

Highlights of PFC's Policy for providing moratorium on Term Loans as permitted under RBI Circular dated 27.03.2020

Introduction

To mitigate the burden of debt servicing brought about by disruptions on account of COVID-19 pandemic and to ensure the continuity of viable businesses, RBI on 27.03.2020 allowed Lending Institutions including NBFCs to grant a moratorium of three months on payment by its borrowers.

Guidelines for extending moratorium

1) The moratorium will be provided to the following:

a) For outstanding terms loans₁ as on 1st March 2020 & for any disbursement under existing/new term loans₁ after 1st March 2020, a three months moratorium on payment of Instalments* falling due between 1st March 2020 to 31st May 2020 will be extended to all Government and Private sector borrowers of PFC. However, in case of consortium lending, the benefit of moratorium shall be provided subject to the condition that such relief is also granted by the consortium and also subject to the condition that parity amongst lenders in terms of debt servicing is maintained.

¹ both long term and short term loans

**Instalments will include the following payments falling due from 1st March 2020 to 31st May 2020: (i) principal and/or interest components (excluding IDC which is being funded by PFC as a part of the project cost as per the terms & conditions of the loan); (ii) bullet repayments; (iii) Equated Monthly instalments. (iv) All additional interest/charges raised as per policy along with demand for principal and/or interest as per the terms & conditions of the loan. Other than (i) to (iv) above, all other charges/fee(s) will continue to be levied and demanded as per the existing loan document/policies/guidelines/procedures.*

b) For availing the moratorium relief:

i. Borrower's acceptance will be sought in the prescribed format that will inter-alia include seeking necessary consent(s) for change/enhancement in existing loan amount; consent for continuing obligations for debt servicing of enhanced amount, increase in financial obligation due to further interest etc. The borrower should provide his consent within 2 working days from the date of receipt of PFC's letter. If any borrowers wish to not avail the moratorium facility, in such a case, the borrower will continue to make payments as per the existing terms & conditions of the loan.

ii. All obligations of the borrower like security, guarantees, promoters' undertakings /sponsor support undertakings for debt service obligation should remain in force.

iii. 6 months' time (from the date of consent) will be provided to execute necessary documents including for security creation, if any. If the borrower fails to execute necessary documents

including for security creation, if any within the prescribed timelines, then additional interest @1% will be charged from the borrower from the date of expiry of prescribed timelines.

iv. In case where any payment has been received from the borrower for payments falling due from 1st March 2020 onwards, such payments shall not be refunded and/or adjusted.

2) The moratorium to be provided to the borrower will be given effect to as under:

a) The Instalment(s) on which moratorium is to provided, the total recoverable amount of these Instalment(s) calculated at the applicable gross lending rate will be automatically converted into the principal amount on the due date. This principal amount will be considered as part of the original loan facility and accordingly, the original loan amount shall stand enhanced.

Further, such principal amount will become due on the next standard due date** after the last instalment of the original loan facility but not before 3 months after the date of conversion or 31st May 2020, whichever is later. The interest servicing on such principal amount will start on the standard due date** falling three months after the date of conversion.

*** Standard Due Date as per the original facility i.e. quarterly/monthly as the case may be.*

b) The repayment schedule of the original loan will remain unchanged and payments under the original loan will continue to be made as per the original repayment schedule after 31st May 2020.

c) In case any borrower wants to pre-pay the Instalment, the same can be done without any prepayment premium and in line with the existing terms and conditions of the original loan facility.

d) In case of private sector borrowers, dividend shall be allowed only after the repayment of the Instalment (i.e. converted principal) on which moratorium has been provided under this policy.