

Policy for Offering Relief from COVID 19 Financial Distress

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1. Title

This Policy shall be known as the “Policy for Offering Relief from COVID 19 Financial Distress” (the “Policy”).

2. Object

This Policy has been made pursuant to **Statement on Developmental and Regulatory Policies** issued by governor of Reserve Bank of India (RBI) on March 27, 2020 and April 17, 2020, Circular no. RBI/2019-20/186 DOR.No.BP.BC.47/21.04.048/2019-20 titled **COVID-19 – Regulatory Package** issued by RBI on March 27, 2020 and Circular no. RBI/2019-20/220 DOR.No.BP.BC.63/21.04.048/2019-20 titled **COVID19 Regulatory Package - Asset Classification and Provisioning** issued by RBI on April 17, 2020 (the “Regulations”) 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.

Further to this, due to continued lock-down situation and the intensification of COVID-19 disruptions, RBI extended this relief via circular no. RBI/2019-20/244 DOR.No.BP.BC.71/21.04.048/2019-20 titled **COVID-19 – Regulatory Package** issued on May 23, 2020 for a further period of 3 months.

3. Applicability

This Policy shall be applicable from the date of approval by the Board of Directors to all the loans outstanding as on March 1, 2020.

4. Definitions

In this Policy:

- (a) “Effective date” is the date from which moratorium will be given;
- (b) “Company” shall mean Volkswagen Finance Private Limited;
- (c) “SMA” is Special Mentioned Accounts as defined by RBI
- (d) “NPA” is Non performing Asset

Words and terms used in this Policy and not defined herein, but defined in the RBI Regulations, Master Directions, Circulars or the Companies Act, 2013 including any amendments thereto, shall have the meanings respectively assigned to them in such legislation.

5. Term Loan Facility – Retail, NBFC and Trucks & Bus Business

All the retail customers who are impacted due to the current Lockdown are eligible for this deferment. Self-employed customers will have to bear the fixed cost for running their businesses and even the salaried customers are getting impacted due to Lockdown, hence this facility will be extended to both the Salaried as well as Self-employed customers.

The same is applied to the trucks and busses customers. NBFCs who have availed term loan facility from VWFPL are eligible for moratorium facility. The economic impact of lock down will have direct impact on the commercial activity and hence debt serviceability of Truck and Bus customers.

5.1 Eligibility and Conditions for Rescheduling of payments

- i. All the Retail automotive, NBFCs and Trucks & Buses customers are eligible for this Moratorium Scheme.
- ii. Only NBFC who have availed term loans are eligible for extension of moratorium facility.
- iii. Customers who have paid Installments for the month of March 2020, will not be eligible for Moratorium for the month of March 2020. Customers who will pay installment for the month of April 2020 before opting for the Moratorium, will not be eligible for Moratorium for the month of April 2020.
- iv. Moratorium can be given for upto six months (from 1st March, 2020 to 31st August, 2020), as per the requirement of the customer, except clause iii above.
- v. Interest will continue to accrue on the EMIs for which moratorium is provided at the rate as contracted for the respective loan, and such interest will be collected as applicable interest from the customer by extending the original tenor of the loan contract accordingly.
- vi. For the EMI months in which moratorium has been offered, no late payment charges and penal interest shall be levied. If any late payment charges or penal interest get levied, the same shall be waived off/reversed.
- vii. The Company reserves all rights to accept or reject the claim made by the borrower in this regard.

5.2 Communication to the Retail, NBFCs and Truck & Bus Customers

Company shall use following channel to communicate its borrowers:

- Update the relevant extracts of the policy on the website.
- Send information on the registered Email IDs of the Customers.
- Send SMSs on the registered Mobile Numbers of the Customers

5.3 Process for customers not opting for the re-schedulement / recalculation

In such case, customer will have no impact on the amortization offered to the customer at start of the tenure. Honoring of the repayment obligations will be considered as not opting for the moratorium.

5.4 Grounds for considering deemed acceptance by the eligible borrowers

Requests sent by the customers for the moratorium will be deemed as acceptance to the policy of the Company. The Company shall send confirmation about extension of repayment schedule to the customers opting for the moratorium via official communication channels. In the event of no communication by the customer, the Company reserves the right to offer the moratorium.

5.5 Classification as SMA and NPA

The rescheduling of payments under this policy, including interest, will not qualify as a default for the purposes of supervisory reporting and reporting to Credit Information Companies (CICs).

6. Dealer Finance Facilities – Dealer Business

All automotive showrooms and workshops are currently closed down. Further there is significant drop in the retail sales of the cars. Nevertheless, dealership has to bear all the fixed expenses which include rental and salaries. It is expected that this will create severe liquidity crunch. Hence deferment of dues will address part of the issue.

6.1. Eligibility and Conditions for Deferment of payments

All dealer borrowers of the Company will be eligible for payment deferment. Following deferments will be offered to the dealers:

1. Moratorium on monthly interest billed for working capital facility (i.e. all types of inventory funding) will be extended until 31st August, 2020. The interest accrued and not billed for the period 1st March to 31st August, 2020 will be billed along with the interest accrued for month of September, 2020 payable at start of October, 2020.
2. There is an element of term loan in the working capital facility offered by the Company which require partial principal payment at the defined intervals during the tenure of finance for each asset financed. Hence for the purposes of the RBI COVID 19 relief package circular, the recovery of this margin billing is considered as an EMI and moratorium will be provided to these payments. All margin billing for the principal (i.e. curtailment) for respective VINs/ Invoice falling between period 1st April, 2020 to 31st August, 2020 will be deferred e.g. if 20% principal payment is falling due on 17th May, it will be extended for 150 days till i.e. 16th October, 2020.
3. All installments for LAP / Term loans to the dealers will be extended as mentioned for retail loans under section 5.1. The deferment will be applicable for unpaid dues starting from 1st

March, 2020 to 31st August, 2020. Interest will continue to accrue on the EMIs for which moratorium is provided at the rate as contracted for the respective loan, and such interest will be collected as applicable interest from the customer by extending the original tenor of the loan contract accordingly.

4. All short term working capital loans falling due within the moratorium period will be extended as mentioned above in point 3.
5. Any deferment requests (for all or any of the 4 mentioned above) for the past period i.e. between 1st March, 2020 to 31st March, 2020 will be evaluated on case to case basis on the merits of the proposal. This will be duly approved by the local Credit Committee. These will be adjusted manually in the system.
6. VWFPL, at its discretion, can offer short term loan (funded interest term loan) for the accumulated interest for the deferment period up to August 31, 2020. This should be repayable not later than 31st March, 2021. All such loans will be a new credit decision and have to be approved by Credit Committee.

6.2. Communication by the Company to Dealer Customer

The communication will be made through the email to the entire dealer network. All the deferments will be applicable for the entire network.

6.3. Process for customers not opting for the deferment

Customer not opting for deferment can make the payment as per the regular demands under intimation to the Company.

6.4. Grounds for considering deemed acceptance by the eligible borrowers

The Company will make an offer to the dealers through an email. In case dealers are not willing to take the concessions, a return receipt of email is expected. If no reply to opt out are received, all borrowers will be eligible for the deferments.

6.5. Classification as SMA and NPA

As per RBI guidelines, any account which is overdue due to liquidity crunch during this period i.e. 1st March, 2020 to 31st August, 2020 will not be reported under SMA / NPA. However, if the account was NPA before this period, this dealer / account will not be eligible for this concession. The Company holds all rights to accept or reject the claim made by the borrower in this regard.

The conversion of accumulated interest into FITL (section 6.1.6) will not be treated as concessions granted due to financial difficulty of the borrower and consequently, will not result in asset classification downgrade

7. An MIS for Exposure of INR 5 crore or more

Wherever the exposure of Company to a borrower is Rs.5 crore or above as on March 1, 2020, the Company shall develop an MIS on the reliefs provided to its borrowers which shall *inter alia* include borrower-wise and credit-facility wise information regarding the nature and amount of relief granted.

8. Authority to Define Process

Respective department heads are authorized to define internal processes to implement this relief package. The local risk management and compliance department will be consulted for or concurred with all such processes. The respective department heads will maintain all necessary documentation for any internal and external review.

9. Publication of Policy

Relevant Extracts of this Policy, upon its adoption by the Board of Directors of the Company, shall be uploaded on the Company's website and any updates hereto shall be promptly reflected on the Company's website.