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**Bajaj Finance Limited**

**Moratorium Policy (Amended)**

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**28 March 2020 (amended on 2 June 2020)**

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## 1.0 INTRODUCTION

Bajaj Finance Limited (hereinafter referred to as “BFL” or “Company”) is a Public Limited Company incorporated under Companies Act, 1956 and regulated & supervised by Reserve Bank of India.

In view of recent global stress in financial and social conditions caused by Covid-19 (CORONA Virus), every government agency is taking measures to curb the negative impact of pandemic.

Reserve Bank of India (RBI) has taken multiple measures on March 27, 2020 to mitigate the negative effect of virus, to revive growth and to preserve financial stability.

RBI vide its Circular DOR.No.BP.BC.47/21.04.048/2019-20, dated March 27, 2020 and Circular DOR.No.BP.BC.63/21.04.048/2019-20, dated April 17, 2020 announced certain regulatory measures in the wake of the disruptions on account of COVID-19 pandemic and the consequent asset classification and provisioning norms.

As announced in the Governor’s Statement of May 22, 2020 and subsequent RBI’s Circular RBI/2019-20/244-DOR. No.BP.BC.71/21.04.048/2019-20, dated May 23, 2020, the intensification of COVID-19 disruptions has imparted priority to relaxing repayment pressures and improving access to working capital by mitigating the burden of debt servicing, prevent the transmission of financial stress to the real economy, and ensure the continuity of viable businesses and households. Consequently, detailed instructions in this regard have been notified.

Through this document, the Company has proposed extending moratorium to customers who are facing financial difficulty due to this pandemic in line with aforementioned RBI’s Circulars on “Covid-19 – Regulatory Package”.

## 2.0 POLICY APPLICABILITY

In view of the extension of lockdown and continuing disruption on account of COVID-19, all commercial banks (including regional rural banks, small finance banks and local area banks), co-operative banks, All-India Financial Institutions, and Non-banking Financial Companies (including housing finance companies) (“lending institutions”) are permitted to extend the moratorium by another three months i.e. from June 1, 2020 to August 31, 2020 on payment of all instalments in respect of term loans (including agricultural term loans, retail and crop loans). Accordingly, the repayment schedule for such loans as also the residual tenor, will be shifted across the board.

Interest shall continue to accrue on the outstanding portion of the term loans during the moratorium period.

In respect of working capital facilities sanctioned in the form of cash credit/overdraft (“CC/OD”), lending institutions are permitted to allow a deferment of another three months, from June 1, 2020 to August 31, 2020, on recovery of interest applied in respect of all such facilities. Lending institutions are permitted, at their discretion, to convert the accumulated interest for the deferment period up to August 31, 2020, into a funded interest term loan (FITL) which shall be repayable not later than March 31, 2021.

In respect of working capital facilities sanctioned in the form of CC/OD to borrowers facing stress on account of the economic fallout of the pandemic, lending institutions may, as a one-time measure:

- (i) recalculate the 'drawing power' by reducing the margins till August 31, 2020. However, in all such cases where such a temporary enhancement in drawing power is considered, the margins shall be restored to the original levels by March 31, 2021; and/or,
- (ii) review the working capital sanctioned limits up to March 31, 2021, based on a reassessment of the working capital cycle.

The above measures shall be contingent on the lending institutions satisfying themselves 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.

### 3.0 CUSTOMER IDENTIFICATION AND OBJECTIVE CRITERIA

Identification of borrowers will be based on guidelines issued by RBI

- Moratorium will be offered on loans outstanding as on March 31, 2020 for installments falling due between March 1, 2020 and August 31, 2020.
- Customer accounts which are NPA (i.e. three instalments overdue) as on February 29, 2020 will not be covered within the ambit of this policy.
- Granting of Moratorium shall be at the sole discretion of BFL.

### 4.0 MORATORIUM PERIOD AND METHODOLOGY

As per RBI guidelines dated 23 May 2020, NBFCs are permitted to offer moratorium to its borrowers. The Company may, at its sole discretion, extend the moratorium/deferment of EMIs to borrowers on need based, who have been impacted by the COVID – 19 situation.

Customers who are requesting for moratorium/deferment will be informed about financial implications of such extension of moratorium/deferment including the applicable interest on such action.

- Customers to whom moratorium is offered by the Company, the Company will not collect installments from them during the agreed Moratorium period.
- Interest amount of the EMI deferred would be capitalized in the loan account.
- Residual tenor would remain same though EMI for subsequent months will be increased to give effect of the capitalization of interest or EMI will be kept constant by suitably increasing the residual tenor for deferred installment and capitalized interest thereon. Decision in this regard will be taken by the Committee of officers formed for this purpose.
- Company would continue to present EMI dues as per normal process for the period June to August 2020 for all its customers, unless such customers specifically requested for moratorium after taking cognizance of the additional financial implication on their loan because of the moratorium/deferment.

- Moratorium/deferment of EMI would be done month wise or up to 3 months at a time for EMI's falling due between 1<sup>st</sup> June 2020 to 31<sup>st</sup> August 2020, decision for the same will be taken by the Committee of officers on a case to case basis.
- In case customers neither paid the EMI amount nor requested for moratorium in writing to the Company during the extended moratorium period, such customers would be provided with, *suo moto*, moratorium by the Company for that particular month only. The customers will be required to apply in writing, if they need moratorium for all the remaining months of extended moratorium period.
- Pursuant to the 1<sup>st</sup> round of moratorium, the Company has also granted moratorium for certain loans sanctioned after March 1, 2020. The Committee is authorized to take suitable action on a case to case basis, with regard to extension of moratorium up to August 31, 2020 in respect of such cases.

## 5.0 COMMITTEE & APPROVAL PROCESS

Decision for implementation of these guidelines at each customer loan level shall be entrusted to a Committee of officers, as under:

- Enterprise Risk Officer;
- Senior Head – Commercial Risk and Underwriting
- Chief Risk Officer; and
- Chief Financial Officer

Approval of minimum 2 out of 4 members shall be required in this regard.

## 6.0 ASSET CLASSIFICATION

The conversion of accumulated interest into FITL, as permitted in terms of above paragraphs, and the changes in the credit terms permitted to the borrowers to specifically tide over economic fallout from COVID-19, will not be treated as concessions granted 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**'), and consequently, will not result in asset classification downgrade.

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 lending institutions from the number of days past-due for the purpose of asset classification under the IRAC norms. The asset classification for such accounts shall be determined on the basis of revised due dates and the revised repayment schedule.

The customers acquired in the month of March 2020 are also being offered the benefit of Moratorium as till such time neither the customer nor the Company was aware of the Covid-19 pandemic and the resulted economic lockdown. The benefit of moratorium, asset classification benefit and consumer bureau reporting would also apply to these cases as well.

Similarly, in respect of working capital facilities sanctioned in the form of cash credit/overdraft ("CC/OD"), where the account is classified as standard, including SMA, as on February 29, 2020, the deferment period,

wherever granted in terms of paragraph 3 above shall be excluded for the determination of out of order status.

All other provisions of RBI circulars dated March 27, 2020 and April 17, 2020 shall remain applicable *mutatis mutandis*.

## 7.0 DISPLAY ON WEBSITE

The Board approved amended Moratorium Policy along with the relevant FAQs will be hosted on the Company's website for our Customers information and benefit as mentioned in the RBI's Circular.

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