



Covid Stress Resolution Policy

(Version 1.0)

Date of Board Approval: 26th May 2021

Date of last review: May 06, 2022

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1. Introduction

The novel Coronavirus pandemic has brought emergency situation worldwide and has impacted India as well. The economic fallout on account of the COVID-19 pandemic has led to significant financial stress for borrowers. 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 5th May 2021. Fusion Micro Finance Limited (“FMFL”) has designed covid stress resolution policy in accordance with RBI Resolution Framework - 2.0 and the aim of this Policy is to extend relief to the customers of FMFL based on permissions received as per RBI Guidelines on COVID-19.

2. Scope of the Policy

This policy is applicable across Pan India level and shall be subject to relevant stipulations of RBI and laws & regulations in force from time to time. This resolution framework permits FMFL to re-assess the repayment capabilities of their borrowers and provide rescheduled terms to such existing loans which fall within the eligibility criteria and approved policies.

3. Objective of Policy

The objective of this Policy is to set out the broad level resolution plan to be offered to the loan customers and the manner in which evaluation of the customers shall be performed to assess the eligibility for the resolution plan subject to the prudential boundaries laid out by Reserve Bank of India. Purpose of the resolution plan is to assist eligible customers in reducing the financial stress faced by them on account of pandemic.

4. Governance and Responsibilities

- The Board of Directors shall approve this policy for implementation.
- The Board of Directors shall pass necessary instructions, orders, clarifications, or assign responsibilities, delegate requisite powers, as may be required from time to time during implementation of the policy.

5. Eligibility Norms

- FMFL will ensure that the resolution plan is extended only to borrowers having stress on account of Covid 19.
- Microfinance eligible borrowers are individuals who have availed microfinance loans and advances for business purpose including Agri allied activities such as dairy, fishery, animal husbandry, poultry, beekeeping and sericulture but excluding direct farm credit exposure of individuals directly engaged in agriculture activities listed in Paragraph 6.1 of Master Direction - Priority Sector Lending
- MSME eligible borrowers who qualify for resolution in accordance with RBI guidelines RBI/2021-22/32 DOR.STR.REC.12/21.04.048/2021-22 dated 5th May 2021.
- Borrowers whose loans are outstanding and classified as 'Standard Asset' as on March 31, 2021, shall be eligible to be considered under this policy.

6. Invocation

Invocation means lending institution and borrower agree to proceed with efforts towards finalizing resolution plan. The date of invocation shall be the date on which both the borrower and lending institution have agreed to proceed with a resolution plan under this framework. The 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. Borrowers shall submit an application in standardized template for invoking resolution plan along with written declaration, confirming as being impacted and under stress condition due to covid 19. Within 30 days of application received from borrower, FMFL shall decision on the application and communicate the same in writing to the borrower.

7. Resolution plan and implementation

Resolution plan under this policy to be finalized and implemented within 90 days from the date of invocation. The Resolution plan includes following benefits to covid impacted borrowers:

- Granting moratorium up to maximum of 2 years
- Extension of residual tenure including moratorium up to maximum of 2 years
- Conversion of accrued interest into another credit facility
- Sanctioning of additional credit facilities to meet interim liquidity requirement
- Compromise settlements are not permitted.

- The overall cap on moratorium and /or extension of residual tenure granted under RBI resolution framework 1.0 and this resolution framework 2.0 combined, shall be 2 years.

Implementation of the resolution plan in respect of the loan account shall be at the sole discretion of FMFL and subject to the terms and conditions of the board approved policy and other condition of the contract remain same. The resolution plan shall be deemed to be implemented only if below conditions are met:

- All related documentation between the FMFL and borrower are completed in consonance with the resolution plan being implemented.
- The changes in the terms and conditions of the loans get duly reflected in the FMFL's books.
- The borrower is not in default with the FMFL as per the revised terms.

8. Accrued Interest:

- Interest shall continue to accrue on the outstanding portion of such term loan during the moratorium period at the same rate as contracted for the respective loan.
- The Company shall give option to the borrower, to collect absolute amount of interest accrued under restructuring upfront or proportionately over the residual tenor (with increased installments) or towards the last/additional installment with or/after loan closure.

9. Due Diligence Process

FMFL on receipt of a written request application from the eligible borrower, shall evaluate the proposal for restructuring of the loan account including evaluation of necessary documents, track record and eligibility criteria. On due evaluation of the request submitted by the eligible borrower, FMFL shall execute with the eligible borrower necessary amendment agreement or other necessary documents to record the revised terms and implement viable resolution plan.

10. System of redressal of grievance

- Borrower/Applicant can visit FMFL's nearest branch for inquiries related to restructuring.
- Borrower can also call on the toll-free number printed on passbook to raise their concerns related to resolution plan.
- The complaints will be resolved within the defined timelines.

11. Asset classification

- If the resolution plan is implemented in adherence to the provisions of this circular, the asset classification of borrowers' accounts classified as Standard may be retained as such upon implementation.
- Borrowers who slipped into NPA status between invocation and implementation of resolution plan may be upgraded to standard on implementation of the plan.
- Any interim finance granted pending implementation of the resolution plan may be classified as standard till implementation of the plan, regardless of actual performance in the interim.
- If the resolution plan is not implemented within the stipulated timeline of 90 days, the asset classification of the additional finance sanctioned will be as per the actual performance of the borrower with respect to such additional finance or performance of the rest of the credit facilities, whichever is worse.
- If the resolution plan is not implemented as specified in this framework and within the timelines specified, the resolution process ceases to apply immediately in respect of the borrower concerned. Any resolution plan implemented in breach of the above stipulated timelines shall be fully governed by the prudential framework and the benefit of standard classification will not be available.

12. Provisioning Norms

FMFL shall maintain provisions against restructured loan from the date of implementation, which is higher of below:

- a) Actual provision under extant IRAC norms before implementation or
- b) 10% of renegotiated debt exposure post implementation.

13. **Reversal and Utilization of Provisioning**

- The above provisions shall not be written back before one year from the commencement of the first payment of interest or principal (whichever is later) on the credit facility with longest period of moratorium.
- Provision maintained under resolution plan will be available for utilisation against accounts turning NPA post implementation.

14. **Disclosure**

Disclosure shall be made in accordance with RBI guidelines including the following:

- Disclosure of invocation request, resolution implementation and resolution exposure, additional funding, provisioning to be made on quarterly/annual basis depending on applicability (Format X - resolution framework 2.0).
- Half yearly disclosure on opening resolution plan balance, repayment, NPA, write-off and closing balance (Format B - resolution framework 1.0)

15. **Credit Reporting**

FMFL shall classify and report accounts restructured under this policy and plan “Restructured due to Covid-19” and the credit history of the restructured Borrowers shall consequently be governed by the respective policies of the credit information companies as applicable to accounts that are restructured

16. **Miscellaneous:**

- Display on website: The Board approved policy on restructuring of stressed assets will be hosted on the Company’s website for our customers information and benefit.
- Effective Date: This Policy shall be effective from the date of approval of this Policy by the Board.
- Review of policy: The Policy shall be reviewed as and when required by the applicable rules and regulations.

- While Policy outlines the broad internal guidance that the Company will follow to take decisions regarding this restructuring of stressed assets/loan, the Company retains the discretion to take decisions regarding this Policy depending on case specific issues or nuances. The Company reserves the right to amend the Policy within the framework of RBI guidelines.
