

Draft Policy for extending regulatory concessions to borrowers under Covid - 19 Package -Manappuram Asset Finance Ltd (MAAFIN).

1. Introduction

To address the stress in the financial sector caused by COVID-19, several measures have been taken by the RBI as a part of its Seventh Bi-monthly Policy. The following are the measures taken by RBI to improve liquidity:

- Reduction of Cash Reserve Ratio (CRR) by 100 BPs to 3%. (The reduction in CRR will release primary liquidity of Rs 1.37 lakh crore across the banking system).
- RBI will conduct auction of targeted Long Term Repos of up to 3 year tenor for a total amount up to Rs 1 lakh crore at a floating rate linked to the policy repo rate. Liquidity available from the scheme should be deployed in investment grade corporate bonds, commercial paper and non – convertible debentures. (Banks are required to acquire up to 50% of their incremental holdings of these instruments from primary market issuances and remaining 50% from the secondary market, including mutual funds and non – banking finance companies).
- Increase in the provision for higher borrowing by 1% under the Marginal Standing Facility will facilitate the banks to avail additional Rs 1.37 lakh crore of liquidity.
- The above 3 measures will inject total liquidity of Rs 3.74 lakh crore to the system.
- Reduction of policy repo rate by 75 BPs to 4.4%.
- Reduction of Reverse Repo rate by 90 BPs to 4%.

Objectives of the above measures are:

- Expanding liquidity in the system sizeably to ensure that financial markets and institutions are able to function normally in the face of COVID-related dislocations;
- Reinforcing monetary transmission so that bank credit flows on easier terms are sustained to those who have been affected by the pandemic;
- Improving the functioning of markets in view of the high volatility experienced with the onset and spread of the pandemic.

Further, the RBI has come up with a Notification titled COVID-19 package through its circular dated 27/3/2020 intended to mitigate the burden on debt-servicing caused due to disruptions on account of the pandemic. As per this notification lending institutions (Commercial banks, Regional rural banks, Small finance banks, Local area banks, co-operative banks, all-India Financial Institutions, and NBFCs, including housing finance companies and micro-finance institutions) have been permitted to allow a moratorium of three months for interest and principal repayment of term loans, deferring interest payments on working capital credit facilities and easing of working capital financing. RBI has directed that Boards of lending institutions shall frame policies for extending the reliefs to all eligible borrowers and it shall be disclosed in the public domain.

2. Regulatory guidelines for moratorium applicable to MAAFIN in nutshell.

(Guidelines for working capital facilities like cash credit and overdraft are not applicable to MAAFIN).

2.1 Rescheduling of Payments – Term Loans:

Permission to grant a moratorium of three months on payment of all instalments falling due between March 1, 2020 and May 31, 2020, in respect of all term loans (including retail loans). Instalments will include:

- (i) principal and/or interest components;
- (ii) bullet repayments;
- (iii) Equated Monthly instalments;

Repayment schedule for such loans as also the residual tenor will be shifted across the board by three months after the moratorium period. Interest shall continue to accrue on the outstanding portion of the term loans during the moratorium period. (As the rescheduling is under special dispensation, creation of provision for restructured assets, provision for diminution in fair value of assets on restructuring, disclosure in quarterly / annual financial statements etc. will not be applicable).

2.2(a) Classification as Special Mention Account (SMA) and Non-Performing Asset (NPA)

Since the moratorium/deferment of the ‘drawing power’ is being provided specifically to enable the borrowers to tide over economic fallout from COVID-19, it will not be treated as concession or change in terms and conditions of loan agreements due to financial difficulty of the borrower. Consequently, such a measure, by itself, shall not result in asset classification downgrade. The asset classification of term loans which are granted relief as above, shall be determined on the basis of revised due dates and the revised repayment schedule.

2.2 (b) Regulatory reporting of default:

The rescheduling of payments, including interest, will not qualify as a default for the purposes of supervisory reporting and reporting to Credit Information Companies (CICs). CICs shall ensure that the actions taken by lending institutions pursuant to the above announcements do not adversely impact the credit history of the beneficiaries.

2.3 MIS for large value loans:

NBFC shall develop an MIS on the reliefs provided to its borrowers with exposure of Rs 5 cr or above as on March 1, 2020 which shall *inter alia* include borrower-wise and credit-facility wise information regarding the nature and amount of relief granted (**No such loan has been disbursed by MAAFIN till date**).

3. MAAFIN’s Policy Framework for rescheduling:

MAAFIN shall consider deferment of instalments (interest and principal) falling due between

March 1, 2020 and May 31, 2020 up to 3 months, in the loans of borrowers' whose cash flows are affected by Covid – 19.

Salient features of the policy framework proposed are given below:

Eligible borrowers	All the borrowers having credit facilities classified as standard asset with MAAFIN as on 1/3/2020 and whose income is affected by infliction of Covid – 19.
Eligible facilities	<ul style="list-style-type: none"> <input type="checkbox"/> Gold loans. <input type="checkbox"/> Vehicle loans and Hypothecation loans <input type="checkbox"/> SME loan (secured by immovable property) <input type="checkbox"/> SME loan (secured by stock) <input type="checkbox"/> Personal loans
Extent of deferrals of instalments.	<p>The deferrals shall be allowed to borrowers who are affected by interruptions in the income stream / cash flows due to Covid – 19. Borrowers who are desirous of taking advantage of the scheme will have to “opt in” to get the benefit of deferrals and they shall submit request letters as provided in Annexure 1, indicating the number of instalments required to be deferred through registered e-mails with MAAFIN or via post, couriers etc. Maximum deferrals shall be three monthly instalments.</p> <p>For gold loans and digital loans, application through SMS, WhatsApp and e - mail can also be considered.</p>
Interest servicing during the moratorium (deferral) period.	Interest shall continue to accrue on the balance of the loans during the moratorium period at the contracted rate. If the income of the borrowers is sufficient to service interest during the moratorium, borrowers are advised to continue paying the interest. In other cases, the interest payable /charged during the moratorium shall be accrued and added to the principal to be repaid through future EMIs/instalment after the period of deferral (moratorium)
Re-fixing of Instalments.	<p>EMIs / instalments of the loans so deferred as above shall be re-fixed taking into account the extended period, either by distributing the interest component uniformly in the remaining EMIs or through additional EMIs/instalments during the remaining part of the tenor of loan (wherever income/cashflows permit) or at the end of current contracted period (by suitably extending the loan tenure).</p> <p>While refixing instalments it shall be ensured that the deferred principal along with interest shall be collected within a maximum period of 24 months from the end of moratorium. Suitable modifications shall be made in the system to facilitate rescheduling of the account.</p>

Approving authorities	Gold loans: Branch Heads. Other loans: Business Heads. System shall be developed to centrally effect the approvals.
Reporting	Rescheduling of loans above Rs 3 lakh shall be reported to MD on a monthly basis.
Review of accounts	Loans above Rs 3 lakh shall be reviewed on a monthly basis in the PRM .
Conditions	<ol style="list-style-type: none"> 1. Moratorium shall be applicable for instalments and interest payments falling due between March 1, 2020 and May 31, 2020. 2. Request for Request for deferral of Instalments of Principal and Interest signed by the borrowers, guarantors and co-obligants shall be submitted in the format provided in Annexure 1. 3. Only standard assets as on 29/2/2020 will be eligible for deferrals. 4. Suitably modified NACH mandate shall be obtained, wherever necessary. 5. No overdue interest shall be charged for the instalments deferred. 6. Borrowers who have opted in for the moratorium shall have the freedom to opt out and revert to the original terms and conditions of the agreement, after giving intimation to this effect to the company in writing. Prepayment charges will not be applicable to such cases. 7. Deferment of instalments falling due between March 1, 2020 and May 31, 2020 shall not constitute as default while reporting to Credit Information Companies. 8. Borrower shall remit arrears, if any, in the account at the end of 29/2/2020 as soon as possible to avoid deterioration in asset quality and in credit score and reporting to Credit Information Companies. An undertaking to this effect should be obtained from the borrowers and co-obligants / guarantors. 9. Asset classification of the loans for which moratorium is granted under the Covid-19 package, shall be determined on the basis of revised due dates and revised repayment schedule.
Special conditions for: ➤ borrowers with exposure of Rs 25 lakh and above.	These borrowers shall submit application for deferring the instalments with supporting documents viz. Extent of disruption in cash flows, plans for streamlining operations, cash flow projections for the balance tenor, provisional / audited accounts as on 31/12/2019 or 31/3/2019.
Treatment of securitized loans.	In the cases where MAAFIN has originated the securitized portfolio, (through PTCs and direct assignment), consent of the assignees / investors shall be obtained before permitting rescheduling of the loans.

Annexure 1

REQUEST LETTER FROM BORROWER TO MAAFIN FOR ALLOWING MORATORIUM

To,

Date:

Branch _____

Business Vertical _____

Manappuram Asset Finance Limited

Sir,

Sub: Request for deferment of payment of Instalment /Interest

- My/our loan/pledge account number(s) _____

In view of Manappuram Asset Finance Ltd (MAAFIN) implementing directions of RBI circular no. DOR.NO.BP.BC.47/21.04.048/2029-20 dated 27/3/2020 on COVID – 19 – Regulatory Package, permitting NBFCs to allow deferment of instalments falling due between March 1, 2020 and May 31, 2020 up to 3 months to mitigate the debt servicing burden brought about by disruption on account of Covid – 19 pandemic.

I / we, request that the EMI / Instalments falling due between March 1, 2020 and May 31, 2020 for payment may be rescheduled as per the provisions of the MAAFIN's deferral / Moratorium Policy.

I/we understand that:

I/we understand that:

- a) Interest will continue to accrue to my loan account during the period of deferment and this would result in the increase in the amount/number of my EMIs/instalments/repayment.
- b) Repayment period of my loan may get extended by the above period of deferment.
- c) I also authorize you to recover the deferred instalments/ EMIs in future through NACH and other methods. Modified NACH application will be submitted to you within 7 days of approval for deferment.
- d) We note that the deferral scheme is not applicable to the instalments fell due on or before 29 February 2020. We undertake to pay such instalments, if any, as soon as possible.

I/we have received the consent of Guarantors and Co-borrowers, who had signed the financing agreement along with me at the time of availing the loan, about the proposed rescheduling. They have also signed this letter as a token of their consent for rescheduling of instalments / EMIs.

I /we also undertake that required rescheduling agreements will be executed as and when demanded by Manappuram Asset Finance Ltd and give our consent for the request to be considered as an addendum to the principal loan agreement.

Yours faithfully,

Signature of the Borrower

Signature(s) of the Co-borrowers / Guarantors