

Dated: March 31, 2020

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

**BRIEF BACKGROUND:**

RBI Governor’s Bi-Monthly Monetary Policy Statement issued on March 27, 2020 had announced certain regulatory measures to mitigate the debt-servicing burden on borrowers in view of the disruptions brought out by the current situation. As a follow up RBI has also issued a circular DOR.No.BP.BC.47/21.04.048/2019-20, dated March 27, 2020, detailing the guidelines.

**Relief provided by RBI in the circular:**

RBI has enabled banks to allow a one-time re-schedulement of payments by way of

- a) Moratorium of three months on payment of all term loan instalments falling due between March 1, 2020 and May 31, 2020 for all term loans. Instalments include all principal and interest payments, bullet repayments, EMIs, and credit card dues falling due between these dates. 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.
- b) Defer the recovery of interest applied in respect of all working capital facilities during the period from March 1, 2020 up to May 31, 2020 in respect of facilities sanctioned in the form of cash credit / over-draft (CC/OD).
- c) Recalculate the ‘drawing power’ by reducing the margins and/or by reassessing the working capital cycle for all the existing CC/OD borrowers. This relief shall be available in respect of all such changes effected up to May 31, 2020 and shall be contingent on the lending institutions satisfying themselves that the same is necessitated on account of the economic fallout from COVID-19.
- d) 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.

- e) This also will not qualify as a default for reporting to Credit Information Companies and also under supervisory reporting

**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. This is not applicable to loan disbursements to be made in April 2020 and thereafter. 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 offer to all borrowers who wish to avail of the facility of moratorium (for term loan instalments and credit card dues falling due between March 1, 2020 and May 31, 2020) and / or deferment of interest for the months of March to May 2020 to all borrowers who availed working capital facilities.

The Bank would be charging the interest, at the original contracted rate, for the moratorium period on the outstanding amount of loan to all those who avail the relief as provided in the RBI circular. This interest has to be paid by the customers as prescribed in this policy.

All customers who desire to avail the relief under the policy can send an email from their registered mail id to [pay.later@kotak.com](mailto:pay.later@kotak.com) quoting the Loan account / APAC number.

**A. Moratorium for Term loans:**

- The repayment schedule of term loans will shift by up to three months and the tenor of the term loan will be commensurately extended. The instalment



amounts / EMIs will be appropriately recalculated, including interest during moratorium period.

- If borrowers have already paid their instalments or serviced their interest for March 2020, such borrowers can avail moratorium for installments falling due in April and May 2020.
- 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. Customers that are desirous of availing the relief under the RBI circular, should send a communication 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 April 1, 2020 through a mail from their registered mail id to [pay.later@kotak.com](mailto:pay.later@kotak.com). Customers, whose instrument so sent for collection is not cleared, will be deemed to have availed of the moratorium and necessary relief would be provided as per the RBI guidelines. .
- Credit card customers will be given an option to avail of relief under the RBI circular will be sent instructions along with their first statement falling due on or after April 1, 2020. Customers who do not pay their total amount due, as payable in the months of March, April, May would be automatically enrolled for the Moratorium. Customers desirous of availing the relief should send a communication to the Bank within seven days (or extended date as may be permitted by the Bank) from their first due date falling after April 1, 2020 through a mail from their registered mail id to [pay.later@kotak.com](mailto:pay.later@kotak.com).

## **B. Relief for working capital facilities:**

### **(a) Deferment of interest:**

- In the case of Overdraft / Cash Credit, including KCC Loans, the Bank will offer deferment of interest applied to all borrowers for the months of March 2020, April 2020 and May 2020.
- The accumulated interest for this three-month period should be serviced by the borrower immediately after the moratorium period.

### **(b) Reduction of margin:**

- For customers facing stress on account of 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 borrower basis due credit assessment.
- Such concession in reduction of margin would be valid in respect of all changes effected up to 31<sup>st</sup> May 2020 for such period as the Bank assesses or such extended time 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.

### **(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 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 / enhancement 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 grant such relief under paras B (b) and (c) subject to meeting the credit assessment of the Bank.

**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 willful defaulter/ RFA/ Fraud classified 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 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 31<sup>st</sup> May 2020 or further period as may be extended by RBI.

**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.
- However, if there is an existing default like interest/principal due up to February 29, 2020, the usual asset classification and provisioning norms will apply.

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.

---