulfilled:
 - a. The loan should be a “Standard Account” as on date of application/invocation and should have been ‘Standard’ and also not in default for more than 30 days as on 01st March 2020; and
 - b. The cash flows/operations/income have been affected by COVID -19 pandemic as a result of which the repayment capability is substantially impaired.
4. Non-Eligible Borrower(s): Non-Eligible Borrowers shall mean the personnel or staff of the Company to whom it has extended credit facility or personal loans and includes the following without prejudice to the exceptions specified in paragraphs 25-28 of the Prudential Framework:
 - a. MSME borrowers whose aggregate exposure to lending institutions collectively, is equal to or lower than ₹25 crore as on 1st March 2020;
 - b. 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;
 - c. Loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi-Purpose Societies (LAMPS) for on-lending to agriculture;
 - d. Financial service providers;

- e. Central and State Governments; Local Government bodies (e.g. Municipal Corporations); and, body corporates established by an Act of Parliament or State Legislature.
5. Standard Account: Standard account shall mean the asset in respect of which, no default in repayment of principal or payment of interest is perceived and which does not disclose any problem or carry more than normal risk attached to the business;
6. Reference date: The reference date for the outstanding amount of debt that may be considered for resolution shall be 1st March 2020;
7. Date of Invocation and implementation: The date of invocation means the date on which both the Eligible borrower and lender have agreed to proceed with a resolution plan in terms of this Policy. However, in no case the date of Invocation shall be later than 31st December 2020 and it must be implemented within 90 days from the date of invocation for personal loans and 180 days for other exposures.

C. Eligibility for resolution under this Policy

The Company shall take into consideration only the Eligible Borrowers for the purpose of considering and implementing the resolution plans. However, it is necessary that the Eligible Borrowers account is classified as Standard Asset as on the Date of Invocation. Keeping in view the Resolution Framework and the RBI guidelines as may be issued from time to time, the Board will consider and provide suitable resolution/restructuring plans for the Eligible Borrowers, provided the same shall not exceed a period of one year from the date of original maturity of the personal loans/credit facility.

D. Procedure for applying for restructuring

The borrowers who wish to avail the loan restructuring facility can send an email to info@mukeshbabu.com

E. Documents to be submitted for making an application for restructuring

The following documents have to be submitted along with the application request for restructuring:

1. Past financials (3 years) and projected financials for next 3 years;

2. GST returns and key financial numbers till date;
3. Bank statements and undertaking by Individual borrowers;
4. Any other documents as advised by the Company.

F. Implementation of resolution (“Date of Implementation”)

A restructuring of loan would be treated as implemented upon fulfillment of all of the following conditions:

1. All related documentation, including execution of necessary agreement(s), if any, between Lender and Eligible Borrower are completed;
2. The new loan amount and/ changes in the terms and conditions of the existing loan account get duly reflected in the books of accounts of the Lender; and
3. The Eligible Borrower is not in default with the Lender as per the revised terms and conditions.

G. Due Diligence Process

The Company on receipt of a written request application/email from the Eligible Borrower shall evaluate the proposal for restructuring of the personal loan account(s). On due evaluation of the request submitted by the Eligible Borrower, the concerned team of the Lender shall execute with the Eligible Borrower necessary amendment agreement or other necessary documents in order to record the revised terms and implement viable resolution plan(s).

H. Prudential Norms

1. Disclosure in the Financial Statement:

The Company shall make appropriate disclosures about the restructured accounts in terms of this Policy in its quarterly, half - yearly and annual financial statements or as directed by RBI from time to time.

2. Credit Reporting by the Company:

The restructuring of loan granted to the Eligible Borrowers under this Policy will be treated as new restructured loan account and the credit history of the Eligible Borrowers shall consequently be governed by the respective policies of the credit information companies as applicable to accounts that are restructured.

I. Miscellaneous

1. Display on Website: The Board approved policy on restructuring of stressed assets will be hosted on the Company's website for our customer's information and benefit.
2. Effective date: This Policy shall be effective from the date of approval of this Policy by the Board.
3. Review of Policy: The Policy shall be reviewed as and when required by the applicable rules and regulations.
4. While Policy outlines the broad internal guidance that the Company will follow to take decisions regarding this restructuring of stressed assets/loan, the Company retains the discretion to take decisions regarding this Policy depending on case specific issues or nuances. The Company reserves the right to amend the Policy within the framework of RBI guidelines, as maybe issued from time to time.
