

Janakalyan Financial Services Private Limited

Policy on COVID-19- Regulatory Package

March, 2020



Approved by: Board of Directors

Date of Approval: March 30,2020

Policy on COVID-19- Regulatory Package

Keeping in view the rapid spread of the Corona Virus Disease (COVID-19) across the World including India and its declaration as pandemic by the World Health Organisation (WHO), in order to generate awareness and confidence among our borrower , we propose to formulate a policy in line with the Reserve Bank of India (RBI) notification on COVID-19 – Regulatory Package vide Circular No. **BI/2019-20/186 DOR.No.BP.BC.47/21.04.048/2019-20 on March 27, 2020 .**

In order to address the stress in the financial sector due to the prolonged lockdown induced by COVID-19, several measures have been initiated by Reserve Bank of India (RBI) as a part of its Seventh Bi-monthly Policy announced on the 27th March,2020 through a Notification titled COVID 19 Regulatory Package. These measures are intended to mitigate the burden on debt-servicing caused due to disruptions on account of COVID-19 pandemic. These inter alia include a three months moratorium on term loan payments and deferring interest payments on working capital effective from 1st March ,2020 and easing of working capital financing. 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. CICs shall ensure that the actions taken by lending institutions pursuant to the above announcements do not adversely impact the credit history of the beneficiaries. Besides, RBI announced significant reduction in policy rates and CRR to inject substantial liquidity into the financial system.

Main Objective of relaxation provided by Reserve Bank of India:

- (i) To expanding liquidity in the system significantly in order to ensure that financial markets and Institutions are able to function normally by countering the COVID-19 related dislocations;
- (ii) reinforcing monetary transmission so that need-based bank credit is available on easier terms to those who have been affected by the pandemic;
- (iii) easing financial stress caused by COVID-19 disruptions by relaxing repayment pressures and improving access to working capital; and
- (iv) improving the functioning of markets in view of the global volatility being experienced with the onset and spread of the pandemic;

For Lenders:**(i) Rescheduling of Payments:**

Janakalyan Financial Services Private Limited (JFSPL) will approach all its lenders through an official letter or an email communique for a three month moratorium(effective retrospectively from 1st March,2020 wherever applicable) on payment of instalments of all loans outstanding as of April 02, 2020 up to May 31, 2020 of all term loans (Principal and Interest) outstanding in the books of the company, based on the above RBI relaxations .

(ii) The repayment schedule and all subsequent due dates, as also the tenor for loans may be shifted by three months (or the period of moratorium granted by the Lenders). Instalments will include payments falling due from April 02, 2020 up to May 31, 2020 in the form of-

- principal and/or interest components;
- bullet payments,
- Equated Monthly Instalments,

Interest shall continue to accrue on the outstanding portion of the term loans during the moratorium period. The same will be adjusted as per the policy of the lender in this regard.

Extending the tenor of Securitisation / Direct assignment (DA) Transactions:

The securitisation transaction documents stipulate that the Servicer/Originator (JFSPL) needs to take investor consent for rescheduling any contract. Ideally, such a consent (blanket approval from the investor) should be taken by the Servicer/Originator from the trustee/investor upfront provided the rescheduling is happening as per the RBI circular and the board approved policy of the Servicer/Originator.

Also, the securitisation transaction has retail loan as underlying and therefore, it may not be operationally possible for JFSPL to make a distinction between securitised and non-securitised contracts and take different approaches for the same if the investor consent is not immediately received. In view of above, JFSPL may reschedule contract for the entire managed portfolio and not differentiate between securitised and non-securitised contracts. It is likely that substantial portion of underlying pool contracts may get rescheduled.

Pool collections will be low in the next few months as instalment on the underlying loans get deferred to subsequent months on account of COVID-19 situation and due to the regulatory forbearance provided. Thus, some of the contracted receivables now may fall outside the scheduled maturity date of the PTCs captured in the documents.

While the payment to the investors would ultimately be met, timely payment of the same may get impacted. This may be an issue from the rating perspective as ratings need to address timely payment on the rated instruments (As per extant SEBI Guidelines).

In view of the foregoing, JFSPL will seek a moratorium on promised principal and interest payment on PTCs falling due between March 23, 2020 up to May 31, 2020. Accordingly, the entire repayment schedule of the PTCs is adjusted (delayed as per the applicable moratorium period). This will ensure that there is no impact on the transaction rating. Janakalyan Financial Services Private Limited (JFSPL) will approach the investor through the arranger for obtaining forbearance to the securitisation transaction.

Business Correspondent: -

The entire managed portfolio created out of Business Correspondent arrangement would be offered for moratorium due to lock down for COVID-19, and which will have impact on low collection in upcoming months, as well as rescheduling of payments of instalment (Principal and Interest) for the period for which moratorium is provided.

The repayment schedule and all subsequent due dates, as also the tenor for loans may be shifted by three months (or the period of moratorium granted by the Originator or BC provider, like Utkarsh Small Finance Bank, MAS Financial Services Limited and IDBI Bank). Instalments will include payments falling due during the period March 23, 2020 to May 31, 2020 in the form of principal and/or interest components. Janakalyan Financial Services Private Limited (JFSPL) will approach to Business Correspondent provider in this regard. Interest shall continue to accrue on the outstanding portion of the loans during the moratorium period.

- iii) The asset classification of term loans which are granted relief shall be determined on the basis of revised due date and revised payment Schedule as decided by lenders.
- iv) The rescheduling of payments, including interest, will not qualify as a default for the purpose of Supervisory reporting to Credit Information Companies (CICs) by lending Institutions. Janakalyan Financial Services Private Limited (JFSPL) will approach to Lenders in this regard.

For Borrowers:

(i) Rescheduling of Payments:

Janakalyan Financial Services Private Limited (JFSPL) will permit all its borrowers moratorium on payment of instalments in respect of all loans outstanding as of March 23, 2020 up to maximum May 31, 2020, i.e. the date up to which the moratorium permitted by Reserve Bank of India (RBI) remain in force.

(ii) The repayment schedule and all subsequent due dates, as also the tenor for loans may be shifted by three months (or the period of moratorium granted by the JFSPL). Instalments will include payments falling due during the period March 23, 2020 to May 31, 2020 in the form of principal and/or interest components; Interest shall continue to accrue on the outstanding portion of the loans during the moratorium period.

iii) Such changes will not affect the asset quality of the underlying borrowers nor impact the credit quality or history of borrowers.

iv) 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 Janakalyan Financial Services Private Limited (JFSPL). CICs shall ensure that the action taken by Janakalyan Financial Services Private Limited (JFSPL) pursuant to the above do not adversely impact the credit history of the beneficiaries.

v) since the moratorium/deferment/recalculation is provided specifically to enable the borrowers to tide over the adverse fallout from COVID-19, the same will not be treated as concession or change in terms and conditions of loan agreement.

Implementation

The instructions in this policy shall come into force with immediate effect.