

Bhanix Finance and Investment Limited

Policy on Restructuring of Stressed Assets under Resolution Framework - 2.0

A. Background:

Bhanix Finance and Investment 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 accepting Non-Banking Financial Company (“NBFC”) with the Reserve Bank of India (“RBI”).

The RBI on August 06, 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 (**“Resolution Framework – 1.0”**).

Earlier on June 7, 2019, the RBI had issued directions on Prudential Framework for Resolution of Stressed Assets commonly referred to as RBI (Prudential Framework for Resolution of Stressed Assets) Directions 2019 (“Prudential Framework”), which provides a principle-based resolution framework for addressing borrower defaults under a normal scenario.

However, the economic fallout on account of the COVID-19 pandemic has led to 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 under Resolution Framework 1.0, 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.

The resurgence of Covid-19 pandemic in India in the recent weeks and the consequent containment measures to check the spread of the pandemic may impact the recovery process and create new uncertainties. With the objective of alleviating the potential stress to individual borrowers, RBI on May 05, 2021 vide its circular No. RBI/2021-22/31 DOR.STR.REC.11/21.04.048/2021-22 has released **Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses**. These set of measures are broadly in line with the contours of the Resolution Framework - 1.0, with suitable modifications.

B. Objective of the Policy:

The objective of the Policy is to facilitate the overall revival of real sector activities in the long run, and to save the Company from having an impact on its financial stability risks due to its debt burden becoming disproportionate relative to its cash flow generation abilities by implementing resolution plans for the eligible borrowers.

C. Definitions:

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

- a) **Board:** The Board shall mean the Board of Directors or any authorized committee(s) of the board of the Company.

- b) **COVID-19:** Coronavirus Disease or COVID-19 is an infectious disease, which was declared as a global pandemic by World Health Organization on 11 March 2020.
- c) **Eligible Borrower/s:** For the purpose of resolution plan under this Policy, eligible borrower shall mean:
- *The borrowers who have availed personal loans and classified as Standard Assets as on March 31, 2021 and have not availed of any resolution in terms of the Resolution Framework – 1.0 earlier.*
 - *The borrowers having stress on account of COVID-19; and in respect of whom the Company is willing to consider the resolution under this Policy.*
- d) **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.
- e) **Standard Assets:** Standard asset 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.
- f) **Personal Loans:** Personal loans refers to loans given to individuals and consist of (a) consumer credit, (b) education loan, (c) loans given for creation/ enhancement of immovable assets (e.g., housing, etc.), and (d) loans given for investment in financial assets (shares, debentures, etc.).
- g) **Date of Invocation:** The date of invocation means the date on which both the borrower and lender have agreed to proceed with a resolution plan for the Eligible Borrower in terms of this Policy. However, in no case the Date of Invocation be later than September 30, 2021. The decision to invoke the resolution process under this window of the Company shall be independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.

D. 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 March 31, 2021.

Keeping in view the RBI guidelines 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 restructuring of the personal loans/credit facility.

E. Timelines for resolution

The resolution plan for the Eligible Borrower account under this Policy shall be invoked latest by September 30, 2021 and must be implemented within 90 (Ninety) days from the Date of Invocation.

In respect of applications received by the Company from its borrowers for invoking resolution process under this window, the assessment of eligibility for resolution as per this policy shall be made and the decision on the application shall be communicated in writing to the applicant by the Company within 30 days of receipt of such applications.

F. Implementation of resolution (also known as “Date of Implementation”)

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

- a) All related documentation, including execution of necessary agreement(s), if any, between Lender and Eligible Borrower are completed;
- b) 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
- c) 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) including evaluation of necessary documents.

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), as provided in clause D herein above.

H. Grievance Redressal Mechanism

The customer/borrower may follow the grievance redressal mechanism of the Company as displayed in Fair Practices Code of the Company available on the following link: <https://www.bhanixfinance.com/pdf/Fair-Practice-Code.pdf>.

I. Disclosure in the Financial Statement:

The Company shall make appropriate disclosures about the restructured accounts in terms of this Policy in its annual financial statements under the “Notes to Accounts”.

J. Credit Reporting by the Company:

The credit reporting by the Company in respect of borrowers where the resolution plan is implemented under this window shall reflect the “restructured due to COVID-19” status of the account 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.

K. Miscellaneous:

1. **Display on Website:** The Board approved policy on restructuring of stressed assets will be hosted on the Company's website for our customers 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.