



2nd Announcement of RBI COVID 19 Measures

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Important Updates of RBI Measures

Reserve Bank of India (RBI) Governor Shaktikanta Das addressed the media today (April 17, 2020) for a second time since the COVID-19 outbreak. He informed that RBI is constantly monitoring the situation and will use all instruments to address COVID 19 challenge.

The announcements covered **four key points**:

- Maintaining liquidity in the system
- Facilitating and incentivising bank credit flows
- Easing financial stress
- Enabling formal working of markets

Important Updates of RBI Measures

The Governor of RBI announced the following measures to provide liquidity, facilitate bank credit, enable normal functioning of the markets, and ease financial stress: -

- ❖ NPA classification will not include the **90 days moratorium** on loans. For all accounts where moratorium or deferment has been applied, there would be an **asset classification standstill**;
Impact - Banks need not classify Borrowers as defaulters even if they had trouble repaying before moratorium period.
- ❖ Liquidity boost through **TLTRO 2.0 worth INR 50,000 crores** to begin with for NBFCs, HFCs and MFI for small and medium-sized industries to recover from the lockdown
Impact - Finance Companies to get liquidity relief, particularly small NBFCs & MFIs.
- ❖ Special **refinance facilities** of INR 50,000 crores to NHB, SIDBI and NABARD;
Impact - Will benefit farm lenders, small businesses & housing finance companies.

Important Updates of RBI Measures

- ❖ LCR requirement for SCB to be brought down from 100 percent to 80 percent with immediate effect, to be restored in phases by April next year;
Impact - More money to be released for Banks to lend.
- ❖ Fixed reverse repo rate under LAF cut by 25 bps to 3.75 % from 4 % with immediate effect
Impact - Will prompt Banks to lend part of the funds they have been parking with RBI.
- ❖ For large accounts under default, 210 day limit for resolving loans and additional provisioning of 20 percent is required to be made thereafter, is now relaxed.
Impact - Freezes the clock during the lockdown period, gives relief to Banks on finalising resolution plans.

Important Updates of RBI Measures

- ❖ **Date of Commencement of Commercial Operations (DCCO)** for commercial real estate projects delayed for reasons beyond the control of promoters, can now be extended by one year without asset classification downgrade. This relief is now also allowed for NBFCs.
Impact - Gives relief to developers as they have more time & relief to NBFCs as they can delay NPA classification.
- ❖ Commercial Banks & Co-operative Banks shall not **declare dividends** for FY 20, to be reviewed after September 30, 2020.
Impact - Will help Banks conserve capital and absorb credit losses.
- ❖ **Contraction in exports** in March 2020 at 34.6%, turned out to be much more severe than during the Global Financial Crisis. However, amidst all this, the level of Forex Exchange Reserves continues to be robust in RBI.

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