

Muthoot Vehicle & Asset Finance Ltd

Moratorium Policy

30th April 2020

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1. Introduction

Muthoot Vehicle & Asset Finance Ltd. (MVFL) is Primarily Vehicle Finance Company of “The Muthoot Group”. MVFL, as per the certification of Reserve Bank of India, is a Deposit taking Asset Finance Company (AFC-D).

In view of recent global stress in financial and social conditions caused by Covid-19 (CORONA Virus), every government agency is taking measures to curb the negative impact of pandemic.

Reserve Bank of India (RBI) has taken multiple measures on March 27, 2020 to mitigate the negative effect of virus, to revive growth and to preserve financial stability of individuals & institutions.

Through this document, the Company has proposed moratorium to customers who are facing financial difficulty due to this pandemic in line with RBI’s Circular number RBI/2019-20/ 186 DOR.No.BP.BC.47/21.04.048/2019-20, dated March 27, 2020 titled “Covid-19 – Regulatory Package”.

2. Policy Applicability

This is with reference to the RBI’s Press Release dated March 27, 2020 on “Statement on Developmental and Regulatory Policies”. The Statement sets out, inter alia, various developmental and regulatory policies that directly address the stress in financial conditions caused by COVID-19. Extract of the Press release is as below - Point No.5 reads as under: -

5. Moratorium on Term Loans. All commercial banks (including regional rural banks, small finance banks and local area banks), cooperative banks, all-India Financial Institutions, and NBFCs (including housing finance companies and micro-finance institutions) (“lending institutions”) are being permitted to allow a moratorium of three months on payment of instalments in respect of all term loans outstanding as on March 1, 2020. Accordingly, the repayment schedule and all subsequent due dates, as also the tenor for such loans, may be shifted across the board by three months.”

Second para of point 6 reads as follows: “The moratorium / deferment is being provided specifically to enable borrowers to tide over the economic fallout from COVID-19. Hence, the same will not be treated as change in terms and conditions of loan agreements due to financial difficulty of the borrowers and, consequently, will not result in asset classification downgrade. The lending institutions may accordingly put in place a Board approved policy in this regard.”

Pursuant to the above, RBI has also issued Circular for the COVID – 19 Regulatory Package vide RBI/201920/ 186 DOR.No.BP.BC.47/21.04.048/2019-20, dated March 27, 2020 titled “Covid-19 – Regulatory Package” also states 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 instalments 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.”

3. Customer Identification and Objective Criteria

Identification of borrowers will be based on guidelines issued by RBI

- a) Moratorium would be provided only on payment of all instalments falling due between March 1, 2020 and May 31, 2020. MVFL proposes a policy that no EMI once collected will be refunded to customer. Moratorium may be approved by entrusted committee of officers detailed below on the basis of customer request and/ or recommendation by branch/collection/legal team if they are able to ascertain financial impact of COVID’19 and obtain written request / acceptance from customer subsequently once Branches are fully functional. Credit may do TVR in such cases before approving.
- b) Asset classification as on March 31st will prevail during the period of moratorium providing relief to financially strained customers and stress on financials of MVFL by avoiding degradation in asset classification, subsequent increase in provisioning, delinquency & NPA as per the provision provided in the RBI circular.
- c) Customers already categorized as NPA will not be covered within the ambit of the policy.

4. Moratorium Period & Applicability

Since it is not mandatory for NBFCs to offer moratorium to all borrowers, the Company may offer moratorium/deferment to borrowers on need basis and who have been impacted by the COVID – 19 crises based on customer request , Acceptance of terms and condition along with new NACH. The moratorium if approved would be for ONE to maximum THREE EMIs.

Customers who are requesting for moratorium/deferment will be informed about financial implications of such moratorium/deferment including the applicable interest on such action.

- a) EMI would not be charged to the customer whom moratorium is granted.
- b) Interest amount of the EMI deferred would be capitalized in the loan
- c) Either residual tenor would be increased accordingly to recover the instalments offered as moratorium and accrued interest or EMI for subsequent months will be increased to give effect of the capitalization of interest. Decision for the same will be taken by the Committee of officers formed for this purpose and as per system capabilities.

- d) Moratorium/deferment of EMI would be done month wise or up to 3 months at a time for EMI's falling due in between & including, 1st March 2020 to 31st May 2020. Decision for the same will be taken by committee of officers as mentioned below on a case to case basis & in consultation with collection & legal team wherever required.

5. Committee & Approval Process

Committee of officers entrusted as under would review each loan based on these guidelines, decide and implement accordingly.

Committee of officers includes Credit Managers, Business heads, Collections Head, SARC Head, Credit Head & GM

All cases approved, subject to customer declaration accepting the T&C along with new NACH.

6. Asset Classification

The loan accounts to whom relief has been granted by way of moratorium within the ambit of this policy and as governed by RBI circular, will not result in asset classification and/or downgrade.

The account status reporting to the credit bureaus will be as per the status prior to the moratorium period.

10. Display on website

The Board Approved – Moratorium Policy will be hosted on the Company's website for our Customers information and benefit as mentioned in the RBI's Circular.