# Announcement / Encouragements by the RBI

May 22, 2020

S. D. Mehta & Co.
CHARTERED ACCOUNTANTS

## I. *Refinancing Facility for Small Industries Development Bank of India (SIDBI)*

- In view of the tightening of financial conditions in the wake of the COVID-19 pandemic, and difficulties in raising resources from the market, the RBI had announced a special refinance facility of ₹15,000 crore to SIDBI for on-lending/refinancing
- Advances under this facility were provided at the RBI's policy repo rate at the time of availment for a period of 90 days.
- In order to provide greater flexibility to SIDBI in its operations, it has been decided to roll over the facility at the end of the 90th day ***for another period of 90 days***.

S. D. Mehta & Co.
CHARTERED ACCOUNTANTS

# II. *Measures to Support Exports*

- the RBI permitted an increase in the period of realization and repatriation of export proceeds to India from nine months to 15 months from the date of export in respect of exports made up to or on July 31, 2020.
- It has now been decided to increase the maximum permissible period of pre-shipment and post-shipment export credit sanctioned by banks ***from the existing one year to 15 months, for disbursements made up to July 31, 2020.***

S. D. Mehta & Co.
CHARTERED ACCOUNTANTS

# III. *Measures to Support Imports*

- At present, remittances for normal imports (excluding import of gold/diamonds and precious stones/jewellery) into India are required to be completed within a period of six months from the date of shipment by the overseas supplier, except in cases where amounts are withheld towards guarantee of performance.
- It has been decided to extend the time period for completion of remittances against normal imports into India (except in cases where amounts are withheld towards guarantee of performance) ***from six months to twelve months from the date of shipment for such imports made on or before July 31, 2020.***

S. D. Mehta & Co.
CHARTERED ACCOUNTANTS

## IV. *Moratorium on Term Loan Instalments*

- On March 27, 2020, the RBI permitted all commercial banks, co-operative banks, all-India Financial Institutions, and NBFCs to allow a moratorium of three months on payment of instalments in respect of all term loans outstanding as on March 1, 2020.
- In view of the extension of the lockdown and continuing disruptions on account of COVID-19, it has been decided to permit lending institutions to extend the moratorium on term loan instalments by another three months, *i.e.*, <u>***from June 1, 2020 to August 31, 2020. Accordingly, the repayment schedule and all subsequent due dates, as also the tenor for such loans, may be shifted across the board by another three months.***</u>

S. D. Mehta & Co.
CHARTERED ACCOUNTANTS

# V. *Deferment of Interest on Working Capital Facilities*

- In respect of working capital facilities sanctioned in the form of cash credit/overdraft, lending institutions are being permitted to ***allow a deferment of another three months, from June1, 2020 to August 31, 2020***, in addition to the three months allowed on March 27, 2020 on payment of interest in respect of all such facilities outstanding as on March 1, 2020.

S. D. Mehta & Co.
CHARTERED ACCOUNTANTS

## VI. *Payment of Interest on Working Capital Facilities for the Deferment Period*

- In order to ameliorate the difficulties faced by borrowers in repaying the accumulated interest for the deferment period on working capital facilities in one shot, lending institutions are permitted to convert the accumulated interest on working capital facilities over the deferment period (up to August 31, 2020) ***into a funded interest term loan which shall be repayable not later than the end of the current financial year (i.e., March 31, 2021).***

S. D. Mehta & Co.
CHARTERED ACCOUNTANTS

# VII. *Easing of Working Capital Financing*

- In respect of working capital facilities sanctioned in the form of cash credit/overdraft, lending institutions are permitted to recalculate the 'drawing power' by reducing the margins till the extended period, *i.e.*, August 31, 2020. ***In order to smoothen the impact for the borrowers, lending institutions are permitted to restore the margins to the original levels by March 31, 2021.***
- ***Further, lending institutions are permitted to reassess the working capital cycle of a borrowing entity up to an extended period till March 31, 2021***. This will provide necessary leeway to the lenders to make an informed assessment about the impact of the pandemic on the entity concerned.
- Such changes in credit terms permitted to the borrowers to specifically tide over COVID-19's fallout will not be treated as concessions granted due to financial difficulty of the borrower, and consequently, will not result in asset classification downgrade.

# Thank you

S. D. Mehta & Co.
CHARTERED ACCOUNTANTS

16-A, Ghanshyam Avenue, Sattar Taluka Society, Nr. Incometax Underpass,
Incometax, Ahmedabad - 380014
(M) 9879549579 (E) dharit@sdmca.in