FIDC

Finance Industry Development Council

(A Representative Body of NBFCs in India)

101/103, Sunflower, 1st Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077

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June 11, 2024

The Chief General Manager
Credit Risk Group
Department of Regulation, Central Office
Reserve Bank of India, 12/13th Floor,
Shahid Bhagat Singh Marg,
Fort, Mumbai – 400 001

Sub: Comments on "Draft – Reserve Bank of India – Prudential Framework for Income Recognition, Asset Classification and Provisioning pertaining to Advances – Projects Under Implementation, Directions, 2024" (Draft Guidelines) dated May 03, 2024

Dear Sir,

At outset, we wish to place on record our appreciation for issuing consolidated guidelines for restructuring of exposures relating to projects under Implementation on account of change in date of commencement of commercial operations (DCCO).

We also applaud this practice of RBI wherein draft guidelines are issued on which comments from stakeholders are sought and considered. We wish to place following comments on the Draft Guidelines for consideration of RBI:

Draft Guidelines	Submission
12. The dispensations available under this framework shall be available only to those lenders who have extended finance to such project loans based on	We request RBI to clarify whether this framework will be applicable to loans which were extended prior to such guidelines where there is no common

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a common agreement between the debtor and the lender(s).	agreement between debtor and the Lender.
14. In projects financed under consortium arrangements, where the aggregate exposure of the participant lenders to the project is upto Rs.1,500 crores, no individual lender shall have an exposure which is less than 10% of the aggregate exposure. For projects where aggregate exposure of lenders is more than Rs. 1,500 crores, this individual exposure floor shall be 5% or Rs. 150 crores, whichever is higher	We request RBI to not to prescribe minimum limits for financing and let it be decided by commercial agreement between the Parties. The Lenders will be required to be part of an agreement jointly with Debtors. This will ensure that rights and duties of parties will be clear, un-ambiguous and protected.
20. Any such Credit Event shall be reported to the Central Repository of Information on Large Credit (CRILC) by the lenders in the prescribed weekly as well as the CRILC-Main report in compliance with the extant instructions, as applicable. Lender(s) in a consortium/MBA shall also report occurrence of such credit event to all other members of the consortium/MBA.	We submit that the NBFCs do not have access to CRILC. This will mean that there will be lag for such information to come to notice of NBFCs, through other lenders. We request if longstanding industry request of providing access to NBFCs to CRILC to be considered favorably.
23. Extension of DCCO	We request timeline for extension for exogenous and legal reasons be also the same that for endogenous i.e. 2 years.

26. In cases where lenders have specifically sanctioned a 'Standby Credit Facility (SBCF) at the time of initial financial closure to fund cost overruns arising on account of extension in DCCO, they may fund cost overruns as per the agreed terms and conditions up to a maximum of 10% of the original project cost.	We are of the view that cost over-runs may happen for various reasons including those which are beyond the control of borrowers/lenders. Any cap has the potential of inhibiting the project continuation even after considering extension of DCCO. We, therefore, request that no limit be placed on maximum cost overrun which can be funded and it should be left on commercial decision-making. The suggestion of enhanced provisioning as provided for in paragraph 33 hereinbelow will ensure prudence of the lenders in considering the quantum of additional funding for the project after extension of DCCO.
33. Construction Phase: A general provision of 5% of the funded outstanding shall be maintained on all existing as well as fresh exposures on a portfolio basis	We request that instead of flat provision of 5% for all projects in construction phase, it should continue to be standard provision rate of 0.4%. The enhanced provisioning may be stipulated only for projects where there is a DCCO extension. Such a measure will ensure better project selection by the lenders.

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We look forward for consideration of our submissions and shall be happy to provide any other information / clarification on the above said concerns.

Thanking you,

Yours Faithfully,

For **FINANCE INDUSTRY DEVELOPMENT COUNCIL**

MAHESH THAKKAR
DIRECTOR GENERAL
9820035553