Not many opting for loan moratorium, say banks

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328 companies have opted for facility, says ICRA; SME segment keen to avail benefits

Though the Reserve Bank of India has allowed companies to opt for a three-month moratorium on loan repayments in the wake of the national lockdown, data with individual banks suggests that not many firms have chosen to defer routine interest payments for now.

Private sector lenders, including HDFC Bank, Axis Bank and IndusInd Bank, have revealed that not many companies or salaried retail customers have opted for the three-month moratorium permitted by the RBI on March 27.

As per rating agency ICRA, about 328 companies — including The Tata Power Company, JSW Steel and Kalyan Jewellers, Air India Express and ONGC Petro Additions — have opted for the moratorium benefits.

In media and analyst calls after its Q4 results on April 28, Axis Bank said only about 25-28 per cent of the customers, in value terms, and 10-11 per cent, in absolute numbers, sought the moratorium.

A large number of small and medium enterprises, many of which have limited working capital, seem to be availing themselves of the moratorium benefit.

For wholesale and SME loans, the bank had offered the facility on an opt-in basis. It spoke to wholesale and retail customers and, only when convinced, offered the moratorium. HDFC Bank, in an analyst call after its Q4 results, had said it was difficult to assess the number of customers availing themselves of the moratorium on the wholesale and SME banking side.

It, however, expected small players with less access to the market to opt for this facility. It had received very few applications from wholesale customers, the bank had said.

IndusInd Bank, which announced its Q4 results earlier this week, also said a very small percentage of corporate borrowers have sought this moratorium.

Opt-in model

“The bank has given moratorium to all its retail loans while it followed an ‘opt-in’ model on the corporate side, where the need for moratorium was quite negligible,” Kotak Institutional Equities noted.

Bankers, however, said the option to avail of the moratorium was still available to borrowers and they could request for the same, depending on their cash flows.

To help borrowers tide over the liquidity crunch and not default on loan repayments, the RBI had announced a three-month moratorium on payment of instalments for all term loans due between March 1 and May 31. Most banks have also indicated that retail borrowers are also taking up the moratorium facility on a selective basis.

“Salaried borrowers, whose salaries have not been impacted due to the lockdown or those who feel they can continue to and have the capacity to pay EMIs, have not opted for the moratorium,” said another banker, pointing out that many others have also realised that they would have to pay interest on the deferred EMIs, which acted as a disincentive. “Axis Bank said many retail borrowers have taken the moratorium despite having adequate balances just to preserve liquidity amid uncertainty,” said a note by ICICI Securities.

HDFC Bank said that on the retail side also, the number of customers applying for a moratorium is low. Of those who have applied, nearly 95-98 per cent are not in default as on February 29, but are availing themselves of it just to be cautious rather than for fear of stress. The bank surveyed about 1,000 customers to get their feedback.

“On the corporate side, it is the SME segment, particularly the micro segment, which does daily cash-based transactions, that requires the moratorium facility. Many large companies may be shut but they have enough cash in hand, as is the case for many salaried borrowers who are still getting their salaries,” noted Kuntal Sur, Partner, Financial Risk and Regulation, PwC India.

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