



**SHARE MICROFIN
LIMITED**

**POLICY ON RESOLUTION
FRAMEWORK 1.0 FOR
COVID -19 RELATED
STRESS
(DATED: 31-08-2020)**

1-224/58, Rajeev Nagar, Nacharam, Hyderabad, Telangana-500076.

OVERVIEW

Reserve Bank of India (RBI), vide its Circular No. RBI/2020-21/16 DOR.No.BP.BC/3/ 21.04.048/ 2020-21 dated August 06, 2020, has issued guidelines towards “Resolution Framework for COVID-19-related Stress” that provides onetime window under the Prudential Framework to enable lenders to implement a resolution plan in respect of the eligible borrowers having stress on account of COVID 19, subject to specified conditions.

Considering the impact of COVID-19 on otherwise good quality borrowers, we believe providing them an opportunity to selectively restructure their outstanding loans is appropriate. In accordance with RBI guidelines, the Company has put in place detailed Board approved policy for restructuring / resolution of loan / debt, subject to detailed evaluation and assessment of future income / cash flows to meet timely repayment under restructured terms, of eligible borrowers having stress on account of COVID-19.

The decision to restructure would be subject to detailed assessment and compliance to RBI / Company’s Board approved norms and the decision would rest with the Company.

Restructuring scheme approved by RBI

The moratorium period granted by RBI to ease the financial burden caused by the COVID-19 pandemic ended on 31st August 2020. To assist borrowers who may further need time and assistance for repayments, RBI has provided a framework to lending institutions to allow a Onetime restructuring of loans. Basis the framework and regulatory guidelines, the Company has framed its policy for the restructuring of the loan/s of individuals that have been impacted due to the COVID-19 pandemic.

The following guidelines have been designed for SHARE Microfin Limited (“SHARE”) in adherence to the above mentioned “Resolution Framework 1.0 for COVID-19 related Stress”.

Eligibility Criteria

- a) Loan accounts that are classified as Standard, but not in default for more than 30 days as on March 1, 2020 and continue to remain as standard across all loans / facilities granted to the borrower till the date the request is placed for the restructuring of the loan are eligible.
- b) The borrower who has been impacted financially by the COVID-19 pandemic in the form of reduction / loss of income or cash flows. The borrower will have to submit the supporting documents as required, to enable the Company to review the viability of the borrower to pay the restructured EMIs, before granting the restructuring.
- c) Borrower must have historically had a good track record of repayments, and will be in a position to generate sufficient cash flows subsequent to the proposed loan restructuring.

This policy applies to all Loans provided by the Company to the Borrowers of the Group Lending irrespective of their vintage and level of dues. However, to clarify, credit facilities provided to staff will be excluded from the resolution plan.

Resolution Process

Framework of the Resolution Plan

- a) Resolution plan shall mean any of the following:
 - i) Rescheduling of the payments, both principal and interest, or
 - ii) Conversion of interest accrued into another credit facility or
 - iii) Granting of moratorium for a maximum period of 12 months with retrospective effect from April 01, 2020
 - iv) Extension of the residual tenor of the loan facilities with or without payment moratorium
 - v) Sanction additional finance even before implementation of the plan in order to meet the interim liquidity requirements of the borrower
 - vi) The resolution must be invoked not later than December 31, 2020 and has to be implemented within 90 days from the date of invocation. The date of invocation shall be the date on which Company and borrower along with respective joint borrowers of the group have agreed to proceed with the plan.
- b) Consent shall be obtained from all the Members of the respective joint borrowers for the resolution plan.
- c) The existing interest rate applied for restructured accounts

Mechanism for Asset Classification

- a) Upon implementation of the agreed resolution plan, the asset classification of such accounts shall remain as Standard. Accounts which slipped into NPA between invocation and implementation shall also be upgraded to Standard as on the date of implementation of the plan. Any prior reporting till the implementation date shall also be modified to Standard.
- b) Asset classification post implementation shall be as per the extant RBI norms on asset classification.
- c) The credit reporting in respect of borrower where the resolution plan is implemented under this facility shall reflect the "restructured" status of the account if the resolution plan involves renegotiations that would be classified as restructuring under the Prudential Framework.
- d) The credit history of the borrower shall consequently be governed by the respective policies of the credit information companies as applicable to accounts that are restructured.

Provisioning

(a) The Special Framework stipulates that post implementation of a resolution plan, both in case of personal loans and Other Loans, Lenders must from the date of such implementation keep a minimum of 10% of their re-negotiated debt exposure. However, a Lender which is not a party to the ICA will be required to keep provisions of at least 20% of the carrying debt on its books in case of Other Loans. This higher provisioning requirement for non-ICA Lenders appears to have been stipulated to encourage all Lenders with an exposure to an eligible borrower to become a signatory to the ICA.

(b) With regard to rolling back of provisions made, it has been specified that half of the provisions may be written back upon the borrower paying at least 20% of the residual debt without slipping into NPA. The remaining half may be written back upon the borrower paying another 10% of the residual debt without slipping into NPA subsequently.

Procedure for Loan Restructuring

- a) The borrower has to submit a request in writing to the concerned branch.
- b) The Application has also to be signed by all other members of the respective Group.
- c) The Branch Manager/Area Manager should visit the customer and evaluate the request of the customer w.r.t. impact of lockdown on the business of the customer.
- d) Restructuring of loans will be considered on case-to-case basis only after necessary checks and recommendations by the Branch Manager/Area Manager.
- e) SHARE shall revert to borrower within 30 days from receipt of application from borrower for restructuring.
- f) The necessity to restructure the loan account will be determined by the sanctioning authority on a case-to-case basis taking a holistic view of the proposal / ability of customer to restart the income generation activity and service loan repayments.

Disclosures

All necessary disclosures quarterly/ half-yearly/ annual financial statements as per Reserve Bank of India (RBI), vide its Circular No. RBI/2020-21/16 DOR.No.BP.BC/3/ 21.04.048/ 2020-21 dated August 06, 2020 prescribed formats in respect of accounts where a resolution plan is implemented shall be made by the company.

Grievance Redressal Mechanism

In case of any grievance or complaint by Borrower who has requested for resolution under the window and / or is undergoing resolution under the window provided under this Policy, the Borrower may:

- a) Personally, approach or send written communication to the Customer Service Department at the Registered Office of the Company, and/ or
- b) Email at grievancecell@sharemicrofin.in and/or
- c) Call our Toll-Free number **18001236585**, as the case may be
