

Policy on rescheduling of Payments, including interest on the Term Loans / Securitisation Transactions, Assignment Deals and co-lending transactions

Background:

World Health Organization (WHO) has declared COVID-19 to be a pandemic. Like some of the other countries in the World, the virus' impact has led the Indian Government to announce a lockdown across the country, to restrict it from spreading further. As a result, the country's economy is impacted severely leading to delay in cash flows for the business & self-employed and salary credits for the salaried segments. This has a direct impact on loan repayments as well.

In order to mitigate the burden of debt servicing brought about by disruptions on account of COVID-19 pandemic and to ensure the continuity of viable business, RBI had vide its Circular No. RBI/2019-20/186 DOR.No.BP.BC.47/21.04.048/2019-20 dated March 27, 2020 announced certain regulatory measures to lending institutions, including Housing Finance Companies (HFCs). In terms of the paragraph 8 of the aforementioned circular, HFCs are required to frame Board approved policy for providing the reliefs to all eligible borrowers.

Subsequent to the aforementioned circular, RBI issued another Circular DOR.No.BP.BC.71/ /21.04.48 /2019-20 dated May 23, 2020 extending the moratorium by another three months.

Accordingly, the broad features of the policy are enumerated below:

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 Limited Companies, Partnerships & Proprietorships, etc.) across products having outstanding loans as at 1st March 2020.
2. The account can be standard or otherwise.
3. The account must not have been Written-off from the books of SHFL at the end of the month preceding the month in which moratorium / deferment is requested for.
4. The Customers must submit consent for terms and conditions governing the moratorium and for the revised repayment schedule.
5. The offer of moratorium and acceptance may be through any mode of communication (E-mail / SMS / Digital Document / Voice Recording / Physical Document). In case any contact with the Customer is not possible given the situation, absence of contact may be deemed to be an acceptance.

Restrictions:

1. Borrowers under DRT, SARFAESI, Insolvency proceedings & borrowers classified as Fraud, will continue to remain ineligible.
2. National Company Law Tribunal (NCLT) / Insolvency & Bankruptcy Code (IBC) cases are not eligible for moratorium / deferment without express approval from NCLT / IBCC.
3. Customer accounts tagged as Deceased / SKIP / Frauds / Intentional Defaulters will not be eligible for moratorium, unless specifically approved by Managing Director & CEO or Chief Financial Officer.

Details of Relief Granted:

1. **Moratorium of upto six months:** Moratorium, is “a repayment holiday” (*not a waiver*) for all instalments which fall due from March 1 to August 31, 2020 where the borrower shall be granted an option to not pay during the moratorium period. Instalments will include the following payments falling due from March 1, 2020 to August 31, 2020:
 - (i) Principal and/or interest components;
 - (ii) Bullet repayments; and
 - (iii) Equated Monthly instalments (EMI).

Accordingly, Shriram Housing Finance Limited (the “Company / SHFL”), may allow moratorium of upto six months to its borrowers, who opt to avail the moratorium offered by the Company. This relief shall be available in respect of all such changes effected up to August 31, 2020, necessitated on account of the economic fallout from COVID-19. Accordingly, the repayment schedule for such loans as also the residual tenor, will be shifted across the board for all such rescheduled accounts, with the interest for the period of moratorium being capitalized.

2. **Categories of borrowers:** The aforementioned RBI circulars have permitted the lending institutions to grant a moratorium of upto six months and has not mandated the same. Accordingly, the Company shall implement the policy requirements on the basis of the study of the genuine cases, such that the relief is extended to mitigate the burden of debt servicing brought about by disruptions on account of COVID-19 pandemic and to ensure the continuity of viable business. The process guidelines to be implemented shall be rolled out with the approval of Managing Director & CEO.
3. **Impact on Asset Classification:** The relief granted 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. The asset classification of term loans which are granted relief shall be determined on the basis of revised due dates and the revised repayment schedule. In effect the accounts will continue to be in the same classification as at 1st March 2020 (or date from which the moratorium is sought) for upto

6 (Six) months i.e. there will not be any change in asset classification. There will be no DPD movement for these accounts for the moratorium / deferment period.

4. **Credit Information to CICs** - 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.
5. **Accounting Treatment:** The interest amount will continue to accrue during the moratorium period of upto six months. No overdue interest or delayed payment charges, bounce charges shall be levied. In general the existing EMI will not undergo any revision and SHFL may revise the residual instalments such that loan would be closed, with the extended tenor, due to interest accrual during the moratorium period. Further, in certain cases, the last EMI/s shall be suitably revised, so as to compensate for the interest accrued during the period of the moratorium. However, if a customer wants to modify EMI without impacting the tenure or a combination of the both, the same may be allowed.
6. **Monitoring of Rescheduled Accounts:** The Company shall develop an MIS on the reliefs provided to its borrowers which shall, *inter-alia*, include borrower-wise information regarding the nature and amount of relief granted. An Internal Committee, consisting of officers from Sales Department, Credit Department, Operations Department, Finance & Accounts, IT Department, Customer Service Department, Collections Department and Audit Department shall be constituted for the purpose to develop the MIS which include handling of the requests of the borrowers, tracking of the relief and the operation of the accounts, thereafter. The revised terms shall be communicated to the borrower, either electronically or such other means, and the acceptance by the borrower shall be obtained. No contact / no response from the account holder will be treated as acceptance.
7. **Securitization Transactions / Assignment Deals:** As regards the Securitization / Assignment transaction, where the Company is only acting as a Servicer to the loan, i.e. enforces the terms of the existing contracts, collects cash-flows and remits the same to the investors, SHFL shall not unilaterally confer any relaxation of terms to the borrowers including providing the moratorium and such a relief may be extended only with appropriate consent as either provided in the deed of assignment/trust deed – or by obtaining the written consent of the trustees, or investor' consent, as required.

In respect of Assignment deals, the consent of 90% (or the majority) interest holder shall be obtained before the relief is granted on such loans.

Wherever the Company has extended loans through co-lending, the consent shall be taken from all the parties to the co-lending arrangement, before the relief is granted on such loans.

8. **Exceptions:** All exceptions can be approved by Managing Director & CEO / Chief Financial Officer.
9. **Dispensations:** Consequent to the increase in tenor due to EMI Moratorium / Deferment, total tenor / age may extend beyond the current age / tenor cap as defined in the product policy. The

policy will be considered to be automatically modified to fit in these Customers. Also due to interest capitalization there could be a few cases which may go beyond the regulatory HL LTV norms.

- 10. Disclosures in Annual Report:** Appropriate disclosures in the financial statements under “Notes on accounts” will be made to ensure fair disclosures.

Approval:

The Board of Directors of the Company had initially approved the Policy on March 31, 2020 and the amended policy is placed for approval of the Board, in its meeting to be held on June 8, 2020.