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Market Watch

NBFCs seek exclusive relief package

BY SAIKAT DAS & SALONI SHUKLA, ET BUREAU | APR 15, 2020, 10.25 PM IST

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Non-bank lenders have sought additional [liquidity](#) support of Rs 2-3 lakh crore through a special central bank mechanism after April cash-flows were choked, prompting these last-mile lenders to seek an exclusive rescue [package](#) from Mint Road.

The support has been sought either through the TLTRO mechanism, the proceeds of which banks must use to buy bonds of corporate or non-bank lenders or some kind of refinancing window. Banks have the discretion on allowing a grace period on loan repayments to these lenders, which have approached the [Reserve Bank of India](#) (RBI) to carve out a special rescue package, given the extent of the strain.

"Banks have shared their feedback with the RBI showing liquidity requirements for [NBFCs](#)," said the top executive at a large non-banking finance company. "The RBI is likely working on a dedicated NBFC package to help ease their funds crunch.

The authorities are said to be examining a proposal to bring select NBFC services within the ambit of 'essential services', industry executives told ET.

The central bank did not reply to ET's mailed query.

"These are not commercial disruptions as no one knows how long it can stretch," said Ramesh Iyer, vice chairman & managing director at [Mahindra Finance](#). "A special window by RBI appears to be a viable option where NBFCs can obtain refinancing.

NBFCs will need liquidity to discharge liabilities on time without fail or a moratorium that allows additional time for repayment of loans.

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Unlike banks, NBFCs collect repayments physically in most of the cases. With restricted people movement, this mode of collection has ceased to exist – at least for now.

“In the past four weeks, our business suffered the most amid dwindling collections,” said Umesh Revankar, managing director at Shriram Transport Finance. “With an extended lockdown period, regulatory relief in terms of infusing liquidity would help all NBFCs.”

With rabi crop harvesting coming up between April 15 and May 15, NBFCs expect demand reviving. Some of them have already received customer enquiries seeking funding aid for tractors and farm equipment.

“If NBFCs are included in essential services similar to banks for providing service and guide the customers at this juncture, it will aid in generating cash,” Revankar said.

A special refinancing window in addition to the existing Rs 1 lakh crore package would be helpful, executives said. Up to Rs 50,000 cr may be opened up for NBFCs and HFCs rated below double-A, according to the industry’s proposal.

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