

Samasta Microfinance Ltd

Resolution Framework Policy 2.0

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Introduction

Due to the prolonged COVID pandemic, the economic fallout has led to significant financial stress for borrowers across the board. Hence, RBI has introduced a new framework for resolution of stress for COVID-19 impacted borrowers, vide circular no. RBI/2021-22/31/DOR.STR.REC.11/ 21.04.048/ 2021-22 dated May 5, 2021 (Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses). As per this framework, restructuring can be undertaken without the borrower being classified as substandard. This framework covers personal loans to individuals and for Retail Assets exposures.

Scope of policy

- This policy shall be applicable to all branches of SMFL (MFI , Retail Assets and DCL branches).
- This policy shall be subject to relevant stipulations of RBI and laws & regulations in force from time to time.
- This policy shall be read in conjunction with 'Resolution of Stressed Assets and Recovery Policy' of the SMFL approved by the Board via Circular Resolution on *June 03, 2021 (The same was noted in the subsequent Board Meeting held on July 21, 2021)*. following the RBI revised framework named 'Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses' vide circular no. RBI/2021-22/31/DOR.STR.REC.11 /21.04.048/ 2021-22 dated May 5, 2021. In case of any inconsistency between the policies, the current policy will apply.

Validity period:

Resolution under this framework may be invoked up to and not later than **30th September 2021** or such other time as may be permitted by RBI in future.

Existing prudential framework

SMFL had adopted revised & updated 'Resolution of Stressed Assets and Recovery Policy' with Board approval via Circular Resolution on *June 03, 2021 (The same was noted in the subsequent Board Meeting held on July 21, 2021)*. This is pursuant to 'Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses' notified by RBI on 5th May 2021, as referred above.

Through the aforesaid new circular on COVID stress resolution, RBI has now allowed standard classification of the borrower to continue, if the borrower and the lending institution agree to proceed with a resolution plan under the new COVID stress resolution framework.

Any resolution plan to be implemented contrary to the provisions of this new COVID stress resolution framework, or beyond the timelines provided by this framework, shall be governed by the normal provisions for resolution of stressed assets covered in the 'Resolution of Stressed Assets and Recovery Policy'. This means that **any restructuring of standard assets not implemented within timelines stipulated herein, would lead to downgrade of the asset to NPA status.**

Eligible Borrowers qualified for restructuring:

Primary eligibility for the Resolution 2.0 is :

➤ The credit exposure to the borrower should be standard as on 31st March, 2021. In case borrower is eligible as per the above parameter below are the loan categories which are eligible for the Resolution 2.0

1. Individuals who have availed loans and advances for business purposes, and in respect of whom the aggregate exposure of SMFL is not more than Rs 25 crores as on 31st March, 2021.

2. Small businesses, including those engaged in wholesale or retail trade, not classified as MSMEs as on 31st March, 2021, and on whom the aggregate exposure of SMFL is within Rs 25 crores.
3. Individuals, who have availed personal loans.
 - a) loans for consumer durables,
 - b) personal loans to professionals (excluding loans for business purposes),
 - c) loans given for other consumptions purposes (e.g., social ceremonies, etc.).
 - d) personal loans secured by gold, gold jewellery, immovable property, fixed deposits (including FCNR(B)), shares and bonds, etc., (other than for business / commercial purposes),
 - e) Personal loans to professionals (excluding loans for business purposes),
 - f) Loans for creation/ enhancement of immovable assets (e.g., housing, etc.),
 - g) Education Loan

All the farm credit exposures of the nature listed in Paragraph 6.1 of Master Direction FIDD.CO.Plan.1/04.09.01/2016-17 dated July 7, 2016 (as updated), **except for loans to allied activities, viz., dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture are excluded from the scope of the Resolution Framework.**

Subject to the above, loans given to farmer households would be eligible for resolution under the Resolution Framework if they do not meet any other conditions for exclusions listed in the Resolution Framework.

Eligibility Norms:

Resolution plans under this framework is provided only to borrowers having stress on account of Covid19.

Individual borrowers impacted by COVID-19 would, inter alia, include those whose activities were adversely affected by income and/or expense factors like

:

- Reduction in salary
- Job loss,

- Drop in income of individuals/family impacting his/her repayment capacity,
- Any other factors arising due to COVID (which has impacted the financial /repayment ability of the borrower or the family – Ex: Hospitalisation expenses/Death of the bread winner in the family)

For being eligible for a resolution plan, borrowers should be existing borrowers of the SMFL as on 1st March 2020, classified standard, not in default for more than 89 days, who are impacted by COVID-19 pandemic, and satisfy the conditions specified above and shall not be in the excluded category. The eligible borrowers shall continue to be classified as standard till the date of invocation of resolution under this framework.

The resolution under this framework may also be invoked for borrowers who have availed benefits like moratorium / deferment / Rescheduling / Restructuring of their loans under the COVID Resolution framework 1.0 package earlier announced by RBI.

Central Credit Committee is authorized to approve delegation of authority and operating guidelines & norms with regard to restructuring of such loans.

Other Exposures impacted by COVID

In case of exposures other than personal loans as well, resolution plans for eligible borrowers under this framework is provided only to the borrowers having stress on account of Covid19. Borrowers impacted by COVID19 would include those whose business activities have been adversely affected by factors like –

- a) Cancellation / deferment / re-schedulement of orders/drop in demand
- b) Changes in government/regulatory policies,
- c) Disruption arising out of lockdown, containment zones and other restrictions
- d) Shutdown of unit / work place,
- e) Non-availability of adequate manpower,
- f) Non-availability or inadequate availability of inputs/raw materials required for business activity,
- g) Halting or slow-down of project under implementation,

- h) Inadequate transportation facilities for transport of goods / people,
- i) Death of key personnel due to COVID, which disrupted business decision administration & operations,
- j) Non-realization of debtors or elongation of realization period,
- k) Any other factors arising due to COVID (which has impacted the financial /repayment ability of the borrower)

Resolution plan

Restructuring framework 2.0 allows following resolution facilities for the borrowers based on an assessment of income streams of the borrower.

- i. Granting Moratorium of the loan
- ii. Rescheduling of Payments
- iii. Conversion of any interest accrued or to be accrued into another credit facilities
- iv. Revision in working capital sanctions
- v. Repayment Holiday

Restructuring shall not include “compromise settlement”, Compromise settlement is complete or substantial waiver of outstanding principal.

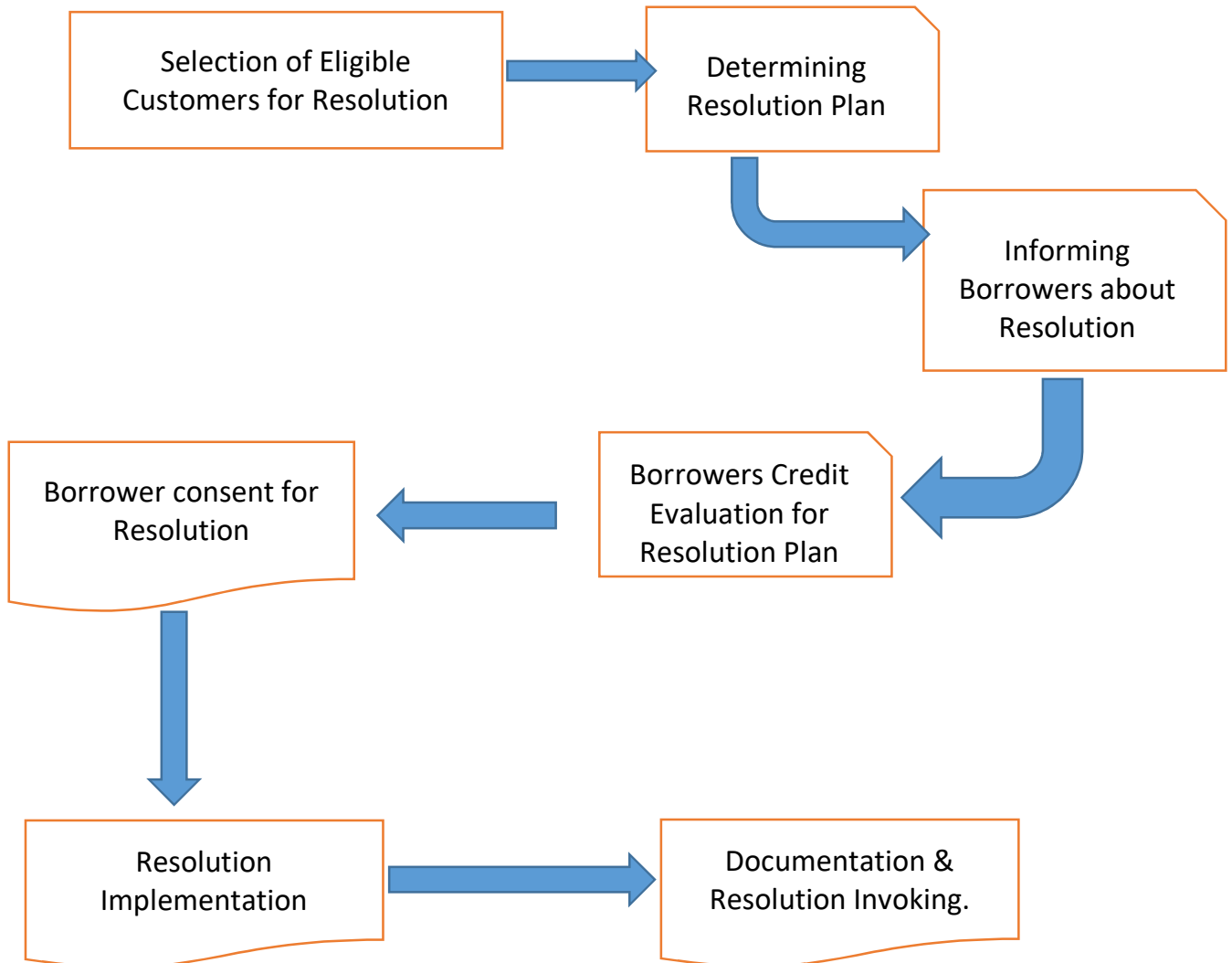
The moratorium period, if granted for any borrower, may be for a maximum of two years, and shall come into force immediately upon implementation of the resolution plan.

The extension of the residual tenor of the loan facilities may also be granted to borrowers, with or without payment moratorium. **The overall cap on extension of residual tenor, inclusive of moratorium period if any permitted, shall be two years.**

Restructuring should not result into moratorium beyond 2 years or extension of the residual tenure of the loan by more than 2 years from the date of invoking of the resolution 2.0

Resolution implementation steps

Mentioned Resolution benefits for customers will be implemented in the below steps:



Procedure and Time limit for Invocation:

Invocation of restructuring happens when a request made by either the borrower or the lender, for the purpose of restructuring, is accepted by the other. RBI circular Provides *"The resolution process under this window shall be treated as invoked when the lending institution and the borrower agree to proceed with the efforts towards finalising a resolution plan to be implemented in respect of such borrower"*. It is mutual

agreement between the lender and the borrower to proceed for a resolution plan. Invocation does not imply that the contours of the resolution plan itself are finalised.

Resolution Can be implement by either of the below process:

- Borrow intimate the SMFL for Restructuring in the prescribe format communicated / disclose by SMFL either at branch or in website, and SMFL agrees for the resolution request of borrower
- SMFL propose the restructuring or resolution of loans to borrower and borrower provide consent for the same.

If the borrower puts up an application for restructuring, the SMFL should consider the same within 30 days. Invocation shall be deemed done only when the SMFL, on consideration of the application, agrees to approach for restructuring.

Given the prevailing situation, where most of the states are under lockdown, it may not be practically possible to ensure physical meeting with the borrowers or obtain their physical signatures on the restructured terms. hence, the invocation could be done electronically, via text message or email, provided a proper written trail is maintained.

The invocation must have been done by Sept., 30, 2021.

Borrowers Consent

Borrower consent is mandatory for the implementation of the Resolution 2.0. SMFL will obtain the borrower consents before implementation by one of the below mention procedures:

1. Physical signature of Borrower in the consent letter provided by SMFL Credit evaluation team.
2. E-Consent by OTP based consent on registered mobile number of borrower for the confirmation of implementation of Resolution 2.0
3. Short video based consent from borrower.

4. Telle-calling based consent. SMFL designated CROs/BCMs/ABM/BM/ACM/AM will take consent of customer via telle-calling and will be recorded and save for the compliance purpose.

Post receiving of consent of customer credit evaluation of borrower will determine the resolution plan to implemented for the borrower.

Credit Evaluation of Borrowers

While undertaking restructuring, the financial parameters defined by the credit Committee shall be complied with, as a minimum requirement. Restructuring of loans and/or additional finance shall be subject to evaluation of adequate repayment capacity over the restructured tenor. The following broad principles may be considered.

- a) The eligible borrowers would be those whose immediate ability to repay their loans would have been impacted on account of COVID, but who otherwise have a capability to meet their loan obligations, by giving them a tenor extension and/or moratorium upto a maximum of 2 years, within the ambit of extant regulatory guidelines
- b) The parameters to decide the eligible borrowers & extent of reliefs would be based on factors such as leverage, debt servicing capability, liquidity, their past repayment track record, etc.
- c) SMFL will consider a resolution plan, depending on the profile of the customer.

Resolution Invoking

Resolution will invoke only once documentation and consent from the borrower has been received and recorded. Separate agreement will enforce for the Resolution implemented.

Time limit for implementation:

Implementation shall be deemed complete when all the following conditions are satisfied:

- All related documentation, including execution of necessary agreements between SMFL and borrower and collaterals provided, if any, are completed by the SMFL concerned in consonance with the resolution plan being implemented;
- The changes in the terms of conditions of the loans get duly reflected in the books of the SMFL ; and,
- Borrower is not in default with the SMFL as per the revised terms.

Further, implementation must be done within 90 days from the date of invocation.

The restructuring of the borrower account is invoked by September 30, 2021.

The restructuring shall be treated as invoked when the lending SMFL and the borrower agree to proceed with implementation of a restructuring plan.

The SMFL will have an incentive for early implementation, as the asset classification may be treated as standard only upon implementation.

Granting of new facilities pending implementation

The Eligible Borrowers in respect to whom the Resolution Plan has been invoked, the SMFL can grant interim finance by way of additional credit facility to such borrowers. The additional credit facility shall be classified as standard, irrespective of the underlying actual performance by the borrower with regard to such additional credit facility.

However, where the resolution plan is not implemented within 90 days from the date of invocation, the additional credit facility shall be classified worse of the two below:

- Actual performance of the borrower under interim additional credit facility

- Performance of the borrower under the original loan account.

Disclosures and Reporting:

The RBI has required quarterly disclosure of resolution plans approved under this Framework in a format, viz. Format X, annexed to the Notification. This will have to be part of the quarterly disclosures.

Additionally, the credit reporting, to credit information companies, of borrowers whose accounts are restructuring under this facility shall carry a specific mention – “restructured due to COVID19” status. In any case the restructuring shall not tarnish the credit history of the borrower.

SMFL will also disclose the Resolution 2.0 framework policy on its website in easy accessible manner.

Asset classification, Provisioning

- The Eligible Borrower accounts restructured under Resolution 2.0, the standard classification of the assets can be retained. However, whereby the Eligible Borrower account has slipped into NPA classification between the date of invocation and implementation of resolution plan, such account can be upgraded to standard classification as on date of implementation of resolution plan.
- There is no relaxation provided to borrowers who have slipped into NPA between the period from March 31, 2021 to the date of invocation. Hence, such loan accounts, which have become NPA from 1st April to the invocation date, irrespective of being restructured in compliance with the provisions of the Notifications will continue to be classified as NPA.

Note that this position is different in case of MSMEs coming under Notification 32, wherein the borrowers who have slipped into NPA between the period from March 31, 2021, till the date of invocation shall be upgraded to standard.

Provisioning- The provisions to be maintained on such restructured account by lending institutions shall be higher of the two below:

- Provisions maintained with respect to such Eligible Borrower prior to implementation of resolution plan as per the applicable IRAC norms
- 10 % of the renegotiated debt exposure after implementation of resolution plan ('Residual Debt')

Write back of provisions-

- 50% of the provision may be written back upon the borrower paying at least 20% of the Residual Debt without slipping into NPA and remaining half may be reversed upon payment of additional 10% of Residual Debt.

Grievance Redressal

SMFL management has outlined the below grievance redressal mechanism for prompt and effective action related to Resolution 2.0 borrower's grievance

Multi-level Grievance mechanism is as below :

Level 1 - Branch Level

Complaints received at Branch: Customers can walk in to the branch and lodge the complaint either through the Complaint Box or report the same with the Branch Manager which gets recorded in the Complaint register – TAT – 1 working day - complaints received at the Branches will also be analysed by the Grievance Redressal team at Head Office- Branch staff should ensure that they record serious grievances received from the clients in the branch registers. Branch should then raise a Fresh desk ticket entry and provide ticket number to customers and these details to be forwarded to Grievance Redressal team at Head Office along with ticket numbers.

Level 2 - Customer Grievance Help Desk -Toll free no 1800-120- 8868 and mail id: customer.care@samasta.co.in

If the Member still feels that the grievance has not been addressed to her satisfaction, she may get in touch with Grievance Help Desk Officer through the Toll free no 1800-120- 8868 at Head office. These tickets will be analysed by HO team and ensure resolution of the same within TAT. All such observations should be part CGRM master maintained at HO. For faster resolution, HO team to follow branch escalation matrix. Feedback for closure of complaints will be later collected and recorded in the CGRM master at HO.

Level 3 - Customer Grievance Redressal Officer

If customer are not satisfied with the response received from customer Grievance Help Desk or if they have not receive a response within 3 working days, customer can call or write to Grievance Redressal Officer. Customer will receive a response within 5 working days of Grievance Redressal Officer receiving the complaint.

Senior Manager

Head Office, No. 110/3, 2nd Floor, Lalbagh Main Road,
Krishnappa Layout, Doddamavalli, Sudhamanagar,
Near Urvashi Theatre, Bengaluru - 560027
080-42913500, Extension - 550

Customers can also lodge the complaint with Microfinance Institutions Network (MFIN) in their Toll Free Number - 1800-102-1080

Level 4 - RBI Banking Ombudsman (General Manager)

If customer complaint is not redressed within a period of one month, customer can appeal to RBI Banking Ombudsman

SN	Centre	Address of the Office of NBFC Ombudsman	Area of Operation
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1.	Chennai	C/o Reserve Bank of India Fort Glacis, Chennai 600 001 STD Code: 044 Telephone No: 25395964 Fax No: 25395488 Email : nbfcchennai@rbi.org.in	Tamil Nadu, Andaman and Nicobar Islands, Karnataka, Andhra Pradesh, Telangana, Kerala, Union Territory of Lakshadweep and Union Territory of Puducherry
2.	Mumbai	C/o Reserve Bank of India RBI Byculla Office Building Opp. Mumbai Central Railway Station Byculla, Mumbai-400 008 STD Code: 022 Telephone No: 23028140 Fax No: 23022024 Email : nbfc Mumbai@rbi.org.in	Maharashtra, Goa, Gujarat, Madhya Pradesh, Chhattisgarh, Union Territories of Dadra and Nagar Haveli, Daman and Diu
3.	New Delhi	C/o Reserve Bank of India Sansad Marg New Delhi -110001 STD Code: 011 Telephone No: 23724856 Fax No: 23725218-19 Email : nbfc New Delhi@rbi.org.in	Delhi, Uttar Pradesh, Uttarakhand, Haryana, Punjab, Union Territory of Chandigarh Himachal Pradesh, and Rajasthan and State of Jammu and Kashmir
4.	Kolkata	C/o Reserve Bank of India 15, Netaji Subhash Road Kolkata-700 001 STD Code: 033 Telephone No: 22304982 Fax No: 22305899 Email : nbfc Kolkata@rbi.org.in	West Bengal, Sikkim, Odisha, Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Tripura, Bihar and Jharkhand
