



The bank with a heart

BUSINESS REVIVAL UNIT (BRU) POLICY SUMMARY

Seylan Bank Plc

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1.0 Introduction

The Central Bank of Sri Lanka (CBSL) under circular no 02 of 2024 dated 28.03.2024 has issued guidelines for the procedure to be adopted to facilitate the sustainable economic revival of businesses affected by the extraordinary macroeconomic circumstances.

2.0 Objective

The purpose of Business Revival Units is to identify and assist Performing/non-performing borrowers of the bank who are facing challenges or may face potential financial [and/or business] difficulties inter-alia due to a reduction of income, cash flows or sales, reduction or impairment of business operations or the temporary closure of business emanating from the extraordinary macroeconomic circumstances. The Unit aims to revive businesses that are facing actual or potential financial difficulties but are fundamentally viable, with a view to providing benefits to such borrowers, leading to the revival of such businesses.

3.0 Mandate for establishment of the Business Revival Unit

The mandate for the establishment of Business Revival Unit (BRU) stems from the need to support the revival of viable businesses facing financial difficulties due to challenging economic conditions. Therefore, with a view of facilitating the sustainable economic revival of businesses affected by the extraordinary macroeconomic circumstances, the Business Revival Unit has been established.

4.0 Scope

This policy applies to business entities who are in performing status with difficulties or in Non Performing status, facing actual or potential financial difficulties but are fundamentally viable.

5.0 Eligibility Criteria for Selection of Borrowers

- 5.1.1 At a minimum, the following criteria need to be met, in order to be considered as an eligible borrower under the Business Revival Unit:
- 5.1.2 Fundamental Viability
 - (i) The Unit shall consider borrowers who are fundamentally viable. Borrowers that do not meet the viability criteria, i.e., non-viable borrowers shall not be transferred to the Business Revival Unit. The viability assessment shall, to the extent possible, be based on the audited financial statements for the three preceding financial years and include at a minimum the analysis of the following financial indicators:

- (a) Operating income, gross profit, profit before interest and tax
 - (b) Financial cost, interest coverage ratio, interest cost to total borrowings
 - (c) Profitability, return on equity, return on assets
 - (d) Leverage, debt to equity, assets to equity
 - (e) Sufficiency of liquidity and cash flows, to assess the adequacy cash flows to service the forthcoming debt obligations and to meet working capital requirements, such as current ratio, quick-assets ratio
 - (f) Maturity profile of the liabilities of the borrower
 - (g) Other quantitative and qualitative information to assess the fundamental viability of the business.
- (ii) In the absence of audited financial statements owing to justifiable reasons, the bank may use appropriate and credible sources of information at the discretion of the bank's Management.

5.1.3 Borrower Co-operation

Bank shall consider only the cooperative borrowers for revival. Therefore, shall ensure that the borrower is cooperative, before considering for revival.

6.0 Revival Mechanism and Activities of BRU

For the purpose of revival, the BRU may consider any account irrespective of the status (clarification – facilities that have been transferred to Recoveries Dept. / Legal Dept. or performing with difficulties can be considered for revival by BRU).

6.1 The Business Revival Unit shall use financial and/or operational restructuring tools and techniques or any combination thereof to revive distressed but viable businesses.

6.1.1 Financial Restructuring

- (i) The Bank shall adopt the following assessments, when deciding to provide restructuring measures including the following at a minimum:
 - (a) Borrower's debt servicing capacity based on the borrower's overall indebtedness, including debts owed to other creditors, viz., financial, and non-financial creditors, including tax authorities.
 - (b) Aggregate debt service obligations
 - (c) Borrower's economic interests

- (d) Reports of the Credit Information Bureau of Sri Lanka (CRIB)
 - (e) Assessments based on other external sources, as necessary
- (ii) The revised repayment plan for borrowers considered for restructuring shall be based on a full assessment of the borrower's cash flow available for debt servicing, and analysis of financial statements and projected cash flows.

6.1.2 **Operational Restructuring**

- (i) The Business Revival Unit, may in addition consider proposing operational restructuring of the business of the borrowers, i.e., fundamental changes in the business's operations or assets to restore commercial viability, including but not limited to developing a new business plan/strategy, and enhancing operational efficiency and profitability of such businesses, improving cash management systems, reviewing pricing strategy, and reviewing customer retention and/or acquisition strategies.
- (ii) The Business Revival Unit shall monitor the repayment behavior and the financial condition of the borrower for not less than 12 months, who is subject to revival, on an ongoing basis and thereafter transfer to the respective business unit.
- (iii) The Unit to conduct awareness programs on rehabilitation initiatives, procedures and methodologies to relevant stakeholders, and provide credit counselling and business advisory services, in reaching out to potential investors.