



ASA INTERNATIONAL INDIA

LOAN RESTRUCTURING POLICY

VERSION – 1.0

DATE: 01.06.2021

Approved By	Board of Directors
Date of Approval	By Circular Resolution, 1 st June 2021

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LOAN RESTRUCTURING POLICY (COVID 2nd WAVE)

1. Introduction:

The Reserve Bank of India vide its Circular DOR.No.BP.BC/3/31.04.048/2020-21 dated August 6, 2020 on “Resolution Framework for COVID-19 related Stress” (“Resolution Framework – 1.0”) had provided a window to enable lenders to implement a resolution plan in respect of eligible corporate exposures without change in ownership, and personal loans, while classifying such exposures as Standard, subject to specified conditions.

The resurgence of COVID-19 pandemic in India in the recent months and the consequent containment measures to check the spread of the pandemic has impacted the recovery process and created new uncertainties. With the objective of alleviating the potential stress to individual borrowers and small businesses, RBI vide its circular RBI/2021-22/31, DOR.STR.REC.11/21.04.048/2021-22 dated May 5, 2021 has issued detailed guidelines on Resolution framework – 2.0. Resolution of COVID-19 related stress of individuals and small businesses. The Circular also mandates the lending institutions to frame a Board approved policy with 4 weeks from the date of issue of the above circular.

2. Eligibility criteria for Loan Restructuring:

- a) The borrower’s account should be “standard Asset” as on March 31, 2021. (**Refer Note 1**)
- b) Invocation for restructuring has to be completed by September 30, 2021. Invocation is deemed when ASAI International India Microfinance Ltd. (ASAI India) and borrower agree to pursue restructuring plan.
- c) The restructuring of the borrower account is to be implemented within 90 days from invocation or December 31, 2021, whichever is earlier.

3. Applicability of Loan Restructuring:

Applicable to the borrowers of Primary Loan, Special Loan and Business Loan from ASAI India who have been impacted by fallout of COVID-19 irrespective of their vintage with the Company.

4. Procedure for Loan Restructuring:

- A) The borrower has to submit a request in writing to the concerned branch
- B) The borrower must be a standard account in the books of ASAI India as on March 31, 2021
- C) The BM should visit the customer and evaluate the request from the customer with respect to the impact of COVID on the customer. Request from BM should be reviewed by RM.
- D) Restructuring of the loan should be considered only on case to case basis only after the review and application from borrower as noted above.
- E) The necessity to restructure the loan account will be determined by the ASAI India on a case-to-case basis taking holistic view of the proposal and ability of the customer to restart the income generation and capacity to repay.

5. Features of the Resolution Plan:

The resolution plan may include the following:

- A) Granting of moratorium to a borrower who is unable to pay due to COVID-19 related stress. The moratorium, if granted, will be for a maximum period of one year. Also, once granted, the moratorium will come into force immediately upon implementation of the resolution plan.
- B) Sanction of additional finance to borrowers who have been considered for resolution plan to meet business needs of the borrower. This loan will be solely granted upon due scrutiny and only when it is found that the borrower would be able to rebuild her business with the help of the said loan.

6. Asset Classification and Provisioning:

Restructured loan shall be treated as standard assets wherever loans need to be classified as per RBI norms. Provisioning shall be as per existing RBI guideline and apropos to the Resolution Plan 2.0.

7. Disclosure in the Financial Statement:

The Company shall make appropriate disclosures about the restructured accounts in terms of this Policy in its annual financial statements under the “Notes to Accounts”.

8. Grievance Redresses:

Borrowers can follow ASAI India grievance redressal process for any grievances regarding restructuring of loan accounts.

9. Review:

- a) The performance of restructured account shall be monitored closely by the Management
- b) Risk Committee will periodically monitor the performance of restructured accounts.

10. Miscellaneous:

- a) 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.
- b) While the Policy outlines the broad internal guidance that the Company will follow to take decisions regarding this restructuring of stressed loans, 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.

Note 1: *MFIN has formed a consultative Group to have more Clarity from RBI regarding:*

- *Whether standard assets are under RP 2.0 are assets that have ≤ 90 Days Past Due (DPD) or ≤ 30 DPD. In Resolution Framework 1.0 (RP 1.0), eligibility was classified as standard but not in default for more than 30 days with the lending institution as on March 1, 2020.*
- *Eligibility of assets for restructuring if asset has slipped to sub-standard and below at the time of invocation or implementation. Reading of RP 2.0 suggests that assets standard on March 31, 2021, will remain eligible. However, as per RP 1.0, account should continue to be classified as standard on date of invocation (Clause A7).*

Until any clarification is received from RBI, we will go-ahead with our understanding that Standard Asset will mean all assets that are ≤ 90 days DPD. Any asset slipping into sub-standard and below at the time of invocation or implementation will be considered under restructuring.