

Moratorium package for business borrowers:

On account of the Covid-19 pandemic, RBI has announced regulatory package to ease the burden of payment of instalments for loan customers. HSBC is supportive of these measures.

Accordingly, in line with earlier RBI circular dated 27 March 20 and the recent announcement made by RBI on 22 May 20 and the updated Board approved policy, all eligible business customers will be extended moratorium on payment of instalments/interest due for certain loans/credit facilities availed, falling due between 1 March 2020 and 31 August 2020.

Key Relief Measures

- Moratorium on term loan instalments
 - In respect of all term loans, the Bank is permitted to grant a moratorium of three months on payment of all instalments (Principal and/or Interest component, bullet repayments, equated monthly installments and credit card dues) falling due between 1 March 2020 and 31 May 2020. As per the notification dated 22 May 2020, banks are now permitted to extend moratorium on term loan instalments by further three months, i.e. from 1 June 2020 to 31 August 2020, basis their internal assessment and decision.
 - The repayment schedule for such loans and all subsequent due dates, as also the tenor of such loans, may be shifted across the board by further three months (maximum of six months) after the moratorium period.
 - Interest shall continue to accrue on the outstanding portion of the term loans during the moratorium period.
- Deferment of recovery of interest on Cash Credit/Overdraft facilities
 - In respect of working capital facilities sanctioned in the form of Cash Credit/Overdraft, lending institutions are being permitted to further allow a deferment of another three months, from 1 June 2020 to 31 August 2020. This is in addition to the three months allowed on 27 March 2020 on payment of interest in respect of all such facilities outstanding as on 1 March 2020.
 - The accumulated accrued interest may be recovered immediately after the completion of this period
 - To clarify, this benefit is only applicable to cash credit/overdraft facilities
- Payment of Interest on Working Capital facilities for Deferment Period
 - Lending institutions are permitted to convert the accumulated interest on Working Capital facilities (Cash Credit/Overdraft) over the deferment period (up to 31 August 2020) into a Funded Interest Term Loan which shall be repayable not later than the end of the current financial year (i.e. 31 March 2021). Repayment schedule and terms of each such Funded Interest Term Loan shall be agreed between the Borrower and the Bank.
- 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., 31 August 2020. Lending institutions are permitted to restore the margins to the original levels by 31 March 2021.
 - Further, lending institutions are permitted to reassess the working capital cycle of a borrowing entity up to an extended period till 31 March 2021. The relief shall be subject to strong justification that it is necessitated on account of the economic fallout from COVID-19.

Who can avail?

For further information on how to avail any of these relief measures, please connect with your Business Relationship Manager.

Key Terms & Conditions:

- The above relief measure can be availed upto 31 August 2020 or further period as extended by RBI
- All above relief measures will be extended basis Bank's internal assessment and decision.
- The moratorium granted to borrowers will not qualify as default for the purposes of supervisory reporting and reporting to credit information companies (CICs).
- The relief given as above will not result in any downgrade of asset classification. However, if there is an existing default on interest/principal due up to 29 February 2020, the usual asset classification and provisioning norms will apply.
- Interest on deferred interest shall be applicable