

SEC/FILING/BSE-NSE/20-21/68A-B

June 10, 2020

BSE Limited
P. J. Towers,
Dalal Street, Fort,
Mumbai – 400 001.
Scrip Code: 511218

National Stock Exchange of India Limited
Listing Department
Exchange Plaza, 5th Floor,
Plot no. C/1, G- Block,
Bandra-Kurla Complex,
Mumbai – 400 051.
NSE Symbol: SRTRANSFIN

Dear Sirs,

Sub.: Company Updates - Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

Further to our letter dated April 25, 2020 giving Company updates and Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/84 issued by Securities and Exchange Board of India dated 20th May, 2020, we are furnishing further updates pertaining to the impact of Coronavirus (“COVID-19”) pandemic as under:

1. Impact of the COVID-19 pandemic on the Business:

The COVID-19 pandemic and the consequent lockdown and restrictions imposed by national and the state governments during March 24, 2020 to May 31, 2020 have impacted businesses and social life in the country. As a result, our employees were not been able to make on-field visits at the customer's place thereby causing adverse impact on cash collections from customers due to restrictions on the movement of people. Further, our customers are facing temporary business slow down due to the lockdown and this has also impacted our business. Disbursements are badly affected as the RTO offices and dealers were non-functional up to 7th June, 2020 in most part of the country. The buying-selling and new vehicle sales transactions needing personal interactions has just started from June, 2020.

In view of nationwide lock down due to pandemic and the consequential disruptions and liquidity stress, the Reserve Bank of India had issued certain regulatory measures to mitigate the burden of debt servicing brought about by disruptions on account of COVID 19 pandemic to ensure the continuity of viable business and had advised Banks and NBFCs to offer to its borrowers a Moratorium of three months from March 01, 2020 to May 31, 2020 for repayment of loans. Subsequently, the Moratorium period was extended up to August 31, 2020 after extension of the lock down. Accordingly, the

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Registered Office: Mookambika Complex, 3rd Floor, No.4, Lady Desika Road, Mylapore, Chennai – 600 004, Tamil Nadu, India. Tel: +91 44 2499 0356 | Fax: +91 44 2499 3272.

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repayment schedule of the Term loans as also the residual tenor of the Term Loans have been shifted across the board by another three months after the moratorium period. The interest rate charged during the Moratorium period will be the contracted rate at which loan agreements were entered into with the borrowers. The Interest charged during the moratorium period will be collected after the revised last instalment due date based on the moratorium granted by the company. Such Interest amounts would be collected in instalments and the instalment amount will be equivalent to the current instalment amount and the last instalment will be adjusted to arrive at the present contracted rate of such loan agreements. In case of revolving working capital credit facilities in the form of Floating Business Loans, Vehicle trade advance loans to dealers and working capital loans to borrowers (fuel, toll loans etc.), the borrowers will be allowed deferment of another three months on payment of interest in respect of such facilities during the period June 1, 2020 and August 31, 2020. The accumulated interest for the period March 1, 2020 to August 31, 2020 will be converted into a funded interest term loan and the said funded term loan on account of accumulated interest will be repayable by March 31, 2021.

2. Functioning of Corporate/ Administrative /Branch offices:

All employees had been advised to Work from Home for employees staying in COVID red zones, employees working from home have been provided with Laptop/Desktop and internet connection.

As NBFC activities were declared as essential activities in April 2020, most of our offices have been working with minimal staff. Further, we have restricted the staff attendance to alternate days at each office in a manner so as to commensurate with the mandatory guidelines and rules laid by the Statutory Authority(s). Almost all the branches offices are operational now.

Those who are required to work from the respective office locations, are doing so upon obtaining approval from the local authorities subject to following of the mandatory guidelines prescribed by the Regulatory Bodies. The remaining employees have been advised to Work from Home till further notice by the Management.

Further, permission of on-field visits at customer's place is being provided after taking into account the magnitude of the COVID-19 disease spread in the respective area of the customer, subject to adherence to mandatory guidelines laid by the Statutory Authorities.

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All staff attending the Corporate office/Administrative office/ Branch Offices or making field visit, have been strictly advised to maintain social distancing, wear masks and carry sanitizers.

Sanitizers in adequate quantity are available in the Office for usage by the employees and we have strongly recommended to use the same frequently. Moreover, our Offices and Branches are being sanitized regularly to ensure the safety of the employees and all other required extensive arrangements as has been mandated by the Statutory Authority, have also been made at the Corporate Office / Administrative office / Branch Offices. In furtherance thereto, the Company has laid a Standard Operating Procedure (“SOP”) Guideline for all staffs and they have been instructed to follow the same without exception, as, it is for their safety and well-being.

As and when the lockdown is lifted gradually by the Statutory Authority(s), the Company shall also accordingly raise the maximum permissible employee attendance at the workplace.

3. Steps taken to ensure smooth functioning of operations:

As explained in detail in point no. 2 above, the Company is following a gradual transition from Work-from-Home (WFH) to Work-from-Workplace (WFW), so that, stakeholders are served to the best of the ability of the Company and the same time, the health and safety of the employees is also not compromised with.

The Company has also taken various cost optimization measures including pay cut in the range of 10% to 20% for senior employees while for other employees it has been decided to manage with “No Increment policy and has decided to go slow or further branch expansion. All the discretionary expenses like travel and business promotion are curtailed.

4. 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 presently not completely ascertainable and the same will depend on how quickly, the country’s economy recovers.

5. Details of impact of COVID-19 on:

a. Capital and financial resources.

As per the current assessment, there is no significant impact on the Company’s capital and financial resources of the Company. The Company would be exploring the various





options to strengthen the capital base, balance sheet, growth opportunities and to face COVID-19 led contingencies and events.

b. Profitability.

The negative impacts of the COVID-19 pandemic will be reflected in the turnover and profitability of the Company for the financial year 2020-21 – the level of the same cannot be ascertained at present. The Company has made additional expected credit loss provision of Rs.909.64 crore in the financial statements for the year ended March 31, 2020.

c. Liquidity position.

Our liquidity position has been adversely impacted, as, we have extended moratorium to our borrowers based on Notification issued by RBI for COVID-19 regulatory package on March 27, 2020 and May 23, 2020. We hope that this is a temporary phase and that, the Indian Economy should bounce back quickly.

d. Ability to service debt and other financing arrangements.

In spite of tight liquidity position, our ability to service debts and other financial debt commitment has not been affected as, our financial leveraging is low. Thus, at present, the Company has sufficient liquidity to meet the same. The company has also applied for moratorium for the loans taken from banks and some of the banks have granted moratorium and hopeful of receiving consent for moratorium from other banks.

Expected Credit Losses (ECL)

The Company has adopted Indian Accounting Standard from the financial year 31st March 2019. As per the said standards, the company is required to provide for the Expected credit losses on its lending business. The Company expects increase in ECL due to extension of moratorium granted to its borrowers based on the regulatory requirements and impact of COVID 19 on the overall economy. The company has taken into account impact of COVID-19 situation on the macro economic conditions in the estimates and assumptions while assessing the ECL. The present ECL for on account of COVID-19 pandemic are based on the assessment of current situation and the actual impairment loss could be different due to uncertainty over actual end of pandemic and restoration of normalcy.

e. Internal financial reporting and control.



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Internal financial reporting and control are functional as, checks and controls are being exercised through remote access to systems by working from home during the shutdown period.

f. Disbursement of Loans

Disbursement of loan has been made to such borrowers who were identified and approved by the business team for granting term loan, prior to lockdown. The funds have been/are being transferred to such borrowers by availing the electronic money transfer facility of the Banks and accordingly, there has been no difficulty in transferring funds to them. There are many proposals are in pipelines which could not be completed due to RTO office not functioning.

The Company has slowed down identifying new borrowers as, the same requires: (i) to make on-field visits at borrowers' place; (ii) to collect various documents; and various other measures - in order to establish the creditworthiness and genuinity of the prospective borrower. (iii) The vehicles buying selling requires RTOs to work full fledged to effect transfer of ownership and noting of hypothecation.

g. Demand for new loans

The demand for availing loan products would start with the beginning of monsoon mostly from rural area to start with and should pick up the demand in urban area as well when the economic activity starts fully.

6. Existing contracts/agreements where non-fulfilment of the obligations by any party will have significant impact on the Company's business:

The Company endeavors to perform its duties as agreed to in various executed operational contracts / agreements. There has been no failure in performance by the Company of its obligations envisaged in contract / agreement entered into by it.

Presently, there are no such existing contracts / agreements where non-fulfilment of the obligations by any party will have significant impact on the Company's business.

7. Other relevant material updates about the Company's business:

The HR department turned the 'Lockdown' into a new opportunity promoting culture for using new methods of efficient working, striking work-life balance, switching to Work From Home (WFM), Employee Training through company's e-learning platform "Mycoach" and video based learnings were given prime importance and total of 24738 employees were trained and assessed on their learnings. During the lockdown HR Department with the help of the regional teams had engaged with the employees telephonically on various safety measures to be followed, learning options available with

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the company and on customer engagement. Total of 16402 employees were covered during the lockdown. The employees, in particular working in metro cities, who spend average 3 hours on commuting, spent same time on discharging their official duties. The 'Lockdown' gave many new learnings, ideas and experience with respect to effective communication techniques, efficient time management, thereby improving overall efficiency, cost optimization. The importance of focusing on digital payment and use of advanced techniques for customer services, effective use of Video conferencing meetings with employees, directors was also highlighted and understood during 'Lockdown' period. The Company's field employees used Mobile Application 'MNOVA' and educated the customers to use 'My Shriram' Mobile application for availing of various services in respect of the Company's financial products. The Company is ensuring the health and well-being of employees during the pandemic and creating awareness amongst employees to strictly follow the 'Social Distancing'. Due to many of its advantages, the HR department is exploring the possibilities to progressively switching in a phased manner using the combinations WFW and WFH by back-office staff for cost optimization and increase overall efficiency and mitigating the associated risks of data safety and protection.

The Company's opinion on various matters as envisaged above, are forward-looking statements which are based on certain assumptions, risks, uncertainties and expectations of future events. The actual results, performance or achievements can thus differ from those projected, depending on various factors over which, the Company does not have any direct control.

Thanking you,

Yours faithfully,

For SHRIRAM TRANSPORT FINANCE COMPANY LIMITED

VIVEK ACHWAL
COMPANY SECRETARY

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