Circular No. EPS/33/2020-21

To: Members of the Council

Sub.: COVID-19 Regulatory Package

Dear Member,

As you are aware, RBI Governor made some announcements on May 22, 2020 in the wake of the disruptions on account of COVID-19 pandemic and the consequent asset classification and provisioning norms. The announcements include measures to relax repayment pressures and to improve access to working capital by mitigating the burden of debt servicing.

RBI has now issued detailed instructions vide Notification No. RBI/2019-20/244 dated May 23, 2020 to implement these announcements.

Some of the salient features of the RBI Notification are as follows:

(i) All commercial banks (including regional rural banks, small finance banks and local area banks), cooperative banks, All-India Financial Institutions, and Non-banking Financial Companies (including housing finance companies) (“lending institutions”) are permitted to extend the moratorium by another three months i.e. from June 1, 2020 to August 31, 2020 on payment of all instalments in respect of term loans.

(ii) In respect of working capital facilities sanctioned in the form of cash credit/overdraft (“CC/OD”), lending institutions are permitted to allow a deferment of another three months, from June 1, 2020 to August 31, 2020, on recovery of interest
applied in respect of all such facilities. Lending institutions are permitted, at their discretion, to 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.

(iii) 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, lending institutions may, as a one-time measure, **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.

A copy of Notification No. RBI/2019-20/244 dated May 23, 2020 is enclosed herewith ([click here](#)) for your information.

You are requested to please go through the Circular carefully and do the needful.

In case, you need any further clarification in this regard, please get in touch with Shri A. Ravi Kumar, Joint Director, TEXPROCIL.

Regards,

Dr. Siddhartha Rajagopal

Executive Director

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