

	COVID-19 – Regulatory Package	Version: 1.0 Issue Date: Mar-2020	Approved by : HFCL Board
---	--------------------------------------	---	---------------------------------

Hero FinCorp Limited ("HFCL")

Policy on Relief to Borrowers Under COVID-19 Scenario

A. PURPOSE

This Policy is put forward in line with Notification (RBI/2019-20/186; DOR.No.BP.BC.47/21.04.048/2019-20) titled "COVID-19 – Regulatory Package" issued by the Reserve Bank of India (**RBI**) on March 27, 2020. The Notification lays down the measures that may be made available to the borrowers to mitigate the burden of debt servicing brought about by disruptions on account of the COVID-19 pandemic. The Notification also requires a Board approved policy to be put in place for providing the above-mentioned relief to borrowers.

This document sets out the terms of the Policy which HFCL may adopt concerning the above-mentioned notification and is being put up to the Board for necessary review and approval.

B. SUMMARY OF RBI GUIDELINES ON COVID-19 – REGULATORY PACKAGE

1. Rescheduling Payments - Term Loans
 - a. With respect to all term loans (including agricultural term loans, retail and crop loans), all Lending Institutions permitted to grant a moratorium of three months on payment of all instalments falling due between March 1, 2020 and May 31, 2020
 - b. Instalments include
 - i. Principal and/or interest components
 - ii. Bullet repayments
 - iii. Equated Monthly Instalments
 - iv. Credit card dues
 - c. The repayment schedule for such loans and the residual tenor, to be shifted across the board by three months after the moratorium period
 - d. Interest to continue to accrue on the outstanding portion of the term loans during the moratorium period
2. Classification as Special Mention Account (SMA) and Non-Performing Asset (NPA)
 - a. Such moratorium/deferment/recalculation of the "drawing power", provided to borrowers to tide over the economic fallout of COVID-19, not to be treated as concession or change in terms & conditions of loan agreements due to financial difficulty of the borrower¹
 - b. Consequently these measures to not to result in asset classification downgrade
 - c. For all such term loans that are granted moratorium, asset classification to be determined on the basis of revised due dates and revised repayment schedules
 - d. Supervisory reporting and reporting to Credit Information Companies (CICs) – Rescheduling of payments, including interest, to not to qualify as a default for the purpose of supervisory reporting and reporting to CICs – i.e., the above mentioned actions to not to adversely impact the credit history of the beneficiaries

¹ Under paragraph 2 of the Annex to RBI (Prudential Framework for Resolution of Stressed Assets) Directions, 2019 dated June 7, 2019 "(Prudential Framework")

	COVID-19 – Regulatory Package	Version: 1.0 Issue Date: Mar-2020	Approved by : HFCL Board
---	--------------------------------------	---	---------------------------------

C. **IMPLEMENTATION OF THE RELIEF MEASURES BY HFCL**

1. HFCL will offer the relief to all borrowers (unless otherwise stated below) who wish to avail of a moratorium on instalments in respect of any or all of the term loans availed by them from HFCL.
2. All borrowers who wish to avail of the moratorium can send an email from their registered email id to Customer.Care@HeroFinCorp.com (for retail customer care help) and Corporate.Care@HeroFinCorp.com (for corporate customer care help) along with their respective Loan Account Number(s) and XX. In the request, the borrower/ customer should also clearly mention whether the moratorium is being sought for (a) only interest, or principal instalments or both; and (b) instalments falling between 1 March 2020 – 31 May 2020 or for a shorter period. Alternately, borrowers can also establish contact through toll free numbers made available on the Company website.
3. If borrowers/ customers have already paid the instalments which fell due in March 2020, they can request for a moratorium on the instalments falling due in April and May 2020.
4. Conditions for availing moratorium on term loans:
 - a. All loan accounts that are standard as on March 1, 2020 are eligible for this relief. Applications will not be considered in respect of (i) accounts which are classified as willful defaulters or fraud cases, in each case prior to 1 March 2020; (ii) accounts where the borrower/ customer is under investigation by a Governmental investigative agency; (iii) accounts which have been recalled prior to 1 March 2020.
 - b. This policy is available till 31 May 2020 (unless further extended and notified by HFCL in writing to its customer/ borrowers.
 - c. Where the borrower/ customer has requested for a moratorium, necessary changes to ECS instructions/ updated postdated cheques and other documentation required to reflect the revised payment schedule(s) to be completed by the borrower/ customer in the form specified by HFCL.
 - d. Where a borrower/ customer has availed more than one term loan from HFCL, the borrower/ customer will have to request (if required) a moratorium for each such facility (and grant of a moratorium for one loan should not be construed as a waiver for all such loans).
 - e. HFCL is entitled to evaluate the stress on/ disruption caused to the relevant borrower/ customer on account of the COVID-19 outbreak and consider accordingly
5. For the ease of implementation, these loans have been segregated into
 - a. EMI based loans
 - b. Non-EMI loans
6. **EMI based loans**
 - a. This category will include all loans that carry an amortizing structure - including loans with non-equated installments (whether payable monthly or otherwise), as well as bullet repayments. Loans under pool purchases are also included.
 - b. To the borrowers whose ability to honor instalment obligations, falling due between March 1, 2020 and May 31, 2020, is jeopardized on account of the economic fallout of COVID-19 pandemic, HFCL may grant a moratorium of up to three months for payment of these installments
 - c. Interest to continue to accrue on the outstanding portion of the term loans during the moratorium period at the rates applicable to the respective term loans in terms of the existing documentation, subject to the IRR of the facility remaining the same as on February 29, 2020; and will be capitalized as a part of the outstanding loan post the moratorium period

	COVID-19 – Regulatory Package	Version: 1.0 Issue Date: Mar-2020	Approved by : HFCL Board
---	--------------------------------------	---	---------------------------------

- d. Where the applications of the borrower are approved by HFCL, the revised due dates and repayment schedules shall be notified to all such borrowers (taking into account the accrued interest)
7. Non-EMI based loans
 - a. This category covers all working capital lines. For example – Working Capital Demand Loans (WC DL), Bill Discounting (BD) and Inventory Funding (IF).
 - b. With respect to non-EMI based loans, any amounts falling due between March 1, 2020 and May 31, 2020, where the borrower's ability to make such payments is compromised on account of the COVID-19 pandemic, moratorium of up to three months may be granted.
 - c. Interest to accrue on the tranche amount for the moratorium period at the rates applicable to the respective term loans in terms of the existing documentation, subject to the IRR of the facility remaining the same as on February 29, 2020; and will be collected from the borrower upon the end of the moratorium period, along with the tranche amount.
 - d. Interest accrual for the deferred period will be applicable for both facilities – front-ended and rear-ended.
8. Approving Authority
 - a. Within the contours of the above-mentioned framework, the respective Risk Committees for Corporate and Retail Finance shall define the approving authorities, that will approve all such moratorium to borrowers.

D. CLASSIFICATION OF SPECIAL MENTION ACCOUNT (SMA) AND NON-PERFORMING ASSET (NPA) FOR BORROWERS AVAILING THE RELIEF

1. Given the forbearance applied by the RBI through this COVID-19 – Regulatory Package, the objective of which is to acknowledge the challenge of the borrowers in making payments for outstanding dues in these uncertain times, certain additional measures such as the below have been considered
 - a. While a moratorium may be provided only for standard loans, for payments outstanding with respect to loans that are past due (all stressed loans), the loan classification for the purpose of regulatory reporting from a Days Past Due ("DPD") standpoint will be kept the same as on February 29, 2020 during the moratorium period March 1, 2020 to May 31, 2020 and computation would commence from June 1, 2020. While it will be our endeavor to collect the dues, we would not want to bother borrowers during a time period where cash flows across the ecosystem are already stressed.
 - b. Rollbacks, if any, on account of clearance of overdue EMIs of previous months (up to February 29, 2020) will result in corresponding reduction in the delinquency status of the borrower.
2. Post the moratorium period, the asset classification of such loans will be determined on the basis of the revised due dates and the revised repayment schedules
3. Consequently, for all loans where the relief is provided, the non-payment of financial obligations of the borrowers during the moratorium/deferment period shall not be construed as default for the purpose of supervisory reporting and reporting to the bureaus

	COVID-19 – Regulatory Package	Version: 1.0 Issue Date: Mar-2020	Approved by : HFCL Board
---	--------------------------------------	---	---------------------------------

E. COMMUNICATION

- The Company shall ensure that the above instructions are properly communicated to relevant staff members of the Company and clear instructions are issued for implementation.
- The Company will communicate the information regarding the above to the borrowers through digital or electronic modes.

The Board Approved Policy will be hosted on the Company's website at www.herofincorp.com, for our Customers information and benefit as mentioned in the RBI's Circular.

This policy may be updated by HFCL from time to time within the framework of regulatory guidelines as issued by the RBI and HFCL retain the right to determine and consider each application in terms of this policy based on facts and circumstances which may be unique to a particular application/ account.

_____End of Document_____