



Board Policy on COVID related Reschedulement of dues of borrower

BOARD NOTE

Dated: June 01. 2020

SUBJECT: Regulatory measures and reliefs announced by RBI in view of COVID 19 –Policy for implementation V2.0

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. RBI issued further guidelines vide their circular dated DOR.No.BP.BC.63/21.04.048/2020-21 dated April 17, 2020. RBI vide its circular dated May 23, 2020 has permitted the NBFC to provide the moratorium for further three months from June 1, 2020 till August 31, 2020 and NBFCs are required to have board approved policy for the same.

It is pertinent to note that Government of India and RBI has announced several measures to kick start the economy in last 2 months. The prominent measure includes Rs 20 lakhs crores package extended to various sections of the society announced by Government of India in first fortnight of May 2020. Central Govt and various state Governments have implemented several steps to manage the impact of pandemic. Economic activity has started once again and expected to accelerate further. These steps are expected to ease the economic hardship faced by various sections of the society. In view of the above, the following policy is outlined for providing relief to customers impacted by COVID 19 in rescheduling the payment of their dues falling due between June 1, 2020 and August 31, 2020 (**New Moratorium Period**) in line with the RBI circular dated May 23, 2020.

Relief provided by RBI as per circular dated May 23, 2020:

a) RBI has permitted the NBFC to extend the moratorium by another three months i.e. from June 1, 2020 to August 31, 2020 on payment of all instalments in

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respect of term loans. Accordingly, the repayment schedule for such loans as also the residual tenor, will be shifted across the board. Interest shall continue to accrue on the outstanding portion of the term loans during the moratorium period.

b) In respect of working capital facilities sanctioned in the form of cash credit / overdraft (“CC/OD”), RBI permitted the NBFCs to allow a deferment of another three months, from June 1, 2020 to August 31, 2020, on recovery of interest applied in respect of all such facilities.

c) RBI has also permitted NBFCs, at their discretion to convert the accumulated interest for the deferment period up to August 31, 2020, into a funded interest term loan (FITL) which shall be repayable, not later than March 31, 2021.

d) As a one-time measure, RBI has also permitted the NBFCs to recalculate the ‘drawing power’ by reducing the margins until August 31, 2020. However, in all such cases where such a temporary enhancement in drawing power is considered, the margins shall be restored to the original levels by March 31, 2021; and/or, review the working capital sanctioned limits up to March 31, 2021, based on a reassessment of the working capital cycle. The above measures shall be contingent on NBFCs satisfying themselves that the same is necessitated on account of economic fallout from COVID-19.

e) 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.

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

g) It is also provided, 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.

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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. However, this is not applicable to the loans granted to the NBFCs which have availed facilities from KMPL. This is also not applicable to loan disbursements 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 consider to offer moratorium / deferment to borrowers, who wish to avail and make an application to KMPL for

- Moratorium on term loan instalments falling due between June 1, 2020 and August 31, 2020) and / or
- Moratorium on contracted principle repayment due between June 1, 2020 and August 31,2020 on any loan facilities availed from KMPL
- Deferment of interest for the months of June to August 2020 to borrowers who availed working capital facilities.

KMPL would examine all the requests received in this regard and decide on the merits of each case considering the impact of COVID 19 by considering sector, segment, geography, and credit assessment etc. of the borrower. Interest would continue to accrue at original contract rate during the new moratorium period on the outstanding amount of loan. This accrued interest has to be paid by the customers as prescribed in this policy.

All customers, including those who might have availed the moratorium relief earlier till 31st May 2020 and who desire to avail the relief for the New Moratorium Period under this policy, will have to apply to KMPL for the moratorium and provide the relevant details. KMPL would consider the customer's request as mentioned above and the customer would be duly intimated about the decision and the applicable terms and conditions. Any Dues already paid will not be refunded back.

The authority to grant the relief under this policy has been granted to the Managing Director or as delegated by him. Confidential document F5.01 Page 4

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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.
- Inventory Finance Facility include Floor Finance, SPG, RLWP, Trade Advance etc.
- Corporate term loans includes Corporate Real Estate, Corporate Structured Products and Loan against securities.
- The customers who are desirous of availing relief under new moratorium period under the RBI circular must apply to KMPL with required details within 10 days' time from 1st due date falling on or after June 1,2020 (or extended date as may be permitted by the KMPL approval authority as per this policy). KMPL shall evaluate the application as mentioned above.
- The repayment schedule of term loans wherever relief is given by KMPL, will shift by number of months for which the moratorium is availed but not exceeding three months (in addition to tenor change under phase I of moratorium) 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.
- The moratorium will be applicable for the principal and / or interest dues for the entire or part of the New Moratorium Period.
- KMPL would be presenting the post-dated cheques / actioning ECS, SI or NACH mandates etc., provided by the borrowers, for collection as per the respective due dates starting June 1, 2020.

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 15th June (or extended date as may be permitted by the KMPL) quoting the Loan account / APAC number. Such requests shall be subject to requisite

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credit approvals by approval authority as mentioned in this policy and the decision will be communicated to the customer. KMPL Approval authority may approve for acceptance of request through other mode other than mail to above ID.

(a) Deferment of interest:

- In the case of Inventory finance as mentioned above, KMPL will offer deferment of interest to customers who has applied for and approved by KMPL approval authority as mentioned in this policy. The customers who wants to avail this relief must apply on or before June 15, 2020 (or extended date as may be permitted by KMPL).
- The deferred interest in normal course need to be paid immediately at the end of the new moratorium period i.e. September 1, 2020. However, customers who are desirous of converting the accrued interest into a Funded Interest Term Loan (FITL) including for earlier relief period (March 1 to May 31, 2020) should make a specific request before June 15, 2020 (or extended date as may be permitted by the KMPL approval authority). Such requests will be examined by the KMPL on case to case basis and accrued interest would be converted into FITL at the discretion of the KMPL depending on the merits of the case affected by COVID 19. Wherever allowed such FITL needs to be re-paid, as per the terms and conditions prescribed by the KMPL. However, the outer limit to repay the FITL would be March 31, 2021.

(b) Reassessment of working capital cycle

- KMPL may reassess the working capital cycle in light of impact of COVID 19 on customer's business for period up to March 31, 2021. KMPL may allow roll over / extension / moratorium in due dates falling between June 1, 2020 and August 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.

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The credit appraisal and assessment on the borrower done by respective credit team 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 August 2020.

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).

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- The relief given as above as per the special dispensation given by RBI will not result in any downgrade of asset classification.
- For all customers, whose accounts were standard as on February 29, 2020 and who have been provided with moratorium for the dues for part or full period falling due till August 31, 2020, moratorium period (including New Moratorium period, wherever granted) will be excluded from computation of number of days past due for the purpose of asset classification.
- Similarly, for working capital facilities where deferment of interest has been granted for part of full period between June 1, 2020 and August 31, 2020, such deferment period, wherever granted in respect of all facilities classified as standard, including SMA, as on February 29, 2020, shall be excluded for the purpose of asset classification.

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.