

WESTERN CAPITAL ADVISORS PRIVATE LIMITED
Policy on Moratorium 2.0 under COVID-19 - Regulatory Package

Brief Background:

The Reserve Bank of India had earlier issued circulars announcing certain regulatory measures in the wake of the disruptions on account of COVID-19 pandemic and the consequent asset classification and provisioning norms.

Further, the RBI Governor in his statement of May 22, 2020 stated that, the extension of lockdown and intensification of continuous COVID-19 disruptions has imparted priority to relaxing repayment pressures by mitigating the burden of debt servicing.

In order to prevent the transmission of financial stress to the real economy, and ensure the continuity of viable businesses and households, RBI has decided to extend the relief measures announced earlier and issued a detailed instruction in this regard vide its circular dated May 23, 2020.

Relief/ Moratorium:

Extension of moratorium of another three months on payment of all instalments falling due from June 1, 2020 to August 31, 2020 with respect of all eligible term loans accounts (including agricultural term loans, retail and crop loans). The repayment schedule for such loans as also the residual tenor, shall be shifted across the board. Interest shall continue to accrue on the outstanding portion of the term loans during the moratorium period.

Eligibility:

The above moratorium shall be extended to all the term loan accounts subject to the Company satisfying itself that the same is necessitated on account of the economic fallout from COVID-19.

Further, accounts provided relief under these instructions shall be subject to subsequent supervisory review with regard to their justifiability on account of the economic fallout from COVID-19.

Asset Classification

In respect of accounts classified as standard as on February 29, 2020, even if overdue, the moratorium period, wherever granted in respect of term loans, shall be excluded by the Company from the number of days past-due for the purpose of asset classification under the Prudential norms on Income Recognition, Asset Classification (IRAC).

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 and consequently shall not result in asset classification downgrade.

The asset classification for such accounts shall be determined on the basis of revised due dates and the revised repayment schedule.

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 Company.

Implementation

This policy and reliefs ought to be provided hereunder shall be implemented and upon request by the Borrower be decided, on a case to case basis, in such manner as the CEO of the Company may, in consultation with the management, deem fit and prescribe accordingly.

Wherever the exposure to a borrower is ₹ 5 crore or above as on March 1, 2020, the Company shall develop an MIS on the reliefs provided to its borrowers which shall *inter alia* include borrower-wise and credit-facility wise information regarding the nature and amount of relief granted.

The key management personnel of the Company shall ensure that the above instructions are properly communicated down the line in the organization, and clear instructions are issued to the employees regarding the implementation.

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