SFI COVID Board POLICY

Moratorium On Term Loans

INTRODUCTION

Reserve Bank of India vide its circular No. DOR.No.BP.BC.47/21.04.048/2019-20 dated 27th March 2020 ("**RBI Circular**") has notified a COVID – 19 regulatory package for banks, NBFCs, and Housing Finance Companies and Lending Institutions in line with the Statement of Development and Regulatory Policies released on March 27, 2020 wherein inter alia certain regulatory measures were announced to mitigate the burden of debt servicing brought about by disruptions on account of COVID-19 pandemic and to ensure the continuity of viable businesses.

The objective in bringing out this Policy is to provide a framework for implementing the instructions laid down as per the RBI Circular, one of them being the requirement of having a Board approved policy. This policy, i.e. SFI COVID Board Policy seeks to lay down guidelines in respect of the reliefs to be provided to the eligible borrowers / customers of SFI Financial Services Private Limited ("**SFI**") as per the RBI Circular.

POLICY FRAMEWORK:

The RBI Circular inter alia provides that 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.

Explanation:
A "term loan" has been defined by RBI[1] to mean a loan which is repayable after a specified period. Therefore, any loan which has been granted for a specified period (as identified in the relevant loan agreement/ sanction letter) would be treated as a term loan for the purposes of the RBI Circular.

RBI has permitted the Lending Institutions to allow: (a) a moratorium/ temporary suspension of 3 months for payment of all instalments relating to term loans falling due in the period 1 March 2020 – 31 May 2020 (**Specified Period**); and (b) a corresponding extension in the residual tenor of the term loans. Therefore, the time for payment can be extended for 3 months from the date of each instalment falling due during the Specified Period.

The RBI circular also clarifies that the suspension of payment of "instalments" would cover all instalments, whether of principal (bullet or otherwise), interest and EMIs.

Interest shall continue to accrue on the outstanding portion of the term loans during the moratorium period.

As per para 8 of the RBI Circular, Lending institutions shall frame Board approved polices for providing the reliefs mentioned in the RBI Circular, inter alia, including the objective criteria for considering reliefs to all eligible borrowers and the same is to be disclosed in public domain.

IMPLEMENTATION SCHEDULE:

- SFI proposes to provide a relief as per the RBI Circular to all its customers due to the disruption caused by the COVID-19 pandemic and who may experience difficulties in their liquidity to service their debts during the Specified Period.

- SFI proposes to provide a moratorium of three months on payment of loan instalments, whether of principal (bullet or otherwise), interest and EMIs to all its customers ("**Moratorium**").

- The customers can opt to avail the moratorium provided by SFI. There is no compulsion on the part of the customers to avail the moratorium and they may choose to continue payment of their instalments as per the existing terms of their loans without availing the moratorium.

- **Suitable communication will be issued by SFI on its website www.sfifinancialservices.com, displayed in notice board of registered office and at all branches of SFI and through SMS to the customer's registered mobile number or an email communication will be sent to their registered email id (wherever available) stating that, all the installments falling due during the Specified Period can be deferred and payment of installments will begin from June 2020, for customers who opt to avail the moratorium.**

- **Customers who opt to avail moratorium must communicate the same in writing or through message from their registered mobile number at the earliest. Suitable communication in this regard will be issued by SFI on its website www.sfifinancialservices.com, displayed in notice board of registered office and at all branches of SFI and through SMS to the customer's registered mobile number and/or an email communication will be sent to their registered email id (wherever available).**

- **If the customers do not communicate their option, such customers shall be deemed to not have accepted the moratorium provided to them.**

- The existing instalments of term loans falling due up to end of 29th February 2020 will have to be paid as early as possible and penalty will be levied on any defaults of such late payment as per existing terms of the loans.

- The methodology of customer moratorium would be as follows:

    - In case of customers who have paid all their instalments / dues up to the month of March 2020:

      There will be moratorium of two (2) months, namely, for April and May 2020. The moratorium will be applicable for the EMI instalments due in the months of April and May 2020 and therefore the customers will not be required to pay any

instalments which fall due for the months of April and May 2020.

- In case of customers who have not paid all their instalments / dues up to the month of March 2020:

  There will be a moratorium of three (3) months, namely, for the months March, April and May 2020. The moratorium will be applicable for the EMI instalments due in the months of March, April and May 2020 and therefore the customers will not be required to pay any instalments which fall due for the months of March, April and May 2020.

- Interest shall be charged and accrued during the moratorium period on all the loans where moratorium benefit is given to the borrower.

- During the period of lockdown notified by the State / Central Government for the COVID 19 panademic, the officials of SFI will not make personal visits to the customers for collecting the payments. SFI will provide facilities to customers to make their payments to SFI electronically / digitally.

POST MORATORIUM PROCESS:

The customers have the following options after the completion of the moratorium for the payment of interest accrued and EMI dues:

a. The customer can pay the entire EMI dues including interest accrued (for the moratorium period) along with the EMI for June 2020. In this case, there would be an extension of the tenure of the loan by 2 or 3 months, as the case may be.
b. In case the borrower is unable to pay the entire EMI dues including interest accrued (for the moratorium period) along with the EMI for June 2020, such EMI dues including interest accrued remaining unpaid will be added to the loan outstanding and a new repayment schedule shall be drawn up, in such a manner that the EMI amount till the last instalment will remain the same as per the current EMI amount and the last EMI instalment will include the balance amount of the interest payable, to make full settlement of the loan.
c. If a customer who has availed the moratorium but still if such customer opts to pay the EMIs during the moratorium period, the amounts paid shall be adjusted and apportioned against principal loan outstanding resulting in reduction of tenure of the loan. In such cases, no interest, in addition to the normal interest, will be accrued on such loans during the moratorium period.

- The above moratorium in payment of installment will not be applicable on staff loans offered at concessional rate of interest, staff advances, etc. However, the deferment of EMI installment shall be applicable for staff loans offered at general/market rate of interest at the sole discretion of the Chief Executive Officer.

NPA PROVISIONING

The RBI Circular contemplates that an extension of the term loan instalment will not by itself be categorized as a restructuring on account of "financial difficulties of the borrower" or result in a downgrade in asset classification of the underlying term loan. However, if a borrower had already defaulted on its payment obligations or, the account was facing stress prior to the date of the RBI Circular and such stress was unrelated to the COVID-19

pandemic, the Company may assess such accounts on a case-by-case basis subject to their COVID Board Policy and in accordance with the extant asset classification norms.

AUTHORITY:

The Chief Executive Officer is authorized at his sole discretion to make a final decision in respect of the moratorium benefit to be offered to any customer of SFI, the methodology for the moratorium, payment of EMIs / Interest after the moratorium and to decode on any matter laid down in this policy.

Note: Exception: New loans sanctioned after March 1, 2020 are not covered under the said policy. However, based on the RBI circular it can be inferred that the Chief Executive Officer may at his sole discretion extend the benefit to such customers in case the loan instalments of such new loans are falling due between March 1, 2020 and May 31, 2020.

REVIEW:

In case of any revision to provisions of the RBI Circular at a later point of time the Chief Executive Officer is authorised to make necessary changes to this policy to accommodate such revision.

VALIDITY:

The policy will be effective till 31st May 2020 and may be extended as deemed fit and necessary by the Chief Executive Officer in view of any revision to provisions of the RBI Circular.

SFI COVID Board POLICY

Moratorium on Loans

This document sets out the Moratorium policy of SFI Financial Services Private Limited ("SFI" or "The Company").

Reserve Bank of India, vide its circular dated 23rd May 2020, has extended the moratorium period by further three months, i.e. from 1st June 2020 to 31st August 2020. As per the circular various lending institutions including SFI are permitted to grant a moratorium of three months on payment of all instalments (PEMI / EMI) falling due between 1st June 2020 to 31st August 2020.

Accordingly, the Board of Directors of SFI has approved following policy guidelines for the provision of Moratorium to its customers.

For SFI's customers, all the instalments due from 01st June 2020 to 31st August 2020 will be deferred and a moratorium of three months on payment of all instalments falling due between 1st June, 2020 to 31st August, 2020 will be provided to all customers of SFI.

In case of all SFI's customers who have not sent any communication to SFI regarding availing or non-availing of the moratorium for the initial three months, namely, from 01st March, 2020 to 31st May, 2020, in whole or in part, and who have not paid their instalments for any one or more of the initial three months, the respective instalments due from 01st June 2020 to 31st August 2020 will be deferred with the provision of moratorium for such number of month(s).

Interest shall continue to accrue on the outstanding portion of the loans during the moratorium period. No penal charges shall be levied for those SFI's customers to whom moratorium has been granted.

Customers who decide not to seek full moratorium or not to seek partial moratorium have to inform SFI by way of written communication to the registered office of SFI situated at "VRINDHAVAN" No.6, Kamadhenu 3rd Street, Mogappair East, Chennai – 600037.

Few customers have already paid instalments / EMI regularly during the moratorium period since March 2020 for all the months till date and if they continue to pay till August 2020, then such customers will be out of moratorium. Further the customers who have paid not all the instalments / EMIs due in the moratorium period since March 2020 but have paid for few months will be granted moratorium for the remaining months till the end of August 2020 and interest will be accrued accordingly, unless the customers communicate their decision of not availing the moratorium as set in out the preceding paragraph.

The overall repayment tenure for the loans (which are subjected to moratorium) as also the residual tenor of such loans, will be increased as against the original maturity date. The revised repayment schedule and accrued interest details will be provided to any SFI customer upon receipt of a specific request in this regard by SFI from such customer.

Moratorium is not provided for non-standard customers as on February 2020.

This policy will remain effective till 31st August, 2020.