



# **Centrum Microcredit Limited**

## **ABRIDGED VERSION OF THE POLICY ON RESOLUTION FRAMEWORK 2.0 FOR COVID-19 RELATED STRESS**

**June 1, 2021**

## 1. Introduction

Considering the resurgence of COVID-19 pandemic and the resultant stress on borrowers, Reserve Bank of India (RBI) has issued a circular "DOR.STR.REC.11/3/21.04.048/2021-22" on "Resolution Framework 2.0- Resolution Framework for Covid-19- related Stress of Individuals and Small Businesses" on May 5, 2021.

## 2. Objective and Applicability

The Board of Directors of Centrum Microcredit Limited ("CML") have adopted this policy in compliance with the Resolution Framework of the RBI as detailed above to provide a window to Eligible Borrowers facing stress on account of COVID-19 pandemic by implementing a resolution plan in accordance with this Policy and the Resolution Framework. The Policy shall be effective from May 5, 2021, the date of issue of Resolution Framework 2.0.

All Managed loans may also be resolved as per this Policy, in consultation with the lending partner.

## 3. Resolution Committee

CML will constitute a Resolution Committee (RC) consisting of Chief Operating Officer, Finance Head, Risk Head and Operations Head to take all decisions to give effect to this policy. RC shall be authorised to implement the policy and invoke/ implement the Resolution Plan as per the guidance received from RBI/ SRO.

## 4. Implementation Process

### 4.1 Eligible Borrower(s)

Eligible borrower shall mean following borrowers:

- i. Individuals who have availed of loans and advances for business purposes and to whom the lending institutions have aggregate exposure of not more than Rs.25 crore as on March 31, 2021

The eligible borrowers should also meet the following eligibility criteria:

- a) The borrower should be classified as Standard Assets as on March 31, 2021
- b) The borrower should not have availed resolution under Framework – 1.0, subject to exemption as given in clause 4.2.f.viii below
- c) The Borrower is having stress on account of COVID-19

CML Resolution Committee (RC) would exercise its discretion in determining the eligibility of the borrowers based on the Resolution Framework.

### 4.2 Due Diligence, Evaluation, Approval Process and Documentation

- a) For JLG and MEL loans, upon receipt of request from eligible borrowers, the loan officers of the Company shall visit the customer, discuss the need for resolution/extension of time for repayment of loan/ temporary relief in repayment of dues and assess whether the customers are financially stressed or not
- b) The loan officers shall submit a recommendation to the branch manager confirming that the customers and their businesses have been assessed, found to be financially stressed; and are in need of a resolution
- c) In case of MEL, the credit managers or HO credit team shall verify the loan officer's assessment through a telephonic or onsite PD depending on the case
- d) All the recommendations shall be submitted to RC for approval along with resolution plan

- e) RC shall take on record the recommendations from the branches while evaluating the proposals and approve the above proposals for resolution
- f) The Resolution Plan for Eligible Borrowers may involve:
  - i. sanctioning of additional credit facilities,
  - ii. rescheduling of payments,
  - iii. conversion of any interest accrued or to be accrued into another credit facility, or
  - iv. extension of residual tenure of the loan,
  - v. granting of moratorium based on an assessment of income streams of the Eligible Borrower,
  - vi. the extension of the residual tenure of the loan facilities may also be granted to borrowers, with or without payment moratorium,
  - vii. additional credit facility (Top-up) can be provided only to those borrowers who have not availed restructuring under Resolution Framework 1.0,
  - viii. for borrowers who have availed restructuring under Resolution Framework – 1.0, CML may modify such plans only to the extent of increasing the period of moratorium / extension of residual tenure such that the overall caps on moratorium and / or extension of residual tenure granted under Resolution Framework – 1.0 and Resolution Framework 2.0 combined, shall be 2 years,
- g) The decision to invoke the resolution process under this window shall be taken by CML, independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower
- h) As per the terms of the approved Resolution Plan, the concerned team of CML shall execute amendment agreement or other necessary documents in order to record the revised terms
- i) RC shall have absolute and unfettered discretion to approve or refuse an application for availing the Resolution Plan; and CML shall not be required to provide any reasons for its refusal to provide the benefit of the Resolution Plan to an Eligible Borrower or any other person

### **4.3 Invocation Process**

- a) The Company may have multiple invocation dates depending on the applications received from borrowers
- b) The Resolution Plan shall be finalized and implemented within 90 days from each invocation date
- c) The last date for invocation of resolution permitted under this window is September 30, 2021
- d) The decision on the application shall be communicated to the applicant by CML within 30 days of receipt of such applications