

LENDINGKART FINANCE LIMITED

Policy on EMI Moratorium – RBI COVID 19 Regulatory Package

A. Background:

Lendingkart Finance Limited (LFL) is a non-deposit taking NBFC, engaged in Micro and Small Enterprise (MSE) lending in India. The Company aims to transform small business lending by making it convenient for MSEs to access credit online.

On March 11, 2020, the World Health Organization declared COVID 19 a pandemic, which has impacted almost all countries around the world, including India. As a control measure, the Indian Government announced a lock down across India to restrict the spread of the virus. Consequently, economic activity across all sectors has significantly impacted with resulting impact on business earnings, cash flows as well as their loan repayment capacity.

Considering this issue, on 27th March, 2020, the RBI announced various regulatory measures to mitigate the burden of debt servicing brought about by disruptions on account of COVID-19 pandemic and to ensure continuity of viable businesses (Reference RBI Circular no RBI/2019-20/ 186 DOR.No.BP.BC.47/21.04.048/2019-20 dated March 27, 2020) and further announcements vide RBI/2019-20/220 DOR.No.BP.BC.63/21.04.048/2019-20 dated April 17, 2020 and RBI/2019-20/244 DOR.No.BP.BC.71/21.04.048/2019-20 dated May 23, 2020.

B. Measures announced by RBI:

- i. Lending institutions have been permitted to allow a moratorium of upto six months. It is not an instruction by the RBI to the lenders, nor is it a leeway granted by the RBI to the borrowers to delay or defer the repayment of the loans. Hence, the moratorium will have to be granted by the lending institution to the borrowers based on lender's assessment of impact on borrowers.
- ii. Lenders are permitted to grant the moratorium on payment of any or all instalments falling due between March 1, 2020 and August 31, 2020.
- iii. Instalments permitted for moratorium will include payments falling due from March 1, 2020 to August 31, 2020 in the form of principal and/ or interest components; bullet repayments; Equated Monthly Instalments. Such instalment will also include instalments (originally due upto 31, May20) which may have been initially granted moratorium of upto three months.
- iv. Lending Institutions can use their own discretion to allow a moratorium of upto six months. It is not necessary to provide a moratorium of six months - it may be less than six months as well.
- v. The moratorium is essentially a "pause" in contracted repayment obligations, however the interest will accrue and be payable by the customer as per terms granted by the lender.
- vi. Lending Institutions may defer the recovery of interest applied in respect of Working Capital Facilities (Cash Credit/ Overdraft) during the period from March 1, 2020 up to August 31, 2020 ("deferment"). Further lending institutions are permitted at their discretion, to convert the accumulated interest for the deferment period up to August 31, 2020, into a funded interest term loan (FITL) which shall be repayable not later than March 31, 2021.

- vii. In respect of working capital facilities sanctioned in the form of CC/ OD to borrowers facing stress on account of the economic fallout of the pandemic, lending institutions may recalculate the 'drawing power' by reducing the margins and/ or by reassessing the working capital cycle. This relief shall be available in respect of all such changes effected up to August 31, 2020 and shall be contingent on the lending institutions satisfying themselves that the same is necessitated on account of the economic fallout from COVID-19.

- viii. For all customers where lending institution has decided to grant moratorium or deferment and which were Standard as on February 29, 2020, even if overdue, the period from March 1, 2020 to August 31, 2020 will be excluded for counting the number of days past due, for the purpose of asset classification under the IRAC norms and for credit bureau reporting.

C. Lendingkart Policy:

1. This document proposes the policy based on which Lendingkart will consider to provide benefit of moratorium to eligible customers who seek the same as per policy as follows:
 - a. All customers who have availed of loans prior to March 1, 2020 are eligible. Customers are advised that opting for the moratorium will result in interest being charged on the outstanding loan amount during the period of moratorium as well as the extended tenor of their loan and hence customers should avail it only if they are unable to service their loan due to Covid impact.

 - b. Under this policy Lendingkart may allow a moratorium of up to six months on payment of EMIs (principal and/ or interest components, bullet repayments, Equated Instalments) either in full or remaining unpaid portion of EMI, if any.

 - c. Interest shall continue to accrue on the outstanding portion of such term loan during the moratorium period at the same annualized rate as contracted for the respective loan.

 - d. Lendingkart will present the post-dated cheques / ECS or NACH mandates, debit customer account, etc., provided by the customers for collection on the respective due dates. In case the instalment is cleared by way of the instrument provided by the customer and presented by Lendingkart, then Lendingkart reserves the right to grant moratorium on that instalment. Moratorium on cleared EMIs, if any, will only be provided at sole discretion of Lendingkart on request of the customer.

 - e. Customers who wish to avail moratorium should send an email from their registered email address to Lendingkart, quoting the Loan account number, five days prior to the due date.

- f. Lendingkart may also consider unpaid EMIs for grant of moratorium upto six months without having to apply for the same for any pool of eligible customers. Moratorium benefits include:
- i. Deferment for paying instalments for upto 6 months.
 - ii. Not reporting to bureaus as defaulter during the moratorium period.
 - iii. No penal and bounce charges for instalments pertaining to the moratorium period.
- g. For retail customers who have no overdues for period prior to March 1, 2020, but whose repayment instrument are not cleared on presentation between March 1, 2020 and August 31 2020, then such customers will be assumed to be impacted by COVID 19, and such customers will automatically be provided relief under moratorium, and hence moratorium related benefits mentioned above in point f) above would be made available to them. In case customers choose not to avail the moratorium, they can pay dues of the unpaid or returned instrument and moratorium of those EMIs shall be removed.
- h. Customers having overdues as on February 29, 2020 but <90 days past due status shall also be considered for Moratorium for March to August 2020 EMI instalments. However, it may be noted that in case customers have overdues for period prior up to February 29, 2020 and do not pay the same, then Lendingkart shall report the customer's overdue status as at Feb 29th, 2020 to credit bureaus which will affect the customer negatively as the customer's credit scores will get affected. Hence, Lendingkart will call customers and make normal collection efforts to regularise overdues upto February 29, 2020 as there is no moratorium applicable to overdues pertaining to period up to February 29, 2020 as per the regulations.
- i. In respect of all customers classified as Standard (<90 days past due) as on February 29, 2020, even if overdue, and where the moratorium on payment of instalment and/or deferment of interest has been granted, the period from March 1, 2020 to August 31, 2020 will be excluded for counting the number of days past due, for the purpose of asset classification under the IRAC norms.
- j. The repayment schedule for such retail instalment loans who have been provided moratorium benefits will be extended to recover the deferred instalments, along with applicable interest. The interest will be accrued on a monthly basis would be added to the principal outstanding. Interest charged during Moratorium will be capitalized and can lead to extension of tenor beyond 6 months also. Capitalized interest may be collected by the company at its option, either immediately after moratorium ends; or by adding tenor at the end of original loan keeping EMI same; or by increasing the EMI over the balance tenor including extended tenor in order to ensure complete loan including capitalized interest is recovered.
- k. No penal or bounce cheque charges would be levied for borrower granted moratorium / relief under the policy during the moratorium period.
- l. In respect of line of credit facilities sanctioned, Lendingkart may recalculate the 'drawing power', by reducing the margins and/ or by reassessing the working

capital cycle. This relief shall be contingent on Lendingkart satisfying itself that the same is necessitated on account of the economic fallout from COVID-19.

D. Customers eligible for moratorium/ deferment:

Customers satisfying the following criteria may be considered and evaluated for eligibility for EMI moratorium:

1. Individual and non-individual borrowers (including incorporated companies, partnerships & proprietorships etc.) having outstanding loans as at 1st March 2020
2. The account must not be written off in LFL books
3. Loan EMI scheduled due date should fall within the specified period i.e. 01 March 2020 till 31 August 2020
4. Loan instalment should still be unpaid to the company
5. Customer delinquency status <90 days past due as on 1st March 2020 is eligible.

E. Conditions:

1. The loan tenor extended under this policy will be considered to be specific exception to board approved Credit policy for maximum tenor
2. Borrowers classified as Fraud, will continue to remain ineligible.
3. Cases that have been admitted and/or are pending in the National Company Law Tribunal (NCLT)/Insolvency & Bankruptcy Code (IBC) are not eligible for moratorium/deferment without express approval from NCLT/IBC
4. Borrowers who are tagged as deceased/non contactable/Skip/wilful defaulters will not be eligible
5. In case regulator proposes any further forbearance in future, the same shall be applicable upon obtaining necessary approval from the Board of Directors.
6. It must be noted that there are no restrictions on borrowers who may otherwise wish to continue servicing their term loans on the existing terms without availing of any moratorium
7. While company's recovery staff shall make all possible efforts for recovering the overdue in time, they will adopt softer approach (where required) in view of prevalent conditions.

F. Exceptions to policy:

1. Credit Committee is authorized to devise any operational procedures/ guidelines as may be required to implement the policy in line with RBI guidelines.
2. Any exceptions to the policy shall require prior approval of BOD.
