



Hindusthan Microfinance Private Limited
(HMPL)

DEBT RESTRUCTURING POLICY

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1. Introduction

Hindusthan Microfinance Pvt Ltd., has a Board approved policy to deal with delinquent accounts. Apart from adopting the laid down policy towards dealing with delinquent accounts, the need was also felt to have the Board approved Debt Restructuring Policy for JLG members of Hindusthan Microfinance Pvt Ltd., about having systematic approach and process to deal with them.

The second edition of Code of Conduct for Microfinance industry issued by Microfinance Institutions Network (MFIN)/SaDhan, under the heading “Corporate Governance” (Part IV Para No.3), provides that all MFIs are required to have Board approved policy for Debt Restructuring Products/Program for providing relief to borrowers facing repayment stress.

Accordingly the following policy guidelines are issued for compliance of all concerned in the matter of Debt Restructuring of JLG members.

2. Eligibility criteria for Debt Restructuring

- a) These guidelines would be applicable to all members of Joint Liability Groups financed by HMPL with a individual loan outstanding of more than Rs.5,000/-
- b) Accounts involving wilful default, fraud and malfeasance will not be normally eligible for restructuring under these guidelines.

3. Viability criteria

It is experienced that some of the borrowers are not able to continue the smooth repayment schedule as per the products type due to various reasons. The borrower’s repayment capacity comes under strain due to various factors viz., Loss of jobs, recession, slowdown of economy, Cash shortage, natural calamity etc., which results into the default in repayment of loans.

- a) Restructuring of JLG loans will be considered only after conducting an independent viability study of the group and all its members.
- b) The acceptable viability benchmarks will be determined by the sanctioning authority on a case to case basis taking a holistic view of the member’s financial condition, undertaking of responsibility by other members of the group, repayment capacity, etc.
- c) Only loan outstanding for more than Rs.5,000/- will be considered for restructuring.
- d) The repayment period for restructured debt shall not exceed 2 years and will be allowed only once during the tenor of the loan.

4. Procedure

HMPL propose to adopt the following system and procedure for providing debt restructuring options to its delinquent borrowers for providing relief with their consent.

- a) To provide an extension in repayment schedule of loans for a maximum period of 2 years.
- b) To provide an additional loans/supplementary loans based on the borrowers repayment capacity and other guidelines issued by regulators from time to time
- c) To waive/reduce the interest accrual on loans.

The above referred one time options may be communicated to the delinquent borrowers for adopting one of the debt restructuring methods as well as to obviate the possibility of loss assets in the books of HMPL.

5. Time frame

The decision on request received from the borrower for restructuring should be communicated in writing within 60 days from the date of receipt of the request. In other words, the restructuring packages would be worked out and implemented within a maximum period of 60 days from date of receipt of requests.

6. Approving Authority

All debt restructuring cases will be prepared by Regional Manager / Business Head and approved by CMD / Executive Director.

7. Review

The Regional Managers shall submit a quarterly statement on the progress in rehabilitation and restructuring of JLG accounts to the Head Office within 10th of the month succeeding the quarter. Branch Monitoring Department, HO shall submit the consolidated statement about the progress in rehabilitation and restructuring of JLG accounts within another 15 days to Management.

8. Disclosure

The following information in respect of restructuring undertaken during the year for JLG accounts shall be disclosed in the published annual Balance Sheet of the company under "Notes on Accounts":

- a) Total amount of assets of JLGs subjected to restructuring. [(a) = (b)+(c)+(d)]
- b) The amount of standard assets of JLGs subjected to restructuring.
- c) The amount of sub-standard assets of JLGs subjected to restructuring.
- d) The amount of doubtful assets of JLGs subjected to restructuring.