

## IIFCL's POLICY FOR DEBT MORATORIUM

### 1. Background

The COVID-19 Pandemic has caused wide-spread disruptions leading to functioning of units at reduced capacity or temporary closure due to nation-wide lockdown. To address the concerns of industries and lenders, **RBI vide its circular dated March 27, 2020** has announced certain regulatory measures to mitigate the burden of debt servicing brought about by disruptions on account of COVID-19 pandemic.

### Proposal and Available Relief

**A) To ensure the continuity of viable businesses, Rescheduling of Payments of Term Loans with following details/modalities is proposed:**

- (i) A moratorium of three months on payment of (i) principal and/or interest components; (ii) bullet repayments falling due between March 1, 2020 and May 31, 2020 shall be permitted. **For example**, where the principal instalment of a Term Loan falls due for payment on say 1st March 2020, it will become payable on 1st June 2020 and where the instalment of a Term Loan falls due for payment on say 31<sup>st</sup> March 2020, it will become payable on 30<sup>th</sup> June 2020.
- (ii) The repayment schedule for such loans as also the residual tenor, will be shifted across the board by three months after the moratorium period. Interest shall continue to accrue on the outstanding portion of the term loans during the moratorium period.
- (iii) **This is available to accounts which are standard as on 01.03.2020.** The request for moratorium will be reviewed on receipt, for relief.
- (iv) For Term Loans, where the repayment has not commenced, the interest portion for three months alone needs to be reckoned.
- (v) **No penal interest or charges will be payable.**
- (vi) Operational modalities/specifications shall be in line with the Lead Bank.

**Amount of interest during the moratorium shall be accrued for the period of three months and such accrued interest payment shall be decided on cases to case basis based on the decision of Lead Bank. Since IIFCL lends only under Consortium arrangement (except refinance accounts) and follows the Lead Bank, aforesaid relief shall be in line with approval of Lead Lender.**

(vii) **As regards accounts where IIFCL is the Lead Lender, the applicable relief will be provided in discussion with other lenders of the Consortium in compliance to the provision of RBI.**

(viii) **In sole lending, IIFCL provides financial assistance under its refinance Scheme. In such accounts, repayment schedule for the residual tenor will be shifted by three months after the moratorium period wherein ROI will remain unchanged and accumulated interest shall be get paid on next due date after moratorium.**

**Aforesaid shall be guided by the provisions of RBI.**

## **B) Classification as Special Mention Account (SMA) and Non-Performing Asset (NPA)**

In terms of the aforesaid referred RBI Circular, since the moratorium/deferment 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 (“Prudential Framework”). Consequently, such a measure, by itself, shall not result in asset classification downgrade.

The asset classification of term loans which are granted relief as per paragraph 2 of aforesaid RBI circular 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 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.