

COVID - 19 MORATORIUM POLICY

Introduction

The Reserve Bank of India (RBI) announced a series of measures on March 27, 2020 to directly address the stress in financial conditions caused by COVID-19 consisting of : (i) expanding liquidity in the system sizeably to ensure that financial markets and institutions are able to function normally in the face of COVID-19 related dislocations; (ii) reinforcing monetary transmission so that bank credit flows on easier terms are sustained to those who have been affected by the pandemic; (iii) easing financial stress caused by COVID-19 disruptions by relaxing repayment pressures and improving access to working capital; and (iv) improving the functioning of markets in view of the high volatility experienced with the onset and spread of the pandemic.

RBI noted that alongside liquidity measures, it is important that efforts are undertaken to mitigate the burden of debt servicing brought about by disruptions on account of the fall-out of the COVID-19 pandemic. Such efforts, in turn, will prevent the transmission of financial stress to the real economy, and will ensure the continuity of viable businesses and provide relief to borrowers in these extraordinarily troubled times.

Reserve Bank of India circular RBI/2019-20/186 DOR.No.BP.BC.47/21.04.048/2019-20 dated March 27, 2020 ("RBI Circular") detailing the measures to ease debt servicing burden of borrowers of banks, NBFCs and HFCs is provided in **Annexure I**. In terms of the RBI Circular, RBI has directed lending institutions including NBFCs to frame Board approved policies for providing the reliefs mentioned in the RBI Circular to all eligible borrowers.

Policy Features

Eligibility: All borrower accounts of DEEVEE COMMERCIALS LIMITED ("the Company") classified as Standard as on February 29, 2020.

Lending Product: While the RBI Circular provides for reliefs to term loan borrowers as well as working capital borrowers, all the facilities granted by the Company to its borrowers are demand/ call loans / term loans and as such reliefs proposed in the RBI circular will be applicable to every borrower of the Company.



Key Features:

- A. Grant a moratorium of three months on payment of all instalments (Instalments will include the following payments falling due from March 1, 2020 to May 31, 2020: (i) principal and/or interest components; (ii) bullet repayments; (iii) equated monthly instalments). As such, the Company will not demand any instalments from any of its borrowers falling due from March 1, 2020 to May 31, 2020 including both these dates. Next instalment on all the credit facilities will fall due from June 1, 2020 onwards.
- B. The repayment schedule for such credit facilities will be shifted by three months after the moratorium period and residual tenor of such credit facilities will increase by three months. The Company may revise the repayment schedule by setting new instalments in light of the additional three months of tenor to maintain the same Internal rate of Return (IRR) on such credit facilities.
- C. Interest shall continue to accrue on the outstanding portion of the credit facilities during the moratorium period and shall be adjusted/ recovered in the revised instalments of such credit facilities.
- D. In the event that a borrower does not wish to avail the moratorium and continue with the original repayment schedule, such borrowers would continue without any change in repayment schedule. In case the borrowers wish to make any further payments till May 31, 2020 towards their loan obligations, the Company would appropriate these payments towards partial prepayment of outstanding principal of their loans or towards the instalments for the month of June, July and August 2020 of these borrowers. In the case of Corporate Lending business, treatment provided to these payments will be determined on case to case basis.

Asset Classification

Since the moratorium is being provided specifically to enable the borrowers to tide over economic fallout from COVID-19, the same will not be treated as concession or change in terms and conditions of loan agreements due to financial difficulty of the borrower under paragraph 2 of the Annex to the Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions, 2019 dated June 7, 2019 ("Prudential Framework"). Consequently, such a measure, by itself, shall not result in asset classification downgrade for the purposes of RBI reporting. The asset classification of the credit facilities which are granted relief as per this Policy shall be determined on the basis of revised due dates and the revised repayment schedule.

Supervisory and Credit Bureau Reporting



The rescheduling of payments including interest, will not qualify as a default for the purposes of supervisory reporting and reporting to Credit Information Companies (CICs) by the Company in line with RBI guidance. CICs are also expected to ensure that the actions taken by lending institutions pursuant to the above announcements do not adversely impact the credit history of the beneficiaries.

MIS pertaining to reliefs granted under this policy

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

Implementation Plan

A three-member working group be formed with immediate effect to oversee the implementation of this Policy including but not limited to communication of the Policy within and outside the organisation, issuing instructions to the Company's staff, borrower communication, related changes in Loan Management Systems, development of MIS, clarifications/decisions pertaining to asset classification etc.





भारतीय रजवर् बक
RESERVE BANK OF INDIA
www.rbi.org.in

RBI/2019-20/186

DOR.No.BP.BC.47/21.04.048/2019-20

March 27, 2020

All Commercial Banks (including Small Finance Banks, Local Area Banks and Regional Rural Banks)

All Primary (Urban) Co-operative Banks/State Co-operative Banks/ District Central Co-operative Banks

All All-India Financial Institutions

All Non-Banking Finance Companies (including Housing Finance Companies)

Madam / Dear Sir,

COVID-19 – Regulatory Package

Please refer to the Statement of Development and Regulatory Policies released on March 27, 2020 where inter alia certain regulatory measures were announced 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. In this regard, the detailed instructions are as follows:

(i) Rescheduling of Payments – Term Loans and Working Capital Facilities

2. In respect of all term loans (including agricultural term loans, retail and crop loans), all commercial banks (including regional rural banks, small finance banks and local area banks), co-operative banks, all-India Financial Institutions, and NBFCs (including housing finance companies) (“lending institutions”) are permitted to grant a moratorium of three months on payment of all instalments¹ falling due between March 1, 2020 and May 31, 2020. The repayment schedule for such loans as also the residual tenor, will be shifted across the board by three months after the moratorium period. Interest shall continue to accrue on the outstanding portion of the term loans during the moratorium period.

¹ Instalments will include the following payments falling due from March 1, 2020 to May 31, 2020: (i) principal and/or interest components; (ii) bullet repayments; (iii) Equated Monthly instalments; (iv) credit card dues.



3. In respect of working capital facilities sanctioned in the form of cash credit/overdraft (“CC/OD”), lending institutions are permitted to defer the recovery of interest applied in respect of all such facilities during the period from March 1, 2020 upto May 31, 2020 (“deferment”). The accumulated accrued interest shall be recovered immediately after the completion of this period.

(ii) Easing of Working Capital Financing

4. 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 May 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. Further, accounts provided relief under these instructions shall be subject to subsequent supervisory review with regard to their justifiability on account of the economic fallout from COVID-19.

Classification as Special Mention Account (SMA) and Non-Performing Asset (NPA)

5. Since the moratorium/deferment/recalculation of the ‘drawing power’ is being provided specifically to enable the borrowers to tide over economic fallout from COVID-19, the same will not be treated as concession or change in terms and conditions of loan agreements due to financial difficulty of the borrower under paragraph 2 of the Annex to the Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions, 2019 dated June 7, 2019 (“Prudential Framework”). Consequently, such a measure, by itself, shall not result in asset classification downgrade.

6. The asset classification of term loans which are granted relief as per paragraph 2 shall be determined on the basis of revised due dates and the revised repayment schedule. Similarly, working capital facilities where relief is provided as per paragraph 3 above, the SMA and the out of order status shall be evaluated considering the application of accumulated interest immediately after the completion of the deferment period as well as the revised terms, as permitted in terms of paragraph 4 above.

7. The rescheduling of payments, including interest, will not qualify as a default for the purposes of supervisory reporting and reporting to Credit Information Companies (CICs) by the lending institutions. CICs shall ensure that the actions taken by lending institutions pursuant to the above announcements do not adversely impact the credit history of the beneficiaries.



Other Conditions

8. Lending institutions shall frame Board approved policies for providing the abovementioned reliefs to all eligible borrowers, *inter alia*, including the objective criteria for considering reliefs under paragraph 4 above and disclosed in public domain.

9. Wherever the exposure of a lending institution to a borrower is `5 crore or above as on March 1, 2020, the bank 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.

10. The instructions in this circular come into force with immediate effect. The Board of Directors and the key management personnel of the lending institutions shall ensure that the above instructions are properly communicated down the line in their respective organisations, and clear instructions are issued to their staff regarding their implementation.

Yours faithfully,

(Saurav Sinha)

Chief General Manager-in-Charge

