

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

Shri Shaktikanta Das

Governor

Reserve Bank of India

Central Office Building

Shahid Bhagat Singh Marg

Fort, Mumbai – 400 001.

April 28, 2020

Respected Sir,

REQUEST TO ALLOW ONE TIME RESTRUCTURING OF LOANS

We represent the interests of retail NBFCs who primarily cater to the funding needs of MSMEs, truck/taxi drivers, machine operators and marginal farmers and provide loans for acquiring the vehicles/tractors/equipments for productive purposes and these customers are mostly new to credit and having very little/no banking history. These are also the customers who earn and pay and therefore most vulnerable in any economic cycle and in the present pandemic, they have been mostly locked down and unable to deploy their assets and make even their two ends meet. While we have provided the moratorium to all our customers and more than 90% of them have opted for it we feel that with extended lock down till 3rd May all over India and its extension beyond 3rd May in many states and districts under red zone, it will take quite a while for these customers to return to normalcy and deploy their assets and earn revenue and pay the instalments.

The feedback from most of our members across India is that our retail customers in the tier towns and rural areas are seeking much more than 3 months moratorium to restart the payment and also seeking lower EMIs in the current environment so that they do not default and seek extension in the overall tenure. They are also seeking lowering of interest rates and non-levy of any penal interest due to restructuring of their loan tenure and EMI amounts and it is only fair that in the current uncertain environment, we evaluate and provide case on case, the request for extension in original tenure of the



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loans and also lower the EMI obligation during FY21 to ease the burden on the informal segment customers that we cater to.

In respect of the above, RBI has been kind enough to allow 3 months' moratorium as per 27th March circular and then also allowed standstill on existing overdues in standard accounts as per 17th April circular and it has provided lot of relief to the NBFCs which have provided moratorium to their own customers.

However, given the extension in lock down and very bleak scenario for full revival of the economy which will take place over next few quarters, we humbly submit for your kind consideration the following relief to manage the circumstances arising out of Covid-19:

Request to Allow One Time Restructuring of Loans:

Given the requirement to provide cash flow relief to our customers during the Financial Year 2020-21 and extend the moratorium period beyond May, 2020 and also reduce the EMI obligation for few months post the lock down, we request to allow a one-time restructuring of all the loan accounts including extension of loan tenure by the NBFCs as per the board approved policies.

RBI had allowed onetime restructuring of standard MSME advances without any downgrade, though with additional provision of 5%, vide Circular No. DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020 read with DBR.No.BP.BC.18/21.04.048/2018-19 dated January 1, 2019. The economy is in a far worse state today due to the impact of COVID-19 and therefore requires more financial considerations and support.

Request:

It is therefore requested to allow a one-time window for restructuring of all the Loans. This facility is currently available for loans to MSMEs (as per RBI Circular dt. 11th February 2020) and could now be considered for all other borrowers as well, given the



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environment. This restructuring may kindly be allowed without the need for a 5% provisioning as mandated by the current scheme.

We sincerely appeal to the Reserve Bank of India to consider these measures to help NBFCs manage the current situation and to enable them to play a due role in the rebuilding efforts.

Sir, we, some of the Directors of FIDC seek an audience with yourself and your officials, either by audio or video con-call, on behalf of our members and seek your sympathetic consideration of our request and positive response.

Thanking you,

Yours faithfully,

For FINANCE INDUSTRY DEVELOPMENT COUNCIL

**MAHESH THAKKAR
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