

IKF FINANCE LIMITED – COVID-19 MORATORIUM POLICY

Background and Objective

The World Health Organization recently 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 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.

Considering this issue, on March 27, 2020 the Reserve Bank of India (RB) announced various measures including moratorium on EMI payment for term loans/ deferment of interest in working capital facilities. (RBI Notification Ref: no RBI/2019-20/ 186 DOR.No.BP.BC.47/21.04.048/2019-20 "COVID-19 – Regulatory Package" dated March 27, 2020)

The above RBI Notification inter alia mandates disclosure, in public domain, the Board approved policy for providing above mentioned reliefs. Accordingly, the following customer specific points of the Board approved Policy of IKF Finance Limited (IKF) is placed for information of the customers.

Definition of Moratorium/Deferment

- A contract between the lender and the borrowers
- It is a lender-borrower-agreed restructuring of the loan terms
- It is a repayment holiday where the borrower is granted an option to not pay during the moratorium period.
- No NPA/restructuring implications will arise
- Interest Accrued will be charged for the months of moratorium opted by the borrower.

Customers eligible for Moratorium/deferment

Customers satisfying following criteria would be eligible to seek for EMI moratorium/interest deferment:

- All Salaried/Self-employed Individual/Non-individual borrowers (including Ltd companies, Partnerships & Proprietorships etc.) across all products having outstanding loans as at 1st March 2020.
- The account can be Standard
- NPA customers are ineligible for moratorium

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- The account must not have been Witten-off from the books of IKF's books at end of the month preceding the month in which moratorium/deferment is requested for
- The customers must submit consent for terms and conditions governing the moratorium and for the revised repayment schedule.
- The offer of moratorium/deferment and acceptance may be through any mode of communication (Email/SMS/Digital Document/Voice Recording/Physical Document).

Restrictions

The following are the restrictions:

- Borrowers under DRT, SARFAESI, Insolvency proceedings & borrowers classified as Fraud, will continue to remain ineligible.
- National Company Law Tribunal (NCLT)/Insolvency & Bankruptcy Code (IBC) cases are not eligible for moratorium/deferment without express approval from NCLT/IBC
- This is not applicable to loan disbursements to be made in April 2020 and thereafter.

Moratorium for Loans

Term Loans

- The repayment schedule of term loans will shift by up to three months and the tenor of the term loan will be commensurately extended. The instalment amounts/EMIs will be appropriately recalculated, including interest during moratorium period.
- If borrowers have already paid their instalments during the month of March, such borrowers can avail moratorium for installments falling due in April and May 2020.
- IKF would be presenting the post-dated cheques/actioning ECS or NACH -mandates etc., provided by the customers, for collection as per the respective due dates. Customers that are desirous of availing the relief under the RBI circular, should send a communication to IKF from their first due date falling on or after April 1, 2020.
- Customers will be sent SMS intimating the Moratorium Scheme by giving them 7 days' time to revert in case they don't want to avail the scheme.
- Customers, whose instrument so sent for collection is not cleared, will be deemed to have availed of the moratorium and necessary relief would be provided as per the RBI guidelines.

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Direct Assignment Loans

The RBI has not mentioned anything specific for off-balance sheet transactions. But given that underlying assets managed by the Originators are retail in nature and they will have to allow the moratorium to their end borrowers, it will be difficult to manage differential treatment to the owned and securitized/assigned assets at a contract level.

The collections of the underlying assets will be low in the coming months because of the lockdown and the moratoriums expected to be provided by the Originators, therefore it is prudent to extend the tenor of the securitization and direct assignment transactions.

IKF has entered into various direct assignment transactions to purchase portions of certain identified Loans originated by other Lending Institutions. In these direct assignment transactions, the originator Lending Institution continues to act as the servicer ("Servicer") of the purchased/assigned Loans on behalf of IKF. IKF may not have any direct contact/relationship with the borrowers of such Loans.

IKF shall obtain copies of the policy(ies) framed by all the Servicers (pursuant to the RBI Circular) in respect of direct assignment transactions where IKF is the pursuant.

If any Instalments of the Loans purchased by IKF as a part of a direct assignment transaction are due between March 1, 2020 and May 31, 2020, any moratorium in respect of such Instalments will be provided in accordance with the policy framed by the relevant Servicer.

If borrowers have already paid their instalments during the month of March, such borrowers can avail moratorium for installments falling due in April and May 2020.

As regards such loans (constituting the securitized pool) for which moratorium stands extended, collections, if any, during the moratorium by the servicer will have to be transferred to the trustee (Investor in our case) and such collections will have to be treated as prepayments and dealt differently in different transactions as per the applicable waterfall mechanism. Accordingly, the Investors shall also instruct the Originator to utilize such collections towards payments to Assignee.

All financial institution under this category have to necessarily give their requests in writing along with their internal Moratorium Policy duly framed in line with the regulatory guideline incase they want to avail the Moratorium Scheme.

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Franchise/Co-lending Arrangements

IKF has entered into various co-lending arrangements with other Lending Institutions ("Co-lending Partner") wherein either the whole or a part of various Loans is provided by IKF, and all monitoring and servicing of such Loans is undertaken by the Co-lending Partner.

The Co-lending Partners shall follow the policy(ies) duly framed by IKF with respect to the moratorium pursuant to the RBI Circular.

If any Instalments of a Loan provided by IKF as a part of a co-lending arrangement with a Co-lending Partner are due between March 1, 2020 and May 31, 2020, any moratorium in respect of such Instalments will be provided in accordance with the IKF framed policy by IKF and its relevant Co-lending Partner pursuant to the RBI Circular.

If borrowers have already paid their instalments during the month of March, such borrowers can avail moratorium for installments falling due in April and May 2020.

ANNEXURE I (Customer's Request Letter)

To
IKF Finance Limited

Dated _____

Branch: _____

Address: _____

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Dear Sir,

Subject: - 3 Months EMI Moratorium of Term Loan/s

With reference to the above subject and reference to RBI Notification on extending 3 months moratorium to EMIs, due to the COVID-19 major effect and Lockdown declared by GOI, our business has been majorly affected and our outstanding payments are stuck up from various vendors and customers.

Hence, we want to avail the Moratorium facility as notified by RBI for the Months of MARCH 2020 / APRIL 2020 / MAY 2020 considering the operational difficulties and inability to servicing the EMI's on due dates. We are ready to service the Interest at contract rate as per company policy for this extension period.

Request you to oblige our request by extending the moratorium facility on the loan EMI. The EMI's shall be paid as per the revised repayment schedule provided by the company.

Customer Name	
Loan Number/s	
Make & Model	
Registration Number	
Location	

Your cooperation in this regard will be highly appreciated.

For _____

Authorize Signature