

Policy Update on the COVID-19 – Regulatory Package (May 2020)

(All the important updates to the earlier approved policy are done in Italic Underlined font to differentiate).

The Reserve Bank of India has announced regulatory measures (**COVID-19 – Regulatory Package**) vide its circular RBI/2019-20/186 DOR.No.BP.BC.47/21.04.048/2019-20 dated 27 March 2020 to mitigate the burden of debt servicing brought about by disruptions on account of the COVID-19 pandemic and to ensure the continuity of viable businesses.

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NOTI186B27003E9DB3D4FB49BDDF955F4289D68.PDF>

Emirates NBD Bank (P.J.S.C), India (ENBDI) will follow the above regulation, as may be amended from time to time, with effect from 27 March 2020 as well as the following policy details.

RBI Update 17Apr2020: Announcement vide RBI/2019-20/220 DOR.No.BP.BC.63/21.04.048/2019-20

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/ASSETCLASSIFICATIONE5F6BD8C6D574086B7D36DC8CF7E13A9.PDF>

RBI Update 23May2020: Announcement vide circular RBI/2019-20/244 DOR.No.BP.BC.71/21.04.048/2019-20

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NT2455D86E6F80D9D4BC29C0DFAA43D76D9A4.PDF>

A. Moratorium, Deferment and Reassessment of Working Capital Financing

The Bank will provide the following amendments to the existing terms and conditions of credit facilities outstanding of the borrower.

1. Rescheduling of Payments for Term Loans and Working Capital Facilities

A moratorium of three months on all payments (of principal and interest including those as an equated monthly instalment) due between 01 March 2020 and 31 May 2020 on term loans and working capital facilities (i.e. those with a fixed maturity, irrespective of tenor and end use). Hence for each payment due during the above period including interest, the revised repayment date will be three months after its original scheduled payment date. In addition each principal repayment (and not interest) currently scheduled after 31 May 2020, including the residual tenor, will be deferred by corresponding period (of three months). This does not include any fresh drawdowns made on or after 27March 2020. Interest shall continue to accrue on the outstanding principal of the term loans and working capital facilities during the moratorium period.

This relief is automatically available to all borrowers unless they make payment of the amounts due as per their original schedule or prior to the end of the moratorium period.

As per RBI update of 23May2020:

The moratorium period is extended by another three months. Accordingly, for all eligible loans (due between 1March2020 and 31May 2020) extended earlier by three months, the revised repayment date will be another three months from its earlier extended date. For all new eligible loans (due

between 1 June 2020 to 31 August 2020), the revised repayment date will be three months from its original due date.

2. Interest on Cash Credit (CC) / Overdraft (OD) Accounts for Working Capital

Interest on debit balances in CC/OD accounts for working capital during the period 01 March 2020 to 31 May 2020, shall be deferred and the accumulated accrued interest shall be recovered immediately on 01 June 2020.

This relief is automatically available to all borrowers unless they make payment of the amounts due as per their original schedule or prior to the end of the moratorium period.

As per RBI update of 23 May 2020:

(a) The deferment period is extended to six months. Accordingly, interest on CC/OD accounts shall be deferred for six months and shall be recovered on 1 September 2020.

(b) Since RBI has also permitted, at bank's discretion, to convert such accumulated interest into a funded interest term loan (FITL) repayable not later than March 31, 2021, the bank will follow the "Credit Process" as mentioned in this policy for each borrower for this relief, which case the repayment of accumulated interest will be as per specific approvals but within guidelines.

3. Reassessment of Working Capital Financing Requirements

Borrowers may face stress on account of the economic fallout of the pandemic. This may result in changes to the working capital cycle including increases in inventory, delays in collection of receivables, delays in receipt of raw material etc. In cases of stress arising on account of the economic fallout of the pandemic, ENBDI may reassess the working capital cycle and/or reduce margins suitably to determine the drawing power within which working capital financing (provided by CC/OD facilities only) is made available to borrowers.

This reassessment of the working capital cycle, variation in margins and consequent revised drawing power will be applicable up to 31 May 2020. Further, provision of this specific relief shall be subject to a request by the borrower and justified on account of the economic fallout from COVID-19.

As per RBI update of 23 May 2020:

The variations in margin and consequent revised drawing power can be applicable up to 31 August 2020 and restoration of margin back to original levels by 31 March 2021. The reassessment of working capital cycle / limits sanctioned can be applicable up to 31 March 2021.

B. Asset Classification and Reporting

The moratorium, deferment and reassessment of working capital financing requirements as per 3.above will not result in a downgrade in asset classification as it is not considered to be a 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 07 June 2019.

The asset classification of term loans, with amended terms and conditions, shall be determined on the basis of revised due dates and the revised repayment schedule. Similarly, for working capital facilities provided as a CC/OD account where interest payment is deferred, the SMA and out of order status will be evaluated considering the application of accumulated interest upto May 31, 2020 (“deferment”) on 01 June 2020 as well as the revised drawing power above.

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

As per RBI update of 23May2020:

FITL under 2 (b) above included for no downgrade in asset classification.

In respect of accounts classified as standard as on February 29, 2020, even if overdue/ SMA, the moratorium period, wherever granted in respect of term loans and the deferment period, wherever granted in respect of interest on CC/OD, shall be excluded by the bank from the number of days past-due for the purpose of asset classification under the IRAC norms. The asset classification for such accounts shall be determined on the basis of revised due dates and the revised repayment schedule.

C. Credit Process

The usual credit process of the Bank will apply for relief under 3. above and all requests for reassessment of drawing power should be supported by submission of requisite information as mutually agreed with the borrower. Timely and complete submission of information will enable the Bank to provide need based support quickly.

As per RBI update of 23May2020: Applies for assessment of FITL under 2 (b) above too.