

Monday June 1, 2020

Ref. No.: CIFL/BSE-11/2020-21

To,
Manager – Listing,
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai- 400 001

Ref: Scrip Code – BSE -530879

Sub: Disclosure of Material Impact of COVID-19 Pandemic on Capital India Finance Limited
("Company")

Dear Sir/ Madam,

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, circular *vide* no. SEBI/HO/CFD/CMD1/CIR/P/2020/84 dated May 20, 2020 and circular *vide* no. CIR/CFD/CMD/4/2015 dated September 9, 2015, issued by the Securities and Exchange Board of India ("SEBI"), we wish to submit the disclosure of material impact of the COVID-19 pandemic on the operations and performance of the Company as "Annexure – A".

Kindly take the above information on your record and oblige.

Thanking you,
Yours sincerely,

For Capital India Finance Limited


Rachit Malhotra
Company Secretary & Compliance Officer
Membership No.: A39894



Encl.: As above

Corporate office :
A-1402, One Bkc, 14th Floor,
G - Block, Bandra Kurla Complex,
Bandra (East) Mumbai,
Maharashtra- 400051

Registered Office :
2nd Floor, DLF Centre,
Sansad Marg,
New Delhi - 110001

P : +91 22 4503 6000
E : info@capitalindia.com
CIN No: L74899DL1994PLC128577
(Capital India Finance Ltd - Formerly known as Bhilwara Tex-Fin Ltd)

P : +91 11 4954 6000
W : www.capitalindia.com

Disclosure of material impact of Covid-19 – Pandemic on the Company

Impact of the COVID-19 pandemic on the business:

The SARS-Cov-2 virus responsible for COVID-19 continues to spread across the globe and India. It has contributed to a significant decline and volatility in global and Indian Financial Markets and a significant decrease in the economic activities. On March 11, 2020, the COVID-19 outbreaks declared as a global pandemic by the World Health Organization. On March 24, 2020, the Indian Government had announced a strict 21-day lockdown which kept on getting extended across the country with gradual and modest relaxations.

In accordance with the Reserve Bank of India guidelines relating to COVID-19 Regulatory Package, the Company granted a moratorium of three months on payments of instalments and/or interest falling due between March 1, 2020 and May 31, 2020 to eligible borrowers. Till March 31, 2020, 38.87 % of our loan book assets have been under moratorium. For such accounts where the moratorium is granted, the asset /Stage-wise classification shall remain stand still during the moratorium period. (i.e. the number of days past-due shall exclude the moratorium period for the purposes of asset classification).

Ability to maintain operations including the office spaces functioning and closed down:

The breakout of the unexpected disease has brought us to a halt. However, these are the times when a robust business practices and preparedness is tested. We have ensured that our employees, customers, and businesses are least impacted in these extraordinary times.

Customers – We are proactively trying to service customers with every possible avenue. The team is actively in touch with customers via calls, emails, social media, and website. Our business team is reaching out to customers and educating them about the impact of moratorium and other policy decisions. Continuous discussions with customers have helped us in understanding their requirements better and keeping our Loan book free of any kind of stress in near future.

Businesses – The COVID-19 lockdown has not had any impact on our ability to render services to our customers or lenders. The Business and Credit teams are actively communicating with customers having high risk business profiles to jointly evaluate the best possible solution to mitigate the crises.

Schedule, if any, for restarting the operations:

After the Government's relaxation pertaining to financial services on April 17, 2020, we have opened our Registered Office at New Delhi with minimum employee strength. The office place has been sanitized and all necessary preventive measures like social distancing, temperature testing is being followed. We have kept hand sanitizers at various places in office and also kept masks at reception. Our Mumbai office however remain closed till further notice from the Central and State Governments.

Steps taken to ensure smooth functioning of operations:

In our efforts for the health and wellbeing of employees, steps have been taken to ensure efficient workplace; have moved meetings and trainings to virtual formats. Frequent communication via emails and video calls to boost employee morale and create health awareness.

Estimation of the future impact of COVID-19 on its operations:

The extent to which the COVID-19 pandemic will impact the Company's future results will depend on future developments, which are highly uncertain and the Company will continue to closely monitor the same.

Details of impact of COVID-19 on the Company:

1. Capital and financial resources – Capital adequacy remain strong at 80.35%. The Company has adequate capital and financial resources to run its business operations.
2. Profitability – The Company have recognized provisions as on March 31, 2020 towards its assets including loans based on the information available at this point of time including economic forecasts, in accordance with the Expected Credit Loss (ECL) method. The Company believes that it has considered all the possible impact of known events arising out of COVID 19 pandemic in the preparation of financial results. However, the impact assessment of COVID 19 is a continuing process given its nature and duration. We will continue to monitor for any material changes to future economic conditions and we keep performing stress testing of our books on a periodic basis implementing the updated economic scenario. The Company is taking various steps to control the operating cost
3. Liquidity position – The current liquidity position of the Company is comfortable and believes that going forward also liquidity and internal accruals shall be sufficient to continue business operations. Company has stress tested its liquidity model and is comfortably placed to meet its repayment obligations and other commitments. Meanwhile, the company is also in discussions with various institutions for raising funds.
4. Ability to service debt and other obligations – Currently the Company is comfortably servicing its debt obligations and given the scale of operations, the Company will continue to meet its obligations in future too.
5. Assets – The economic disruption brought by the COVID-19 lockdown will have a severe impact on the incomes of borrowers for several months depending on the intensity and spread of the outbreak. The RBI has provided a 3-month moratorium to provide a temporary reprieve but the ability to return to steady state operations depends on how quick the industry scales up production. This results in an increase in the credit risk. However, based on the past quarterly performance, the delinquencies are significantly under check and overdues are recovered through persistent efforts. We are adequately secured through the tangible assets being mortgaged in favour of the Company. Hence, we are adequately protected at portfolio level and no impact on balance sheet is envisaged. Though a higher provision has been made on a conservative basis, it will have a low impact on the balance sheet of the company.
6. Internal Financial Reporting and Control – The Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively during post lock down period as well.

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

The Company at present do not foresee any difficulty in fulfilment of existing contracts/ agreements and obligations which may have any significant impact on the business of the Company.

We may like to state that the foregoing expressions are initial assessment of the situation and the final impact of any activities can only be assessed after the lockdown is over and the normal economic activities commences.