

RBI Press Release- 22.05.2020

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Key Highlights of RBI governor's press conference

- ❖ **Moratorium Period extended by further 3 Months (from June 1 to Aug 31)-**
 - ❖ This action by RBI allows to Defer the Payment of EMI on the Loans
 - ❖ However, if sufficient cash flows are available, it is advised to Honour the EMI payments to avoid **“Interest on Interest”**

- ❖ **The Interest on Working Capital Loan can be converted into Term Loan for this 6 months**
 - ❖ The facility has been provided by RBI to convert the monthly interest on working capital loans i.e. Cash Credit/Overdraft to convert into Term loans
 - ❖ Prevailing bank interest rates will be charged on the amount of **“Converted Term loan”**.

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❖ Repo rate reduced to by 40 basis points to 4%-

Impacts of this move

- ❖ The Rate cut is a huge boost to the economy. The reduction in the repo rate will imply that, industries, businesses, other borrowers can get loans at cheaper interest rates from Banks/Financial Institutions.
- ❖ **Interest cost of existing borrowers would also get lowered to some extent.**
- ❖ The borrowers can reach out to the Bankers and check if their existing Interest rates can be converted into a more benefitting rates like linking with the Repo rates. Hence The same can result in reduced rate of interest.

Key Highlights of RBI governor's press conference

- ❖ **Lending institutions are being permitted to restore the margins for working capital to the origin level by March 31, 2021**
- ❖ **The RBI Governor announced refinancing support to the tune of Rs 50,000 crore through all India financial institutions such as Nabard, SIDBI and NHB.**
- ❖ **GDP growth is estimated to be in negative territory in FY 2020-2021**
- ❖ **Maximum permissible period of pre and post shipment of export credits increased from 1 year to 15 months**

Thank You

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