

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

March 20, 2020

Respected Sir,

SUB: CORONA VIRUS AND ITS IMPACT

At the outset, wish you, your family and associates safe days and healthy life ahead !! We all together with all precautions can surely fight this dreaded virus.

The Covid-19 pandemic is expected to have a significant and perhaps a long term impact on our economy on all our regular accounts, especially the MSME, auto, transportation and trading segments. It may impact supply chains, hospitality and infrastructure contracting segments as well deeply. In fact, early market reports suggest increase in stress levels in the economy. The Hon'ble Prime Minister's address to the nation on 19th March 2020 clearly alludes to the view of the Government of India that the impact may be for longer than expected periods and deeper and wider than expected earlier.

Several State Governments and Municipal Corporations have imposed a cap of 50% staff strength at work places and a policy of work from home. All this has led to significant slowdown in volume of commerce transacted in terms of sale of goods (except perhaps food and medicine and other emergency supplies) and volumes transported through trucks etc. In case the country is forced into a shut down for a few weeks, the impact would be unfathomable.



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NBFCs are at the forefront of financing many of the affected sectors notably small road transport operators, taxi aggregators, infrastructure contractors, MSMEs, traders etc. and the current situation is likely to result in delayed payment of EMIs even by customers with a hitherto excellent and unblemished repayment history. This may adversely affect their credit scores for no fault of theirs, seriously impairing their ability to raise finance in the future for business.

Several members of FIDC have received requests from their customers, who are already facing a severe strain on their cash flows, for a deferral of EMIs owing the following reasons:

- Slow-down in commerce resulting in low capacity utilisation of trucks, machinery and other equipment of MSMEs and contractors;
- Lock up of commercial spaces such as malls, restaurants and restriction on number of workers on site by several municipalities and local Govt, seriously affecting business cash flows;
- Reduced tourist and other traffic affecting revenues of taxi aggregators and bus operators;
- Work from home policy implemented by corporates thus affecting staff transportation business volumes and the operators' cash flows.

We at FIDC would request you to kindly consider the impact on the customers and would suggest the following measures to be adopted to protect consumers' interests:

- **Announce a moratorium on payment of EMIs for at least a 3 months period by deferring at least 3 EMIs. This would ensure that unintended defaults do not affect credit track record and bureau scores of customers;**



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- **Allow one-time restructuring of all regular accounts that are today not in default, but those that may become delinquent in the future without the extant requirement of 5% provisioning in the NBFCs' books;**
- **Extend the period for recognition of NPAs from current 3 months to 6 months past due, but only in cases that are non-delinquent as on March 01, 2020. Any provision made on loans that are already NPA should not be allowed to be written back to ensure maintenance of the sanctity of recognition of prior NPAs.**

We sincerely appeal to the Reserve Bank of India to consider the aforesaid requests to protect the long term interests of honest, deserving and under-served segments of the economy in this unprecedented situation.

We thank you in anticipation of a positive response and assure you of our full co-operation all the times.

Yours faithfully,

For FINANCE INDUSTRY DEVELOPMENT COUNCIL

**MAHESH THAKKAR
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