

SBI to grant moratorium to NBFCs on case-by-case basis amid Covid-19 crisis

Considers 25 fresh credit proposals from shadow banks

Subrata Panda & Abhijit Lele | Mumbai May 06, 2020 Last Updated at 23:09 IST

State Bank of India, the country's largest lender, is working on 25 proposals, totalling at least Rs 5,000 crore, for credit to non-banking financial companies (NBFCs) while taking up requests for a loan moratorium on a case-by-case basis.

Explaining the change in the approach to granting moratorium to NBFCs, bank executives said the Reserve Bank of India (RBI) came out with the Covid-19 regulatory package in March, and that things had become clear only subsequently. 'Now, there is the RBI liquidity window at repo



rate too to get finance for on-lending,” an official said.

Second, the National Bank for Agriculture and Rural Development and the National Housing Bank have activated refinancing facility, which has improved resource availability for units from the financial sector, he added.

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Earlier, SBI had not agreed to provide a blanket moratorium to NBFCs and had said it would look at each case on its merit. Since last month, it has been in dialogue with

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finance companies to assess how collections (repayments by their customers) are happening. In April, collections were between 40-50 per cent of the total. “This gives us confidence to consider requests for a moratorium,” the senior SBI executive said.

The bank is receiving ground-level feedback from NBFCs, housing finance companies (HFCs), and microfinance institutions (MFIs), which are seeking a moratorium. The picture will become clear by the end of this week.

The RBI’s package did not prohibit granting moratorium to NBFCs or HFCs. Many fellow banks were looking for SBI to lead the way, before they took a decision.

A meeting of chief executives under the aegis of the Indian Banks’ Association (IBA) failed to find a way out of the logjam.

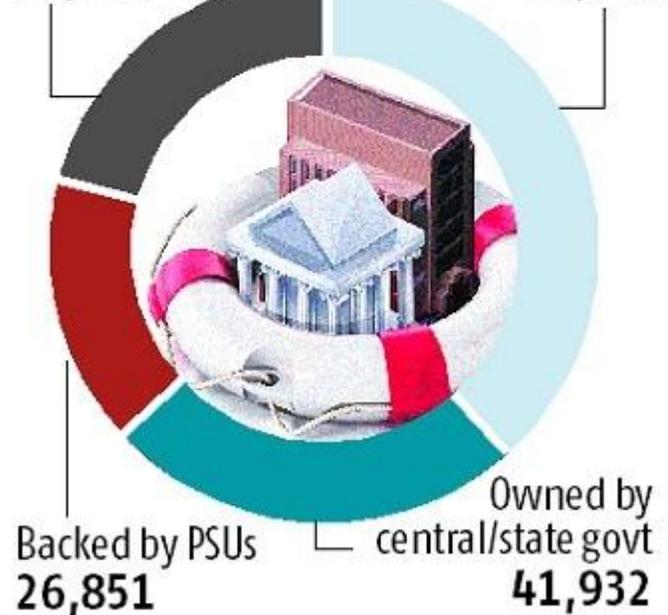
CONDITIONAL RELIEF

SBI exposure to NBFCs and other financial institutions as of Dec 2019

Client profile/Exposure (in ₹ crore)

Other private sector finance firms 35,603

Backed by large private groups 64,739



Source: SBI

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Besides moratorium, the bank is also evaluating proposals for giving loans up to three years to finance companies that are facing cash flow problems. It is not necessary that those getting credit will also get a moratorium under the RBI's regulatory regime, the official said. The bank will thoroughly review the liquidity and credit profile of financial sector firms before taking call on granting credit, and similar financial assistance, he added.

With SBI agreeing to give a moratorium, many other banks are likely to follow suit. Mostly the instalments for term loans from banks are on a quarterly basis. The instalment due in the month of March has been paid by most NBFCs so that banks would grant a moratorium for April and May. It's unlikely that banks will refund or adjust the instalment paid in March, unless there is negative cash flow for the NBFC, said the chief executive officer of a housing finance company.

A senior banker with a public sector bank said, "Our advice is if you have the cash flow, you better pay. If NBFCs do not pay the lenders and use the cash flow to on-lend, then it is fine. It may be that they are under pressure from mutual funds and public depositors. In those cases, banks are not supposed to bail them out. If a bank is giving them the facility and they use it for paying off other debts, then that cannot be accepted."

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Raman Aggarwal, co-chairman, Finance Industry Development Council, said SBI's decision to extend moratorium was a welcome move but the criteria for extending moratorium needed to be seen. "Hopefully, it will cover the month of March and April, otherwise there will be no point of this. Other banks will follow this and start giving moratoriums to NBFCs," he said.