ORANGE RETAIL FINANCE INDIA PRIVATE LIMITED [ORFIL]

CIN: U65191TN1989PTC018026

ONE TIME RESTRUCTURING SCHEME

Introduction:

In pursuant to the RBI circular RBI/2020-21/16 DOR.No.BP.BC /3/21.04.048/2020-21 August 6, 2020, the company is allowed to offer an One Time Restructuring scheme to those customers who have been affected due to the COVID 19 pandemic issue.

Rationale:

- The customers of ORFIL are from Semi-Urban / Rural Areas with varied demographic and Income stream profiles.
- The cash flow impact of the segment had been diverse and hence there is need for flexibility for application of Holiday period as per requirements of individual profile segments.
- The Economic Normalcy of the country is predicted by Dec end. The downward flow of this impact in semi-urban / rural Markets is estimated around Mar'21.
- Hence the company has devised a scheme offer of flexible holiday period till Mar'21.
- Also, in case the customers would have an improved ability to pay in between months, the flexibility is offered to pay any time in these months, and this would reduce the interest burden created during the period.

Eligibility Criteria

- All accounts within 30 DPD as on 1st March 2020. The eligible pool is around Rs.256 crs.
- Customers livelihood affected due to Covid 19 issue.
- Credit Bureau Score indicating the profile in Low risk / Medium Risk category except with deviation for cases those credit ratings were affected solely due to ORFIL loan track record. The approval authority to sign off such cases will be with MD & ED.
- Customer acceptance for Processing Fees as decided by MD & ED

Structure of Restructuring offered

- EMI holiday period between Sep'20 to Mar'21 on any months where EMI could not be paid.
- The EMI will be kept constant Post the holiday period.
- Current tenure of the loan will be extended to additional tenure with overall tenure extension restricted at 18 months period with the same EMI.

Process Flow

- The customers would be educated and encouraged to pay on monthly basis the EMI dues for the month even after being eligible under scheme.
- Any customers expressing inability to pay during any of the months between Sep’20 to March’21 will be assessed for the scheme under this policy and the invocation of the scheme with the approved borrowers will be done on or before 31st Dec’20.
- The customer will be given an option at that point to avail the scheme with payment of one-time processing fee.
- The risk classification of the customer will be assessed by checking the bureau report risk score, reason for the stress, number of dues unpaid etc and credit decision will be taken for offering the scheme.
- In case of chronic market defaulter, the decision to mark the account as NPA and recovery collection action to be initiated.
- For low risk / medium risk cases, the agreement with the revised terms & conditions will be executed.
- The customer / Field team will be communicated on the new repayment schedule.

Operational Workflow

- Every Month end the list of customers under this eligible list will be scanned for non-payment.
- The list of customers will be given to Field team for assessment of the account level stress.
- The report from the field team will be shared to the credit team and based on the credit bureau score, the credit will do the decisioning for OTR as per the eligibility criteria.
- The field team will then be communicated to approach the customers for documentation of revised terms and conditions.
- These customers will be given EMI holiday for the unpaid month/s and the tenure will be re-drawn with Capitalised Interest.
- The revised repayment schedule will have a control cap of same EMI and additional tenure extension limited to 18 months.

Documentation Content

- The revised term loan document will cover the flexibility option of EMI holiday offering between the period Sep’20 to Mar’21.
- It also will cover the optional clause of customer choice to pay any time in between to reduce the interest burden.
- The processing fee acceptability clause will also be included.

Asset Coverage Analysis:

Asset cover	< 0.75 times		> 0.75 < = 1 time		>= 1 < = 2 times		> 2 <=3 times		> 3 times	
Lender Type	**Value (Crs)**	**Count**	**Value (Crs)**	**Count**	**Value (Crs)**	**Count**	**Value (Crs)**	**Count**	**Value (Crs)**	**Count**
Clix	0.97	140	3.67	602	1.68	382	0.03	14	0.01	7
Incred	2.91	417	21.22	3573	28.39	7505	4.18	2198	3.06	3841
KVB	0.14	20	1.46	243	1.90	477	0.17	84	0.02	30
NorthernArc	1.01	133	10.91	1744	15.30	3454	0.57	249	0.21	170
ORFIL	9.27	1289	44.28	7174	48.14	11305	3.37	1452	1.12	1092
Securitization	2.27	393	14.01	2632	28.61	7793	4.64	2242	2.15	2186
Grand Total	**16.58**	**2392**	**95.55**	**15968**	**124.02**	**30916**	**12.97**	**6239**	**6.56**	**7326**

- The total Asset coverage of the eligible portfolio (Rs.256 crs) is around 1.25 times with the current IDV value of the asset is around 320 crs.
- Of this, around 56% of the portfolio is covered by more than 1 time of the loan value.
- Of the remaining pool also, close to 85% of the portfolio is covered by 0.75 times of the loan values.

Eligibility Pool Stress Analysis

- The Total Eligible Pool as per RBI guidelines is around Rs.256 crs.
- A stress analysis was done on a portfolio of Rs.240 crs that had exhibited highly erratic payment behaviour during the Mar’20 – Aug’20.
- Of this, the Probable Pool Is around Rs.117 crs based on the payment behaviour during the Initial Moratorium Period (Mar’20 – Aug’20) since either they had paid only 2 EMI as whole or had stopped payment between the months Jun’20 to Aug’20.

Sum of Sep'20 Closing PoS		EMI Paid Flg Jun'20-Aug'20					
BKT(PC1r)	**EMI Paid Flg Mar'20-May'20**	**Zero or Less than 1 EMI Paid**	**Upto 1 EMI Paid**	**Upto 2 EMI Paid**	**Upto 3 EMI Paid**	**4 & More EMI Paid**	**Grand Total**
Current	Zero or Less than 1 EMI Paid	19.75	12.87	9.30	5.78	1.40	49.11
	Upto 1 EMI Paid	14.32	14.79	16.20	17.48	2.66	65.45
	Upto 2 EMI Paid	2.75	4.86	9.57	19.65	1.57	38.40
	Upto 3 EMI Paid	0.69	1.57	4.54	34.84	0.72	42.36
	4 & more EMI Paid	0.09	0.13	0.51	0.51	0.06	1.30
Current Total		**37.59**	**34.22**	**40.12**	**78.26**	**6.42**	**196.62**
Bkt 1	Zero or Less than 1 EMI Paid	11.55	6.48	3.89	1.79	0.50	24.21
	Upto 1 EMI Paid	3.86	3.83	3.64	2.03	0.30	13.65
	Upto 2 EMI Paid	0.78	1.15	1.33	1.39	0.16	4.81
	Upto 3 EMI Paid	0.12	0.20	0.38	0.68	0.02	1.41
	4 & more EMI Paid	0.02	0.04	0.07	0.10	0.01	0.24
Bkt 1 Total		**16.32**	**11.71**	**9.31**	**5.99**	**0.99**	**44.32**
Grand Total		**53.92**	**45.93**	**49.43**	**84.25**	**7.41**	**240.94**

- Risk Analysis of sample Zero EMI paid pool as on Aug'20 resulted in 77% of accounts in Low / Medium Risk category.

< 600 - Significant Risk	**1024**	**23%**
I-Medium Risk	190	4%
J-High Risk	190	4%
K-High Risk	333	8%
L-Very High Risk	24	1%
M-Very High Risk	287	7%
600 to 700 - Moderate Risk	**1418**	**32%**
E-Low Risk	265	6%
F-Low Risk	692	16%
G-Low Risk	165	4%
H-Medium Risk	293	7%
I-Medium Risk	3	0%
> 700 low risk	**1875**	**43%**
A-Very Low Risk	96	2%
B-Very Low Risk	183	4%
C-Very Low Risk	1231	28%
D-Very Low Risk	330	8%
E-Low Risk	35	1%
No score	**57**	**1%**
Grand Total	**4374**	**100%**

ALM cash Flow Impact:

The cashflow impact was assessed in three sets of stress case scenarios as listed below:

Scenario 1 (Best case): All the probable accounts opting for Morat and 100% collection in other accounts.

Scenario 2 (Average case): All the probable accounts opting for Morat and 65% collection in other accounts.

Scenario 3 (worst case): All the probable accounts opting for Morat and 25% collection in other accounts.

Asset/Liability buckets	**1 month**	**1-2 month**	**2-3 month**	**3-4 month**	**4-5 month**	**5-6 month**
Total outflows	**24,70,11,552**	**23,00,03,705**	**26,92,42,887**	**21,68,36,687**	**22,41,09,826**	**21,17,43,997**
Total Inflows	**46,16,10,718**	**27,70,21,580**	**27,14,50,222**	**26,55,45,993**	**25,92,45,038**	**25,19,94,308**
Mismatch	21,45,99,166	4,70,17,875	22,07,335	4,87,09,306	3,51,35,212	4,02,50,311
Cumulative Mismatches	21,45,99,166	26,16,17,041	26,38,24,376	31,25,33,682	34,76,68,894	38,79,19,204
Revised Cumulative Mismatches as per Average case	9,48,98,873	2,48,15,708	(8,77,18,070)	(15,14,18,503)	(22,59,98,494)	(29,24,99,166)
Revised Cumulative Mismatches as per Best case	13,69,99,095	10,80,49,647	3,54,92,119	1,06,06,931	(2,65,37,703)	(5,71,34,145)
Revised Cumulative Mismatches as per worst case	4,67,84,333	(7,03,08,793)	(22,85,29,714)	(33,65,90,426)	(45,39,53,683)	(56,14,87,762)

Other Considerations:

- The major co-lenders are Incred (56 crs), Securitisation (36 crs) and Northern Arc (26 crs) in the pool under eligibility. Co-lenders might ask to pay the FLDG on the OTR customers. This can be mitigated by buying the pool. The extent of impact needs to be estimated only after discussions with the Co-lenders.
- Lender might hold further disbursements till the collection flow stabilises. They might wait till the actual impact of OTR is seen.
- Rating Agency impact will be negative. The mitigation point will be improved collection flows in the coming months. An increasing trend along with capital infusion would help us retain the same rating next year.

Asset classification and Provisioning:

1) All the loans including the interim finance given before the resolution plan but later covered under the plan will be classified as standard irrespective of the account period before the implementation date.
2) However, if the plan is not implemented, then the asset classification will follow the regular prudential norms.
3) The provisioning for the loans will be higher of the below:
    a. Provisions held as per extant as IRAC norms before implementation.
    b. 10% of renegotiated debt post implementation.
4) The reversal of provisions for the loans will be as follows:
    c. 50% of provisions to be reversed if borrower clears 20% of renegotiated debt post the plan implementation
    d. Remaining 50% of provisions to be reversed post payment of additional 10% of renegotiated debt.
5) Post implementation, the asset classification will be as per original norms as per the borrower performance on the revised terms.
6) The provisioning thus done that is not reversed can be adjusted against any provisioning requirements that might arise if any restructured account becomes NPA or additional provisioning requirements for the restructuring of such accounts.

<u>Disclosures formats to Board and RBI:</u>

There are two formats to be disclosed. Format A every Qtr till sept 2021 and Format B half yearly till the last account under resolution is either fully paid off or slips into NPA.