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HDFC chairman Deepak Parekh requests RBI Governor to not extend loan moratorium

Synopsis
"Please do not extend the moratorium because we see that even people who have the ability to pay whether it's individuals or corporates are taking advantage under moratorium and deferring payments," Parekh appealed to RBI Governor Shaktikanta Das.

In the recent financial stability report released by the RBI, stress tests conducted by the regulator show that bad loans could rise to 12.7% by the end of this fiscal year.

HDFC chairman Deepak Parekh joined SBI Chairman Rajnish Kumar in demanding that the central bank not extend the payments moratorium beyond August 31 as even those who could afford to pay are exploiting the situation for financial gains which is straining lenders. But he suggested that RBI permit loans restructuring failing which bad loans could surge.

"Please do not extend the moratorium because we see that even people who have the ability to pay whether it's individuals or corporates are taking advantage under moratorium and deferring payments," Parekh appealed to RBI Governor Shaktikanta Das where the latter was addressing industry participants under the aegis of industry body CII. "There is some talk that moratorium could be extended by another three months it is going to hurt us and particularly the smaller NBFCs."

Responding to Parekh, Das said that he would consider his suggestions without commenting further on policy related decisions.

“I have noted these suggestions but I will not be able to comment on them now,” Das said.

Just recently, SBI chairman had said that across the board relief on payment of loan dues is not needed beyond August and he was expecting the banking regulator to take a more sectoral approach in the coming months.

“The RBI has data from the entire financial system and they will take a call basis that, but if you ask me across the b moratorium is not required anymore,” Kumar has said on July 10 while speaking at a conclave organised by **the State Bank of India**. “Certain sectors require relief and basis the data that the RBI has access to, I expect a calibrated appro from the regulator.“

The RBI announced a three-month moratorium in March along with a freeze on rating action on customers availing the relief. This was aimed to help borrowers hit by the economic downturn caused by the Covid-19 pandemic and the ensuing lockdown. That was subsequently extended by another three months to August.

The RBI data shows that at the end of April almost 50% of the total banking sector loans were under moratorium. But latest disclosures by banks and non-bank lenders as part of their quarterly earnings show that average moratorium levels have receded below 30% at the end of June. Hence, there is a clamour to seek one-time restructuring of loans th are facing issues.

“Look at the future, look at this time next year, if restructuring is not given the amount of NPAs in your own report is 12.5% in March 2021 or it could even be 14.7%. Now, if banks, NBFCs, MFIs have this kind of NPAs it’s unhealthy, we had done that in 2008, it’s worth considering to save future problems,” Parekh said.

Veteran banker and CII president **Uday Kotak** too chimed in commenting that members across the industry body were seeking a one-time restructuring from the RBI.

In the recent financial stability report released by the RBI, stress tests conducted by the regulator show that bad loans could rise to 12.7% by the end of this fiscal year against 8.3% at the end of March 2020. If the economic situation were to worsen **NPA** ratio could hit a high of 14.7%.
