

BELSTAR MICROFINANCE LIMITED

COVID-19 MORATORIUM POLICY

V2 Approved By the Board of Director on May 31,2020 `

BELSTAR MICROFINANCE LIMITED

Board Policy on Moratorium on Term Loan Repayment

due to COVID-19

1. **Introduction:** In the background of recent global stress in financial and social conditions caused by Covid-19 (CORONA Virus), the Reserve Bank of India (RBI) in its Directives (i) RBI/2019-20/ 186 DOR. No. BP.BC.47/ 21.04.048/2019-20 March 27, 2020, (ii) RBI/2019-20/220 DOR. No. BP.BC. 63/21.04.048/2020-21 April 17, 2020 and (iii) RBI/2019-20/244 DOR. No. BP.BC. 71/21.04.048/2019-20 May 23, 2020 under “COVID- 19 – Regulatory Package” has given instructions on moratorium (rescheduling / deferment of repayments) on Term Loans and Working Capital Facilities from Banks, NBFCs (including HFCs and MFIs) and other lending institutions. MFIN has also issued the relevant advisories dated 3rd April and 28th May 2020. As a responsible NBFC- Micro Finance Institution (MFI), Belstar Microfinance Limited (hereafter called the Company) which extends only EMI based term loans to its all-women customers, has put in place this policy document on moratorium on such EMI based term loan repayment and will implement it w.e.f. 30.03.2020 in line with RBI’s directives.
2. **Objectives:** RBI has announced the abovesaid regulatory measures to mitigate the burden of debt servicing brought about by disruptions due to Covid-19 pandemic and to ensure the continuity of viable businesses. It was felt that there may be a temporary disruption in the cash flows, and in some cases loss of income, for the businesses / individuals who otherwise have been servicing their accounts regularly, but would have defaulted on account of the temporary stress on account of Covid-19.
3. **Policy Applicability-:** Moratorium from one to six EMIs to all borrowers is applicable by default for all EMI based term loans outstanding as on 01.03.2020 (irrespective of whether standard or NPA as on 29.02.2020) or for loans disbursed during March 2020 and where the EMI/s in such a/cs fall due between 01.03.2020 and 31.08 .2020, in all the segments / products and irrespective of the original / residual tenor of the term loans except the following:
 - (i) **Tenor completed OD a/cs-**The loan accounts which have completed their original repayment tenor as on 29.02.2020 and remained overdue

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as on 01.03.2020 will not be eligible for moratorium. These accounts will remain overdue until repaid and their DPD will increase till repaid.

- (ii) **Tenor not completed OD a/cs**-Since the moratorium is available only on payment of instalments falling due between 1st March and 31st August May 2020, it is not available for those components of the outstanding in active loans (which still have residual repayment tenor as on 29.02.2020) but which are overdue as on 29.02.2020. Moratorium is available for the amount falling due between 1st March and 31st August 2020.
- (iii) **Written-Off a/cs**-This moratorium is not available to loan accounts which have been subjected to technical write-off by the Company as on 29.02.2020.
- (iv) **Borrowers not willing to avail moratorium**- This moratorium is not available to borrowers who, on their own volition, wish to make the EMI payment during this moratorium period as well and repay as per original schedule , based on their cash flow and to avoid accrued interest for the moratorium period.

4. Moratorium Conditions:

(i) **Communication to Borrowers**- In the context of restricted physical movement during extended lock down, the communication concerning the Company allowing all its eligible borrowers this moratorium facility may be through any mode (Email/SMS/Digital Document/Voice Recording/Physical Document etc). However, any borrower not willing to avail the moratorium facility may pay her EMI/s as usual if her cash flow permits. All borrowers for whom moratorium is extended will be communicated directly by the Company about the changes in tenor, instalment amount, accrued interest amount and the related changes in terms and conditions of the loans. The Company will also inform the eligible borrowers who have overdues as on 29.02.2020, that their overdue interest impact post moratorium period, will be far higher due to previous overdues. Since accounts provided relief under these instructions of RBI shall be subject to subsequent supervisory review with regard to their justifiability on account of the economic fallout from COVID-19, a declaration from the borrowers may be obtained in similar lines as follows:

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" Since my / our economic activity/ repayment capacity is / are adversely affected due to COVID-19, I / we opt-in for moratorium for the months of March / April / May / June / July / August 2020. I / We agree to pay as per the revised repayment schedule of the Company which includes moratorium period interest, and additional insurance premium, if any, while other terms and conditions of my / our loan/s remain unchanged. OR

I / We opt-out for the moratorium and will continue to pay EMIs as per schedule given by the Company and pay interest for the delayed payment, if any.

(ii) Tenor Extension- Borrowers can opt for either one or two or maximum of six months moratorium on their EMI/s due during 01.03.2020 and 31.08.2020. The repayment schedule for such loans as also the residual tenor, if any, will be shifted across the board by one / two / maximum of six months respectively after the moratorium period. To explain, where moratorium is given for six months, repayment falling due in Mar 2020 will be due/collected in September 2020 (only for those who did not pay their EMI due in March 2020), repayment falling due in April 2020, will be due/collected in October 2020 and repayment falling due in May 2020 will be due/collected in November 2020 and so on.

(iii) EMI paid in May / June 2020-If a borrower makes any repayments during April and August 2020, the amount will be apportioned first towards overdue interest (if applicable), then towards moratorium period interest (current interest in this case) and then the remaining will go towards Principal due.

(iv) Accrued Interest- There will be no delayed interest charge during the moratorium period, i.e., March 1 to August 31, 2020. However, the Company will accrue interest on the outstanding portion of the loan during the moratorium period at the same interest rate agreed in the original agreement of the loan. Such interest amount of the deferred EMI will be recovered on an equated basis over the extended remaining tenor of the loan. Moratorium interest so amortized towards the remaining tenor of a loan may be rounded up to the nearest Rs. 10/- for convenience of collection. Thus, along with the recovery of additional credit insurance premium, if any, the EMI for the extended remaining period of the loan will increase because of the recovery of the accrued interest of the moratorium period and insurance premium for the extended tenor of the loan.

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(v) **Appropriation of Recovery after the moratorium-** For repayment received after the moratorium period, the order of appropriation will be (a) first towards Delayed Interest (DI) for Principal Overdue as on 29.02.2020, if any (b) then towards Overdue Interest as on 29.02.2000, if any, (c) then towards Moratorium Interest (amortized), (d) then towards Current month's regular Interest, (e) then towards Principal Overdue, if any, and (f) then towards Current month's Principal, in that order. For recovery made from September 2020 onwards, the regular appropriation order of interest due first and principal due next will continue.

5. Asset classification- The loan accounts to which moratorium is granted within the ambit of this policy and as governed by RBI circulars, will not result in asset re-classification and / or downgrade during the moratorium. In respect of all accounts classified as standard (DPD upto 89 days) 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 IRAC norms. In respect of all accounts classified as NPA (DPD 90 days and above) as on February 29, 2020, the moratorium period, wherever granted, shall be included to the number of days past-due for the purpose of asset classification under the IRAC norms. In other words, unlike in case of standard a/cs, the DPD in cases of NPA a/cs, wherever moratorium is granted, will not be frozen as on 29.02.2020.

6. Reporting to Credit Information Companies (CICs)- The account status reporting to the credit bureaus will be as per the status prior to the moratorium period. In other words, the Company will maintain the days-past-due (DPD) status of loan a/cs as on 29.02.2020 until a loan's first repayment due date after the moratorium period. The only exception to this rule is those loans which are DPD 90 days and above as at 29.02.2020. For the loans where moratorium is given for Mar 2020, the Company will cure the non-repayment status of loans getting delinquent in Mar 2020 in the monthly submission to CICs. For loan a/cs which were DPD 90 days and above as on 29.02.2020, their DPD will go up during the moratorium period until repaid.

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7. Others:

- (i) **IT support system-** The Company will make required changes in its back end IT system to generate appropriate revised loan card / schedule / EMI due to account for the moratorium.
- (ii) **Information to Borrowers-** Message on Moratorium shall be communicated widely to employees and borrowers.
- (iii) **New Loan disbursal-** The Company will continue to disburse new / additional loans to the eligible customers in line with RBI Directions for NBFC-MFIs and the Industry Code of Responsible Lending (CRL) during the moratorium.
- (iv) **Pre-closure facility-** The Company will also offer pre-closure facility as usual to a borrower if the latter so wants during the moratorium period.
- (v) **Credit Linked Insurance-** The Company will take up with the insurance company concerned to examine the coverage of Credit Linked Life Insurance for the extended term of the loan where moratorium is given. Extra premium as applicable, to cover the extended tenor will be clearly communicated to the borrowers and collected along with their remaining EMIs due after the moratorium period. If coverage is not extended, the Company will also inform the borrowers concerned about it.
- (vi) **Display on Website-** This Board approved Moratorium Policy will be hosted on the Company's website for our Customers information and benefit as directed in the RBI's aforesaid circulars.

8. Custody and Review: Business Head (BH) controlling the operation vertical of the Company is the custodian of this policy. Managing Director of the Company is authorised to interpret and approve changes to this policy elements subject to related additional RBI guidelines. BH will place a review note to the Board every quarter on the status of recovery in the accounts where moratorium is permitted as per this policy.

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