MUTHOOT CAPITAL SERVICES LIMITED
CIN: L67120KL1994PLC007726

POLICY ON RESOLUTION FRAMEWORK OF COVID-19 RELATED STRESS

This Policy was approved by the Board on June 03, 2021

PREFACE:

Muthoot Capital Services Limited (MCSL) promoted by the Muthoot Pappachan Group (MPG) is a Non-Banking Financial Company (NBFC) registered with the Reserve Bank of India (RBI) having its equity shares listed on the BSE Limited and National Stock Exchange of India Limited.

BACKGROUND:

In view of COVID-19 Pandemic, to address the stress in the financial sector, especially on Individuals and Small Businesses, RBI has issued a Notification with reference No. DOR.STR. REC.11/21.04.048/ 2021-22 dated May 05, 2021 on "**Resolution Framework - 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses**".

In the said Notification, RBI has permitted all Commercial Banks (including Small Finance Banks, Local Area Banks and Regional Rural Banks), all Primary (Urban) Co-operative Banks/State Co-operative Banks / District Central Co-operative Banks, all All-India Financial Institutions, and all Non-Banking Financial Companies (NBFCs) (including Housing Finance Companies) (hereinafter referred to as "Lending Institutions") pertaining to implementation of viable resolution plans for eligible borrowers under this framework, ensuring that the resolution under this facility is provided only to the borrowers having stress on account of COVID-19 Pandemic.

Accordingly, this Policy will define the eligibility of borrowers in respect of whom MCSL shall be willing to consider the resolution and shall lay down the due diligence considerations to be followed by MCSL to establish the necessity of implementing a resolution plan in respect of the concerned borrower as well as the system for redressing the grievance of borrowers who requests for resolution under the window and / or are undergoing resolution under this window.

MCSL have analysed the current market situation including the steps taken by the peer companies and decided to implement this Policy with immediate effect to comply with the aforesaid RBI Notification.

OBJECTIVES OF THE POLICY:

a) To identify the eligible borrowers in respect of whom MCSL shall be willing to consider the resolution process acknowledging the fact that there has been a major stress on the fund flow of Individuals and Small Businesses due to COVID-19 Pandemic, which has impacted their normal lives and business functioning.

b) To lay down the due diligence considerations to be followed by MCSL to establish the necessity of implementing a resolution plan.

c) To establish a system for redressing the grievance of borrowers who request for resolution under this window and / or are undergoing resolution under this window thereby providing temporary support to the borrower in this time of pandemic.

d) To comply with the guidelines / directions of RBI by implementing a Board approved policy in this regard.

RESOLUTION FRAMEWORK:

Eligibility and Applicability	The credit facility / exposure to the borrower shall be standard as of March 31, 2021. The borrowers of MCSL who were standard as on March 31, 2021 shall be eligible for resolution plan under the Framework 2.0.
Eligible Borrowers	1. Individuals who have availed personal loans (covers Educational Loans, Consumer loans including gold loans, Housing loans etc) supposedly covers the 2W and Used Car loans given by MCSL as the definition of "Personal Loans" as per Circular DBR. No. BP. BC. 99 / 08.13.100 / 2017 - 18 dated January 4, 2018 on "XBRL Returns - Harmonization of Banking Statistics" includes Consumer Credit which consists of auto loans given other than loans for commercial use. 2. Individuals who have availed loans and advances for business purpose with aggregate exposure of lending institutions not more than ₹ 25 crores as on March 31, 2021. 3. Small businesses, (including retail and wholesale trade), other than those classified as MSME as on March 31, 2021, with aggregate exposure of Lending institutions not more than ₹ 25 crore as on March 31, 2021. In case of MCSL, the eligible borrowers would primarily fall in the 1st category.
Application procedure to be followed to avail Resolution Plan	As and when a customer slips into NPA, MCSL shall inform about the resolution plan available and if the customer desire so, a request thereof in writing from the customer to avail the said resolution plan should be obtained by MCSL.
Stress identification procedure to be followed by MCSL.	In case of personal loans, identification of stress shall be based on the self-declaration submitted by the borrower. Personal Loans for MCSL would include therein "auto loans, loyalty loans, Used Car loans, consumer durable loans and all such loans granted to individuals".
Invocation of Resolution Plan	• Resolution under this framework shall be provided only to the borrowers having stress on account of COVID-19 Pandemic. • Resolution under the Framework shall be invoked not later than September 30, 2021 and resolution plan shall be finalized and

	implemented within 90 days from the date of invocation of the resolution process.
	• The resolution process under this window shall be treated as invoked when MCSL and the borrower agree to proceed with the efforts towards finalising a resolution plan to be implemented.
	• In respect of applications received from the borrowers for invoking resolution process under this window, the assessment of eligibility for resolution as per the guidelines of the Framework shall be completed, and the decision on the application shall be communicated in writing to the applicant by the MCSL within 30 days of receipt of such applications.
	• The date of such communication by MCSL to the borrower agreeing to the Resolution Plan shall be treated as the date of invocation.
	• MCSL can take decision to invoke the resolution process under this window independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.
Features of Resolution Plan & it's implementation	The resolution plans implemented under this window may inter alia include rescheduling of payments, conversion of any interest accrued or to be accrued into another credit facility, granting of moratorium etc. based on an assessment of income streams of the borrower. However, compromise settlements are not permitted as a resolution plan for this purpose.
	Moreover, Resolution Framework 2.0. and extension of time limit for repayment would be as follows:
	• If the remaining tenure of loan is up to 6 months - 3 months extension permitted
	• If tenure 6-12 months - 6 months extension permitted
	• If remaining tenure is 13-24 months- 9 months extension permitted
	• If remaining tenure is > 24 months - 12 months extension permitted
Processing Charges and Interest rate	1% of the outstanding loan amount eligible for resolution (to be defined in the SOP to cover Principal Outstanding and all other amounts due from the customer on the date of the invocation), subject to a minimum of Rs. 500 plus applicable taxes.

	The Interest rate on the restructured amount would be raised by 1% to meet the cost of provisioning and the other cost of funds incurred by the Company on account of non-receipt of the EMIs on time. All other applicable charges to be collected as per extant guidelines. No other charges are stipulated other than the above.
Security	Existing securities shall continue to be extended for the restructured facilities.
Implementation of the Policy	As timeliness is the essence on which the implementation would benefit the borrower, the timelines as prescribed in the RBI Notification of 5th May 2021 should be fully adhered to. To meet this objective, MCSL would have standard templates for: - Application for invocation of restructuring of the loan taken - Letter for approval of the invocation The draft templates for the above are given as attachments which shall be used subject to changes as may be required for implementation on the ground. The Company shall frame a detailed SOP covering all aspects of the implementation, so that the invocation of the restructuring and its implementation happens in a smooth manner, meeting the objectives of the policy ensuring that there is no loss suffered by the Company on the implementation of this policy. This SOP will be recommended by the Management of the Company and approved by the Managing Director.

Annexure I: Restructuring request letter
Customer Request cum Consent Form for Restructuring

To,
Muthoot Capital Services Ltd,
3rd Floor, Muthoot Towers,
MG Road, Kochi, Kerala 682035

Dear Madam/Sir,

1. I confirm that Muthoot Capital Services Ltd has explained to me in detail about the option to Restructure the terms on which my loan will be restructured, as per Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses dated May 5, 2021

2. I understand that the Restructuring and associated repayments and in the case of default in associated repayment of EMI will lead to a charge of overdue interest and other charges.

3. Based on this information, I would like to **(tick as appropriate)**

☐ Opt-out for the moratorium and will continue to pay instalment as per schedule given by the company.

☐ Opt-in for moratorium and will continue to pay instalment as per revised schedule given by the company.

I am aware that the moratorium acceptance is solely at the discretion of Muthoot Capital Services Ltd. Moratorium is only a temporary postponement of payment of interest/ principal / instalments. However, interest on the loan outstanding will get levied and accrued for the deferred or moratorium period and subsequent EMIs would be based on the POS arrived at including these additional charges.

All other terms and conditions of the original loan agreement shall remain unchanged, and this consent form shall be considered as part of the loan agreement.

Yours faithfully,

Signature

Customer details

Name: Loan number:

Address: Mobile Number:

Place:

Date:

Balance as on				
Principal Outstanding				
Overdue Interest/ other charges				
Total Amount Due				
Loan Amount to be restructured	ROI (Existing)		Tenure	Moratorium if any
Processing Fee		GST (Kerala-19% and others 18%)		
NACH Activated	Yes/No			
Bank Account Details (If NACH not activated)				
Name of Branch	Branch	Nature of Account	Account No	IFSC Code