



Moratorium on loans due to Covid-19 disruption

PREAMBLE:

To address stress in financial sector caused by COVID-19, several measures have been taken by RBI as a part of its Seventh Bi-monthly Policy. These measures are intended to mitigate the burden on debt-servicing caused due to disruptions on account of COVID-19 pandemic.

In this regard, RBI in its press release on Friday, 27th March 2020 has announced that all Financial Institutions under its supervision are permitted to grant a moratorium of three months on payment of all instalments falling due between March 1, 2020 to May 31, 2020 against all its term loans.

We had captured in this policy some of the salient points applicable to our company and the same is placed before the Board for its approval to combat COVID 19 situation and to help our borrowers to tide over this situation.

- All loans outstanding (live) as on March 1, 2020 (Freeze DPD as at 1st Mar 2020 and to be shown as at 1st Jun 2020) are eligible to claim moratorium benefit. **New Loans sanctioned after 1st March 2020 will also be eligible to claim relaxation.**
- Due date and tenor for these loans will be shifted by a maximum of three months.
- Instalments will include payments falling due from March 1, 2020 to May 31, 2020 in the form Viz.,
 - i) principal and/or interest components.
 - ii) Bullet Repayments
 - iii) Equated Monthly Instalments
- Interest rate will continue as per product policy as applicable as per the original agreement entered with borrower.
- Interest will accrue during the period of moratorium.
- EMI would be constant during the tenure of loan and shortfall, if any would be collected as last EMI as per illustration given in the table.
- No overdue interest or delayed payment charges will be levied during the period of moratorium
- All Borrowers will be communicated through the branch / SMS Blast /Awaze De automated calls on or before 10th April 2020.
- Notification will be properly communicated to all our branches/employees to ensure its implementation.



- Revised terms and revised repayment schedule will be communicated to the borrower and an acceptance would be recorded digitally through an automated OTP from our system.
- Borrowers who cannot be contacted or remains silent may be considered as deemed confirmation on moratorium.
- Moratorium is allowed up to three months for borrowers. However, if March 2020 is paid, borrower would get benefit of two months as given below:

Existing	Mar 2020 - Paid	Apr-20	May-20
Revised	No Correction	Jun-20	Jul-20

- Similarly, If Mar 2020 EMI is not repaid, borrower would get benefit of all the three months as given below:

Existing	Mar 2020 - Not Paid	Apr-20	May-20
Revised	Jun-20	Jul-20	Aug-20

- Borrower can opt for moratorium. In case the borrower does not opt for moratorium, he may continue with existing repayment schedule as per the terms of contract.
- PDC or NACH will not be presented for encashment as per existing terms for borrowers who had opted moratorium.
- In case borrower has not opted for moratorium his PDC or NACH will be presented as per the existing terms and necessary action can be initiated by the lender in case of dishonour.
- Borrowers can make prepayment any time and there will not be any prepayment penalty.
- During the moratorium period non-payment of EMI will not be considered as default and will not result in asset classification downgrade. This will not be uploaded as default in the credit bureaus.

Off-Balance Sheet Transactions:

- RBI have not mentioned any specific moratorium for off-balance sheet transactions. Since the underlying assets are managed by us as servicer, we will have to allow moratorium to these borrowers.
- It is prudent to extend the tenure of the securitization / assigned contracts in the coming months in view of lockdown. Request letter to these investors would be sent seeking moratorium.



System Readiness:

- Dvara Solutions has communicated us, System readiness for extending moratorium to our customers
- Key Features include
 - ✓ Maximum Tenure extension of upto 3 months
 - ✓ EMI would be constant and the tenure would be extended either by 2 or 3 months.
 - ✓ Interest accrual during moratorium period (1st Mar 2020 to 31st May 2020)
 - ✓ No change in Zero DPD for regular loans & will continue in zero DPD during moratorium period and will report as Zero DPD on 1st Jun 2020
 - ✓ For overdue loans as on 01st March 2020, DPD days will be freezed and shown as the same DPD on 1st Jun 2020.
 - ✓ Moratorium support applicable for all products.

Impact on ECL Provisioning:

There will be no adverse impact on the ECL provisioning as the classification of assets into Stages as required under INDAS shall be made basis the customer repayment track on such rescheduled dates post moratorium period. Customers as on 1st Mar 2020 in Stage 1 (0 DPD) will continue to be (0 DPD) as on 1st Jun 2020 and necessary provisions will be made accordingly.

For overdue loans in Stage 1 (1-day DPD to 30-day DPD) Stage 2 (31-day DPD to 90 DPD) and Stage 3 (> 90 days DPD) as on 1st Mar 2020, ECL will be computed normally.

Moratorium from Lenders:

We expect moratorium will be availed by all our DVARA KGFS borrowers; hence, we anticipate a collection shortfall during the next 2 to 3 months.

- Liquidity from the lock down date need to be monitored daily.
- Formal request letter to all lenders to be sent for getting a repayment deferment period (moratorium) during this disruption for all its term loans due for repayment from 1st Mar 2020 to 31st May 2020.
- Request letter to be communicated to all lenders where we had availed Term Loans /PLI / Advance funding / Partnership/Business Correspondent/PTC/DA/ from all our existing lenders/Investors.
- Request Letter to Investors to be communicated to authorize trustee to extend legal final maturity date based on our request on the moratorium given to these borrowers.
- Post acceptance by lenders on our moratorium request, new repayment schedule to be obtained and updated.



- **Accrued Interest for all facilities due from 1st Mar 2020 to 31st May 2020 (3 months of moratorium) to be computed & paid on 01st June 2020.**
- **CEO and CFO are authorized to take a call on deferment of repayment of principal/interest on company's borrowings on a case to case basis for Mar 2020.**
- **Dvara KGFS will seek an approval for moratorium on its repayment obligations from all lenders. Due to any reasons the bank's Board rejects our request, the same to be notified to our Board / ALCO committee immediately.**
- **ALCO meeting to be held on a weekly basis and ALCO members to review liquidity position, track lender acceptance and customer acceptance on moratorium.**
- **ALCO members to review there is a proper communication to all lenders is sent without breaching any of our financial covenants signed with lenders.**
- **Email acceptance/signed repayment schedule from lenders to be obtained during this disruption period on or before 10th April 2020.**
- **As there are confusion in the market regarding whether moratorium benefits are applicable to NBFCs, many of our lenders are waiting for more clarity from RBI and has not communicated their consent to our request. There are many year- end procedures that we had to run in our systems and considering the asset classifications requirements on pending repayments, it is prudent to announce moratorium for all eligible customers for March 2020 and till April 15th, the end date of national lock down. If RBI clarifications come either on or before April 15th and we are able to garner moratorium from at least 75% (in value) of institutional term loan providers, the above mentioned moratorium benefits will be extended to all customers till May2020, else we will approach Board to review the policy.**
- **CEO is authorized to approve any operational procedures/guidelines as may be required to implement the policy in line with the directions/guidelines issued by RBI from time to time.**

The Policy will come into force with effect from 30th Mar 2020 and remain effective till 31st May 2020.

The Board may review this moratorium policy as recommended and approve the same as deemed fit.



Illustration:

Loan Amount – Rs.30000/- Tenure – 24 Months, Repaid 9 instalments on due date as per Existing Schedule

Existing Schedule for Loan A/c 132311701451					
EMI No.	Demand Date	Amount	Prin	Int	Balance
1	Jul 14, 2019	1,594	1,030	564	28,970
2	Aug 14, 2019	1,594	1,030	564	27,940
3	Sep 14, 2019	1,594	1,013	581	26,927
4	Oct 14, 2019	1,594	1,052	542	25,875
5	Nov 14, 2019	1,594	986	608	24,889
6	Dec 14, 2019	1,594	1,143	451	23,746
7	Jan 14, 2020	1,594	1,053	541	22,694
8	Feb 14, 2020	1,594	1,120	474	21,574
9	Mar 14, 2020	1,594	1,200	394	20,374
10	Apr 14, 2020	1,594	1,144	450	19,230
11	May 14, 2020	1,594	1,208	386	18,022
12	Jun 15, 2020	1,594	1,208	386	16,814
13	Jul 14, 2020	1,594	1,267	327	15,547
14	Aug 14, 2020	1,594	1,271	323	14,275
15	Sep 14, 2020	1,594	1,298	296	12,978
16	Oct 14, 2020	1,594	1,333	261	11,644
17	Nov 16, 2020	1,594	1,337	257	10,307
18	Dec 14, 2020	1,594	1,401	193	8,907
19	Jan 14, 2021	1,594	1,409	185	7,498
20	Feb 14, 2021	1,594	1,438	156	6,060
21	Mar 14, 2021	1,594	1,480	114	4,580
22	Apr 14, 2021	1,594	1,499	95	3,081
23	May 14, 2021	1,594	1,532	62	1,549
24	Jun 14, 2021	1,581	1,549	32	-
Grand Total		38,243	30,000	8,243	



Illustration – Post Moratorium:

Loan Amount – Rs.30000/- Tenure – 26 Months, Repaid 9 instalments on due dates. Given two Months Moratorium (Apr and May 2020) in the Existing Schedule which is shown in the table below.

EMI remains constant upto 25 months. Balance Amount Collected as Last EMI.

Revised Schedule (After Moratorium) - 132311701451					
EMI No.	Demand Date	Amount	Prin	Int	Balance
1	Jul 14, 2019	1,594.00	1,030.08	563.92	28,969.92
2	Aug 14, 2019	1,594.00	1,029.95	564.05	27,939.97
3	Sep 14, 2019	1,594.00	1,012.75	581.25	26,927.22
4	Oct 14, 2019	1,594.00	1,051.90	542.1	25,875.32
5	Nov 14, 2019	1,594.00	986.05	607.95	24,889.27
6	Dec 14, 2019	1,594.00	1,142.83	451.17	23,746.44
7	Jan 14, 2020	1,594.00	1,052.56	541.44	22,693.88
8	Feb 14, 2020	1,594.00	1,119.56	474.44	21,574.32
9	Mar 14, 2020	1,594.00	1,200.37	393.63	20,373.95
10	Apr 14, 2020	0.00	0.00	0.00	20,373.95
11	May 14, 2020	0.00	0.00	0.00	20,373.95
12	Jun 15, 2020	1,594.00	298.2	1,295.80	20,075.75
13	Jul 14, 2020	1,594.00	1,204.24	389.76	18,871.51
14	Aug 14, 2020	1,594.00	1,202.47	391.53	17,669.04
15	Sep 14, 2020	1,594.00	1,227.27	366.73	16,441.77
16	Oct 14, 2020	1,594.00	1,263.70	330.3	15,178.07
17	Nov 16, 2020	1,594.00	1,258.72	335.28	13,919.35
18	Dec 14, 2020	1,594.00	1,333.04	260.96	12,586.31
19	Jan 14, 2021	1,594.00	1,332.41	261.59	11,253.90
20	Feb 14, 2021	1,594.00	1,359.95	234.05	9,893.95
21	Mar 14, 2021	1,594.00	1,408.08	185.92	8,485.87
22	Apr 14, 2021	1,594.00	1,417.30	176.7	7,068.57
23	May 14, 2021	1,594.00	1,451.80	142.2	5,616.77
24	Jun 14, 2021	1,594.00	1,477.13	116.87	4,139.64
25	Jul 14, 2021	1,594.00	1,510.60	83.4	2,629.04
26	Aug 14, 2021	2,684.00	2,629.44	54.56	0.00
Grand Total		39,346.00	30,000	9,345.60	