

COVID-19: Liquidity measures to consider for impacted corporates

In light of the ongoing COVID-19 crisis, the Indian economy is staring at a sharp reduction in economic activity, amidst concerns of weaker demand for the next few quarters.

As a result, businesses are expected to face considerable liquidity challenges. Further, the changing business environment characterised by demand and supply disruptions, evolving government regulations and varying business forecasts may also impact liquidity positions of organisations of different sizes across the sectors.

Here's how business leaders can HALT and review their liquidity positions and plan actions

To ensure sufficient liquidity in the system, especially in the corporate bond market, the Reserve Bank of India (RBI) on 3 April 2020 announced the third **Targeted Long Term Repo Operation (TLTRO)**.

Genesis of the scheme

- RBI has announced TLTRO for an amount of INR 1 lakh crore to provide durable liquidity to banks at repo rate (4.5% p.a) during the current COVID-19 crisis.
- The first tranche for INR 25,000 lakh crore was conducted on 27 March 2020 for a tenor of three years.








Regulatory thrust: Measures by banks

- Banks shall deploy the availed funds at attractive rates in investment-grade corporate bonds, commercial paper and non-convertible debentures over and above their investments in these bonds as on 27 March 2020.
- Banks shall be required to acquire up to 50% of their incremental holdings of eligible instruments from primary market issuances and the remaining 50% from the secondary market, including from mutual funds and NBFCs.



Urgent actions for corporates to consider during these times

Put together a very brief proposal requesting for funds under TLTRO by providing the following details:

-  **Business Profile and Operations**
-  **Credit Ratings**
-  **Financial Performance and Indicators**
-  **Capital Structure and Shareholding**
-  **Existing Bank Limits with Current Outstanding**
-  **Security Structure**
-  **Details of Commercial Papers and NCDs issued and Current Outstanding**

As the current situation further unfolds, it is crucial that stakeholders HALT and assess their liquidity positions and accordingly plan their responses from both short-term as well as long-term perspectives.

Grant Thornton's Recovery & Reorganisation practice can help corporates navigate various liquidity challenges during these challenging times. We also provide support for making proposals/formal requests for seeking funds under TLTRO.

Please reach out to the Grant Thornton team:

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[Click here to download the recently released Grant Thornton Halt-Plan-Refresh Guide on revisiting business priorities and plans](#)



For more insights on the COVID-19 crisis, scan this barcode to see continuous updates on our website

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