



# BELSTAR MICROFINANCE LIMITED

## **POLICY ON RESTRUCTURING OF LOAN / RESOLUTION OF COVID-19 RELATED STRESS**

**@ Approved by The Board of Directors on May 25,2021**



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## 1. Background

COVID-19 pandemic, one of the most unprecedented crisis in the human history has impacted the business operations. More importantly, loan repayment which is the fulcrum of micro finance lending got impacted very severely.

A note on resolution framework for COVID-19 related stress was placed to the board and approval obtained for restructuring of loan accounts as per the circular on “Resolution framework for COVID-19 related stress (Circular no. RBI/2020-21/16 DOR.No.BP.BC/3/21.04.048/2020-21) dt August 06, 2020.

The resurgence of COVID-19 (COVID-19 second wave) has created uncertainties and thereby stress in repayment. With the objective of alleviating the potential stress to individual borrowers and small businesses, RBI has announced set of measures vide circular **“Resolution Framework – 2.01: Resolution of COVID -19 related stress of Individuals and Small Businesses” RBI/2021-22/31 DOR.STR.REC.11/21.04.048/2021-22 dt May 05, 2021.**

## 2. The Policy Note

This policy note is to facilitate the eligible customers to avail the resolution framework provided by the RBI and briefs invocation and implementation of approved resolution plans, asset classification or reclassification and provisioning norms.

## 3. Key Pointers

3.1 The Company shall frame Board approved policies **within four weeks** from the date of the circular and such policies shall ensure that (a) the resolution under this facility is provided only to the borrowers having stress on account of COVID-19, (b) details about the eligibility of borrowers, (c) due diligence to be followed & (d) system for redressing the grievance.

3.2 Loans to the borrowers classified as Standard as on March 31, 2021 are eligible under this resolution. However, farm credit exposures except for loans to allied activities such as dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture are excluded from the scope of the resolution framework.

3.3 In cases of loans of borrowers where resolution plans had been implemented in terms of the Resolution Framework – 1.0 and where the resolution plans had permitted no moratoria or moratoria of less than two years and / or extension of residual tenor by a period of less than two years, the resolution plan shall be modified only to the extent of increasing the period of moratorium / extension of residual tenor subject to the cap of two years.

3.4 The overall caps on moratorium and / or extension of residual tenor granted under Resolution Framework – 1.0 and this framework combined, **shall be two years**

3.5 The Applications received by the Company for invoking resolution process, the assessment of eligibility for resolution shall be completed and the decision shall be communicated in writing **within 30 days of receipt of the applications.**

3.6 The last date for invocation of resolution permitted under this window is **September 30, 2021.**

3.7 The resolution plan should be finalized and implemented **within 90 days** from the date of invocation of the resolution process under this window.

#### 4. The Resolution Plan & Invocation

4.1 The resolution plans include

- (a) Rescheduling of Payments – **Upto 9 months**
- (b) Conversion of any interest accrued or to be accrued into another credit facility &
- (c) Grating of moratorium – **Upto 9 months**. Any one of these options and combination of options shall be implemented in line with the borrower's condition.

4.2 Loan accounts of all the products classified as STANDARD as on 31 March 2021 are eligible for the above resolution. The exclusions are (a) general exclusions mentioned under above paragraph 3.2 and (b) compromise settlements.

4.3 Loan accounts of borrowers who availed resolution under Resolution Framework 1.0 shall also be eligible under this framework. The maximum cap on moratorium and / or extension of residual tenor granted under the framework 1.0 and this framework combined **shall not exceed 16 months**.

4.4 The application (given in annexure – 1) shall be received from the eligible borrowers seeking resolution under this framework. The application thus received shall be reviewed and resolution plan shall be finalized between BELSTAR and the Customer. This shall be done within 30 days from the date of receipt of application and decision shall be communicated to the customers in writing.

4.5 **Timelines:** The resolution plan for the eligible borrower under this framework shall be invoked by September 30, 2021 and must be implemented within 90 days from the date of Invocation. Decision on the application received shall be communicated in writing to the borrower within 30 days from the date of receipt of the application.

4.6 **Due-diligence measures:** BML Branch on receipt of application from the borrowers in the prescribed form shall evaluate the eligibility, self declaration by the borrower & resolution plan sought by the borrower and shall recommend to HO for further processing. Team at HO shall review the recommendation and shall authorize the same. Necessary changes in the line with the resolution framework shall be done in the system which takes care of credit bureau reporting and asset classification. Revised schedule / additional documentation as application shall be executed with the borrower.

4.7 **Asset Classification:** The asset classification of borrowers' accounts classified as STANDARD shall be retained upon implementation. The accounts which have slipped into NPA between invocation and implementation shall be upgraded as STANDARD as on the date of implementation of the resolution plan.

4.8 **Additional Finance:** Additional finance to borrowers if sanctioned before implementation of the plan to meet the interim liquidity requirement may be classified as 'standard asset' till implementation of the plan, regardless of performance of the borrower. In case resolution plan is not implemented within timelines, additional finance sanctioned will be classified as per actual performance of the borrower.

4.9 **Provisioning:** Higher Provisioning as per the extant IRAC norms immediately before implementation or 10% of the renegotiated debt exposure post implementation shall be done from the date of implementation.

Half of the above provisions may be written back upon the borrower paying at least 20 per cent of the residual debt without slipping into NPA and the remaining half may be written back upon the borrower paying another 10 per cent of the residual debt without slipping into NPA subsequently. Provided that the above provisions shall not be written back before one year from the commencement of the first payment on the credit facility.

The provisions required to be maintained under this window, to the extent not already reversed shall be available for the provisioning requirements when any of the accounts, where a resolution plan had been implemented, is subsequently classified as NPA

## **5. Other Pointers**

**5.1 Disclosure in the Financial Statement:** BML shall make appropriate disclosures about the resolution implemented as per the format prescribed in its annual financial statements under the “Notes to Accounts”

**5.2 Disclosure to the Board:** The details of accounts where resolution is done shall be placed before the Board on every quarter.

**5.3 Credit Reporting:** Credit reporting in respect of borrowers where the resolution plan is implemented shall reflect the “Restructured due to COVID 19” status of the account.

**5.4 Effective Date:** This policy shall be effective from the date of approval of this policy by the Board

**5.5 Review of Policy:** The Policy shall be reviewed as and when required in the line with the applicable rules and regulations. While this policy outlines, the broader guidelines that BML will follow to take decisions regarding the resolutions for the loans of borrowers, BML retains the discretion to take decisions depending on account specific status / issues. The Company reserves the right to amend the policy within the regulatory guidelines.

**5.6 Grievance redressal:** In case of any grievance, the eligible borrowers who request for resolution under this policy or who is undergoing resolution under this policy, may reach to BML’s toll free number – **1800 102 7049**

REQUEST LETTER FOR RESTRUCTURING OF LOAN

**Date:**

**To**

M/S: Belstar Microfinance Limited,

\_\_\_\_\_ Branch

\_\_\_\_\_ State

**Dear Sir / Madam,**

**Sub:** Loan account No/s \_\_\_\_\_ with your branch as a member of \_\_\_\_\_  
\_\_\_\_\_ Group \_\_\_\_\_ Cluster – **Request for Resolution**

I hereby request you to consider my loan account/s for the resolution under the guidelines issued by RBI on “**Resolution framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses**” dt 05 May 2021.

<b>Options</b>	Select any one of the Option & Specify no. of months
Extension of Tenor (maximum 9 months)	
Moratorium (maximum 9 months)	
Conversion of accrued interest & to be accrued interest into another loan	

I hereby inform you that my employment / earnings have been impacted by the economic fallout from COVID 19 related stress, which in turn affected my ability to repay the loan as per the original loan agreement.

I hereby agree to abide by the revised terms and conditions and provide / execute all the information / documents as may be required by Belstar Microfinance Ltd for restructuring of loan.

**Yours Sincerely,**

**Mobile No**

**Name:**

**Alternate Mobile No**

**Signature**

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**Office Use**

Staff Name & Signature	
Branch Manager & Name & Signature	