

BOARD NOTEDated: 1st April 2020**SUBJECT: Regulatory measures and reliefs announced by RBI in view of COVID 19 –Policy for implementation.****BRIEF BACKGROUND:**

RBI Governor's Bi-Monthly Monetary Policy Statement issued on March 27, 2020 had announced certain regulatory measures to mitigate the debt-servicing burden on borrowers in view of the disruptions brought out by the current situation. As a follow up RBI has also issued a circular DOR.No.BP.BC.47/21.04.048/2019-20, dated March 27, 2020, detailing the guidelines.

Relief provided by RBI in the circular:

RBI has enabled lending institutions to allow a one-time re-schedulement of payments by way of

- a) Moratorium of three months on payment of all term loan instalments falling due between March 1, 2020 and May 31, 2020 for all term loans. Instalments include all principal and interest payments, bullet repayments, EMIs, and credit card dues falling due between these dates. 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.
- b) Defer the recovery of interest applied in respect of all working capital facilities during the period from March 1, 2020 up to May 31, 2020 in respect of facilities sanctioned in the form of cash credit / over-draft (CC/OD).
- c) Since the moratorium/deferment/recalculation of the 'drawing power'/ reassessing the working capital cycle are 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. Hence, these reliefs will not result in downgrading of asset classification of the borrower.

- d) This also will not qualify as a default for reporting to Credit Information Companies and also under supervisory reporting.

KMPL's policy for providing the said relief to borrowers:

This policy applies to credit facilities granted and disbursed by KMPL and outstanding as on March 31, 2020. This is not applicable to loan disbursements to be made in April 2020 and thereafter. KMPL would provide separate terms and conditions for different types of loan. Other credit conditions in the sanction letters already issued would remain unchanged.

KMPL will offer to all borrowers who wish to avail of the facility of moratorium (for term loan instalments falling due between March 1, 2020 and May 31, 2020) and / or deferment of interest for the months of March to May 2020 to all borrowers who availed working capital facilities as per the terms of this Policy.

KMPL would be charging the interest, at the original contracted rate, for the moratorium period on the outstanding amount of loan to all those who avail the relief as provided in the RBI circular. This interest has to be paid by the borrowers as prescribed in this policy.

All customers who desire to avail the relief under the policy can send an email from their registered mail id to paylater.kmpl@kotak.com quoting the Loan account / APAC number.

The authority to grant the relief under this policy has been granted to the Managing Director or as delegated by him.

A. Moratorium for Retail, Wholesale and Corporate Term loans:

- Retail term loans includes all new car loans, used car loans, top up loans, two wheeler loans, consumer durable loans.
- Wholesale term loan includes dealer finance term loans.

- Corporate term loans includes Corporate Real Estate, Corporate Structured Products and Loan against securities.
- The repayment schedule of term loans will shift by number of months for which the moratorium is availed but not exceeding three months and the tenor of the term loan will be commensurately extended. The instalment amounts / EMIs for the remaining enhanced period post moratorium will be appropriately recalculated, including interest accrued during moratorium period.
- If borrowers have already paid their instalments or serviced their interest for March 2020, such borrowers can avail moratorium for installments falling due in April and May 2020.
- KMPL would be presenting the post-dated cheques / actioning ECS or NACH mandates etc., provided by the borrowers, for collection as per the respective due dates.
- Those borrowers whose payment instructions get honoured and are desirous of availing moratorium can send a communication to KMPL within seven days (or extended date as may be permitted by KMPL) from their first due date falling on or after April 1, 2020 through a mail to paylater.kmpl@kotak.com. KMPL will consider all such requests received for moratorium.
- In case of instruments, which get dishonored during the period up to May 31, 2020, those borrowers will be deemed to have availed of the moratorium and necessary relief would be provided as per the RBI guidelines.

B. Relief for working capital facilities:

- Working capital facilities includes inventory finance extended to the auto dealers under various products of KMPL like floor finance, RLWP, SPG, Trade advance etc. Such borrowers who desire to avail the relief under the policy can send an email to paylater.kmpl@kotak.com on or before April 15, 2020 (or extended date as may be permitted by the KMPL) quoting the Loan account / APAC number. Such requests shall be subject to requisite credit approvals.

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(a) Deferment of interest:

- In the case of Inventory finance as mentioned above, KMPL will offer deferment of interest applied to all borrowers for the months of March 2020, April 2020 and May 2020.
- On account of the interest charged during the moratorium period, if a customer's account is overdrawn or becomes out of order, the deferment of interest under this clause will be applied automatically from such date.
- The accumulated interest for this three-month period should be serviced by the borrower immediately after the moratorium period.

(b) Reassessment of working capital cycle

- KMPL may reassess the working capital cycle in light of COVID 19 and may allow roll over / extension / moratorium in due dates falling between March 1, 2020 to May 31, 2020 as per RBI circular. Such requests shall be subject to requisite credit approvals.
- Once the original limit is reinstated, any further concession / enhancement would have to be dealt with as per the usual restructuring norms stipulated by RBI.
- The credit appraisal and assessment on the borrower shall clearly justify the needs of a borrower on a case by case basis.

C. Common conditions for availing the policy:

- KMPL will take into account the stress on the borrowers on account of the pandemic.
- The borrower should not be under any legal recovery proceedings including IBC / NCLT / Sarfaesi.
- The borrower should not have been classified as willful defaulter/ RFA/ Fraud classified by KMPL / other financial institutions including banks.
- Loans which qualify the criteria prescribed in RBI circular will only be considered for relief.
- All other terms and conditions under the Loan agreement, Facility Documents and various other documents that have been executed between customer and KMPL shall continue to be effective, binding and enforceable.

D. Legal & documentation matters:

- Loan specific conditions may be laid down by KMPL for the above relief.
- In respect of concessions/reliefs granted under this policy, requisite documentation may be taken by KMPL, including through electronic form.

E. Validity of the policy:

This policy shall be valid up to 31st May 2020 or further period as may be extended by RBI.

F. Prudential norms:

- The moratorium/deferment granted to borrowers will not qualify as default on the part of borrowers for the purposes of supervisory reporting and reporting to credit information companies (CICs).
- The relief given as above as per the special dispensation given by RBI will not result in any downgrade of asset classification.
- 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.

F. Other Condition

- For Term loan facilities against securities, moratorium can be availed subject to maintenance of margins / cover as per sanction conditions.

While this policy outlines the broad internal guidance that KMPL will follow to take decisions regarding moratorium, KMPL retains the discretion to take decisions regarding this policy depending on case specific issues or nuances. KMPL reserves the right to amend the policy within the framework of RBI regulations.