

**CLIX Capital Services Private Limited
Operational Guidelines / Policy on Moratorium for
Covid-19 (Abridged Version)**

**Adopted by: Board of Directors
Approval Date: April 2020
Effective date: April 2020**

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1. Scope

Our Organization deeply cares for its customers. Many of our customers' cash-flow and earnings may have been impacted because of COVID-19 crisis and on account of overall impact to the economy due to the lock-down imposed by the Government and the resultant restrictions on the movement of people, goods and resources. Thus the aim of this document is to extend relief to our customers based on permissions received as per RBI Guideline on COVID-19 – Regulatory Package dated March 27, 2020.

2. Gist of RBI circular for providing Moratorium to borrowers:

On March 27, 2020 the Reserve Bank of India (RBI) announced various measures including moratorium on EMI payment for term loans/ deferment of interest in working capital facilities due to COVID-19. **(RBI Notification Ref: no RBI/2019-20/ 186 DOR.No.BP.BC.47/21.04.048/2019-20 “COVID-19 – Regulatory Package” dated March 27, 2020)**

- The above RBI Notification inter alia mandates disclosure, in public domain, the Board approved policy for providing above-mentioned reliefs.
- 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.
- **Rescheduling of Payments:** Term Loans and Working Capital Facilities - 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.
- **Easing of Working Capital Financing:** for facilities to borrowers facing stress, the drawing power to be recalculated by reducing the margins and/or by reassessing the working capital cycle.
- Lending institutions have been permitted to allow a moratorium of three months. Neither is it an instruction by the RBI to the lenders, nor is it a leeway granted by the RBI to the borrowers to delay or defer the repayment of the loans. Hence, the moratorium will have to be granted by lending institution of borrowers.
- **Classification as Special Mention Account(SMA) and Non-Performing Asset(NPA)**
 - The asset classification shall be determined on the basis of revised due dates and the revised repayment schedule.
 - 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).
 - Asset classification downgrade will not happen during the moratorium period.
 - However, if there is an existing default like interest/principal due up to February 29, 2020, the usual asset classification and provisioning norms will apply (IRAC norms to apply).

- Wherever the exposure of a borrower is Rs. 5 crore or above as on March 1, 2020, the bank/FI will 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.

In continuation to the **Statement of Development and Regulatory Policies released on March 27, 2020**, please refer to the **Governor's Statement of April 17, 2020** announcing certain additional regulatory measures aimed at alleviating the lingering impact of Covid19 pandemic on the businesses and financial institutions in India, consistent with the globally coordinated action committed by the Basel Committee on Banking Supervision. In this regard, the detailed instructions with regard to asset classification and provisioning are as follows:

1. Asset Classification under the Prudential norms on Income Recognition, Asset Classification (IRAC)

- 1.1. In terms of the circular **DOR.No.BP.BC.47/21.04.048/2019-20 dated March 27, 2020 ('Regulatory Package')**, the lending institutions were permitted to grant a moratorium of three months on payment of all term loan instalments falling due between March 1, 2020 and May 31, 2020 (**'moratorium period'**). As such, in line with the clarification provided by the Basel Committee on Banking Supervision, in respect of all accounts classified as standard as on **February 29, 2020**, even if overdue, the moratorium period, wherever granted, shall be excluded by the lending institutions from the number of days past-due for the purpose of asset classification under the **IRAC** norms.
- 1.2. Similarly in respect of working capital facilities sanctioned in the form of cash credit/overdraft ("CC/OD"), the Regulatory Package permitted the recovery of interest applied during the period from **March 1, 2020 upto May 31, 2020** to be deferred ('deferral period'). Such deferral period, wherever granted in respect of all facilities classified as standard, including SMA, as on February 29, 2020, shall be excluded for the determination of out of order status.
- 1.3. NBFCs which are required to comply with Indian Accounting Standards (Ind AS) shall, as hitherto, continue to be guided by the guidelines duly approved by their Boards and as per ICAI Advisories for recognition of the impairments.

2. Provisioning

- 2.1 In respect of accounts in default but standard where provisions of paragraphs (1.1) and (1.2) above are applicable, and asset classification benefit is extended, lending institutions shall make general provisions of not less than 10 per cent of the total outstanding of such accounts, to be phased over two quarters as under:
 - ✓ Quarter ended March 31, 2020 – not less than 5 per cent
 - ✓ Quarter ending June 30, 2020 – not less than 5 per cent
- 2.2 The above provisions may be adjusted against the actual provisioning requirements for slippages from the accounts reckoned for such provisions. The residual provisions at the end of the financial year can be written back or adjusted against the provisions required for all other accounts.
- 2.3 The above provisions shall not be reckoned for arriving at net NPAs till they are adjusted against the actual provisioning requirements as under paragraph 2.2 above. Further, till such adjustments, these provisions shall not be netted from gross advances but shown separately in the balance sheet as appropriate.
- 2.4 All other provisions required to be maintained by lending institutions, including the provisions for accounts already classified as NPA as on February 29, 2020 as well as subsequent ageing in these accounts, shall continue to be made in the usual manner.

3. Other Conditions

3.1 The exclusions permitted in terms of para 1.1 and 1.2 above shall be duly reckoned by the lending institutions in their supervisory reporting as well as reporting to credit information companies (CICs); i.e., the days past due and SMA status, where applicable, as on March 1, 2020 will remain unchanged till May 31, 2020.

3.2 The lending institutions shall suitably disclose the following in the 'Notes to Accounts' while preparing their financial statements for the half year ending September 30, 2020 as well as the financial years 2019-20 and 2020-2021:

- ✓ Respective amounts in SMA/overdue categories, where the moratorium/deferment was extended, in terms of paragraph 1.1 and 1.2;
- ✓ Respective amount where asset classification benefits is extended.
- ✓ Provisions made during the Q4FY2020 and Q1FY2021 in terms of paragraph 2.1;
- ✓ Provisions adjusted during the respective accounting periods against slippages and the residual provisions in terms of paragraph 2.2.

3. Clix Capital Approach to address the requirements

A. Customers eligible for moratorium/deferment:

Customers satisfying following criteria would be eligible to seek for EMI moratorium/interest deferment:

1. All the salaried/self-employed, Individual and non-individual borrowers (including Ltd companies, Partnerships & Proprietorships etc.) across products will be covered.
2. The account can be Standard or otherwise. The account must not have been written off.
3. Eligible customer will be offered moratorium/decrement and acceptance may be through any mode of communication (Email/SMS/Digital Document/Voice Recording/Physical Document).

B. Key features of Clix Capital Moratorium policy

- Once a customer approaches Clix Capital with a request for EMI moratorium/interest deferment, it will be evaluated and if satisfied with the merits of the case, EMI moratorium/interest deferment will be considered at the sole discretion of Clix Capital.
- We have segmented the customer into 2 segments for defining our broad approach: a) Exposure greater than 1 Cr and Exposure Less than 1 Cr.
- **Exposures > 1 Crs** for products like corporate exposures / LAP / K-12 (School Financing) / Supply chain will be assessed basis Cash flow assessment, understanding of impact to Industry/customer. Decision to grant moratorium will be assessed basis case merits.
- **Exposures of less than Rs. 1 Crs** in products like Business Loan /LAEP /Personal Loans / Two Wheeler/ Airtel Device financing/ LAP / Home Loan / Supply Chain will be assessed based on performance with us till now, High impact Industries/business impact due to Covid-19 and other relevant factors.
- Exposure of less than 1 Crs in Products like K-12 (School Financing) / LAP/ Supply Chain will be assessed basis Cash flow assessment, understanding of impact to Industry/customer. Decision to grant moratorium will be assessed basis case merits.
- Credit approach for extending moratorium to Direct Assignment, SIDBI, Securitization, Leases

- **Securitization (PTC):** The right may be exercised only with appropriate sanction as provided in the deed of assignment/trust deed – either the consent of the trustees (if the trustee is so empowered under the trust deed/servicing agreement) or with investor’ consent.
- **Co-lending:** All parties to Co-lending to agree to Clix Capital approach (Product-wise). Once agreed then product norms as mentioned to be followed.
- In respect of all accounts classified as standard (**Less than 90 DPD**) as on February 29, 2020, even if overdue, **the moratorium period, wherever granted**, shall be excluded from the number of days past-due for the purpose of asset classification under the IRAC norms. **Wherever the customer has not been extended moratorium, usual IRAC norm will be applicable.**
- The exclusions permitted in terms of para 1.1 and 1.2 above shall be duly reckoned by Clix Capital in their supervisory reporting as well as reporting to credit information companies (CICs); i.e., the days past due and SMA status, where applicable, as on March 1, 2020 will remain unchanged till May 31, 2020.
- Wherever the customer has not been granted moratorium, Clix board approved provisioning norms will be applicable. In respect of accounts in default but standard (**1 to 89 DPD**) where provisions of paragraphs (1.1) and (1.2) above are applicable, and asset classification benefit is extended, Clix Capital shall make general provisions of not less than 10 per cent of the total outstanding of such accounts, to be phased over two quarters as under:
 - ✓ Quarter ended March 31, 2020 – not less than 5 per cent
 - ✓ Quarter ending June 30, 2020 – not less than 5 per cent
- Account which are current (0 DPD) will have normal provision stage 1 only.
- All other provisions required to be maintained by Clix Capital, including the provisions for accounts already classified as NPA as on February 29, 2020 as well as subsequent ageing in these accounts, shall continue to be made in the usual manner.
- Wherever there is a bullet principal payment at maturity or quarterly instalments (interest and principal), the tenor of the facility will be extended accordingly by the period of moratorium granted to adjust for the moratorium period. Hence, all instalments will be deferred by period of moratorium granted.
- **Details of Reliefs Eligible:**
 - a. Moratorium of EMI/Deferment of interest from March 2020 to May 2020.
 - b. Interest will be accrued for three months during which moratorium will be collected by following methods basis Product by Product approach seeing Operational ease and system support:
 - a. Keeping EMI constant and capitalization of interest at the end of May 2020 leading to a change in the contracted tenor.
- **Restriction to moratorium Policy.**
 - Accounts declared as Fraud.
 - Accounts where DRT/NCLT/SARFESAI/insolvency proceeding has been filed are not eligible.
 - Customers having intention/contactability issue.
 - Accounts which are under one time settlement or staggered settlement will not be eligible.
- **Approving Authority:**

- Approval will be as per DOA mentioned in the policy note.
- **Exception approvals**
 - Any exceptions to be the above can be approved by CRO+CEO.

Note - The above moratorium will be granted basis request of customer only. Customer request once received will be evaluated and if satisfied with merits of the case, EMI moratorium/Interest deferment will be granted at sole discretion of Clix Capital.