



**SHARE MICROFIN
LIMITED**

**RESOLUTION
FRAMEWORK 2.0 FOR
COVID -19 RELATED
STRESS**

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

OVERVIEW

The 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 provided 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.

In compliance with above stated RBI Circular the Board of Directors at their meeting held on August 31, 2020 accorded its approval to the “Resolution Framework 1.0 for COVID-19 related Stress” and has given implemented the same.

The resurgence of COVID-19 pandemic in March 2021 has impacted the recovery process and created new uncertainties. With the objective of alleviating the potential stress to individual borrowers, RBI has extended the Restructuring framework and has issued revised measures vide circular no. RBI/2021-22/31- DOR.STR.REC.11/21.04.048/2021-22 dated May 5, 2021 and RBI/2021-22/46 DOR.STR.REC.20/21.04.048/2021-22 dated June 4, 2021 (referred to as “Resolution Framework 2.0”).

Since March 2021, there has been a rise in the COVID infections, leading to localized lockdown measures announced by various states. Considering the impact of COVID-19 on otherwise good quality borrowers, the **SHARE MICROFIN LIMITED** (herein after “SHARE” or the “Company”) believes in providing them an opportunity to selectively restructure their outstanding loans. In accordance with RBI guidelines, the Board has approved the following policy for restructuring / resolution of loan / debt under Resolution Framework 2.0.

The decision to restructure would be subject to detailed assessment and compliance to Resolution Framework 2.0 and Company’s Board approved norms. The final decision would rest with the Company.

Eligibility Criteria

- a) Loan accounts that are classified as Standard, but not in default for more than 30 days as on March 31, 2021 and continue to remain as ‘standard’ 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 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.

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, which shall come into force immediately upon implementation of the resolution plan
 - 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.
- b) The resolution must be invoked not later than September 30, 2021 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.
- c) Consent shall be obtained from all the Members of the respective joint borrowers for the resolution plan.
- d) The existing interest rate applied for restructured accounts

Features of Resolution Plan

The features of resolution plan shall include the following

- a) Rescheduling of repayments including accrued interest.
- b) Granting of moratorium, based on an assessment of income streams of the borrower, subject to a maximum of 12 months.
- c) The moratorium period, if granted, shall come into force immediately upon implementation of the resolution plan. Correspondingly, the overall tenor of the loan shall get modified commensurately.
- d) Sanction Additional Loan to customers who have been considered for resolution plan to meet the interim needs of the borrower.
- e) For borrowers who have availed resolution framework 1.0, the above options shall be granted in such manner that the overall extended tenure including moratorium period, earlier extensions

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.

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.

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.

Disclosures & Credit Reporting:

Disclosures will be made on a quarterly basis as specified in the aforesaid RBI circulars DOR.STR.REC.11/21.04.048/2021-22 dated May 05,2021.

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
