

Date: May 31, 2020

SUBJECT: Regulatory measures and reliefs announced by RBI in view of COVID 19 –Bank’s Policy for implementation.- V 2.0

BRIEF BACKGROUND:

Bank had earlier announced and implemented the Board approved policy for providing relief to the borrowers affected by COVID 19 as per the RBI regulations dated March 27, 2020 and April 17, 2020. RBI vide its circular dated May 23, 2020 has permitted the banks to provide the moratorium for further three months from June 1, 2020 till August 31, 2020 and banks are required to have a board approved policy for the same..

It is to be noted here that during the last few weeks, Government of India has announced several measures to kick-start the economy to the tune of Rs. 20 lakh crore (about 10% of the GDP of the country) which are aimed at bringing the economic activity back to as much normal as possible. It is also worth noting that the steps taken by the Governments – both Central and State, many parts of the country are successful in managing the impact of the pandemic and the economic activity in these parts has picked up significantly in the last few weeks. In this background, the policy as under, is prescribed in line with the RBI circular dated May 23, 2020.

Relief provided by RBI as per circular dated May 23, 2020:

- a) RBI has permitted the banks to extend the moratorium by another three months i.e. from June 1, 2020 to August 31, 2020 on payment of all instalments in respect of term loans (including agricultural term loans, retail and crop loans). Accordingly, the repayment schedule for such loans as also the residual tenor, will be shifted across the board. Interest shall continue to accrue on the outstanding portion of the term loans during the moratorium period.
- b) In respect of working capital facilities sanctioned in the form of cash credit / overdraft (“CC/OD”), RBI permitted the banks to allow a deferment of another three months, from June 1, 2020 to August 31, 2020, on recovery of interest applied in respect of all such facilities.

- c) RBI has also permitted banks, at their discretion to convert the accumulated interest for the deferment period up to August 31, 2020, into a funded interest term loan (FITL) which shall be repayable, not later than March 31, 2021.
- d) As a one-time measure, RBI has also permitted the banks to recalculate the 'drawing power' by reducing the margins until August 31, 2020. However, in all such cases where such a temporary enhancement in drawing power is considered the margins shall be restored to the original levels by March 31, 2021; and/or, review the working capital sanctioned limits up to March 31, 2021, based on a reassessment of the working capital cycle. The above measures shall be contingent on banks satisfying themselves that the same is necessitated on account of economic fallout from COVID-19.
- e) Since the moratorium/deferment/recalculation of the 'drawing power'/ reassessing the working capital cycle are 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. Hence, these reliefs will not result in downgrading of asset classification of the borrower.
- f) This also will not qualify as a default for reporting to Credit Information Companies and also under supervisory reporting.
- g) It is also provided, in line with the clarification provided by the Basel Committee on Banking Supervision, in respect of all accounts classified as standard as on February 29, 2020, even if overdue, the moratorium period, wherever granted, shall be excluded by the lending institutions from the number of days past-due for the purpose of asset classification under the IRAC norms.

Bank's policy for providing the said relief to borrowers:

This policy applies to all credit facilities granted and disbursed by the Bank and outstanding as on March 31, 2020. However, this is not applicable to the loans granted to the NBFCs, Housing Finance Companies and Micro Finance Institutions, which availed facilities from the Bank. This will also apply to all borrowers of GIFT City branch (subject to applicable laws) and applies to foreign currency denominated facilities of domestic offices/branches. The Bank would provide separate terms and

conditions for different types of loan. Other credit conditions in the sanction letters already issued would remain unchanged.

The Bank will consider relief in the form of moratorium / deferment to borrowers, who wish to avail and make an application to the Bank seeking

- Moratorium on term loan instalments and credit card dues falling due between June 1, 2020 and August 31, 2020 (New Moratorium Period)
- Deferment of interest for the months of June to August 2020 to -borrowers who availed working capital facilities in the form of CC/OD.

Bank would be examining all the requests and above reliefs would be considered depending on the impact of COVID 19, keeping in view factors including the sector, segment, geography, credit assessment, etc. Interest would continue to accrue during the moratorium period on the outstanding amount of loan as provided in the RBI circulars. This accrued interest has to be paid by the customers as prescribed in this policy.

All customers, including those who might have availed the moratorium relief earlier and who desire to avail the relief for the New Moratorium Period under this policy, [click here](#) and provide the relevant details. The Bank would consider the customer's request as mentioned above and the customer would be duly intimated about the Bank's decision and the applicable terms and conditions. Any dues already paid will not be refunded.

A. Moratorium for Term loans:

- Customers, who are desirous of availing the relief for the New Moratorium Period (i.e., June 1, 2020 to August 31, 2020) under the RBI circular, [click here](#) and provide the relevant details.
- The repayment schedule of term loans, wherever relief is approved by the Bank, would shift by up to another three months (in addition to tenor change under phase 1 of moratorium) and the tenor of the term loan will be commensurately extended. The instalment amounts / EMIs will be appropriately re-calculated, including interest accrued during moratorium period.
- The moratorium will be applicable for the principal and / or interest dues for the all or part of the New Moratorium Period.

- The Bank would be presenting the post-dated cheques / actioning ECS or NACH -mandates etc., provided by the customers, for collection as per the respective due dates from June 1, 2020. Customers who are desirous of availing the relief for New Moratorium period under the RBI circular, must provide relevant details to the Bank within seven days (or extended date as may be permitted by the Bank) from their first due date falling on or after June 1, 2020. [Click here](#) to provide the details. The Bank will consider the requests on merits of the case.
- Credit card customers desirous of availing the relief must provide the relevant details to the Bank, within seven days (or extended date as may be permitted by the Bank) from their first due date falling after June 1, 2020. [Click here](#) to provide the details. Bank will consider the requests on merits of the case. .

B. Relief for working capital facilities:

(a) Deferment of interest:

- Customers wanting to avail of deferment of interest under this clause [click here](#) and provide the relevant details on or before June 10, 2020 (or extended date as may be permitted by the Bank).
- In the case of Overdraft / Cash Credit, including KCC Loans, the Bank will consider deferment of interest applied to borrowers on the merits of the case affected by COVID 19, during the New Moratorium Period..
- The deferred interest in normal course need to be paid immediately after the moratorium period i.e., September 1, 2020. However, customers who are desirous of converting the accrued interest into a Funded Interest Term Loan (FITL) including for earlier relief period (March 1 to May 31, 2020) should make a specific request to the Bank. Such requests will be examined by the Bank on a case-to-case basis and accrued interest would be converted into FITL at the discretion of the Bank depending on the merits of the case affected by COVID 19. Wherever allowed such FITL needs to be re-paid, as per the terms and conditions prescribed by the bank. However, the outer limit to repay the FITL would be March 31, 2021.

(b) Reduction of margin:

- For customers facing stress due to the economic fallout of the pandemic, the Bank will consider reduction of margin on stocks/receivables/other eligible securities, etc., for the purpose of computation of Drawing Power (DP) for OD/CC limits and allow higher DP than earlier, based on impact on the borrower, basis credit assessment.
- Such concession in reduction of margin would be valid in respect of all changes effected up to August 31, 2020 for such period not exceeding March 31, 2021 as per the impact assessment on working capital cycle. After such period, the margin would be reverted to pre-relief margin stipulated by the Bank.
- Customers wanting to avail of this benefit should [click here](#) and provide relevant details to enable the Bank to consider the same.

(c) Reassessment of working capital cycle / limits

- For customers facing stress on account of the economic fallout of the pandemic, the Bank may re-assess the working capital cycle for period up to March 31, 2021 factoring the COVID19 impact on customer's business
- In case the working capital arrangement is under a Consortium, the reassessment of limits will need to be harmonized with the assessment of the Lead Bank of the Consortium.
- Once the original limit is reinstated, any further concession would have to be dealt with as per the usual restructuring norms stipulated by RBI.

Eligibility to avail relief under B (b) and (c)

All borrowers availing working capital facilities in the nature of:

- CC or OD or
- EPC/ PCFC or
- bill discounting / Letters of Credit / Gold Metal Loans etc., and whose working capital requirement / cycle is impacted by the pandemic, resulting in:
 - cancellation / deferment / re-schedulement of orders
 - shutdown of unit / work place,
 - non-availability of manpower/ transportation to complete the manufacturing / sale of goods / services,

- non-realization of debtors or elongation of realization period

Will be eligible for requesting for relief under this provision,

The bank will consider providing such relief under paras B (b) and (c) on merits of the case.

C. Common conditions for availing the policy:

- The Bank will take into account the stress on the borrowers on account of the pandemic.
- The borrower should not be under IBC proceedings.
- The borrower should not have been classified as NPA/ willful defaulter/ RFA/ Fraud by KMBL or other Banks

D. Legal & documentation matters:

- Loan specific conditions may be laid down by the Bank for the above relief..
- In respect of concessions / reliefs granted under this policy, requisite documentation, if any, may be taken by the Bank, including through electronic form.
- The Bank may examine if any SBLC/ corporate guarantee backed facilities require extension of the tenor of SBLC/ CG with due approval of the provider of such comfort which involve modification of their terms. Wherever required by the Bank, such approval shall be obtained upfront.

E. Validity of the policy:

This policy shall be valid up to August 31, 2020

F. Prudential norms:

- The moratorium/ deferment granted to borrowers will not qualify as default on the part of borrowers for the purposes of supervisory reporting and reporting to credit information companies (CICs).
- The relief given as above as per the special dispensation given by RBI will not result in any downgrade of asset classification.

- For all customers, whose accounts were standard, including SMA, as on February 29, 2020 and who have been provided with moratorium for the instalments falling due till August 31, 2020, moratorium period (including the New Moratorium Period, where granted) will be excluded from computation of number of days past due for the purpose of asset classification.
- Similarly, for working capital CC/OD accounts where deferment of interest has been granted, such deferment period, wherever granted in respect of all facilities classified as standard, including SMA, as on February 29, 2020, shall be excluded for the determination of out of order status.

While this policy outlines the broad internal guidance that the Bank will follow to take decisions regarding moratorium, the Bank retains the discretion to take decisions regarding this policy depending on case specific issues or nuances. Bank reserves the right to amend the policy within the framework of RBI regulations.
