



NIXA FINCAP PRIVATE LIMITED (Formerly known as XANDER FINANCE PRIVATE LIMITED) ('NFPL')
POLICY ON COVID-19 - REGULATORY PACKAGE TO BORROWERS

DATE OF REVIEW: REVIEWED AND APPROVED BY THE BOARD OF DIRECTORS ON DECEMBER 18, 2024

1. INTRODUCTION:

Nixa Fincap Private Limited (“NFPL”) (formerly known as Xander Finance Private Limited) is a non-deposit accepting Non-Banking Financial Company (‘NBFC’) registered with Reserve Bank of India (‘RBI’) vide NBFC registration no. B-13.02083. Further, as per the Master Direction- Reserve Bank of India (Non-Banking Financial Company-Scale Based Regulation), Directions, 2023 dated October 19, 2023 (“**Directions**”), NFPL is classified as Base layer NBFC having customer interface and not availing public funds.

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 commenced from March 01, 2020 and ended 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’).

All previous policies are superseded by this policy. Wherever it has not been so provided, provisions of applicable law (as amended or modified) shall continue to apply. It is also clarified that in case of conflict between provisions of applicable law (as amended or modified) and this policy, provisions of applicable law (as amended or modified) shall prevail.

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 NFPL. 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 mentioned in the RBI circulars form part of the COVID-19 – Regulatory Package dated March 27, 2020 and May 23, 2020, respectively:

On account of reschedulement of instalments of the customers /borrowers, NFPL during the moratorium of 6 months on payments which were due between March 01, 2020 to August 31, 2020 ("**Moratorium Period**") is 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. ACCOUNTING TREATMENT OF THE LOANS DURING THE MORATORIUM PERIOD:

NFPL may follow below accounting treatment on the loans where the said relief has been granted:

- a. During the Moratorium Period, NFPL should continue to accrue interest on the outstanding

portion of the term loans.

- b. NFPL should not charge and account for penal charges in case of loans where Moratorium Period is granted to the customer/ borrower.
- c. NFPL should continue to provide and adhere to the minimum provisioning requirements as prescribed under the Master Direction – Reserve Bank of India (Non-Banking Financial Company-Scale Based Regulation), Directions, 2023 dated October 19, 2023, to the extent applicable 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 NFPL 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.

6. 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.

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

- NFPL 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.
- NFPL 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, NFPL provided for a general provision of not less than 10% on the outstanding loan accounts that were 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%

- NFPL 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.

- NFPL 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 NFPL, 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 NFPL.

7. 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, NFPL 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. NFPL 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 reschedulement 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.

8. 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 NFPL has granted moratorium on repayment of interest, NFPL 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 threemonths.*
- d. NFPL 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	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.

		<p>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.</p>	<p>Refund to be provided irrespective of whether moratorium was availed or not.</p>
2	Ineligible Accounts:	<p>1. NPA Accounts as on February 29, 2021 (presumption being no interest or no compound interest is changed in case of NPA accounts).</p> <p>2. Accounts with aggregate outstanding of less than INR 2 crores from all lenders where refund has already been afforded under the Ex-gratia scheme.</p> <p>3. A/cs with simple interest as per contract where compounding has not happened.</p> <p>4. Non-funded facilities not eligible for refund.</p>	<p>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.</p> <p>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.</p>
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</p>	-

		<p>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, NFPL 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. NFPL should follow the below process:

- i. In case of adjustment of interest on interest amount: NFPL 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 NFPL for refund of interest on interest amount.
 - Upon receipt of such request, NFPL 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, NFPL 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, NFPL 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. NFPL 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. NFPL shall comply with the provisions of all the RBI circulars and advisory issued by Indian Banks Association dated April 19, 2021.

9. DISCLOSURES:

- a. In case where the exposure of the customer / borrower is INR 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 NFPL.

10. REVIEW:

This Policy should be reviewed by the Board 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 NFPL.



11. CONFIDENTIALITY:

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

**Approved for and on behalf of the Board of Directors of
Nixa Fincap Private Limited
(formerly known as Xander Finance Private Limited)**

Mansi Gandhi
Company Secretary
ICSI Membership No.: ACS-58471

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Place: Mumbai

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