



**Date: 15<sup>th</sup> April 2020**

**Respected Hon. Finance Minister,**

**Subject: Non Inclusion of Lock Down Period in wake of Covid-19 for computation of 90 Days Non- Performing Assets (NPA) Declaration Norms in accordance to Master Circular Guidelines issued by Reserve Bank of India.**

This has reference to the recent judgment passed by Hon. Bombay High Court in the matter of M/s. Transcon Skycity Pvt Ltd and M/s. Transcon Iconica Pvt Ltd Vs. ICICI Bank Limited. However the Hon'ble Court categorically stated that this judgment is applicable to these two companies who are the petitioner in the said case and cannot be used as a landmark judgment. Borrowers cannot quote this judgment in general.

It is well-established fact that those borrowers who are in SMA-1, SMA-2, SMA-3 category of classification will fall for declaration of NPA by bankers and financial institutions (FI) including NBFC. Owing to the vulnerable circumstances it will be absolutely against the principle of natural justice if these accounts are classified as NPA during or post completion of lockdown period. It will lead to forceful killing of Industry and the borrowers further leading to deterioration in asset value and unemployment. This calls for a need for a rational approach.

In this regard I strongly suggest that:

1. The Finance Ministry in consultation with Reserve Bank of India should issue a mandatory blanket guideline stating that no borrower should be declared as NPA even though falling in SMA-1,2 and 3 category. At the same time calculation of 90 Days should be extended 180 days and after expiry of 180 days additional 180 days should be provided to the borrower to pay interest at concessional rate with up-to reduction of 50%. This classification should be done by introducing another category as SMA-4. During this phase in order to revive the account the borrower should be allowed to operate the account on his own without the interference of the lending institution.
2. This accumulated concession as stated above should converted into Working Capital Demand Term Loan (WCDTL) and this should have interest at Basic Prime Lending Rate of Reserve Bank of India. *(The above is proposed on the assumption that it will take minimum three more months for businesses to at least restart.)*

**Your Guide in Crisis**

**Dr. Visswas** (Ex-Banker)

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3. This conversion of outstanding loan in WCDDL as stated in above point no. 2 should not come in way of their credit history record downgrade, supply of further need based Working Capital/ Term Loans.
4. Also certain industries and manufacturing facilities previously engaged and having capacity of production and distribution of Ventilators, Masks, Medicines and other essentials during this pandemic of Covid-19 even though if declared NPA by banks and financial institutions should be supported for rescue of the citizens of the country during such national calamities.
5. Rehabilitation fund has to be provided for rehabilitation of such units after an independent assessment of their viability. There has to be an autonomous body to provide such funding and monitor such accounts. A detailed plan for functioning in the aforesaid manner can be provided.
6. Also if NPA is hidden in Banks & FI Books of Accounts and no provisioning is made in Banks & FI Books of Accounts it will create false impression. In order to avoid the same such accounts should be reported separately by giving a separate Nomenclature. Such accounts should also have separate provisioning norms so that when Analysis of books of accounts of Banks & FI is done a correct picture and analysis is presented and derived.

The above stated interim relief measure are need of the day for our economy and will help yield better results in revival of economy and contribute to the GDP growth of the country.

Yours Sincerely,

(Dr. Visswas)

To: Respected Finance Minister,  
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**SAVE SMEs, SAVE INDIA !**