

MSME

Fight



Guide Book: Volume I

- RBI Regulatory Package
- Lock Down Guidelines (Allowed / Suspended Activities)

COVID-19 – REGULATORY PACKAGE FROM RBI

(i) Rescheduling of Payments – Term Loan (TL)

- a. Moratorium of 3 months on payments of all instalments falling due between March 01, 2020 and May 31, 2020.
- b. Repayment schedule will be shifted across the board by 3 months after the moratorium period.
- c. Interest shall continue to accrue on the outstanding portion of the TL during Moratorium Period

(ii) Rescheduling of Payments – Working Capital (WC) Facilities (CC/OD)

- a. Deferment of the recovery of interest during the period from March 1, 2020 upto May 31, 2020.
- b. The accumulated accrued interest shall be recovered immediately after the completion of this period.

(iii) Easing of Working Capital Financing

- a. Relief in recalculation of the 'drawing power' by reducing the margins and/or by reassessing the working capital cycle (effected up to May 31, 2020)
- b. Accounts provided relief shall be subject to subsequent supervisory review with regard to their justifiability on account of the economic fallout from COVID-19.

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

- a. Moratorium / Deferment / Recalculation (as above) shall not result in asset classification downgrade of the borrower.
- b. The asset classification of term loans shall be determined on the basis of revised due dates and the revised repayment schedule.
- c. Working capital facilities where relief is provided, 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.
- 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. CICs shall ensure that the actions taken by lending institutions pursuant to the above announcements do not adversely impact the credit history of the beneficiaries.

RBI's Booster to Fight COVID-19

- a.** Rs. 50,000 Crore allocated to Targeted Long Term Repo Operations (TLTRO) 2.0 for Banks to invest in NBFC Bonds. It will provide more liquidity support to NBFC sector.

- b.** Additional Allocation of Rs. 50,000 Crore for Re-Finance to the following institutions:
 - Rs. 25,000 Crore to NABARD (for lending to RRBs, Rural Coop banks, MFIs)
 - Rs. 15,000 Crore to SIDBI (for lending to Banks, NBFCs, MFIs etc.) and
 - Rs. 10,000 crores to NHB (for lending to HFCs).

All these facilities at policy repo rate so that lend at reasonable rates to target segments including MSMEs.

- c.** Reverse Repo rate under Liquidity Adjustment Fund (LAF) reduced by 25 bps and now stands at 3.75%. Accordingly, Banks will be pushed to deploy more fund for providing loans instead of parking that money with RBI.

- d.** IRAC norms will not apply for overdue loans as of Feb 29 for 90 more days as compared to earlier announcement

Lock Down Guidelines – Allowed / Suspended Activities

A day after Hon'ble Prime Minister Sh. Narendra Modi announced that the nationwide lockdown will extend until May 3, 2020, the Home Ministry has released a fresh set of guidelines effective April 20. Various state governments have also come out with their guidelines in fighting COVID-19.

Select economic activities have been allowed, keeping in view the interests of farmers and daily-wage earners and “to mitigate hardship to the public”. But these exceptions will be valid only upon strict compliance with the Disaster Management Act and adoption of adequate safeguards and mandatory standard operating protocols.

Here's what will be allowed after April 20, 2020:

1. IT, IT-enabled services companies can function with up to 50% staff strength.
2. Movement of cargo and essential items through rail, road, airlines and ports.
3. All agricultural and horticultural activities including farming operations.
4. Industries in rural areas, including food processing and construction of roads, irrigation projects and buildings, and MNREGA works.
5. Manufacture of IT hardware, essential goods and packaging.
6. Manufacturing and industrial establishments with access control will be allowed in SEZs and industrial townships.
7. Financial sector including banks and ATMs, public utilities, and postal and courier services.
8. Movement of private vehicles in case of medical emergency. For two-wheelers, only the driver will be allowed.
9. Services by electricians, IT repairs, plumbers, motor mechanics and carpenters.
10. Offices of central and state governments and their subordinate departments.

Services that will remain suspended until May 3, 2020:

1. Passenger transport by railways, airlines, buses, and metro.
2. All educational, training and coaching institutions.
3. All cab and taxi services, auto rickshaws and cycle rickshaws.
4. All cinema halls, malls, gyms, swimming pools, bars and auditoriums.
5. All religious places and places of worship.
6. All social, political cultural, academic and other events.

We certainly wish you the very best in overcoming the situation and that at the end of it, your enterprise will only grow stronger than earlier.