

Granting of moratorium for payment of instalments on term loan on account of COVID-19 pandemic

Version 2.0

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1. Background

The business of India Infradebt Limited (Infradebt) is defined, by regulation, to finance/invest in infrastructure projects as defined by Reserve Bank of India, provided these are post-Commercial Operations Date (COD) infrastructure projects which have completed at least one year of satisfactory commercial operations.

As per the Infrastructure Debt Fund-Non-Banking Financial Companies (Reserve Bank) Directions, 2011 issued vide Notification No. DNBS.233/ CGM(US)-2011 dated November 21, 2011, the refinancing by IDF-NBFCs was initially restricted to the Public Private Partnership (PPP) projects in the infrastructure sector, having completed minimum one year of successful operations post COD. The projects should have a concession agreement with concessionary authority

As per the subsequent RBI Directions issued vide Notification No. DNBR (PD) CC.No.035/03.10.001/2014-15 dated May 14, 2015, IDF-NBFCs are allowed to undertake investments in non-PPP projects and PPP projects without a Project Authority, in sectors where there is no Project Authority, provided these are post COD infrastructure projects which have completed at-least one year of satisfactory commercial operation.

The RBI vide its notification on COVID-19- Operational and Business Continuity Measures dated March 16, 2020 has highlighted that the World Health Organization (WHO) has declared the recent outbreak of the novel coronavirus disease (COVID-19) a pandemic indicating significant and ongoing person-to-person spread in multiple countries, with the uncertainty about the extent of spread and the likely impact on the global economy.

The RBI vide its press release on the Statement of Development and Regulatory Policies released on March 27, 2020 announced the regulatory measures 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. The RBI then further vide its notification on COVID-19 – Regulatory Package dated March 27, 2020 announced the detailed instructions on the aforesaid regulatory measures.

The RBI has further announced regulatory measures on account of COVID-19 vide its two circulars dated April 17, 2020 as follows:

1. **Circular 1** – Relaxed the timeline for Review Period and Resolution Period as provided in the paragraph 11 of the Prudential Framework on Resolution of Stressed Assets dated June 7, 2019 (Prudential Framework).
2. **Circular 2** – Relaxed the requirements of asset classification and provisioning for the accounts which were permitted the benefits of moratorium.

The RBI then further vide its notification on COVID-19 – Regulatory Package dated May 23, 2020 announced the detailed instructions and extended the moratorium period for further three months till August 31, 2020.

The Policy on granting of moratorium on payment of instalment for term loans on account of Covid-19 pandemic seeks to provide direction to grant the moratorium on case to case basis by Infradebt.

2. Enforceability

This Policy will remain in force in respect of payment of all instalments for the term loans / NCDs falling due between March 1, 2020 and August 31, 2020 or till such other extended timeline provided by RBI.

3. Objective Criteria for granting moratorium

If the cash flows of the borrower of India Infradebt Limited are affected (either directly or indirectly) due to the spread of COVID 19 and subsequent lockdown announced by various states and the Central Government, the borrower will be eligible for the moratorium of installments (both principal and interest) falling due between March 1, 2020 and August 31, 2020 as per the 'COVID-19 - Regulatory Package' announced by the Reserve Bank of India (RBI) on March 27, 2020 and May 23, 2020.

4. Rescheduling of Payments – Term Loans

As per paragraph 2 of RBI notification dated March 27, 2020, Infradebt is permitted to grant a moratorium of three months in respect of all term loans on payment of all instalments falling due between March 1, 2020 and May 31, 2020 (Moratorium I). Instalments will include the following payments falling due from March 1, 2020 to May 31, 2020: (i) principal and/or interest components; (ii) bullet repayments; and (iii) Equated Monthly instalments. 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 / NCDs during the moratorium period.

As per paragraph 2 of RBI notification dated May 23, 2020, Infradebt is permitted to extend the aforementioned moratorium by further three months till August 31, 2020 (Moratorium II).

Further, as per paragraph 5 of RBI notification dated May 23, 2020, 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.

Non-Convertible Debentures (NCDs) Exposure to Road projects be treated as Term Loan

The PPP projects where the exposure of Infradebt is in the form of investment in NCDs are for longer tenure and would also be considered in the nature of term loans for granting this moratorium. It may be noted that the provisioning for these projects is also done as per the provisioning norms for long term loans.

Adjustments for moratorium requests received after payment of Principal / Interest for Moratorium I

RBI, as part of the first relief measure, has allowed the moratorium for payment of instalments on term loans / NCDs due between March 1, 2020 and May 31, 2020. Some of the clients of Infradebt have already paid the Interest / Principal due for the month of March 2020, and subsequently requested for moratorium. In such cases, the March payments, including cases where payments were due on March 01, 2020, were kept as advance to be adjusted against the payment due immediately after moratorium period. For such clients, who have paid the Interest / Principal amount due for any or more of the months i.e. March 2020, April 2020 or May 2020 and thereafter requested to consider the amount paid as advance/ or as additional debt service reserve account (DSRA) (to avail the moratorium benefit), Infradebt would obtain the moratorium approval accordingly in compliance with its Policy. The said requests have been made by clients so that the client can take care of subsequent challenges which may come up as economic activity will gradually pick up and client may require to utilise DSRA during that period. It is also proposed that for clients who have paid advance or made TDS payment or any other payment during the moratorium period, interest shall be charged on the outstanding amount net of such amounts.

5. Asset Classification

Since the moratorium 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.

In respect of all accounts classified as standard as on February 29, 2020, even if overdue, the moratorium period, wherever granted, shall be excluded by Infradebt from the number of days past-due for the purpose of asset classification under the Income Recognition and Asset Classification norms.

The asset classification of term loans which are granted relief as per paragraph 2 of the RBI notification dated March 27, 2020 and paragraph 8 of the RBI notification dated May 23, 2020 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.

6. Broad parameters for approving moratorium

Infradebt would consider the following broad parameters before granting an approval for moratorium for payment of instalment (Principal plus Interest) on the term loans / NCDs:

- The request from the borrower for the moratorium and submission of consent for terms & conditions relating to the moratorium and for the revised repayment schedule
- The liquidity position of the projects including DSRA
- The nature of operations of the projects viz hospital project may have cash intensive operations
- The tail period available and the regulatory compliance
- In cases where Infradebt is part of a lending consortium or is part of a multiple banking arrangement, the decisions related to moratorium shall be taken on basis of consensus amongst lenders

The Managing Director & CEO would be the final authority to approve the moratorium.

7. Preparation of MIS

Infradebt shall develop an MIS on the reliefs provided to its borrowers which shall inter alia include borrower-wise information regarding the nature and amount of relief granted.

8. Internal Assessment

Infradebt should assess the impact on their balance sheet, liquidity, etc. arising out of the moratorium approved under this Policy. The assessment report should be circulated to the senior management on monthly basis and presented to the Board of Directors on quarterly basis till September 30, 2020.