

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

Mr. Sunil Mehta,
Chief Executive,
Indian Banks' Association,
World Trade Centre, 6th Floor
Centre 1 Building,
World Trade Centre Complex,
Cuff Parade,
MUMBAI - 400 005

April 17, 2020

Dear Sir,

SUB: Representation on behalf of NBFC/HFC Industry on COVID-19 PANDEMIC

Finance Industry Development Council (FIDC) is a Representative Body of Asset and Loan Financing of the NBFCs registered with the Reserve Bank of India. FIDC was formed 16 years ago and is the recognized face of the NBFC sector. We have been engaged in regular interaction both with Reserve Bank of India and Govt. of India, which include pre-budget meetings and also important policy related meetings with RBI. Almost all the leading NBFCs and a large number of small and medium sized NBFCs are our members.

At the outset, we **thank you** very much for the telecom we had in the afternoon today on the subject of liquidity support for NBFCs and extending moratorium on credit facilities enjoyed by them from the banks.

As you are well aware that NBFC/HFCs provide financing principally to the MSMEs, truck/taxi drivers, marginal farmers for buying assets for productive usage and they earn from the deployment and pay the instalments. As a result of nation- wide lock down, our customers' earnings have stopped as they have not been able to deploy the vehicles/tractors/equipment and they have not paid the instalments and have sought moratorium from us. In line with the RBI circular dated 27th March,2020, we(NBFC/HFCs) have allowed moratorium to our borrowers as



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per our board approved policy and lot of our customers have availed the same and it has had corresponding impact on our cash flows.

We avail financing against the loans given by us mainly from the banks that have provided term loans, working capital facilities and also subscribed to our NCDs/commercial paper and also invested in Pass Through Certificates under securitization and bought pool of retail loans under Direct Assignment route and lent funds under the above instruments. Most of the loans are provided by us to the underserved and informal segment and qualify for the priority sector under RBI classification.

RBI has permitted banks and lending institutions vide its circular dt. 27th March, 2020 to allow moratorium to all its customers as per the board approved policies to tide over the liquidity crunch faced under the Covid-19 scenario and we have been deeply impacted by the same as most of our customers have sought moratorium for three months between March and May, 2020. Further in case of PTC/DA instruments, we serve as the servicing agent on behalf of the banks and collect instalments from the retail customers and remit the same to the banks who have invested in the instruments.

However, there has been widespread confusion prevailing amongst the banks on the applicability of moratorium to the NBFC/HFCs on the interest and principal payable by them and it is causing huge stress in the system. Secondly, in case of PTC/DA instruments, the NBFC/HFCs can't make the payment unless the retail customer pays and non-granting of moratorium can result in rating downgrade due to dipping in the FLDG(First Loss Deficiency Guarantee) by the investing banks and building up of NPA in case of DA pools. Now, RBI has also issued in today's circular dt. 17th April,20 that there would be asset classification standstill for all standard accounts as on 1st March,2002 till 31st May,2020. In view of above, we seek your guidance for the banks on the following lines to support the business activities and liquidity position of the NBFC/HFCs:

- 1. Allowing moratorium on payment of interest and principal due from those NBFC/HFCs between March and May, 2020 who apply for it.**



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2. Providing liquidity support under TLTRO and various schemes like term loans for on-lending for priority sector, as has been permitted by the RBI.

Your timely action on the above will provide a lot of support to our sector which is principally engaged in lending to the marginal customers and MSMEs in the tier towns and will significantly help in alleviating the issues faced by them during Covid-19 times.

Sir, we seek your sympathetic consideration of our request and positive response.

Thanking you,

Yours faithfully,

For FINANCE INDUSTRY DEVELOPMENT COUNCIL

**MAHESH THAKKAR
DIRECTOR GENERAL
98200 35553**



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