

POLICY FOR COVID-19 FINANCIAL FLEXIBILITY/RELIEF PACKAGE UNDER RBI DIRECTIVE: V4

BACKGROUND

As required by the RBI directive COVID-19 Regulatory Package, to enable the borrowers to tide over the economic fallout from COVID-19 and to manage impact on clients' liquidity on account of this pandemic – the Bank **may**, in accordance with its usual credit delegation, review and approval process, at the written request of the Borrower client, **permit** to allow either or all of the following flexibility:

- (i) a moratorium of up to six months on payment of instalments falling due between March 1, 2020 and August 31, 2020 in respect of all Term Loans outstanding as on March 1, 2020. The repayment schedule and subsequent due dates, as also the tenor for such loans, may be shifted across the board by up to six months.
- (ii) in respect of Working Capital facilities sanctioned:
 - Permit clients' to allow a deferment of up to three months on payment of interest in respect of all such facilities outstanding as on March 1, 2020 and the accumulated interest for the period from March 1, 2020 upto May 31, 2020 will be paid after the expiry of such deferment period.
 - The bank may permit clients' a further deferment of another three months, from June 1, 2020 to August 31, 2020, on recovery of interest applied in respect of all such facilities. The Bank may, at its discretion, convert the accumulated interest for the deferment period up to August 31, 2020, into a Funded Interest Term Loan (FITL) which shall be repayable not later than March 31, 2021.
 - Re-calculate drawing power by reducing margins and/or by re-assessing the working capital cycle for the borrowers for period upto March 31 2021. 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. This relief shall be available in respect of all such changes effected up to August 31, 2020 on account of the economic fallout from COVID-19.

ELIGIBILITY CRITERIA

The relevant Credit Committee shall factor the following non-exhaustive list to adequately confirm that a financial flexibility/relief is indeed necessitated for the client on account of the economic fallout from COVID-19:

- Forced temporary shut-down of plant due to COVID-19-related issues during the period
- Client' inability to continue normal business operations due to reasons including but not limited to lack of key inputs/ resources to manage plant operations due to impacted supply-chain linkages, unavailability of labour due to lock downs imposed by the central/state government in context of COVID-19 pandemic, etc.
- Temporary suspension of the Client's business operations consequent to slower off-take / postponement of order by key clients which may as well have been similarly impacted by COVID-19 related issues.
- Material decline in the clients' turnover (>30% after 1.3.20), EBITDA (>50% after 1.3.20), Operating Cash flows, stretched working capital gap due to increased receivables after 1.3.20, etc. attributable to COVID-19 pandemic.
- Client's inability to manage incremental funding requirements by liquidating its existing short-term/liquid investments except at a substantial loss (noting the significant decline in capital markets over the past month)
- With specific reference to MFIs' and NBFCs', the client's collections/cash flows should be impacted by minimum 30 % during the period 1.3.20 to 31.8.20, thus affecting the ability to meet repayment obligations. As clarified by the MOF issued FAQs' on the RBI guidelines, MFIs'/HFCs'/NBFCs' are not eligible under the "easing of working capital financing".

However, even if the client does not meet the above criteria, the Credit Committee (or any other relevant Committee as laid out in the relevant policies) may, at its discretion, allow the reliefs if it is convinced of the necessity of such reliefs, especially for sole banking clients who need reliefs for salaries/statutory payments. **The Committee shall ensure that**

the above financial flexibility/relief is extended selectively to clients that have been adversely impacted by COVID-19 pandemic, and not merely to preserve/enhance the liquidity of the client. The Committee shall consider the long-term impact of COVID-19 to the client and it shall reasonably satisfy that their financial position/repayment capability is likely to remain acceptable post the pandemic.

CREDIT PROCESS

A credit note proposing to grant the permitted flexibility/relief to clients shall clearly detail the rationale for considering the same. Further, the expected source of repayment/recovery of the outstanding Term Loan instalments/ deferred interest shall also be commented upon. The Bank may seek for additional security from such borrowers; this shall be evaluated on a case-to-case basis. The revised terms of such financial flexibility/relief shall be finalized by the respective Coverage/Wealth Management Heads in consultation with BNPP India CEO/Deputy CEO and CRO as applicable. All cases will require a specific approval from the CEO of BNPP India Branches before being put up for approval to the respective Credit Committee as per the usual delegation levels. Interest deferment will however remain exceptional. Additional documentation will need to be executed as required for the amendments.

ASSET CLASSIFICATION

In line with the RBI requirement, forbearance measures extended by the Bank on aforesaid facilities in form of moratorium / deferment (incl. as well as conversion of accumulated interest on working capital facilities (CC/WCDL) into FITL) as stated above shall not be treated as a change in terms and conditions of loan agreements due to financial difficulty of the borrowers and, consequently, the Bank shall not propose to downgrade the asset classification of such clients which have been extended the above one-time short-term financial flexibility/relief. Consequently, the rescheduling of payments will not qualify as a default for the purposes of supervisory reporting and reporting to Credit Information Companies (CICs) by the lending institutions. No late payment charges/ default interest/ additional interest shall be levied to such borrowers during the moratorium /deferment period.

As per RBI directive, asset classification of Term Loans which are granted flexibility/relief as elaborated above shall be determined on the basis of revised due dates and the revised repayment schedule. Similarly, for Working Capital facilities where relief has been 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. For the purpose of clarity, if a borrower has been in default even before March 01, 2020, such a default cannot be said to be as a result of the economic fallout of the pandemic. The benefit of moratorium may be extended to such borrowers in respect of payments falling due during the period March 01 to August 31, 2020. However, the payments overdue on or before February 29, 2020 will attract current IRAC norms.

In respect of all accounts classified as 'Standard' as on February 29, 2020, even if overdue, the moratorium period on term loans, wherever granted, shall be excluded by the lending institutions from the number of days past-due for the purpose of asset classification under the IRAC norms. Similarly in respect of working capital facilities sanctioned in the form of cash credit/overdraft (CC/OD), such deferment period, wherever granted in respect of all facilities classified as 'Standard', including SMA, as on February 29, 2020, shall be excluded for the determination of 'out of order' status.

It is clarified that this note represents an amendment to the Group Credit Policy of the Bank and does not supersede it. It has immediate effect; all the reliefs provided under this policy are subject to applicable internal guidelines.

PROVISIONING

In respect of accounts in default but 'Standard' where COVID-19 related support in terms of moratorium on term loan instalment/ deferment of interest on working capital loans, is applicable, and asset classification benefit is extended, the 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 ending June 30, 2020 – not less than 5 per cent

The above provisions are over and above any other general provisions being maintained by the Bank and it 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. The above provisions shall not be reckoned for arriving at net NPAs till they are adjusted against the actual provisioning requirements.

REPORTING

Irrespective of their size, all clients impacted by COVID-19 shall be eligible for above financial flexibility/relief. However, as per RBI requirement, wherever the exposure of Bank to a borrower is INR 50 Mn or above as on March 1, 2020, the Coverages /Wealth Management 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, to be copied to Compliance/RISK.

This supersedes the policy approved by the MANCO on 13.4.2020, and may be further amended in due course based on further guidance and clarifications from RBI or BNPP APAC.

- Version.1 Approved by MANCO by circulation on 03-Apr'2020
- Version.2 Approved by MANCO on 13-Apr'2020; minor changes with suitable headings added for Credit Process, Asset Classification and Reporting
- Version.3 Provisioning as per RBI Circular dtd. 17-April'2020 [RBI/2019-20/220 DOR.No.BP.BC.63/21.04.048/2019-20] and Extension of moratorium period by 3 months as per RBI Circular dtd. 23-May'2020 [RBI/2019-20/244 DOR.No.BP.BC.71/21.04.048/2019-20]
- Version.4** Clarification on RBI circular DOR.No.BP.BC.63/21.04.048/2019-20 dated Apr 17, 2020 by RBI SSM Officials on 25-June'2020.