



**THE KARNATAKA STATE COOPERATIVE APEX BANK LTD.**  
**No.1, 'Uthunga', Pampa Mahakavi Road, Chamarajpet,**  
**Bengalure-560018, Karnataka State.**

# **Policy On Providing Relief To Borrowers Impacted By COVID-19 Pandemic**

## **1. Scope and Objective:**

The RBI has announced COVID-19-Regulatory package through notifications bearing Numbers DOR.No.BP.BC.47/21.04.048/2019-20, DOR.No.BP.BC.63/21.04.048/2019-20 and DOR.No.BP.BC.71/21.04.048/2019-20 dated 27.03.2020, 17.04.2020 and 23.05.2020 respectively 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 these notifications, Co-operative Banks are permitted to grant a moratorium of six months on repayment of all instalments falling due between March 1, 2020 and August, 2020. In respect of working capital facilities sanctioned in the form of cash credit/overdraft ('CC/OD'), Co-operative Banks are permitted to defer the recovery of interest applied in respect of all such facilities during the period from March 1, 2020 and up to August 31, 2020. The RBI has left the implementation of the relief package to the Bank's decision by putting in place a Board approved policy to implement the above measures.

Our bank deeply cares for its customers and understands the difficulties customers are facing because of the COVID crisis.

In view of this, Bank has adopted following policy/guidelines in order to pass on the benefit of moratorium period to eligible borrowers given by the RBI.

## **2. Rescheduling of Payments-Term Loans and Working Capital Facilities:**

(a) All customers who have availed of Term Loans (including agricultural term loans, retail and crop loans) in our Bank are eligible to avail moratorium of six months on payment of all instalments falling due between March 1, 2020 and August 31, 2020. They can opt for above said moratorium for each loan/credit that they have availed.

(b) In respect of working capital facilities sanctioned in the form of cash credit/overdraft ('CC/OD'), the Bank may defer the recovery of interest applied in respect of all such facilities during the period from March 1, 2020 up to August 31, 2020 ("deferral"). The above accrued interest may be recovered immediately after the completion of this period or at the discretion of the Bank may be converted into a funded interest term loan (FITL) which shall be repayable not later than March 31, 2021.

(c) All Term Loans and Overdraft accounts which are Standard Assets in the month of March, 2020 are eligible for availing moratorium. Customers having overdues prior to 1st March 2020 may also opt for the moratorium, and their requests shall be considered by the bank based on its merits.

(d) If moratorium is availed, the interest shall continue to accrue on the outstanding portion of the term loans/cash credit/overdraft during the moratorium period. This means the borrower will have to pay up the accumulated accrued interest amount once the moratorium ends.

(e) The Bank will take into account the stress on the borrowers on account of the pandemic when deciding on whether to provide moratorium benefits. Hence, in case if, salary (full salary) of Borrower is credited in time or amount will be deducted from the salary of Borrower through employer to his/her account in time, then Branches are advised not to provide RBI's moratorium period to such Borrowers.

(f) Salary is credited/loan deducted, however, borrower willing to avail RBI's moratorium period due an unexpected illness, partial paid salary or any other reason (acceptable to the Bank), then Branch Managers are permitted to grant above said moratorium period.

(g) All eligible borrowers can stop their standing instructions (SIs)/NACH mandate for the EMIs falling due between March 1, 2020 and August 31, 2020 by submitting their consent letter. Accordingly, in case of execution of NACH mandate for the EMI, Branches should forward details of borrowers eligible for availing RBI's moratorium period by taking a consent (inability to pay over phone also accepted) from the Borrower. Both outward and inward return charges related to it shall be waived till 31st August, 2020.

(h) If moratorium is availed, then the loan tenure will get extended by the corresponding period (through Rescheduling of Payments) for which the moratorium has been availed. For example, where the last instalment of a Term Loan falls due for payment on say 25th March 2020, it will become payable on 25th September 2020. For EMI based Term Loans, it will be six EMIs falling due between 1st March 2020 and August 31st, 2020 and the tenor will be extended by six months.

(i) In the absence of any request for deferment of recovery of Instalment/EMI, the Bank will present the post-dated cheques/ECS or NACH mandates, debit to customer account ... etc as mandated by the customers for collection on the respective due dates. In case the instalment is cleared by way of the instrument provided by the customer and presented by the Bank, then no refund of instalment paid will be issued. Moratorium if any will only be provided for subsequent instalment/s on request of the customer.

(j) Whenever the exposure to a borrower is ₹ 5 crores 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.

(l) This is only a temporary deferral and not a waiver of loan instalments or interest. So those who are not facing financial upheaval due to the COVID-19 pandemic and the lockdown across the country are better off not opting for it.

### **3. Easing of Working Capital Financing:**

(a) 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, Bank may, as a one-time measure;

(i) Recalculate the 'drawing power' by reducing the margins till 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,

(ii) Review the working capital sanctioned limits up to March 31, 2021, based on a reassessment of the working capital cycle.

(b) 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, including at a later stage.

#### **4. Criteria that may be considered for providing above mentioned relief:**

(a). The Bank will take into account the stress on the borrowers on account of the pandemic.

(b). Issues in borrower's operations including on account of manpower, demand, supply chain, procurement, manufacturing, sales, collections, reschedulement or cancellation of orders, etc. on account of COVID-19 pandemic that will have an impact on profitability/cash flows.

(c). Deterioration in overall financial profile i.e., revenues and / or cash flow owing to fall out of the COVID-19 pandemic including foreseeable elongation of working capital cycle due to increase in inventory and debtors /receivables.

(d). For Borrowers whose main business is to on-lend, their borrowers may face similar issues as listed above, leading to liquidity issues for them, which can be considered by the Bank.

(e). Inability to conduct business or provide services, shutdown of unit or workplace on account of disruption due to COVID 19 pandemic impacting the ability to service debt.

(f). Other criteria that may be relevant based on case to case basis depending on the circumstances of the specific case based on the assessment and comfort of the Bank.

#### **5. Classification as Special Mention Account (SMA) and Non-Performing Asset (NPA):**

(a) 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 Circular No. DBR.No.BP.BC.45/21.04.048/2018-19 ('Prudential Framework'). Consequently, such a measure, by itself, shall not result in asset classification downgrade.

(b) The asset classification of term loans which are granted relief as per paragraph 2(a) 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 2(b) 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 3 above.

(c) In respect of accounts classified as Standard as on February 29, 2020, even if overdue, the moratorium period, wherever granted in respect of term loans, shall be excluded for counting the number of days past due, for the purpose of asset classification under the IRAC norms.

(d) Similarly in respect of working capital facilities sanctioned in the form of cash credit/overdraft ('CC/OD'), where the account is classified as standard, including SMA, as on February 29, 2020, the deferment period, wherever granted in terms of paragraph 2(b) above shall be excluded for the determination of out of order status.

## **6. Provisioning :**

(a) In respect of accounts in default but standard where provisions of paragraphs 2(a) and 2(b) above are applicable, and asset classification benefit is extended, Bank shall make general provisions of not less than 10 per cent of the total outstanding of such accounts, to be phased over two quarters as under:

(i) Quarter ended March 31, 2020-not less than 5 per cent

(ii) Quarter ended June 30, 2020-not less than 5 per cent

(b) The above provisions may be adjusted against the actual provisioning requirements for slippages from the accounts reckoned for such provisions. The residual provisions at the end of the financial year can be written back or adjusted against the provisions required for all other accounts.

(c) The above provisions shall not be reckoned for arriving at net NPAs till they are adjusted against the actual provisioning requirements as under paragraph 6(b) above. Further, till such adjustments, these provisions shall not be netted from gross advances but shown separately in the balance sheet as appropriate.

## **6. Other Conditions:**

(a) 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.

(b) The borrower should not be under legal proceedings or have been classified as willful defaulter/ RFA/ Fraud by any Bank or financial institution.

(c) The relief given as above as per the special dispensation given by RBI will not result in any downgrade of asset classification, in line with extant RBI Guidelines.

(d) 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).

(e) While this policy outlines the broad internal guidance that the Bank will follow to take decisions regarding moratorium, the Bank retains the discretion to change the policy from time to time.

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