



SBM Bank (India) Ltd.

Policy on Covid-19

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2. Introduction

Covid-19 is significantly impacting the global health, trade, supply chain, commodities, logistics and businesses. Over 0.5 million people have been infected worldwide with more than 31,000 deaths until 28.03.2020. The number of positive cases in India has crossed 1,000 as on date. The immediate impact is on the informal sector, hotels and tourism, aviation, chemicals, pharmaceuticals, construction, etc. As per estimates, India's GDP growth is to moderate further from earlier estimates of 5 per cent for FY20.

Reserve Bank of India (RBI) vide RBI/2019-20/186 DOR.No.BP.BC.47/21.04.048/2019-20 dt. March 27, 2020 (enclosed as *Annexure*) has announced regulatory measures 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.

Accordingly, all lending institutions have been advised to frame Board approved policies for providing the reliefs to all eligible borrowers, *inter alia*, including the objective criteria for considering reliefs and disclose the same in public domain.

3. Details of Package

3.1. Rescheduling of Payments – Term Loans and Working Capital Facilities

In respect of all term loans (including agricultural term loans, retail and crop loans), a moratorium of three months on payment of all installments (both principal and interest or EMI as applicable) 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. The repayment of the interest accrued during the above moratorium period shall be given the same treatment as the principal.

In respect of working capital facilities sanctioned in the form of cash credit/overdraft ("CC/OD"), the recovery of interest applied in respect of all such facilities during the period from March 1, 2020 upto May 31, 2020 ("deferment") shall be deferred. The accumulated accrued interest shall be recovered immediately after the completion of the 3 months period or as per the guideline in this regard updated by RBI/ IBA from time to time. No penal interest shall be applied during this period.

Though the RBI circular under reference does not specifically mention about WCDL, LCs, NCDs or other short-term exposures in the nature of working capital (export credit, buyer's credit, bills discounting, etc) for operational purpose we consider the following treatment for:

- WCDL carved out from cash credit facilities and payments falling due for working capital LC between March 1, 2020 and May 31, 2020 shall be treated in line with the cash credit for the above purpose. Accordingly WCDL shall be rolled over without any cooling period.
- Capex LCs, NCDs and factoring exposures shall be treated in line with the term loan for the above purpose.
- Other short-term exposures shall be treated in accordance with the RBI/ IBA clarifications.

3.2. Easing of Working Capital Financing

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, the bank shall recalculate the 'drawing power' by reducing the margins and/or by reassessing the working capital cycle wherever justified.

Bank will review all its existing working capital facilities in the next 3 months and wherever justifiable the bank shall reduce the promoter's contribution/ margin and/or recalculate the drawing power, wherever required.

The major criteria for reassessment shall be stress in the working capital cycle of the borrowers (the criteria can be nature of underline industry, availability of raw materials, time for work in process, holding period of inventory, elongation of receivables period, supply, etc.)

Further, all the accounts where the above relief has been provided shall be subjected to subsequent supervisory review (by MCC or BCIC depending on the bank's extent delegated structure) on quarterly basis (for 3 subsequent quarters) with regard to their justification on account of the economic fallout from COVID-19.

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

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 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.

The asset classification of term loans which are granted relief (under Covid-19 package) shall be determined on the basis of revised due dates and the revised repayment schedule. Similarly, working capital facilities where relief is provided (under Covid-19 package), 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.

The rescheduling of payments, including interest under Covid-19 package, will not qualify as a default for the purposes of supervisory reporting and reporting to Credit Information Companies (CICs) by the Bank.

3.4. Accounts not Eligible:

The relief as stated in point no. 3.1 and 3.2 shall not be applicable for the following type of accounts:

- Non-Performing Accounts
- One-Time Settlement cases
- Written-off accounts
- Cases filed under NCLT/ IBC

4. Operational Guidelines

- i. This Policy on Covid-19 shall be approved by the Board of Directors of the Bank.
- ii. In case RBI/ IBA issues any subsequent update or additional guidelines, the policy shall be deemed to be automatically updated and subsequently ratified by the Board.
- iii. Bank shall disclose its Board approved Policy on Covid-19 on its website.
- iv. The approved Policy shall be made applicable on immediate basis.
- v. The Operations/ Credit Administration(CAD)teams will reschedule the due dates of payments in the core system as stated above in point no. 3.1 on immediate basis.
- vi. The MCC may be delegated powers to approve the revised repayment schedule in line with the regulatory guidelines.
- vii. Respective Business teams would study the impact of Covid-19 pandemic on the working capital cycle of the borrowers as stated in point no. 3.2. above and accordingly recommend for approval to the sanctioning committee. On receipt of the same, Credit Risk Team to provide their recommendations to MCC as applicable on case to case basis. On approval of the same, CAD shall calculate revised Drawing power wherever applicable and give its effect in the system.
- viii. If any of the borrower(s) do not opt for any relief as stated above, they may continue to pay regularly during the above period.
- ix. Wherever the exposure of the Bank to a borrower is Rs. 50 Mn 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. Such an MIS shall be reported by CAD to the Credit Forum on monthly basis and to RMC on quarterly basis. MIS shall also include the overdue amount if any in such accounts.

Annexure: Circular RBI/2019-20/186 DOR.No.BP.BC.47/21.04.048/2019-20 dt. March 27, 2020

31.03.2020.