



**JM Financial Capital Limited**

**MORATORIUM POLICY DUE TO COVID-19**

**JUNE 2020**

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## **I. BACKGROUND**

The Statement of Development and Regulatory Policies released on March 27, 2020 by the Reserve Bank of India ('RBI') addressed certain regulatory measures 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.

Considering the situation created by COVID-19 and the aforesaid statement, RBI, vide its Circular No. DOR.No.BP.BC-47/21.04.048/2019-20, dated March 27, 2020 offered various regulatory measures to mitigate the burden of debt servicing brought about by the disruptions on account of COVID-19. One of the measures includes rescheduling of payments for term loans and working capital loans extended by various financial institutions including Non-Banking Financial Companies (NBFCs).

Further, on May 22, 2020, RBI came up with a revised regulatory package, permitting the financial institutions including NBFCs, to extend the moratorium period by an additional period of three months i.e., from June 1, 2020 to August 31, 2020. RBI, in the said circular, also specified that all the provisions of the earlier circulars dated March 27, 2020 and April 17, 2020 shall continue to apply.

Accordingly, JM Financial Capital Limited (the Company) had adopted the Moratorium Policy due to COVID-19. The said Policy is amended pursuant to the extension of regulatory package on COVID-19 by RBI vide its Circular dated May 22, 2020.

## **II. SCOPE**

This Policy outlines guidelines on rescheduling of instalments on all term loans (including term loans in the form of NCD) and/or working capital facilities extended by the Company. The Policy includes guidelines on:

- i. Moratorium on payment of instalments / interest; and
- ii. Customer communication

### **III. POLICY GUIDELINES**

#### **A. MORATORIUM ON PAYMENT OF INSTALMENT / INTEREST**

##### **i. Eligible Borrowers:**

On case to case basis and after considering the economic and financial stress suffered by the borrower due to COVID-19 situation, the Sponsorship and Credit Committee ('Committee'), after being satisfied that the moratorium is necessitated due to economic/financial fallout of the borrower, may grant moratorium / extension of moratorium of upto 3 months on payment of all or any instalments/interest falling due between June 1, 2020 and August 31, 2020,

All standard assets as on March 1, 2020 will be eligible to avail benefit under this Policy. Further, loans which were already overdue before March 1, 2020 cannot be deemed to be in default as a result of the economic fallout of the pandemic. The benefit of the moratorium extension of moratorium will be extended to such borrowers with respect of payments falling due during the period between June 1, 2020 and August 31, 2020.

##### **ii. Moratorium Period and implementation:**

Borrowers who are requesting for moratorium/deferment will be informed about financial implications of such moratorium/deferment including the applicable interest on such action.

##### **Key parameters applicable for all term loan:**

- Instalments (principal and / or interest) would not be collected from the borrowers to whom moratorium is granted. The repayment schedule for such loans as also the residual tenor, will be shifted back by up to three months by way of a period of 'moratorium'.
- Interest shall continue to accrue on the outstanding portion of the term loan during the moratorium period. Interest amount of the installments deferred would be capitalized in the loan.
- Capitalization of interest will be recovered either by increasing the installments for subsequent months while keeping residual tenor same or by increasing the residual tenor and keeping installments constant. Decision for the same will be taken by the Committee for this purpose on a case to case basis.
- Decision of the Committee with respect to the moratorium shall be communicated to the borrowers by email.

Basis the above parameters and considering various business verticals in which the Company operates, it is proposed to implement the moratorium measures for different business verticals in the following manner:

Sr. No.	Business Verticals	Moratorium Strategy
1.	Real Estate Group	<p>Principal repayments moratorium would be granted to all the borrowers for the period mentioned in the RBI Circular dated March 27, 2020.</p> <p>However, if a borrower requests for a moratorium for the period between June 1, 2020 and August 31, 2020, the same would be presented to the Committee and the Committee on the basis of the merits of each case, is authorised to grant moratorium.</p> <p>If the borrower requests interest moratorium, the same will be granted to the borrowers and a list of such borrowers would be presented to the Committee.</p> <p>In the event certain borrowers do not wish to avail the benefit of the moratorium period there will be no change in the repayment schedule of such loans and the original repayment schedule shall continue.</p> <p><b>Escrow Prioritisation</b></p> <p>All escrow appropriation or payments made during the moratorium period will be either utilised towards principal repayment or towards the instalments getting due in the subsequent months. Such decision of appropriation will be taken on a case to case basis.</p>
2.	Structured Finance Group	<p>If the borrower requests, moratorium for the period between June 1, 2020 and August 31, 2020, moratorium it may be granted on a case to case basis considering the impact on the borrower by the COVID-19 pandemic, on such terms and conditions as may be approved by the Committee.</p>
3.	Loan against Property (cross – sell clients)	
4.	Loan to other NBFCs	
5.	Capital Market Group including ESOP Financing	

**iii. Classification of Special Mention Account (SMA) and Non-Performing Asset (NPA)**

Since the moratorium is 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 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. Consequently, such a measure, shall not result in asset classification downgrade.

**iv. Asset Classification:**

The asset classification of term loans which are granted moratorium shall be determined on the basis of revised due dates and the revised repayment schedule.

In respect of accounts classified as standard 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 Income Recognition and Asset Classification (IRAC) norms.

**v. Provisioning**

In respect of accounts in default but standard where moratorium is granted and asset classification benefit is extended, the Company will make provisions in the manner as prescribed by RBI, from time to time.

**B. CUSTOMER COMMUNICATION**

**Communication Medium and Content:**

Customer shall be notified through a suitable notice on the website of the Company and through SMS to customers' registered mobile number.

**C. MIS AND INTERNAL COMMUNICATION**

- With respect to exposures of Rs. 5 Crores and above, as on March 1, 2020, the Company shall develop and maintain MIS of the reliefs provided.
- The Board of Directors and key management personnel shall properly communicate the instructions herein and ensure proper implementation thereof.

**D. APPROVALS OVER ELECTRONIC MAIL**

Approvals on proposals for deferment may also be taken by circulation over electronic mail. The proposals may be addressed to the members of the Committee and approvals may be conveyed over electronic mail. All such approvals taken over electronic mail by circulation shall be placed before the subsequent meeting of the Committee and recorded.

**E. VALIDITY**

This policy shall remain effective till August 31, 2020 or further period as may be extended by RBI.

**F. DISCLOSURE**

This policy shall be uploaded on the website of the Company at [www.jmfl.com](http://www.jmfl.com).

**G. AMENDMENT**

In case any amendment(s), clarification(s), circular(s) and guideline(s) issued by the Reserve Bank of India, that is not consistent with the provisions laid down under this Policy, then the provisions of such amendment(s), clarification(s), circular(s) and the guideline(s) shall prevail upon the provisions hereunder and this Policy shall automatically stand amended accordingly to that extent effective from the date as specified under such amendment(s), clarification(s), circular(s) and guideline(s). Such amendments shall be brought to the attention of the Credit Committee and Board of Directors at its meeting held thereafter.

The Company reserves the right to amend or modify this policy in whole or in part, at any time, without assigning any reason whatsoever. The Committee of the Board is authorised to do all the such acts, things and deeds required to be implemented under this Policy.