RESTRUCTURING POLICY MANUAL

Industrial Investment Trust Limited
CIN: L65990MH1933PLC001998
Regd. Off: 101A, The Capital, G-Block,
Plot no.C-70 Bandra Kurla Complex,
Bandra (East) Mumbai Mumbai City
MH 400051
Website: www.iitlgroup.com

Version	Date of Approval/ Reviewal
V.1	
Recommended By	CEO NBFC Operations
Approved By	Board – Meeting Dated 08-11-2023

I. Background :

Industrial Investment Trust Limited (hereinafter referred to as "the Company" or "NBFC" or "Lender") is an NBFC 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.

Earlier on June 07, 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.

The RBI provided a window that 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.Purpose

The objective is to detail the principles and procedures that IITL NBFC adopted for the restructuring of stressed assets to preserve the economic value of assets, ensure continuity of viable businesses, and support recovery.

II. Scope

This policy applies to Industrial Investment Trust Limited (herein after referred as "IITL NBFC" registered with the Reserve Bank of India (RBI) and covers all credit facilities extended.

III. Policy Guidelines

1. Identification of Stressed Assets:

- IITL NBFC have a clear mechanism to identify assets showing signs of stress and classify them for necessary action.

1. Definition of Stressed Assets:

Stressed assets typically include Non-Performing Assets (NPAs), restructured or rolled-over loans, and assets that exhibit signs of potential default in the near future.

2. Early Warning Signals (EWS):

To detect the onset of asset-quality issues at an early stage, IITL NBFC to develop a system of Early Warning Signals. These can include:

Frequent changes in the ownership of the borrowing entity.
Over-reliance on short-term funds for long-term needs.
Continuous decline in the creditworthiness of a borrower.
Overdue receivables extending beyond the industry norm.

Declining sales or profit margins.

3. Data Analytics:

Employed data analytics to monitor loan portfolios. Forecast of payment behavior based on historical data and current market conditions.

4. Regular Audits:

Frequent internal and external audits to ascertain the quality of the asset portfolio. These audits can pinpoint areas of concern that might not be evident in day-to-day operations.

5. Customer Behavior Analysis:

Analyze the financial behavior of borrowers:

Tracking of credit scores and changes therein.
Monitoring for sudden drops in a borrower's business revenue.
Checking for frequent delays in interest or principal payments.
6. Industry Monitoring:

Maintaining a watch on industries or sectors that are experiencing downturns or disruptions. Borrowers from these sectors might be at a higher risk of turning into stressed assets.

7. Feedback Mechanism:

Incorporate feedback from frontline staff, as they directly interact with borrowers and might have firsthand information about potential stress in certain accounts.

8. Classification of Assets:

Once identified, stressed assets will be classified based on the degree of stress:

Special Mention Accounts (SMA): Accounts showing signs of incipient stress.
Substandard Assets: Accounts which remain NPAs for a period less than or equal to 12 months.
Doubtful Assets: Have remained in the substandard category for more than 12 months.
Loss Assets: Where loss has been identified, but the amount has not been written off.

9. Regular Review and Reporting:

Establish a periodic review mechanism at different levels, from departmental to board level. Regularly report findings and classifications to top management and take necessary actions based on the review.

10. Training and Skill Enhancement:

Train credit and risk teams in the latest methodologies and tools for identifying and handling stressed assets.

2. Restructuring Mechanism:

- Viability: IITL NBFC will be ensured that the stressed assets are viable for restructuring.
- Approval: Restructuring of stressed assets to be approved by a committee formed for this purpose.
- Independent Evaluation: Large accounts undergoing restructuring to be independently evaluated by experts.

3. Prudential Norms:

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".

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.

4. Asset Classification:

- Assets undergoing restructuring to be classified as restructured assets and to adhere to the necessary provisioning norms.

5. Disclosure:

- IITL NBFC to disclose details of restructured assets in their financial statements.

6. Disclosure and Regulatory Reporting:

- IITL NBFC to regularly report details of restructured assets to RBI or other concerned regulatory bodies. Quarterly, half yearly and annual disclosures in the financial statements (as the case may be) shall be made by the Company in the prescribed format as given by RBI from time to time, till all exposures on which resolution plan was implemented are either fully extinguished or completely slips into NPA, whichever is earlier.

7. Training & Skill Enhancement:

- IITL NBFC to invest in training personnel to effectively handle the restructuring process.

8. Review & Monitoring:

- IITL NBFC to regularly review the accounts that have undergone restructuring.
- An early warning system to be in place to identify signs of further stress.

9. Exit Strategy:

- IITL NBFC to have a clear exit strategy if the restructuring doesn't yield the expected results.

Exit Strategy for IITL NBFC Post-Restructuring

1. Preamble:

The exit strategy outlines the action plan for IITL NBFC in case a restructured asset fails to perform as projected, potentially affecting the financial stability of the institution.

2. Performance Metrics and Benchmarks:

Clear Indicators: Define the quantitative and qualitative metrics that will determine the success or failure of the restructuring process, such as return on restructured assets, repayment rates, or operational performance of the borrowing entity.

Regular Monitoring: Conduct periodic reviews of the restructured asset's performance against these benchmarks.

3. Gradual Disengagement:

Consider phased withdrawal from the exposure. This could involve reducing the outstanding loan amount, decreasing the credit limit, or refraining from additional financing.

4. Sale of Asset:

Asset Securitization: Convert loans into marketable securities and sell them to other investors.
Sell to ARCs (Asset Reconstruction Companies): These entities specialize in managing and recovering stressed assets.
Direct Sale: Directly sell the asset or exposure to interested third parties.

5. Legal Recourse:

Engage legal mechanisms, including the invocation of collaterals, guarantees, or initiating recovery proceedings.
Utilize the Insolvency and Bankruptcy Code (IBC) framework, if applicable, to seek resolution.

6. Debt Recovery:

Engage Debt Recovery Tribunals (DRTs) for efficient recovery of dues.
Consider out-of-court settlement options or one-time settlement offers.

7. Collaboration with Co-lenders:

If the exposure is part of a consortium or multiple banking arrangements, collaborate with other lenders for a joint resolution strategy.

8. Communication Strategy:

Maintain transparent communication with borrowers, highlighting concerns and discussing potential resolution mechanisms.
Engage stakeholders, including shareholders and regulators, keeping them informed about measures being taken.

9. Risk Mitigation & Capital Conservation:

Freeze or limit dividend distributions to conserve capital.
Realign the investment strategy to more conservative, low-risk assets.

10. Continuous Review:

Reassess the restructuring and exit strategy framework periodically to incorporate lessons learned and best practices from past experiences.

11. External Consultation:

To Engage external consultants or experts for specialized insights and solutions, especially in complex or large-scale exposures.

IV. Roles and Responsibilities

- Board of Directors: To oversee the implementation and ensure adherence to the policy.
- Restructuring Committee: Formed to approve or disapprove restructuring proposals.
- Risk Management Team: To identify potential risks and recommend preventive measures.
- Audit & Compliance: To ensure that the policy guidelines are followed in letter and spirit.

V. Exceptions

Any deviations from the policy to be approved by the Board of Directors and to be adequately justified.

VI. Policy Review and Update

The policy to be reviewed at least annually and updated based on feedback and any regulatory changes.

VII. Conclusion

IITL NBFC play a critical role in financial intermediation, and the restructuring of stressed assets is crucial for maintaining financial stability. This policy aims to provide a structured and standardized approach to address the challenges faced by IITL NBFC due to stressed assets.