



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.in



www.fidcindia.org.in

December 15, 2021

**Shri Saurav Sinha,
Executive Director,
Reserve Bank of India,
Central Office Building,
Shahid Bhagat Singh Marg, Fort,
Mumbai – 400 001**

Respected Sir,

Sub: Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Clarification issued by RBI on November 12, 2021 – Request for relief to NBFCs

We acknowledge the receipt of your letter CO.DOR.CRG.No.S2853/21-04-048/2021-22 dated December 13, 2021 and **thank you** for the clarity provided in the letter on the RBI's position on the Prudential Norms as specified in the clarification dated November 12, 2021 and respectfully accept the contents.

We feel as a part of continuous dialogue with our Regulators that we may apprise you, for your kind consideration, the ground level position and seek your indulgence **on just one and only genuine matter.**

With due respect to the RBI clarification, it may kindly be appreciated that the extant guidelines, thus far, were not explicit, unlike for banks, as regards upgradation of an NPA until all overdues are paid, the entire industry (or at least an overwhelming majority) including the borrowers were following the practice of upgrading/downgrading a customer account as per the position at month ends and got accustomed to the practice. It is precisely the reason that the upgradation





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related norms look like new norms and hence is seen a major change to be implemented.

Added to the above, ironically, the borrowers are still recovering from the impact of pandemic.

We, therefore, humbly submit that:

- (i) The current situation impacted by the pandemic will need some more time for the end-borrowers to stabilise & to adhere to this norm of clearing their entire dues, to be classified as a standard account, after being marked NPA. Therefore, education of the borrowers will entail strenuous efforts on the ground and is time consuming, more particularly considering the nature of our retail clientele, which includes Small Businesses, Small Road Transport Operators (SRTOs) and self employed persons (activities like running a small shop, cable TV operator, milkman/ fisherman, construction worker etc.).
- (ii) Reasonable time is required to synchronise our operations on the field.
- (iii) Accurate compliance as per the clarity now available with us would require modifications to the IT systems of our members.

Accordingly, we request that the RBI may please permit our members time so as these are effective from October 1, 2022 in case of larger NBFCs (with asset size of over Rs. 1000 crs) and from April 1, 2023 in case of smaller NBFCs (with asset size of less than Rs. 1000 crs).



FIDC

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We would be extremely grateful for your kind consideration.

We would take this opportunity to reiterate FIDC's commitment to ensure proper governance and adherence to regulatory norms among our members for the long term growth and development of the NBFC sector.

Thanking you,

Yours Faithfully,

For **FINANCE INDUSTRY DEVELOPMENT COUNCIL**

MAHESH THAKKAR
DIRECTOR GENERAL
9820035553

Cc: **Shri Manoranjan Mishra,**
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