

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

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Shri Shaktikanta Das

Governor

Reserve Bank of India

Central Office Building

Shahid Bhagat Singh Marg

Fort, Mumbai – 400 001

March 26, 2020

Respected Sir,

SUB: CORONA VIRUS AND IMMEDIATE RELIEF FOR NBFCs

We refer to our letter dated 20th March 2020 on the aforesaid subject. We had requested your kind consideration on the following in the interest of all consumers, particularly taxi drivers. Truck drivers, contractors, agriculturists, equipment hirers and MSMEs, most adversely affected by the virus:

- **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;**
- **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.**

Sir, as the country emerges from the shock and starts to rebuild itself, the aforesaid customer segments would also require significant amounts of financial assistance in order to play their



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significant role in rebuilding the country. NBFCs as a sector are willing and eager to play our roles in this process and commit ourselves to doing whatever we can.

Since NBFCs are financial intermediaries and our cash flows are directly linked to and dependent on repayment of EMIs by our customers. It may be expected that such prompt payment of EMIs will be significantly affected due to the extraordinary and unprecedented **21-day lockdown situation**, with businesses taking anywhere between minimum three to six months to recover their positions and business to resume as usual. This hiatus is likely to impact NBFCs' cash flows too significantly and they are likely to be forced to draw down their liquidity buffers to a significant extent. We would also request you to see the present situation in the backdrop of the post-IL&FS constraining of liquidity flow which the NBFCs are already coping with.

In order to help NBFCs as a sector to play their role and to ensure continued flow of credit to critical and under-served segments as mentioned aforesaid, it is critical to ensure the cash flow cycle continues unabated. We therefore request you to kindly consider the following measures:

- **Allow moratorium on payment of EMIs for at least 4 months period by deferring till 30th June, 2020. This would ensure that unintended defaults do not affect credit track record and bureau scores of customers and allow them to borrow further**
- **Announce a moratorium on repayment/automatic roll-over of repayment of loans taken by NBFCs from banks as well as money markets for a period of 3-6 months. Further, there may be an instance wherein Term Loan from Banks to NBFCs may need to be rescheduled/restructured by allowing elongation of Loan Tenure, which may please be permitted.**
- **Assignment of priority sector status to all the loans given to NBFCs by banks for**



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- **on-lending to the priority sectors (as defined for banks) without any monetary/interest cap or restrictions**
- **Repricing of loan and credit facilities given to the NBFCs at 1-year MCLR for a period of one year starting 1st April, 2020 to facilitate dissemination of cheaper credit to the informal segment**
- **Extension of PCG-DA scheme to cover the loans given by the NBFCs up to February, 2020 as against the existing cut off of 31st March, 2019**
- **Ensure existing (including unutilized) credit lines to NBFCs from banks and FIs are not disturbed**
- **Ensure prevailing credit ratings are not downgraded simply due to the impact of the current lockdown**

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