



**IndoStar Home Finance Private Limited
COVID - 19 MORATORIUM POLICY**

Introduction

The Reserve Bank of India (RBI) announced a series of measures on March 27, 2020 to directly address the stress in financial conditions caused by COVID-19 consisting of : (i) expanding liquidity in the system sizeably to ensure that financial markets and institutions are able to function normally in the face of COVID-19 related dislocations; (ii) reinforcing monetary transmission so that bank credit flows on easier terms are sustained to those who have been affected by the pandemic; (iii) easing financial stress caused by COVID-19 disruptions by relaxing repayment pressures and improving access to working capital; and (iv) improving the functioning of markets in view of the high volatility experienced with the onset and spread of the pandemic.

RBI noted that alongside liquidity measures, it is important that efforts are undertaken to mitigate the burden of debt servicing brought about by disruptions on account of the fall-out of the COVID-19 pandemic. Such efforts, in turn, will prevent the transmission of financial stress to the real economy, and will ensure the continuity of viable businesses and provide relief to borrowers in these extraordinarily troubled times.

Reserve Bank of India circular RBI/2019-20/186 DOR.No.BP.BC.47/21.04.048/2019-20 dated March 27, 2020 (“RBI Circular”) detailing the measures to ease debt servicing burden of borrowers of banks, NBFCs and HFCs is provided in **Annexure 1**. In terms of the RBI Circular, RBI has directed lending institutions including HFCs to frame Board approved policies for providing the reliefs mentioned in the RBI Circular to all eligible borrowers.

Policy Features

Eligibility: All borrower accounts of IndoStar Home Finance Private Limited (“IHF”) classified as Standard as on February 29,2020.

Lending Product: While the RBI Circular provides for reliefs to term loan borrowers as well as working capital borrowers, all the facilities granted by IHF to its borrowers are term loans whether fully or partly disbursed and as such only those reliefs proposed in respect of term loans will be applicable.

Key Features:

- A. Grant a moratorium of three months on payment of all instalments (Instalments will include the following payments falling due from March 1, 2020 to May 31, 2020: (i) principal and/or interest components; (ii) bullet repayments; (iii) equated monthly instalments). As such, IHF will not demand any instalments from any of its borrowers falling due from March 1, 2020 to May 31, 2020 including both these dates. Next instalment on all the term loans will fall due from June 1, 2020 onwards.
- B. The repayment schedule for such term loans will be shifted by three months after the moratorium period and residual tenor of such term loans will increase by three months. IHF shall revise the repayment schedule by setting new instalments in light of the additional three months of tenor to maintain the same Internal rate of Return (IRR) on such term loans.

- C. Interest shall continue to accrue on the outstanding portion of the term loans during the moratorium period and shall be adjusted/ recovered in the revised instalments of such term loan.
- D. Several borrowers of IHF have paid their instalments during March 2020 before RBI's announcement of the proposed reliefs. In view of this, we propose to apply such payments towards June 2020 instalments of these borrowers. On one hand, this will not penalise the borrowers who have paid their March 2020 instalments in time and it will also effectively grant them three months of moratorium like all other IHF borrowers. However, this relief would be available only to those borrowers who did not have any overdues as on February 29, 2020.
- E. In the event that a borrower does not wish to avail the moratorium and continue with the original repayment schedule, such borrowers would continue without any change in repayment schedule. In case the borrowers wish to make any further payments till May 31, 2020 towards their loan obligations, IHF would appropriate these payments towards partial prepayment of outstanding principal of their loans or towards the instalments for the month of June, July and August 2020 of these borrowers.

Asset Classification

Since the moratorium 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 for the purposes of RBI reporting as well as Stage III classification under Indian Accounting Standards (IndAS) for the purposes of Expected Credit Loss (ECL) provisioning. The asset classification of term loans which are granted relief as per this Policy shall be determined on the basis of revised due dates and the revised repayment schedule.

Supervisory and Credit Bureau Reporting

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) by IHF in line with RBI guidance. CICs are also expected to ensure that the actions taken by lending institutions pursuant to the above announcements do not adversely impact the credit history of the beneficiaries.

Approach towards borrowers whose loans are assigned/secured

IHF has securitised/assigned its loan receivables to SPVs/Banks/institutions and it has been appointed as collection and servicing agent for collection of instalments from the borrowers and remittance of the same to SPVs/Banks/institutions. As such, IHF has sought consent from these SPVs/Banks/institutions for granting moratorium for the instalments falling due between March 1, 2020 and May 31, 2020 from the eligible borrowers involved in these transactions. Effectively, this Policy will be applicable to these borrowers as well subject to receiving consent from respective SPVs/Banks/institutions.

MIS pertaining to reliefs granted under this policy

Wherever the exposure of IHF to any borrower is Rs. 5 crore or above as on March 1, 2020, IHF shall develop an MIS on the reliefs provided to its borrowers covered under this Policy which shall *inter alia* include borrower-wise and credit-facility wise information regarding the nature and amount of relief granted.

Implementation Plan

A three-member working group be formed with immediate effect comprising Shreejit Menon- Whole-time Director, Prashant Joshi - Director and Shripad Desai - Head-Credit and Collections to oversee the implementation of this Policy including but not limited to communication of the policy within and outside the organisation, issuing instructions to IHF staff, borrower communication, related changes in Loan Management Systems, development of MIS, clarifications/decisions pertaining to asset classification etc.



भारतीय रिजर्व बैंक
RESERVE BANK OF INDIA
www.rbi.org.in

RBI/2019-20/186

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March 27, 2020

All Commercial Banks (including Small Finance Banks, Local Area Banks and Regional Rural Banks)
All Primary (Urban) Co-operative Banks/State Co-operative Banks/ District Central Co-operative Banks
All All-India Financial Institutions
All Non-Banking Finance Companies (including Housing Finance Companies)

Madam / Dear Sir,

COVID-19 – Regulatory Package

Please refer to the [Statement of Development and Regulatory Policies released on March 27, 2020](#) where inter alia certain regulatory measures were announced to mitigate the burden of debt servicing brought about by disruptions on account of COVID-19 pandemic and to ensure the continuity of viable businesses. In this regard, the detailed instructions are as follows:

(i) Rescheduling of Payments – Term Loans and Working Capital Facilities

2. In respect of all term loans (including agricultural term loans, retail and crop loans), all commercial banks (including regional rural banks, small finance banks and local area banks), co-operative banks, all-India Financial Institutions, and NBFCs (including housing finance companies) (“lending institutions”) are permitted to grant a moratorium of three months on payment of all instalments¹ falling due between March 1, 2020 and May 31, 2020. The 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.

¹ Instalments will include the following payments falling due from March 1, 2020 to May 31, 2020: (i) principal and/or interest components; (ii) bullet repayments; (iii) Equated Monthly instalments; (iv) credit card dues.

3. In respect of working capital facilities sanctioned in the form of cash credit/overdraft (“CC/OD”), lending institutions are permitted to defer the recovery of interest applied in respect of all such facilities during the period from March 1, 2020 upto May 31, 2020 (“deferment”). The accumulated accrued interest shall be recovered immediately after the completion of this period.

(ii) Easing of Working Capital Financing

4. In respect of working capital facilities sanctioned in the form of CC/OD to borrowers facing stress on account of the economic fallout of the pandemic, lending institutions may recalculate the ‘drawing power’ by reducing the margins and/or by reassessing the working capital cycle. This relief shall be available in respect of all such changes effected up to May 31, 2020 and shall be contingent on the lending institutions satisfying themselves that the same is necessitated on account of the economic fallout from COVID-19. Further, accounts provided relief under these instructions shall be subject to subsequent supervisory review with regard to their justifiability on account of the economic fallout from COVID-19.

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

5. 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.

6. The asset classification of term loans which are granted relief as per paragraph 2 shall be determined on the basis of revised due dates and the revised repayment schedule. Similarly, working capital facilities where relief is provided as per paragraph 3 above, the SMA and the out of order status shall be evaluated considering the

application of accumulated interest immediately after the completion of the deferment period as well as the revised terms, as permitted in terms of paragraph 4 above.

7. 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) by the lending institutions. 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.

Other Conditions

8. Lending institutions shall frame Board approved policies for providing the above-mentioned reliefs to all eligible borrowers, *inter alia*, including the objective criteria for considering reliefs under paragraph 4 above and disclosed in public domain.

9. Wherever the exposure of a lending institution to a borrower is ₹5 crore or above as on March 1, 2020, the bank shall develop an MIS on the reliefs provided to its borrowers which shall *inter alia* include borrower-wise and credit-facility wise information regarding the nature and amount of relief granted.

10. The instructions in this circular come into force with immediate effect. The Board of Directors and the key management personnel of the lending institutions shall ensure that the above instructions are properly communicated down the line in their respective organisations, and clear instructions are issued to their staff regarding their implementation.

Yours faithfully,

(Saurav Sinha)

Chief General Manager-in-Charge