

Policy on moratorium - 2

Background:

The pandemic of COVID 19 has caused nationwide closures which has led to work and supply shortages. The earnings of all the revenue generating bodies (whether individual, small businesses or body corporate) have been hugely hindered. The economies of businesses are in state of stress and no immediate recovery is expected on account of lockdowns that our country is undergoing. The situation is worrisome, particularly to MSME/SME as they run business undertakings with limited working capital and their per day basis revenue generation forms a very significant part of their turnover. UGRO has undertaken a survey by doing direct interaction with a large population of its customers and the outcome of the same clearly indicate that its customers would face challenges in arranging required funds which they would have utilized towards repayment of their loans, hence UGRO Capital Ltd which majorly caters to MSME/SME sector hereunder proposes a scheme for relaxations to be passed onto its customers.

Regulatory guidelines:

RBI vide circular RBI/2019-20/186 DOR.No.BP.BC.47/21.04.048/2019-20 dated 27/03/2020 has permitted lending institutions to provide relief to the borrowers for a period of three months starting 01/03/2020 to 31/05/2020 from EMI payments and Working capital interest payment. Based on above and in accordance with the Board approval, UGRO has offered moratorium of three months on payment of (i) instalments of both principal and / or interest payments components; (ii) bullet repayments; (iii) Equated Monthly Instalments (EMI) falling due between from 1st Mar 2020 to 31st May 2020 to all its customer except those who are classified as non performing customers under above guidelines.

Due to the intensification of COVID-19 now RBI vide RBI/2019-20/244DOR.No.BP.BC.71/21.04.048/2019-20 dated May 23, 2020 has further permitted lending institutions to extend the moratorium by another three months i.e. from June 1, 2020 to August 31, 2020.

Policy:

Given some relaxations in the lockdown with certain guidelines and certain businesses getting operational or expected to be operational from June 2020, we intend to offer moratorium only based on the request of the customer, nature of business and class of customers etc.

Following process is proposed for assessment of the moratorium need –

1. The moratorium shall be offered to only those customers who are standard customers as on 31st May 2020.
2. SME / MSME Secured and Unsecured
 - a) If customer has commenced its business operations in May 20 then Moratorium shall not be offered to those customers
 - b) If customer intends/is ready to commence its business operations in June 20 then moratorium is to be extended only for June 20 month.
 - c) If customer's business is expected to start after June 20 then Moratorium to those customers shall be extended for 3 months.
 - d) All customers with offices in Containment area/red zone to be offered moratorium

- e) The Company shall seek the necessary information and documents and conduct assessment basis which it shall consider the proposal of moratorium
- f) If customer has made payment of EMI for March, 2020 which is retained as an advance EMI then the same shall be either adjusted in June, 2020 or option will be given to the customers to apply the same after the expiry of moratorium period.
- g) The Company proposes to undertake the following diligence before it offers a moratorium:
 - 1) If the bank statement reflects business credit which is an indication that the business is operational, and customer is in a position to pay the EMI then moratorium may not be offered unless the volume of business is too low (credit in bank statement) and the cash flow is not sufficient to pay the instalment
 - 2) Further, the Company shall also assess whether during the first moratorium if he has paid instalments to any other financier. In case of any such payments the reason for seeking moratorium would be checked and based on justification given by customer the Company shall take a decision whether to moratorium or not.

3. SME / MSME part of the Supply Chain Program

The Company shall collect the necessary information from the borrowers such as bank statements, status of business operations to assess the moratorium requirement. Further, as SCF customers are Anchor dependent and their repayment is dependent upon payments of introducing Anchor, the Company shall also perform assessment on Anchor.

Following process would be followed:

- a) Company will check with the Anchor whether the production in factory has started.
- b) If Anchor is yet to start production, moratorium would be provided for that month's due bills.
- c) If production (around 30% of the normal capacity) has started, then moratorium will not be provided.

This process shall be conducted every month between 25th to 30th for subsequent month for all the customers to whom moratorium is given.

4. Onward Lending

Ugro has lent to NBFCs for onward lending. These NBFCs operate in tier 2 or 3 towns and may have lot of businesses / locations in green zone. So, they may start collecting from their customers EMI dues. In such case, following process would be followed –

- a) A detail discussion will be undertaken about their collections in the month of April and May 20 and also their liability raise program
- b) If collections percentage is more than 40% in the month of April and May 20 or if they have raised funds under RBI TLTRO window, then the moratorium would not be offered.
- c) Further, it will also be checked whether the customer has paid the instalment in during the moratorium to any other financier. In case of any such payments we will insist the customer not to avail moratorium with us and accordingly demand the payments as per repayment schedule.
- d) This will be done on monthly basis for the customer to whom moratorium is given.

5. Direct Assignment (DA) pools

DA pools are serviced by originator and if there is a moratorium offered by the them to customers then the same offer would be extended by Ugro.

Further post this exercise, if the EMI is bounced and on further detailing it is observed that the business operation is low and cash flow is still low to pay the EMI , then we may extend the moratorium to these customers. This process should be targeted to be completed in 10 days from date of bounce of EMI. The Company shall also assess the stage of business operation and cash flow estimates

Exceptions:

Any exceptions to above norms based on justification/Bank statement can approved by:

- NCM/RH – SCF and Onward Lending
- Credit Manager in Retail cases (Secured, Unsecured, D2C, Machinery Loan)

Policy Proposal

Criteria	
Eligibility	<p>All Standard customers of UGRO Capital Limited as on 31st May 2020:</p> <ul style="list-style-type: none"> (i) All Secured and Unsecured Term Loans (ii) Term Lending towards onward lending (iii) Term Lending Secured and Unsecured with have been securitised with consent of the Securitisation Trustee and Investors. <p>All portfolio acquired under 'Direct Assignment' with direction and intimation to the collection and servicing agents. The scheme will ensure that DPDs, if any in any case, will remain unaltered post completion of the repayment mortarium period.</p>
Offer	<p>Providing moratorium of based on request on payment of</p> <ul style="list-style-type: none"> (i) instalments of both principal and / or interest payments components; (ii) bullet repayments; (iii) Equated Monthly Instalments (EMI) falling due between from 1st June 2020 to 31st August 2020" <p>The moratorium will be offered based on assessment done above and period can be from one month to three months.</p>
Benefit extended on	Both principal & interest or Principal only
Treatment of interest	Interest to be accrued for the period.
Tenor	Existing tenor of the loan to be increased as per the new amortisation schedule keeping the EMI amount to be same. In case by doing this, any co applicant breaches maximum age norm, specific deviation for that case to be taken.
Rate of Interest	No Change
Charges	Nil