

**XANDER FINANCE PRIVATE LIMITED ('THE COMPANY')
POLICY ON COVID-19 -REGULATORY PACKAGE TO BORROWERS**

**DATE OF REVIEW: REVIEWED AND APPROVED BY THE BOARD OF DIRECTORS ON
FEBRUARY 10, 2022**

1. INTRODUCTION:

Xander Finance Private Limited ('XFPL' or 'Company') is registered with the Reserve Bank of India ('RBI') as a Systemically Important Non-Deposit Accepting Non-Banking Financial Company (NBFC-ND-SI). The Company provides end to end credit solutions including advisory services, deal structuring, financing, and workouts to investors, developers, asset owners, private equity owners and large corporations across a range of industries.

On March 27, 2020, the Reserve Bank of India ('RBI') vide: DOR.No.BP. BC.47/21.04.048/ 2019-20, introduced "COVID-19-Regulatory Package". This Regulatory Relief was introduced by RBI to mitigate the burden of debt servicing brought about by disruptions on account of COVID-19 pandemic and to ensure the continuity of viable businesses. As per the above regulatory package, RBI had directed the Lending Institutions (*defined hereinunder*) to grant a moratorium of 3 (three) months on payment of all instalments commencing from March 01, 2020 – May 31, 2020. Due to extension of lockdown by the Government, RBI vide its notification no. DOR.No.BP.BC.71/21.04.048/2019-20 dated May 23, 2020 has further extended the moratorium period by 3 (three) months i.e. from June 01, 2020 – August 31, 2020. Therefore, the collective moratorium period to be granted by the Lending Institutions to eligible borrowers commences from March 01, 2020 ending on August 31, 2020 (hereinafter referred to as 'Regulatory Relief' or 'Policy'). RBI has directed each Lending Institution to frame a policy comprising of the objective criteria for consideration of reliefs as per the regulatory package announced by RBI.

Basis the judgement announced by the Supreme Court in the matter of Small Scale Industrial Manufacturers Association vs UOI & Ors, RBI vide its circular DOR.STR.REC.4/21.04.048/2021-22 dated April 07, 2021 has stipulated guidelines to implement a policy to refund / adjust the interest on interest amount charged to the borrowers during the moratorium period from March 01, 2020 – August 31, 2020. RBI has directed the lending institutions to follow the methodology as may be prescribed by Indian Banks Association ('IBA').

On October 1, 2021, RBI had issued a Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances wherein a consolidated instructions and guidelines were issued to Banks on matters relating to prudential norms on income recognition, asset classification and provisioning pertaining to advances. However, with a view to ensuring uniformity in the implementation of IRACP norms across all lending institutions, certain aspects of the extant regulatory guidelines were clarified and harmonized by RBI vide circular no: DOR.STR.REC.68/21.04.048/2021-22 dated November 12, 2021. The guidelines as mentioned in the

said circular shall be applicable mutatis mutandis to all lending institutions which includes non-banking financial companies.

In accordance with the above Directions, the Company has formulated the Policy on ‘COVID-19-Regulatory Package’ for its customers / borrowers. Unless specifically defined, all terms used in this Policy shall have meanings as ascribed in the said circular for Regulatory Relief or Master Direction – Non-Banking Financial Company – Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016 issued by RBI.

2. OBJECTIVE:

The Policy is formed in order to draw a framework for extending Regulatory Relief introduced by RBI to the customers / borrowers of the Company. It shall be upon the sole discretion of the Company to grant or reject moratorium to its customers / borrowers.

3. APPLICABILITY AND EXTENT OF REGULATORY RELIEF:

All Commercial Banks including regional rural banks, small finance banks and local area banks, co-operative banks, all-India Financial Institutions and non-banking finance companies (‘NBFCs’) including housing finance companies (hereinafter collectively referred to as the “Lending Institutions”) are permitted to grant a moratorium of six months to their customers / borrowers on payment of all instalments falling due between March 1, 2020 -August 31, 2020.

Explanation:

Instalments will include the following payments falling due from March 1, 2020 to August 31, 2020:

- (i) principal and/or interest components.
- (ii) bullet repayments.
- (iii) equated Monthly instalments and
- (iv) credit card dues

4. COVID-19 – REGULATORY PACKAGE:

Following reliefs form part of the COVID-19 – Regulatory Package as issued by RBI on March 27, 2020 and May 23, 2020:

- a) The Lending Institutions are permitted to grant a moratorium of 6 (six) months to customers / borrowers on payment of all instalments that are due between March 1, 2020 – August 31, 2020 (hereinafter referred to as “the Moratorium Period”) in respect of all term loans including agricultural term loans, retail and crop loans.

- b) The Lending Institutions may shift the repayment schedule and residual tenor of the term loans across the board by 6 (six) months after Moratorium Period. During the Moratorium Period, the Lending Institutions should continue to accrue interest on the outstanding portion of the term loans.
- c) On account of reschedulement of instalments of the customers /borrowers, the Lending Institutions during the moratorium period are not permitted to downgrade the asset classification of the Borrower and such modification in payment terms should not be classified as default for supervisory reporting to Credit Information Companies ('CIC') as mentioned below :
 - (i) Credit Information Bureau Limited
 - (ii) Experian Credit Information Company of India Private Limited
 - (iii) Equifax Credit Information Services and
 - (iv) CRIF High Mark Credit Information Services

5. PROCESS FOR GRANT OF COVID-19 - REGULATORY PACKAGE TO THE BORROWERS:

The Company should follow the below mentioned process for granting relief to the customers / Borrower under the regulatory package as announced by RBI:

- a) The customer / borrower should make a written request to the Managing Director or any Authorised Officials (*defined hereinunder*) of the Company for grant of moratorium period of 6 months (either at one stretch or in two separate requests of 3 months each) on the instalments that are due between March 01, 2020 – August 31, 2020.
- b) In order to comply with the Directives of the circular issued by RBI on Regulatory Reliefs and expedite with the grant of reliefs to customer / borrower, the Board of Directors have authorised following officials of the Company to accept / reject the deferment request as received from customers / borrowers:
 - (i) Managing Director & CEO
 - (ii) Head – Legal
 - (iii) Head – Asset Management
 - (iv) VP – Finance & Treasury

(hereinafter collectively referred to as “the Authorised Officials”)

- c) The Authorised Officials of the Company are expected to approve / reject the deferment request (either in writing or via e-mail) after detailed evaluation on case to case basis. It shall be the sole discretion of Authorised Officials of the Company to accept / reject the moratorium package to Borrowers.
- d) The Board of Directors have further authorised atleast 3 out of the 4 above mentioned Officials of the Company to sign / execute letters, documents with regards to acceptance / rejection of the

deferment request as received from customer / borrower; to liaise and do all such acts, deeds and things that may be ancillary in providing Regulatory Relief to the customer / borrowers.

6. ACCOUNTING TREATMENT OF THE LOANS DURING THE MORATORIUM PERIOD:

The Finance function of the Company may follow below accounting treatment on the loans where the said relief has been granted:

- a) During the Moratorium Period, the Finance function of the Company should continue to accrue interest on the outstanding portion of the term loans.
- b) The Finance function of the Company should not charge and account for penal interest in case of loans where Moratorium Period is granted to the customer / borrower.
- c) The Finance function of the Company should continue to provide and adhere to the minimum provisioning requirements as prescribed under the Master Direction – Non-Banking Financial Company – Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016 without downgrading asset classification for the eligible customers / borrowers during the Moratorium Period. The provisions of this Policy should be read in conjunction with other policies of the Company with respect to asset classification and provisioning such as Provisioning and write off policy, Expected Credit Loss policy, Policy on resolution of Stressed Assets etc.
- d) The repayment schedule and the residual tenor of such loans should be shifted by 3 or 6 months as against the original tenor of the loan.

Illustration: If a repayment of the term loan facility is due on March 31, 2020 and on satisfaction of the eligibility criteria for granting the Regulatory Relief, the Company grants a moratorium period of 6 months. In such case, the revised repayment due date of the term loan facility shall be October 01, 2020 (for the instalment that was due on March 31, 2020) and the tenor of loan shall stand extended by 6 months. However, interest which was due from March 01, 2020 to August 31, 2020 shall continue to accrue on the outstanding portion of the term loan facility during the said Moratorium Period and such total interest shall be capitalized to the outstanding facility amount as and when originally due and the same shall be collected during the remaining tenor of the loan as per the revised repayment schedule.

7. ADDITIONAL MEASURES ON ASSET CLASSIFICATION AND PROVISIONING ISSUED BY RBI:

In order to mitigate the impact of COVID-19 on the businesses and financial institutions, RBI had issued notification no: DOR.No.BP.BC.63/21.04.048/2019-20 dated April 17, 2020, on 'COVID19 Regulatory Package - Asset Classification and Provisioning' wherein certain additional measures pertaining to asset classification and provisioning norms were announced by RBI.

- a) Asset Classification under the Prudential norms on Income Recognition, Asset Classification (IRAC):

- The Company while calculating the number of days past due for the purpose of asset classification under IRAC norms, should exclude the Moratorium Period granted to the customers / borrowers whose loan accounts were classified as ‘Standard’ (even if overdue) as on February 29, 2020. The asset classification for such accounts should be determined on the basis of revised due dates and revised repayment schedule.
- The Company should comply with the provisions relating to recognition of impairments as prescribed under the ‘Indian Accounting Standards’ (‘Ind-AS’) and should adhere to the guidelines as prescribed by ‘The Institute of Chartered Accountants of India’ (ICAI) in this regard.
- Provisioning requirements in respect of loan accounts in default but standard and where moratorium period is granted to the borrowers and asset classification benefit is extended as per para 7 a), the Company should provide for a general provision of not less than 10% on the outstanding loan accounts that shall be phased over two quarters as follows:

Period	Provisioning requirements
Quarter ending March 31, 2020	Not less than 5%
Quarter ending June 30, 2020	Not less than 5%

- The Company should adjust the above provisions made against the actual provisioning requirements for slippages from the loan accounts reckoned for such provisions. The residual provisions at the end of the financial year should be written back or adjusted against the provisions required for all other loan accounts.
- The Company should not take into consideration the above provisions made for calculating net NPAs until the same are adjusted against the actual provisioning requirements as mentioned under above paragraph. Further till such adjustments, these provisions should not be netted from gross advances but shown separately in the balance sheet as appropriate.
- All other provisions required to be maintained by the Company, including the provisions for accounts already classified as NPA as on February 29, 2020 as well as subsequent ageing in these accounts, shall continue to be made in the usual manner by the Finance function of the Company.

8. RBI DIRECTIONS ON CLASSIFICATION OF SPECIAL MENTION ACCOUNT (‘SMA’) AND NON-PERFORMING ASSET (‘NPA’):

- a) In order to enable the customers / borrowers to tide over economic fallout from COVID-19, the Company should not treat such moratorium / deferment / recalculation of drawing power granted to the customer / borrower as concession or change in terms and conditions of loan agreements due to financial difficulty of the customer / borrower as specified 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’).

- b) Pursuant to the grant of Regulatory Relief, the Company should not downgrade the asset classification of the customer / borrower during the Moratorium Period of 6 months.
- c) The Company should consider the asset classification of the loan accounts of the customer / borrower on the basis of revised due dates and revised repayment schedule.
- d) The Finance, Asset Management and Legal function of the Company should ensure that such rescheduling of instalments should not qualify as a default for the purposes of supervisory reporting and reporting to Credit Information Companies ('CICs'). The days past due and Special Mention Account ('SMA') status, where applicable, as on March 1, 2020 should remain unchanged till August 31, 2020.

9. RBI DIRECTIONS ON ASSET CLASSIFICATION AND INCOME RECOGNITION FOLLOWING THE EXPIRY OF COVID-19 REGULATORY PACKAGE:

- a) RBI had issued guidelines on asset classification and income recognition post the expiry of COVID-19 regulatory package vide circular no: DOR.STR.REC.4/21.04.048/2021-22 dated April 07, 2021. As per the guidelines prescribed in the said circular, all Lending Institutions should put in place a policy stating the methodology for refund or adjustment of interest on interest amount charged to the borrowers during the moratorium period that is March 1, 2020 – August 31, 2020.
- b) RBI had directed that the above relief of refund or adjustment of interest on interest amount shall be provided to all the borrowers irrespective of whether moratorium has been fully or partially availed or not availed in terms of the regulatory reliefs announced by RBI.
- c) In cases where the Company has granted moratorium on repayment of interest, the Company shall recognize interest income on accrual basis for accounts which continue to be classified as 'standard'. This shall be evaluated against the definition of 'restructuring' which is as follows:

Restructuring is an act in which a lender, for economic or legal reasons relating to the Borrower's financial difficulty, grants concessions to the Borrower. Restructuring would normally involve modification of terms of the advances / securities, which would generally include, among others, the following:

- *alteration of payment period / payable amount / the amount of instalments / rate of interest;*
 - *roll over of credit facilities;*
 - *sanction of additional credit facility/ release of additional funds for an account in default to aid curing of default / enhancement of existing credit limits;*
compromise settlements where time for payment of settlement amount exceeds three months.
- d) The Company shall follow the existing income recognition norms as prescribed by RBI for loans towards projects under implementation which involve deferment of DCCO.

- e) In cases where moratorium is granted on payment of interest which is permitted at the time of sanction of the loan and the said loan turns NPA after conclusion of moratorium period, the capitalized interest corresponding to the interest accrued during such moratorium period is not required to be reversed. The said provision is applicable from November 12, 2021.
- f) The Indian Banks Association (IBA) has advised the following methodology to be followed by the lending institutions for the calculation of amount to be refunded/adjusted towards interest on interest.

S NO	CRITERIA	DESCRIPTION	REMARKS
1	Eligible Accounts: Borrower accounts which were standard as on February 29, 2020 including SMA-0, SMA-1 and SMA-2 will be eligible for the refund.	1. Aggregate fund based outstanding from all lenders of Rs. 2 crores and above where compound interest/interest on interest/ penal interest for non-payment/delayed payment was applied during moratorium. 2. Aggregate fund based outstanding of less than Rs. 2 crores from all lenders where compound interest/interest on interest/penal interest for non-payment/delayed payment was applied during moratorium and refund not provided under the Ex-gratia scheme due to whatever reasons.	All loan / working capital / trade products which had outstanding during the moratorium period shall be considered. Account eligible for refund only if compound interest/interest on interest/penal interest as been applied during the moratorium. Refund to be provided irrespective of whether moratorium was availed or not.
2	Ineligible Accounts:	1. NPA Accounts as on February 29, 2021 (presumption being no interest or no compound interest is changed in case of NPA accounts). 2. Accounts with aggregate outstanding of less than Rs. 2 crores from all lenders where refund has already been afforded under the Ex-gratia scheme. 3. A/cs with simple interest as per contract where compounding has not happened. 4. Non-funded facilities not eligible for refund.	Accounts where compounding interest / interest on interest/ penal interest for non-payment/delayed payment has not been applied during the moratorium will not be eligible for refund of interest. However, in case of accounts with simple interest, "if simple interest was capitalized on monthly or quarterly basis during the moratorium period, resultant interest on interest during the moratorium period shall be refunded.

3	Calculation Method:	<p>1. Daily outstanding balance to be reckoned for calculation of interest.</p> <p>2. Enhancement / fresh limits sanctioned and disbursed / reduction in limits subsequent to reference date, i.e., February 29, 2020 and before August 31, 2020 will be reckoned for calculation of interest.</p> <p>3. Repayments of interest and instalments in DL / TL accounts of borrowers during the moratorium period shall be considered for working out the difference between simple and compound interest.</p> <p>4. Normal changes in the contractual interest rate due to changes in the underlying reference rate like MCLR, Base Rate etc. will be reckoned while calculating the interest.</p> <p>5. Any penal interest rate on account of delay /non-payment of instalments / interest applied in a facility shall be excluded while calculating the outstanding balance as it is to be refunded.</p>	-
4	Accounts closed during moratorium period:	Interest on closed accounts will be calculated upto one day prior to the closure date.	-
5	Overdraft in CC/OD Accounts/	Overdrawn component in CC / OD shall be reckoned for the benefit, i.e., total outstanding to be reckoned.	-

6	Interest certificate for Tax purpose	The interest amount refunded relating to year 2020-21 to be reduced from the overall interest recovered in the account while giving the interest certificate as the actual reversal will happen only in the next financial year.	This can be done by way of making suitable remark against the interest amount.
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g) Based on the above methodology issued by IBA, the Company shall follow the below methodology for accounting of interest on interest amount:

Sr.no	Type of borrowers	Status of restructuring	Accounting methodology
1.	In case of eligible existing borrowers as on the date of Supreme Court judgement dated March 23, 2021	Restructured	Interest on interest amount to be adjusted against the restructured principal amount of the borrower
		Not restructured	Interest on interest amount to be adjusted against the subsequent instalment of the borrower
2.	In case of closure of eligible loan accounts of borrower as on the date of Supreme Court judgement dated March 23, 2021	Not restructured	Total refund of interest on interest amount to the borrowers

h) The Company should follow the below process:

i) In case of adjustment of interest on interest amount:

- The Company should intimate the borrower with respect to adjustment of interest on interest amount and provide the revised repayment schedule after considering the necessary adjustments.

ii) In case of refund of interest on interest amount:

- The borrower should provide a written request to the Company for refund of interest on interest amount.
 - Upon receipt of such request, the Company should evaluate and assess the request made by borrower and in case if the loan account of borrower is closed as on March 23, 2021, the Company shall process such request and refund the interest on interest amount and intimate the same to the borrower.
 - In case if any dues of the borrower are outstanding, the Company shall follow the process of adjustment of interest as mentioned above.
- i) A statement containing borrower wise details of adjustment or refund of interest on interest amount shall be presented to the members of the ALCO. The periodicity of presenting such statement is only once, however in case of any change in methodology, the same shall be accordingly updated to the members of the ALCO.
- j) The Company shall comply with the following extant asset classification standards as prescribed by RBI:
- i. In respect of loan accounts which were not granted any moratorium in terms of the Regulatory Relief, asset classification shall be as per the criteria laid out in the Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015 or other relevant instructions as may be applicable from time to time ('IRAC norms').
 - ii. In respect of loan accounts which were granted moratorium in terms of the Regulatory Relief, the asset classification for the period from March 1, 2020 to August 31, 2020 shall be governed in terms of the circular DOR.No.BP.BC.63/21.04.048/2019-20 dated April 17, 2020, read with circular DOR.No.BP.BC.71/21.04.048/2019-20 dated May 23, 2020. For the period commencing September 1, 2020, asset classification for all such accounts shall be as per the applicable IRAC Norms.
- k) The Company shall comply with the provisions of all the RBI circulars and advisory issued by Indian Banks Association dated April 19, 2021.

10. DISCLOSURES:

- a) In case where the exposure of the customer / borrower is Rs.5 crore and above, a monthly MIS on reliefs provided to the customers / borrowers consisting of borrower wise; credit-facility wise information (regarding the nature and amount of relief granted) should be prepared and maintained.
- b) This Policy shall be made available for public on the website of the Company.
- c) The Company should disclose the following in the 'Notes to Accounts' in the financial statements for the half year ending on September 30, 2020 as well as financial years 2019-20 and 2020-21:

- Respective amounts in SMA/overdue categories, where the moratorium/deferment was extended.
 - Respective amount where asset classification benefits is extended.
 - Provisions made during the Q4FY2020 and Q1FY2021 in terms of Para 7.
 - Provisions made during the Q4FY2020 and Q1FY2021 in terms of Para 7.
- d) The Company shall disclose the aggregate amount to be refunded / adjusted in respect of its borrowers based on the above reliefs in the financial statements for the year ending March 31, 2021.

11. REVIEW:

This Policy should be reviewed by the Board of Directors as and when it is necessary. Based on the further directions / notifications issued by the RBI on COVID-19, this Policy may be accordingly modified and revised by the Board of Directors of the Company.

12. CONFIDENTIALITY:

This Policy is strictly confidential and is only for circulation to the customers / borrowers of the Company and can only be shared with authorised recipients as determined by the Company from time to time.

Particulars	Date of adoption/ review/ revision
Adoption	March 30, 2020
Revision	April 21, 2020
Revision	May 26, 2020
Review	March 23, 2021
Revision	May 26, 2021
Review	February 10, 2022