

PSBs to extend loans so firms can continue ops and pay salaries

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State-run banks have stepped up with emergency funds to help companies continue operations and even pay employee salaries, as corporate borrowers frantically seek help to tide over the crisis caused by the Covid-19 pandemic, according to two people aware of the development.

Banks are also relaxing repayment terms for these loans to help customers tide over the current period of uncertainty.

At least three state run banks, State Bank of India (SBI), Union Bank of India and Indian Bank sanctioned emergency credit lines, while Bank of Baroda (BoB) and Bank of India are expected to approve something similar in the coming days. SBI's credit line is up to ₹200 crore, Indian Bank's credit line is up to ₹100 crore, while that of Union Bank is up to ₹50 crore. BoB aims to sanction an ad hoc limit of ₹200 crore or up to 10% of the borrowers' fund-based working capital limit, while Bank of India plans to allow a top-up of up to 20% of the working capital limit or a maximum of ₹200 crore.

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"We have got calls from several customers telling us that they need money to keep the business running and credit lines by banks will help them tide over the crisis. There are several companies with whom we have long-term relationships and they need money to keep the business running," said one of the people cited above.

BoB's plan is awaiting board approval and will then be sent to all branches and other offices, said the person. "This line of credit will be only for existing borrowers classified as standard on the bank's books," he said.

Bank of India also plans a credit line for retail customers, apart from corporate borrowers. The bank will offer three times the take-home salary of its home loan borrowers as a top-up loan, up to ₹5 lakh, to help during the pandemic, said the second person cited above. The reference date for sanctioning these loans is 16 March and all borrowers except those classified as special mention account 1 (SMA1), SMA2, and non-performing will be covered under this scheme, he said.

"For corporate borrowers and small businesses, there

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will be a moratorium of six months on repayments of these loans. While 15% will need to be repaid in the six months following the moratorium, the remaining 85% will have to be repaid in the next one year," said the second person.

Bank of India will also help small transporters, including app-based cab operators by sanctioning a credit line of up to 20% of their loans, he said.

Mumbai-based Union Bank of India said in an internal circular on 23 March that borrowers can avail the sanctioned amount in one go or in tranches. "The entire loan under the scheme has to be repaid within the maximum period of 12 months including moratorium from the date of first disbursement or validity of sanction, whichever is earlier," the circular said. In case the limit is availed of in tranches, the repayment should be 12 months from the date of first disbursement, it said.

The bank is trying to ensure that basic necessities of its borrowers are being maintained, including payment of employee salaries, said Union Bank chief executive Rajkiran Rai G. "The credit line is just the first such product we have launched and plan to initiate a few more in the coming days. These will include people who have no working capital limits as of now and are only term loan customers," said Rai.

India's largest lender SBI was the first bank to extend an emergency credit line to corporate borrowers and small businesses to meet their liquidity needs in the wake of the Covid-19 pandemic. *Mint* reported on 20 March that an internal SBI circular said that the Covid-19 emergency credit line will be in the form of a 12-month demand loan and that the scheme will be valid till 30 June.