



खुशियां आपकी साथ हमारा....

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Mentor Home Loans India Limited: Policy on Resolution
Framework for COVID-19 related Stress

POLICY ON RESOLUTION FRAMEWORK FOR COVID-19 RELATED STRESS

MENTOR HOME LOANS INDIA LTD.

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1. BACKGROUND

Mentor Home Loans India Limited (hereinafter referred to as “the Company” or “NBFC-HFC” or “Lender”) is a Public Limited Company incorporated under the provisions of the Companies Act, 1956 and registered with the National Housing Bank (“NHB”).

The RBI on May 05, 2021 vide its circular no. RBI/2021-22/31 DOR.STR.REC. 11/21.04.048/ 2021-22 (“**Resolution Framework – 2.0**”) has released guidelines for NBFCs on implementation of resolution framework for COVID-19 related stress.

Earlier, the Reserve Bank of India vide its circular DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6, 2020 on “Resolution Framework for COVID-19-related Stress” (“**Resolution Framework – 1.0**”) had provided a window to enable lenders to implement a resolution plan in respect of eligible corporate exposures without change in ownership, and personal loans, while classifying such exposures as Standard, subject to specified conditions.

The resurgence of the COVID-19 pandemic has led to incremental financial stress for borrowers nationwide that may impact the recovery process and create new uncertainties. 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 second 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. Accordingly, the Company proposed to adopt this Policy on Resolution Framework for COVID-19 related Stress (“the Policy”) with approval of the Board of Directors.

2. OBJECTIVE OF THE POLICY:

The objective of the policy is to provide a framework for implementation of viable resolution plans for eligible borrowers, ensuring that the resolution under this facility is provided only to the borrowers having stress on account of COVID-19. This policy details the eligibility of borrowers in respect of whom the Company will consider the resolution and the due diligence considerations for implementation of the resolution plan as well as the system for redressing the grievance of borrowers who request for resolution.

3. APPLICABILITY

The Resolution Plan (RP) is applicable to all Housing loans, Non-Housing loans and Builder loans.

4. ELIGIBILITY FOR RESOLUTION

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- a) The eligible borrowers for resolution under this framework are those having stress on account of COVID-19, were classified as standard as at 31st March, 2021 and where viability of Resolution Plan is established.
- b) Individuals who have availed of loans and advances (irrespective whether secured or unsecured) for business purposes and to whom the lending institutions have aggregate exposure of not more than Rs.25 Crore as on 31st March, 2021.
- c) Small businesses, including those engaged in retail and wholesale trade, other than those classified as Micro, Small and Medium enterprises as on 31st March, 2021 and to whom the lending institutions have aggregate exposure of not more than Rs.25 Crore (irrespective whether secured or unsecured) as on 31st March, 2021.
- d) **Convergence of the norms for loans resolved previously :** In cases of loans of borrowers where resolution plan had been implemented in terms of the Resolution Framework – 1.0, such borrowers are also eligible for resolution under this window to modify such plan only to the extent of increasing the period of moratorium/extension of residual tenor subject to overall caps on moratorium and / or extension of residual tenor granted under Resolution Framework – 1.0 and this framework combined, shall be two years.
- e) The borrower should have been impacted financially on account of/ due to COVID-19 pandemic in the form of reduction/ loss of income or cash flows, for example:
- (i) Salary/ income has got negatively impacted on account of/ due to COVID-19 pandemic.
 - (ii) Job Loss/ closure of business on account of/ due to COVID-19 pandemic.
 - (iii) Closure during lockdown/ reduced activity of units/ shops/ business establishments in case of self-employed/ professionals/ businessmen, on account of/ due to COVID-19 pandemic.
- f) **Exclusions among categories listed above –** The following categories of borrowers/ credit facilities shall not be eligible for a resolution plan under this framework:
- Farm credit as listed in Paragraph 6.1 of the Reserve Bank of India (Priority Sector Lending – Targets and Classifications) Directions, 2016.
 - Loans to Primary Agricultural Credit Societies (PACS), Farmer's Service Societies (FSS) and Large-sized Adivasi Multi-Purpose Societies (LAMPS) for on-lending to agriculture.

- Exposures of lending institutions to financial service providers.
- Exposures of lending institutions to Central and State Governments, Local Government bodies (eg. Municipal Corporations), and body corporates established by an Act of Parliament or State Legislature.
- Credit facilities provided to Company staff shall not be eligible for resolution under this framework.

5. RESOLUTION PLAN

- a) The resolution plans based on an assessment of income streams of the borrower may, inter alia, include:
 - (i) Rescheduling of payments.
 - (ii) Conversion of any interest accrued or to be accrued into another credit facility.
 - (iii) Granting of moratorium; etc.
- b) **Maximum period of moratorium** – The moratorium period, if granted, may be for a maximum of two years, and shall come into force immediately upon implementation of the resolution plan.
- c) **Maximum extension of residual tenor** – The extension of the residual tenor of a loan facility may also be granted, with or without payment moratorium. The overall cap on extension of residual tenor, inclusive of moratorium period if any permitted, **shall be two years**.
- d) The resolution plan may also provide for conversion of a portion of the debt into equity or other marketable, non-convertible debt securities issued by the borrower, wherever applicable.
- e) Any compromise settlements are not permitted as a resolution plan for this purpose.

6. DUE DILIGENCE PROCESS

In respect of applications received by the Company from its borrower(s) for invoking resolution process under this window, the Company shall carry assessment/ due diligence on the following parameters:

- a) The resolution shall be initiated based on written request from the borrower.
- b) Document evidencing an agreement between the Company and the borrower(s) to proceed with a Resolution Plan.

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- c) Current income assessment shall be done as per the customer income and employment/ business profile. Fresh PD may be done by credit manager for ascertaining the same.
- d) Resolution plan should be in line with expected cash flows of the borrower.
- e) The borrowers should not be a wilful defaulter.
- f) The decision to invoke the resolution process taken by the Company with respect to a borrower should be independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.

7. INVOCATION OF RESOLUTION AND IMPLEMENTATION

- a) Date of invocation shall be the date on which both the borrower and lending institution have agreed to proceed with a resolution plan under this framework.
- b) Decision on a borrower's invocation application shall be communicated in writing to the applicant by the Company within 30 days of receipt of such application.
- c) The last date for invocation of resolution under this window shall be 30th September, 2021.
- d) The resolution must be implemented within 90 days from the date of invocation of the resolution process.
- e) A resolution plan would be deemed implemented only if all of the following conditions are met:
 - (i) All related documentation, including execution of necessary agreements between the Company & its borrower(s) and collaterals provided, if any, are completed in accordance with the resolution plan.
 - (ii) Changes in the terms & conditions of such loan is duly reflected in the books of the Company.
 - (iii) The borrower is not in default with the Company as per the revised terms.
- f) The moratorium period, if granted, shall come into force immediately upon implementation of the resolution plan.

8. ASSET CLASSIFICATION, PROVISIONING AND POST IMPLEMENTATION PERFORMANCE

- (a) **Asset Classification** – If a resolution plan is implemented as per the provisions

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of the RBI Circular, the asset classification of the accounts classified as Standard will be retained as Standard upon implementation.

The accounts which may have slipped into Non-Performing Asset ("NPA") category between invocation and implementation will be upgraded as Standard, on the date of implementation of the plan.

- (b) **Additional Finance and Asset Classification for such Additional Finance –** The Company may sanction additional finance even before implementation of the plan in order to meet the interim liquidity requirements of the borrower. Such additional finance may be classified as "Standard Asset" till implementation of the plan regardless of actual performance of his/ her loan accounts in the interim. However, if resolution plan is not implemented within the stipulated timelines, the asset classification of additional finance sanctioned will be as per actual performance of the additional finance sanctioned will be as per actual performance of the additional finance or the rest of the credit facilities, whichever is worse.
- (c) **Provisioning Requirements –** In respect of loans/ facilities where a resolution plan is implemented under this Policy, from the date of implementation, the Company will maintain provisions, which are higher of the provisions held as per the extent "Income Recognition, Asset Classification and Provisioning" ("IRAC") norms immediately before implementation, or 10 percent of the renegotiated debt exposure post implementation ("**Residual Debt**").
- (d) **Reversal of Provisions –** In case of loans resolved under this Policy, half of the above provisions may be written back upon the borrower paying at least 20 per cent of the residual debt without slipping into NPA post implementation of the plan, and the remaining half may be written back upon the borrower paying another 10 per cent of the Residual Debt without slipping into NPA subsequently.

Provided that in respect of exposures other than the Personal Loans, the above provisions shall not be written back before one year from the commencement of the first payment of interest or principal (whichever is later) on the credit facility with longest period moratorium.

9. POST IMPLEMENTATION PERFORMANCE, ASSET CLASSIFICATION AND PROVISIONING

- a) After implementation of the resolution plan in terms of this Policy, the subsequent asset classification will be governed by the applicable IRAC norms.
- b) The provisions required to be maintained under this Policy, to the extent not already reversed, shall be available for the provisioning requirements when any of the accounts, where a resolution plan had been implemented, is subsequently classified as NPA.

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10. DISCLOSURES

- (a) The Policy shall be publicized by the Company through business teams, customer service and the Policy shall be made available on the website of the Company in an easily accessible manner.
- (b) **Quarterly Disclosures** – If the Company publishes its quarterly statements, in addition to other required disclosures, it shall make disclosures, as per the format prescribed in **Annexure I**, in their financial statements for the quarters ending 30th September, 2021 and 31st December, 2021.

If applicable, the number of borrower accounts where modifications were sanctioned and implemented and the aggregate exposure of the lending institution to such borrowers may also be disclosed on a quarterly basis, starting from the quarter ending 30th June, 2021.

- (c) **Half Yearly Disclosures** – If the Company publishes its half-yearly statements, in addition to other required disclosures, it shall make disclosures in the format prescribed in **Annexure II** every half-year, i.e., in the financial statement as on 30th September and 31st March, starting from the half-year ending 30th September, 2021 till all exposures on which resolution plan was implemented are either fully extinguished or completely slips into NPA, whichever is earlier.
- (d) **Annual Disclosures** – If the Company publishes only annual financial statements, along with other required disclosures, it shall make disclosures as per **Annexure II** format as on 31st March, 2021 and starting from 31st March, 2022, as per **Annexure II** format every 31st March till all exposures on which resolution plan was implemented are either fully extinguished or completely slips into NPA, whichever is earlier.

11. CREDIT REPORTING

The Company in respect of borrowers where the resolution plan is implemented under the Policy, shall report such accounts as “**Restructured due to COVID-19**” to the credit information companies. The credit history of the borrowers shall consequently be governed by the respective policies of the credit information companies as applicable to accounts that are restructured.

12. OTHERS:

- a) **Display on Website:** The Board approved policy and/ or an extract-based FAQ on restructuring of stressed assets will be hosted on the Company's website for our customers' information and benefit.
- b) **Effective date:** This policy shall be effective from the date of approval of this Policy by the Board.

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- c) **Normal Reschedulement:** In case a borrower is need of restructuring but does not qualify the eligibility criteria, the same shall be rescheduled as per the guidelines laid out by National Housing Bank for Housing Finance Companies (HFCs) as stated in the Master Circular-NHB(ND)/DRS/REG/MC-01/2019. Asset classification and provisioning for such accounts shall be in accordance with the norms laid out in the said circular.
- d) **Review of Policy:** The Policy shall be reviewed as and when required by the applicable rules and regulations.
- e) 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.

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"Annexure I"

Format for disclosures to be made in the quarters ending 30th September, 2021 and 31st December, 2021

S.No.	Description	Individual Borrowers		Small Businesses
		Personal Loans	Business Loans	
(A)	Number of requests received for invoking resolution process under Part A			
(B)	Number of accounts where resolution plan has been implemented under this window			
(C)	Exposure to accounts mentioned at (B) before implementation of the plan			
(D)	Of (C), aggregate amount of debt that was converted into other securities			
(E)	Additional funding sanctioned, if any, including between invocation of the plan and implementation			
(F)	Increase in provisions on account of the implementation of the resolution plan			

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“Annexure II”
Format for disclosures to be made in the quarters starting 30th September, 2021/ 31st March, 2022

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan- Position as at the end of the previous half-year (A)	Of (A) aggregate debt that slipped into NPA during the half-year	Of (A) amount written off during the half-year	Of (A) amount paid by the borrowers during the half-year	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year
Personal Loan					
Corporate persons*					
<i>Of which, MSMEs</i>					
Others					
Total					

*As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016.

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