

**STCI Finance Limited has released its Board approved policy for implementing regulatory measures and reliefs announced by the Reserve Bank of India (RBI) in view of the disruptions brought about by the COVID19 pandemic outbreak.**

**BRIEF BACKGROUND:**

Reserve Bank of India, vide Circular no. DOR.BP.BC.47/21.04.048/2019-20 dated 27/3/2020 permitted regulatory COVID-19 package to mitigate the burden of debt servicing brought about by disruptions that have arisen due to the pandemic and to ensure continuity of viable businesses.

RBI vide its statement has directly addressed the aforesaid stress by means of various regulatory and developmental policies to ensure that financial markets and institutions are able to function normally. The steps suggested are as follows: -

1. Infusing sizeable liquidity in the system.
2. Relaxing repayment pressures and improving access to working capital.
3. Improving the functioning of markets in view of the high volatility.
4. Ensure businesses continue to be viable.

As permitted by RBI and on the basis of RBI guidelines as specified in its Circular no. DOR.BP.BC.47/21.04.048/2019-20 dated 27/3/2020, the following steps are being taken by STCI to provide relief to borrowers so as to ensure viability and smooth running of their businesses :-

**i. Rescheduling of payments:-**

A moratorium of three months shall be granted for payment of instalments that are due as of 1/3/2020, up to 31/5/2020 for all loans in STCI's portfolio where specific request has been received from the Borrower.

Instalments will include the following payments falling due from 1/3/2020 to 31/5/2020:

- a. Principal and/or interest components.
- b. Bullet repayments.

Accordingly, STCI will change the repayment schedule of all loans where such request has been received and the residual tenor of such loans will be increased by three months.

Interest shall continue to accrue on the outstanding portion of the loan accounts during the moratorium period and shall be recoverable along with future instalments.

**ii. Classification as Special Mention Account (SMA) and Non-Performing Asset (NPA)**

RBI has clarified that the moratorium/deferment/recalculation is being provided specifically to enable borrowers to tide over economic fallout pursuant to the effect of COVID-19. Hence the same will not be treated as concession or change in terms and conditions of loan agreements due to financial

difficulties of the borrower under paragraph 2 of the Annexure to the RBI (Prudential Framework for Resolution of Stressed Assets ) Directions, 2019 dated 7/6/2019 (Prudential Framework). Hence such measure shall not result in asset classification downgrade and no additional provisioning is required to be made for these accounts.

Accordingly, asset classification of term loans which are granted relief as per para (i) above shall be determined based on revised due dates and revised repayment schedule. Similarly, SMA and out of order status shall be evaluated considering the application of accumulated interest immediately after completion of the deferment period.

The rescheduling of payments including interest shall not qualify as a default for the purposes of supervisory reporting and reporting to the various credit information companies by STCI.

It is also provided, in line with the clarification provided by the Basel Committee on Banking Supervision, in respect of all accounts classified as standard as on February 29, 2020, even if overdue, the moratorium period, 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.

**iii. Other provisions:**

STCI will take into account the stress on the borrowers on account of the pandemic.

The borrower should not be under IBC proceedings.

The borrower should not have been classified as willful defaulter/ fraud by STCI or other banks/Financial Institutions.

**iv. Asset Classification for accounts under COVID-19 package:**

- a. No NPA asset classification including daily asset classification shall be done upto 31/5/2020.
- b. Only upgradation and ageing of existing NPA shall be done at the end of each month including as on 31/3/2020.
- c. Asset classification as on 29/2/2020 shall be restored / reverted for all accounts classified under SMA0, SMA1, SMA2 & NPA, since 1/3/2020.

**v. Application of interest under COVID19 package**

- a. STCI would be charging interest at the original contracted rate, for the moratorium period on the outstanding amount of loan to all those who avail the relief as provided in the RBI circular. This interest has to be paid by the customers as prescribed in this policy.
- b. Interest will be applied at the end of each month/quarter, as the case may be and interest demand effective date shall be entered in system as 1/6/2020.
- c. Interest falling due during moratorium period shall be accrued and such accumulated interest will be capitalised and will be payable during existing tenor or extended tenor at the option of borrower.

**vi. Validity of the policy:**

This policy shall be valid up to 31st May 2020.

- vii. While this policy outlines the broad internal guidance that STCI will follow to take decisions regarding moratorium, STCI retains the discretion to take decisions on case to case basis and reserves the right to amend the policy within the framework of RBI regulations.