

AVANSE FINANCIAL SERVICES LIMITED

**POLICY ON MORATORIUM OF PRINCIPAL / INTEREST / EMI REPAYMENTS DUE TO
COVID 19 OUTBREAK**

I. Objective:

It may be noted that in view of the COVID-19 outbreak, various Governmental machineries including Reserve Bank of India (RBI) has announced various relaxations to combat the resulting economic and social losses. Accordingly, RBI as a result of its MPC meeting concluded on March 27, 2020 has announced regulatory package for Financial Institutions including NBFCs to revive growth, liquidity support to the public at large and preserve financial stability of the economy by allowing loan repayments Moratorium to the borrowers who have availed term loans and working capital loans. In this regard, RBI vide its ref. no. RBI/2019-20/ 186 DOR.No.BP.BC.47 /21.04.048/2019-20 dated March 27, 2020, issued detailed instructions permitting lending institutions to grant Three (3) months moratorium to the borrowers who have availed Term and Working Capital loans. This policy note outlines the operational aspects of implementing the Three (3) months loan moratorium scheme.

II. Eligibility & Applicability:

A. (i) Only term loan accounts except for Non-Performing Accounts ('NPA') with Avanse Financial Services Ltd. ("AFSL") as on February 29, 2020, shall be **eligible to apply** for the Moratorium Period. The Moratorium Scheme shall be subject to AFSL's approval pursuant to borrower's request and/or AFSL's assessment with respect to potential difficulties in the asset class/sub-class or individuals' loan account.

(ii) However, term loan accounts which are in overdue status as on February 29, 2020 but not classified as NPA, may be evaluated by a Five Member Committee comprising of CEO, CFO, Head – Corporate Planning & PMO, National Risk Manager (NRM) of the relevant loan product and NRM-Risk Controllershship, basis borrowers' request for availing the Moratorium Scheme. Out of the said five (5) authorized officials, any three (3) shall be jointly authorized to decide on offering Moratorium Scheme as per this Policy, based on various factors as the Committee may deem fit including, (a) hardships faced due to COVID 19 outbreak by the borrower with the supporting documentary evidence (to the satisfaction of the Committee), (b) borrower's past performance and repayment behavior with AFSL in regularizing the loan account, (c) economic fallout such as loss of employment of a salaried class borrower .

(iii) Eligible term loan accounts which have been securitized/assigned and are currently serviced by AFSL as a part of its contractual obligation/s, may be offered the Moratorium Scheme as per this Policy in accordance with the agreement with the Trustee/s and/or Assignee/s (as the case may be).

B. The borrowers meeting the eligibility criteria shall exercise this option by expressly confirming their willingness to avail Moratorium Period to AFSL before the cut-off date as may be specified by AFSL.

Provided that, AFSL will be entitled to institute or continue legal proceedings and exercise all rights and remedies under the laws, regulations and contracts in respect of all the eligible term loan accounts for recovery of overdue amounts or regularisation of loan accounts (as the case may be). Grant of Moratorium Period shall only have effect on the repayment schedule

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subject to regulatory package permitted by RBI and shall not constitute as waiver of any rights and remedies of AFSL under the existing proceedings and/or loan/facility documents.

Subject to foregoing, it is hereby clarified that since the Moratorium Period is effective prospectively, the delinquent borrowers shall make evident and genuine efforts to clear their past dues (i.e. overdue instalments prior to March 1, 2020).

- C. Moratorium of three (3) months (i.e. until May 31, 2020) will be granted to the eligible loan accounts for all kinds of loan instalments falling due between March 1, 2020 and May 31, 2020, and/or pursuant to RBI directions from time to time ("**Moratorium Period**"). Term loans granted during March 01, 2020 and until March 27, 2020 shall also be covered, subject to Moratorium Period and RBI directions from time to time. Accordingly, for all regulatory, financial and credit bureau reporting purposes, eligible accounts confirming their willingness to avail Moratorium Period under this Policy, would not be considered as "default" for the non-payment of interest / EMI and/or lead increase in their DPD count, only with respect to Moratorium Period.
- D. AFSL may automatically extend the Moratorium Period to eligible borrowers who have availed education loans such as loans under partial interest and simple interest payment mode as per their initial loan sanction terms and are expected to switch to EMI payment mode during the period until September 2020, subject to extant regulations. This is with the view to mitigate potential financial hardships that may be caused to the student borrowers and their families due to COVID 19 outbreak leading to extension of course duration, unforeseen living and medical expenses, loss of earning opportunities, etc.

III. Moratorium Period:

- A. Three (3) months moratorium period is applicable for payment of EMIs falling due between March 1, 2020 and May 31, 2020 subject to RBI directions from time to time. Pursuant to Moratorium Period, the repayment schedule for such loans as also the residual tenor, will be deferred/shifted by upto three (3) months. It is hereby clarified that Moratorium Period ends on May 31, 2020.
- B. It is hereby clarified that eligible accounts whose EMI's were deferred for April '20 and May '20, their tenure will be extended only for 2 months and similarly, the eligible accounts whose EMI for May '20 is deferred, their tenure will be extended for only 1 month. Accordingly, eligible accounts covered under Moratorium, the EMI will re-start from June '20 and onwards which will be as the revised repayment schedule, factoring in interest accrued on the outstanding loan amount during the Moratorium Period.

IV. Operations:

- A. In order to implement above cited RBI directions, as may be amended from time to time, and to give due implementation of this policy, the **Management Committee** of AFSL comprising of CEO, CFO, COO and Head – Corporate Planning & PMO, out of the said four (4) authorized officials, any three (3) shall be jointly authorized to take all such steps, decide on incidental and procedural aspects (not specifically mentioned herein), provide clarifications in the policy note, carry out system / operational / accounting changes for due implementation of this Policy.

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- B. Further, AFSL shall give adequate information about this Policy by displaying the policy on its website or any other mode. Accordingly all the eligible borrowers opting to take benefit of this Policy shall note that, their respective loan repayment schedules and the residual tenor, will be shifted across the board by up to three (3) months and/or as may be decided by Management Committee (as defined above) pursuant to extant RBI directions.
- C. **Communication:** AFSL will broadly offer the Moratorium scheme as follows to the eligible accounts:
- i. AFSL on best effort basis shall create awareness about this Moratorium Scheme by sending necessary communication at the registered e-mail ids and, SMS and IVR calls on registered mobile numbers of the borrowers. Borrowers would be informed about the option of Moratorium scheme subject to eligibility and procedure for communicating acceptance of the same until the cut-off date. Further, they will be advised that the scheme should only be availed if genuine financial hardships are faced by them due to COVID-19 outbreak. However, any eligible accounts to whom the communication about this Moratorium Scheme cannot be undertaken and/or have been made but the borrower was unable to confirm its acceptance to the same, due to various reasons, in such cases the Management Committee (as defined herein) based on the merits and the hardship caused to the borrower due to COVID 19 outbreak, as applicable, shall decide upon to extend the Moratorium Scheme after the cut-off date.
 - ii. If the eligible borrower accepts the Moratorium scheme, no EMI would be collected during the moratorium period i.e. until May 31, 2020. Further, it will be informed that the revised repayment schedule entailing corresponding increment in monthly installment (i.e. including of Interest accrued due to deferral of EMI's during the Moratorium Period shall be capitalized to the outstanding loan amount) and extension in loan tenure, shall be provided to eligible accounts confirming their acceptance of the said scheme.
 - iii. For borrowers who have already given their March '20 EMI, the Moratorium may be given for next 2 installments i.e. for April 2020 and May 2020. Borrowers will also be informed that at the end of Moratorium Period i.e. from June '20 onwards the installment will be payable and collected as per the revised repayment schedule.
 - iv. If the borrower does not accept moratorium offer until the cut-off date mentioned by AFSL, then the Moratorium scheme would not be applicable in such case. Towards this end, borrowers will be clearly informed that their installments for April '20 and onwards shall be banked as per the scheduled due dates. However, this can be extended to certain borrowers at a later date (i.e. any requests for availing the Moratorium offer received after the cut-off date however before May 31, 2020) at the sole discretion of the Management Committee. Given the merits of the case and hardships faced due to COVID 19 outbreak, the Management Committee (at its discretion) may make the Moratorium Scheme applicable to eligible loan accounts/ relevant borrowers, in absence of any written communication to AFSL by the cut-off date or other exceptional circumstances.
 - v. In cases of exercise of moratorium scheme in respect of the relevant loan accounts, the accrued Interest will be capitalized and recovered with the EMIs/installment/s spread across the revised tenor in the repayment schedule.

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V. Asset Classification:

- A. Since the moratorium/deferment/recalculation of the 'drawing power' is being provided specifically to enable the borrowers to tide over economic fallout from COVID-19, the same will not be treated as concession or change in terms and conditions of loan agreements due to financial difficulty of the borrower under paragraph 2 of the Annex to the Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions, 2019 dated June 7, 2019 ("Prudential Framework"). Consequently, such a measure, by itself, shall not result in asset classification downgrade.
- B. Accordingly, all eligible loans covered under Moratorium scheme would not be downgraded due to non-payment of interest / EMI and the asset classification of such loans would be on the basis of revised due dates and the revised repayment schedule, as such, accounts shall not be re-classified or downgraded.

VI. Reporting:

AFSL will follow the relaxations permitted by RBI directions from time to time with respect to reporting requirements for such eligible loan accounts.

Accordingly, for the limited purpose of this Moratorium scheme subject to the RBI directions:

- A. All RBI, Financial and Bureau reporting's for the accounts covered as per this Policy and during the moratorium period i.e. for the period ended March 31, 2020 and until May 31, 2020, would not be considered as default for the non-payment of interest / EMI or rescheduling of repayment schedule.
- B. Such non-payment / rescheduling during moratorium period would not affect the credit worthiness of the borrower for the purpose of reporting to Credit Information Companies (CIC).

VII. Governance Requirements as per RBI guidelines:

- A. All accounts where AFSL's exposure to a borrower is Rs. 5 crore or above as on March 1, 2020, an MIS of all such accounts to be maintained detailing about the reliefs provided including borrower-wise and credit-facility wise information regarding the nature and amount of relief granted.
- B. A copy of this policy or its relevant glimpse with explanatory statement may be disclosed on the website (www.avanse.com).