



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 Saturday, 23rd May 2020 has announced that all Financial Institutions under its supervision are permitted to grant an additional moratorium of three months on payment of all instalments falling due between June 1, 2020 to August 31, 2020 against all its term loans over and above the first phase of moratorium given for the period 1st Mar 2020 to 31st May 2020.

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 (Phase II) 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 extended by another three months.
- Instalments will include payments falling due from June 1, 2020 to August 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.
- 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 June 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 further extended by three months for borrowers.

Existing	Jun 20	Jul-20	Aug-20
Revised	Sep 20	Oct-20	Nov-20

- Borrower can “opt in” for moratorium. In case the borrower does not opt for moratorium, he may continue with existing repayment schedule as per the terms of contract. Borrower can decide to “opt in” or “opt out” of moratorium.
- PDC or NACH will not be presented for encashment as per existing terms for borrowers who had “opted in” for 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.
- Interest will accrue during the period of moratorium. Interest would be collected equally along with the balance tenor of EMI originally agreed as shown in the Illustration attached.

Or

- Interest accrued during the period of moratorium would be collected with last EMI as shown in the illustration attached.
- Insurance cost for the extended tenure would be collected from the customer along with the last EMI.



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 (Jun to Aug)
 - ✓ Interest accrual during moratorium period (1st Jun 2020 to 31st August 2020) to be collected along with the EMI for the balance tenure.
 - ✓ 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 Sep 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 June 2020 to 31st August 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 June 2020 to 31st August 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 30th June 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 June 1, 2020 till August 31, 2020.
- 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 1st June 2020 and remain effective till 31st August 2020.

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



Illustration

URN	3466011412139519	1504106317984001	1310309808017001	1802087256892008
Account Number	508638300001	508641201983	509058500015	702790300005
Product	JLG	JLG	MEL	MEL
Disbursement Date	06-Aug-19	11-Apr-18	30-Jan-20	26-Mar-19
Loan Amount	50,000	35,000	2,00,000	1,50,000
ROI	26%	26%	28%	28%
Existing EMI	2,669	1,869	10,978	8,082
Original Maturity Date	09-Aug-21	09-Apr-20	05-Feb-22	15-Apr-21
New Maturity Date	09-Jan-22	09-Oct-20	05-Jul-22	15-Oct-21
POS as at 25May20	37,999	9,514	1,93,660	1,00,110
Addl Int till 31May20	1,588	397	9,211	4,741
Addl Int Jun to Aug 20	2,394	599	13,667	6,561
Total Additional Int	3,982	997	22,878	11,302
Bal Tenure from Sep 2020	17	2	23	14
Option 1 - Collect in Bal Tenure				
Additional EMI due to Moratorium	234	498	995	807
New EMI from September 2020	2,903	2,367	11,973	8,889
Option 2 - Collect in Last Inst				
Additional EMI due to Moratorium	3,982	997	22,878	11,302
Total Amount	6,651	2,866	33,856	19,384

Indicative