



MCSL/SEC/20-21/55

August 01, 2020

**BSE Limited**

Phiroze Jeejeebhoy Towers  
Dalal Street,  
Mumbai - 400 001  
**Scrip Code - 511766**

**National Stock Exchange of India Limited**

Exchange Plaza, C-1, Block G,  
Bandra Kurla Complex,  
Bandra (E), Mumbai - 400 051  
**Trading Symbol - MUTHOOTCAP**

Dear Sir/Madam,

**Ref: SEBI Circular dated May 20, 2020 - SEBI / HO / CFD / CMD1 / CIR/ P / 2020 / 84**

**Sub: Disclosure of material impact of COVID-19 Pandemic - Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

This is with reference to the above-mentioned SEBI Circular dated May 20, 2020.

In view of the several pressing issues and our involvement on two Board meetings that were held during this intermittent period for considering and approving the financial results, the response to this circular has been delayed and sincerely regret on the same.

In line with the requirements of Regulation 30 of the SEBI (LODR) Regulations, 2015, the requisite disclosure pertaining to the material impact of COVID-19 Pandemic is as under:

**1. Impact of the COVID-19 Pandemic on business of the Company**

The global outbreak of COVID-19 Pandemic and the nationwide lockdown announced by Government of India with effect from March 24, 2020 has significantly affected the operations of the Company at large. All the branches of the Company including the customer contact points were under complete lockdown during the first two phases of lockdown. The administrative work of the Company continued through work from home and the Sales and collection teams were engaged in the customer connect program.

Being an NBFC, which concentrates on the two-wheeler financing, the Company has been severely affected as dealer points, from where the customers are sourced, could not operate



during the lockdown period. The Two-wheeler industry has also faced a massive cancellation of bookings during the lockdown but is expected to respond positively by taking into account the restrictions on the public transport system and necessity of social distancing post lockdown period.

As any transaction is not complete without the collection of the loan disbursed not happening, the company laid its emphasis on collecting from the customers. With the moratorium announcement coming up immediately after the lockdown was announced and the customers themselves in a state of crisis as lockdown meaning that the customers, even if they wanted to pay, could not pay due to lockdown.

Thus, the Company started educating the customers on the demerits of availing moratorium in case they have funds to pay. We also advised & educated customers regarding the use of digital means of payment. This ensured that, in spite of the lockdown and moratorium, the collections happened, to whatever extend possible.

## **2. Schedules regarding restarting of operations**

Effective from April 20, 2020, the Head Office and some of the Branch Offices have resumed working in permissible Zone, duly complying with the safety norms prescribed by the Government of India and respective State Governments.

Subsequently, considering the ease of restrictions made by the Ministry of Home Affairs by time to time, our Company has also increased working hours and allowed more employees to be present in the office with adequate safety measures and precautions. The number of employees coming to work steadily increased and as of now, the Company is operating efficiently with 90% of staff capacity at the head office in Ernakulam. While there are intermittent issues of any particular area being declared a containment zone and employees residing in that area became unable to come and therefore working from home, the situation has been seen to be improving with every passing day.

In some of the areas where the Government authorities have not provided any relaxations in the lockdown measures and where the contingency is still persisting, the Company has not resumed its business operations.

## **3. Estimation of the future impact of COVID-19 on our operations**

In the ambit of the prevailing Force Majeure conditions, the impact of the COVID-19 Pandemic is at present, not completely ascertainable and the same will depend on how quickly the economy and the industry recovers thereto.

On the negative side, the Company does expect slippages post the end of the moratorium period and enhanced cost of collection. Noting that the impact of the same on the financials for the year



could be significant, the Company has made contingency provision to the extent of Rs. 50 crores (270 bps of the Own Book AUM net of securitized portfolio) over the last 2 quarters i.e. Q4 FY20 and Q1 FY21, Also with the dealerships from where the business is generated for the Company seeing a start-stop-start scenario, the impact on the disbursement could be severe thereby impacting the disbursements and thereby the revenues negatively.

However, on the positive side, the Company is forecasting that the demand of the two-wheelers would substantially increase in the Indian market, for the months to come, due to the importance of proper social distancing and the restriction on the public transport system. Hence, that would substantially increase the business of the Company also.

#### **4. Specific preventive measures taken at the office**

Post reopening, the Company is functioning in line with the SOP issued by Ministry of Home Affairs on preventive measures to contain spread of COVID-19 in the offices. All such measures in Head Office, Branches and Customer Contact Points are monitored directly by HR Department. Preventive measures including mandatory use of masks, practice of frequent hand wash and the use of hand sanitizers were made mandatory in the offices & business spaces. Even at the entrance before the employee comes into the building, hand wash facilities have been provided. At the Head Office, a Disinfection Gateway has been installed, the technical knowhow of which was donated by Sree Chitra Tirunal Institute & manufactured by HLL Lifecare Limited through which every person entering the office are expected to walk through, which would sanitize them. Only asymptomatic customers / staff and visitors are allowed in the office. Use of Aarogya Setu App is promoted among the employees as directed by Reserve Bank of India.

Moreover, seating arrangement in offices are made in such a way that adequate social distancing is maintained. Lunch hours of the Company has staggered to avoid crowding in dining hall. In case any employee is seen to be sick or merely coughing or sneezing continuously, he/she is advised medication and/ or even staying away from office.

We have ensured all the safety and sanitization measures across our service locations and are following increased protocols to ensure all involved are safe and secure. We are gradually ramping up capacities across business verticals, on a daily basis.

#### **5. Details of impact of COVID-19 on listed entity's - capital and financial resources; profitability, liquidity position, internal financial reporting and controls, other financing arrangements, etc.**

The Company had started witnessing the reduction of disbursement of loans from mid-March and completely stopped it with effect from March 24, 2020 as the nation went into complete lockdown. The collections were also temporarily stopped during the said period. Hence, there has been a significant reduction in both revenue and profitability of Company. With the factors



being fluid and changes in the scenario inevitable, there would be significant impact on the profitability over a period of time.

However, the Company's liquidity position is good, and the Company has been servicing its debts and other financial obligations during lock down and have continued to service its monthly obligations without any hassle. The Company has been fortunate to be able to get financial assistance from Bankers and also through securitization of portfolio. Also, the fact that there is reasonable amount of collection but no/negligible disbursements and additional funding coming in, the Company has a very good liquidity position.

Moratorium was granted to corporate customers only upon request, but for retail customers it was granted both on request and suo-moto basis. The Company has not sought moratorium from any of its lenders but sought moratorium on securitization and direct assignment transactions where the repayments are linked to the underlying portfolio.

The Company has a proper internal financial control and reporting system which is reviewed by the Internal Auditor periodically. The same is subject to review by the Audit Committee on a quarterly basis. The Company has been prompt to ensure the internal financial reporting happens on time and as of date have completed the approval of the quarterly financials for the year ended 31<sup>st</sup> March 2020 and quarter ended 30<sup>th</sup> June 2020.

While the Company is expecting an increase in demand for two-wheeler loans and have made a project for the year 2020-21, depending ground realities, the same would be modified.

## **6. Work from Home**

Subsequent to the announcement of lockdown, all employees of the Company had been working from home until April 19, 2020. As of now, most of the employees are present in their respective offices and for those who are unable to come to office due to travel restrictions are provided with option to work from home and from nearest Branch offices.

Further, all employees who are at high risk i.e. Senior Citizens, pregnant employees and those who are having underlying medical conditions are excluded from front-line work which would be requiring direct contact with the public and hence, have given opportunity to work from home.

## **7. Compliance with applicable laws**

The Company has complied with all the applicable legal requirements, wherever possible, during the lockdown period.

Requisite forms, disclosures, returns etc. were filed on time under various laws and regulations as applicable to the Company.



**8. Steps taken to ensure smooth functioning of operations**

Strict measures ensuring social distancing, hygiene practices and deep cleansing of premises, to ensure the safety of our employees at workplace have also been implemented.

We request you to kindly take note of same.

Thanking you,

Yours Faithfully,

**For Muthoot Capital Services Limited**



**Abhijith Jayan**  
**Company Secretary & Compliance Officer**

