

FIDC

Finance Industry Development Council

(A Representative Body of Assets and Loan Financing NBFCs)

101/103, Sunflower, 1st Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077

Tel: 022 21029898/9820035553 • E-mail: directorgeneral@fidcindia.org Website: www.fidcindia.org

Smt. Nirmala Sitharaman ji,
Hon'ble Minister of Finance,
Ministry of Finance,
Government of India,
North Block,
New Delhi 110 001

Hon'ble Finance Minister Madam,

1st June, 2020

Sub: Interactions with FIDC on 29th May, 2020 regarding NBFC sector

We are **highly grateful to you** for giving us an audience with your goodself along with Shri Tarun Bajaj, Secretary, Department of Economic Affairs and Shri Pankaj Jain, Additional Secretary, Department of Financial Services and giving us patient hearing on the issues being faced by the retail NBFCs that we represent and seeking our feedback on the ground situation of the implementation of liquidity measures announced by yourself.

Madam, your officials have been kind enough to provide us certain clarifications on the rationale behind the liquidity measures and also certain doubts were cleared which would be helpful to us in approaching banks and FIs to seek liquidity support from them. In addition, we seek your intervention on the following points which will go a long way in ensuring liquidity support to the beleaguered NBFC sector and particularly, small and mid sized NBFCs who principally cater to the funding needs of MSMEs, truck/taxi drivers, marginal farmers and unorganized labour.

1. **Special Liquidity Scheme:** As explained to us, this scheme has been designed to provide liability side relief to the NBFCs and the initial 90 days period will be rolled over for another period of 90 days, thereby providing 6 months time to NBFCs to tide over the temporary mismatch in their ALM situation.



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2. **PCG 2.0** along with **TLTRO 2.0**: As explained to us, the Govt. of India has provided the guarantee to the banks up to 20% of the total credit support provided to NBFCs under TLTRO 2.0 so that the banks can overcome their risk aversion and lend freely to small and mid sized NBFCs. The revised guidelines are expected to be issued in a few days time.

Madam, the above clarification will significantly boost the flow of credit to the extent of Rs. 45,000 crs to the small and mid sized NBFCs and will help them in funding their customers' working capital needs post lock down.

We however request you to pl consider extending the guarantee period and make it co-terminus with the bond period of 3 years and also allow term loans sanctioned by the banks under similar scheme as small and mid sized NBFCs find it more convenient to borrow under term loans.

3. **Coverage for NBFCs under ECLGS to finance MSMEs :**

- a. **Unsecured loans**: It was clarified during the interactions that all incremental loans given to MSMEs by NBFCs will be covered under the ECLGS to the extent of 20% of total advances including unsecured loans and there is no need for security creation if there is no security in the original loans. Madam, a formal clarification in the form of FAQ will significantly help in this regard.
- b. Madam, as iterated by us during the interactions, NBFCs mostly finance vehicles (trucks/taxis), equipment/tractors to individuals who borrow in their personal names and they are also exempted from GST registration as well as in Income tax, given their small revenue earnings. Similarly, NBFCs have given tractor loans to farmers in their individual names and all these truck/taxi drivers and machine operators are at the bottom end of the MSME chain and they need to be included under the emergency guarantee scheme in Covid times. These are not consumption loans and each truck provides direct employment to 6 persons and indirect employment to 12 people. We therefore seek your kind attention to include these



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loans under the ambit of emergency guarantee so that they can also benefit from the Govt. program.

- 4. One time restructuring of loans:** Madam, as mentioned during the interactions, we have reached out to several lakhs of our customers during the last 5-6 weeks of lock down and learnt that owing to covid-19, while their vehicles are not deployed and it will take few months for them to get proper load and freight earnings and therefore, our customers have sought lowering of EMIs for next few months post September 2020 and gradually increasing to normal EMIs by March, 2021. We have represented to RBI to allow us one time restructuring of all our retail loans based on board approved policies without any additional provisioning requirements and seek your intervention in this regard.

Madam, we are once again very grateful to your kindness to allow us an audience along with your officials and reiterate our request to let us have regular interactions with Department of Financial Services so that we can partner with them to provide credit support to the much needed MSME sector for whom NBFCs are often the only source of funding.

Thanking you.

Yours truly

For FINANCE INDUSTRY DEVELOPMENT COUNCIL

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