

MSMES

Fight

COVID-19

Small Industries Development Bank of India



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.

Managing Cashflows

i. Addressing your immediate payment and servicing of OD/WC concern:

- a. The Reserve Bank of India (RBI) has come with a regulatory package on March 27, 2020 to address similar problems. Since yours is an OD facility, in such cases, lending institutions are permitted to defer recovery of interest applied for March 01 – May 31, 2020 in all such cases and accumulated interest shall be recovered after the completion of the period. Further, those borrowers with WC/OD facing stress from economic fallout of the pandemic, lending institutions are guided to recalculate the drawing power by reducing the margin and/or by reassessing the WC cycle.
- b. Please also note that such rescheduling of payments do not qualify as default for supervisory reporting and reporting to credit information companies.
- c. In case you have any EMIs, etc. those too can be looked at under these guidelines.

ii. Liquidity management:

- a. The primary challenge in such times is to manage available cash and create avenues to generate cash.
- b. To manage available cash, streamline your expenses. Reduce or postpone expenses which are not essential now – one way could be to draw out a list of expenses and put them in buckets like ‘expenses that can’t be postponed’, ‘expenses that can be postponed’, ‘expenses that can be reduced’ and try to ration the available resources.
- c. Cash is generated from existing resources and from existing small assets as well (FDs, NSCs, gold, etc.) which businesses and individuals create active economic times when there are surplus incomes. The point is once the initial period is handled and situations stabilise, your regular cash flows shall enable you to once again create such assets. Please remember all of us create assets in times of surplus only to handle emergencies and this is a unique emergency.
- d. You can request some of your service providers for staggered payments or for a postponement of payments.
- e. You can also approach a lending institution (your existing lender or a small finance bank which specialise in lending to small businesses) for emergency cash flow – but please bear in mind that while a new loan will bring in cash, it will also bring the interest burden which demands cash outgo. Be also very clear about the loan servicing required and your ability to take care of it. Ideally, this is best resorted to – if at all - when situation becomes clearer and activities restart and are stable.

- f. You may also explore www.psbloansin59minutes.com where, if eligible, you can gain from multiple bank options. You can also try some other Fintech platforms also.
 - g. Please note that the most important thing is to control cash outgo while finding ways to generate new cash.
- iii. **Look at new avenues:**
- a. While your industry may have been affected, once the lockdown is over, there will be a gradual return to economic activities with movement of people/goods for emergencies, migration, etc. Even during lockdown certain emergency services are required and small enterprises that provide them will continue to have access to some income flow. Providing streamlined and affordable services in such times to targeted sections could be a way to generate incomes.
- iv. **Start-ups looking for Funds**
- a. Govt cannot directly fund start-ups as they will be then co-owners with the promoters which is not permitted under constitution.
 - b. Govt has therefore created fund of funds for start-ups which is administered through SIDBI. Under this venture funds are provided support which is used for providing equity to start-ups.
 - c. **The list of supported funds along with contact details are available in SIDBI website. (<http://www.sidbivcf.in/en/commitments>)**
 - d. You may go through the list and find from their respective site as to their objective and reach them directly with a copy to SIDBI.
 - e. SIDBI also conducts regular interaction with the venture funds through its program (Investor Day / LetsPartner). You may also participate in such meets for finding potential investors.
 - f. You may also reach out to Indian angel network whose fund has also been supported by SIDBI.
 - g. If after writing to such funds and you don't get response you may reach out to SIDBI for possible intervention as the decision is independently taken by funds based on merits,

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.

