Chapter VI

Non-Banking Financial Institutions

Non-Banking Financial Institutions (NBFIs) supplement the efforts of scheduled commercial banks in credit delivery and financial intermediation. Given their growing inter-linkages with the banking sector, financial soundness of NBFIs assumes considerable importance to ensure overall financial stability. In 2009-10, the consolidated balance sheet of Non-Banking Financial Companies-Non-Deposit taking-Systematically Important (NBFCs-ND-SI) expanded but their Return on Assets (RoA) declined. In the case of Financial Institutions (FIs), there was an expansion in the combined balance sheet along with an increase in their net profits. However, the RoA of FIs declined marginally during 2009-10. In contrast, there was a steep decline in the profitability of Primary Dealers (PDs) in 2009-10 mainly due to the hardening of government securities yields.

1. Introduction

6.1 Apart from commercial banks and cooperative credit institutions (urban and rural), the financial system in India consists of a wide variety of NBFIs, such as Non-Bank Financial Companies (NBFCs), financial institutions and primary dealers. NBFIs form a diverse group not only in terms of size and nature of incorporation, but also in terms of their functioning. In addition to enhancing competition in the financial system, these institutions play a crucial role in broadening the access of financial services to the population at large. With the growing importance assigned to the objectives of financial penetration and financial inclusion, NBFIs are being regarded as important financial intermediaries particularly for the small scale and retail sectors.

6.2 NBFCs, the largest component of NBFIs, can be distinguished from banks with respect to the degree and nature of regulatory and supervisory controls. First, the regulations governing these institutions are relatively lighter as compared to banks. Secondly, they are not subject to certain regulatory prescriptions applicable to banks. For instance, NBFCs are not subject to Cash Reserve Requirement (CRR) like banks. They are, however, mandated to maintain 15 per cent of their public deposit liabilities in Government and other approved securities as Statutory Liquidity Ratio (SLR). Thirdly, they do not have deposit insurance coverage and refinance facilities from the Reserve Bank. Fourthly, NBFCs do not have cheque issuing facilities and are not part of the payment and settlement system.

6.3 There are two broad categories of NBFCs based on whether they accept public deposits, namely, NBFC-Deposit taking (NBFC-D) and NBFCs-Non Deposit taking (NBFC-ND). Since 2006, NBFCs were reclassified based on whether they were involved in the creation of productive assets. Under the new classification, the NBFCs creating productive assets were divided into three major categories, namely, asset finance companies, loan companies and investment companies. Considering the growing importance of infrastructural finance, a fourth category of NBFCs involved in infrastructural finance was introduced in February 2010 namely infrastructure finance companies (Box VI.1).

6.4 Till recently, NBFCs-ND were subject to minimal regulation as they were non-deposit taking bodies and considered as posing little threat to financial stability. However, recognising

Box VI.1: Infrastructure Finance Companies (IFCs) – Need for Separate Classification and Criteria for IFCs

The need for a separate category of NBFCs financing infrastructure sector arose on account of the growing infrastructure needs of the country. Several Committees including the Deepak Parekh Committee were set up to look into the issue of infrastructure finance. The capability of the NBFCs to contribute significantly towards this growth has been well recognised. In view of the importance of infrastructure financing, it is felt that companies financing this sector should not face the same regulatory or funding constraints as companies financing consumer products or equity investments. Infrastructure financing requires large outlays, long gestation period and large exposures. The commitment required from each lender is high in terms of size of each loan and current prudential norms on credit concentration for NBFCs is likely to act as a constraint on companies participating in infrastructure financing. Hence, a separate class of NBFCs *viz.*, IFCs was introduced with effect from February 12, 2010.

The criteria that would qualify an NBFC as IFC are the following:

1. Companies that deploy a minimum of 75 per cent of total assets in infrastructure loans, as defined in para 2 (viii) of Non-Banking financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.
2. Net owned funds of ₹300 crore or above,
3. Minimum credit rating 'A' or equivalent; of CRISIL, FITCH, CARE, ICRA or equivalent rating by any other accrediting rating agencies.
4. CRAR of 15 percent (with a minimum Tier I capital of 10 percent).

Infrastructure Finance Companies (IFCs) – Concessions

1. IFCs may exceed the concentration of credit norms as applicable to NBFCs-ND-SI as under:

(i) In lending to

(a) Any single borrower by ten per cent of its owned fund; and

(b) Any single group of borrowers by fifteen per cent of its owned fund

(For other NBFCs-ND-SI, the ceilings are 15 and 25 percent, respectively)

(ii) In lending and investing (loans/investments taken together) by

(a) five percent of its owned fund to a single party; and

(b) ten percent of its owned fund to a single group of parties.

(For other NBFCs-ND-SI, the ceilings are 25 and 40 percent, respectively)

2. ECB can be availed by IFCs through approval route for on-lending to infrastructure sector subject to certain conditions. Five NBFCs-ND-SI have been reclassified as Infrastructure Finance Companies.

the growing importance of this segment and its interlinkages with banks and other financial institutions, capital adequacy and exposure norms have been made applicable to NBFCs-ND that are large and systemically important from April 1, 2007; such entities are referred to as NBFCs-ND-Systemically Important (SI).

6.5 The second major component of NBFIs includes Financial Institutions (FIs). FIs have been broadly categorised based on the major focus of their lending/investment activity, into (i) term-lending institutions such as EXIM Bank, which extend export and overseas investment financing to different sectors of the economy; (ii) refinancing institutions such as NABARD, SIDBI and NHB which extend refinance to banking as well as nonbanking financial intermediaries for on-lending to agriculture, small scale industries (SSIs) and housing sectors and (iii) investment institutions like LIC and GIC which deploy their assets largely in marketable securities.

6.6 Primary Dealers (PDs), the third major component of NBFIs were set up in 1995 with the objective of developing the market for government securities in the country. This was envisaged to be achieved by strengthening the primary market with the creation of a dependable source of demand for these securities as well as by ensuring liquidity in the secondary market.

6.7 This chapter provides analysis of the financial performance and soundness indicators related to each of these segments of NBFIs during 2009-10. The chapter is organised into four

Table VI.1: Ownership Pattern of Financial Institutions
(As on March 31, 2010)

(per cent)

Shareholding Institutions	EXIM Bank	NABARD	NHB	SIDBI
1	2	3	4	5
GOI	100.0	27.5 #	–	–
RBI	–	72.5 #	100.0	–
IDBI	–	–	–	21.8
SBI	–	–	–	17.2
LIC	–	–	–	16.4
Others	–	–	–	44.7 @

\# In terms of GOI Notification dated 16.09.2010, with effect from 16.09.2010, the share of GOI and RBI in NABARD equity stands at 99% and 1% respectively.
@ Others include Public Sector Banks, EXIM Bank, LIC, GIC etc.

sections. Section 2 analyses the financial performance of FIs while Section 3 discusses the financial performance of NBFCs-D and NBFCs-ND-SI. Section 4 provides an analysis of the performance of PDs in the primary and secondary markets, followed by the conclusion in Section 5.

2. Financial Institutions

6.8 As at the end of March 2010, there were five FIs under the regulation of the Reserve Bank *viz.*, EXIM Bank, NABARD, NHB, SIDBI and IIBI. Of these, four FIs (*viz.*, EXIM Bank, NABARD, NHB and SIDBI) are under full-fledged regulation and supervision of the Reserve Bank. IIBI is under the process of voluntary winding up as of March 31, 2010.

6.9 As at end March 2010 EXIM Bank and NHB were fully owned by the Government of India (GoI) and RBI, respectively. RBI which owned a major stake in NABARD diluted its holding in September 2010 from 72.5 per cent to 1.0 per cent resulting in a corresponding increase in GoI ownership from 27.5 per cent to 99.0 cent. The ownership structure of SIDBI as at end-March 2010 indicates that, other institutions held 44.7 per cent of the total equity followed by IDBI, SBI and LIC (Table VI.1).

Operations of Financial Institutions

6.10 Although the financial assistance sanctioned by FIs increased marginally during 2009-10, there was a decline in the disbursements made by these institutions during the year. This was on account of a decline in the disbursements made by investment institutions mainly LIC (Table VI.2 and Appendix Table VI.1).

Assets and Liabilities of Financial Institutions

6.11 The combined balance sheets of FIs expanded during 2009-10. On the liabilities side, deposits along with the bonds and

Table VI.2: Financial Assistance Sanctioned and Disbursed by Financial Institutions

(Amount in ₹ crore)

Category	Amount				Percentage Variation	
	2008-09		2009-10		2009-10	
	S	D	S	D	S	D
1	2	3	4	5	6	7
(i) All-India Term- lending Institutions*	33,232	31,629	42,118	37,824	26.7	19.6
(ii) Specialised Financial Institutions#	597	283	591	320	-0.9	13.1
(iii) Investment Institutions@	71,400	62,357	66,077	55,271	-7.5	-11.4
Total Assistance by FIs (i+ii+iii)	**1,05,229**	**94,269**	**1,08,786**	**93,415**	**3.4**	**-0.9**

S: Sanctions. D: Disbursements. *: Relating to IFCI, SIDBI and IIBI. # : Relating to IVCF, ICICI Venture and TFCI.
@: Relating to LIC and GIC & erstwhile subsidiaries (NIA,UIIC & OIC).
Note: All data are provisional.
Source: Respective Financial Institutions.

Table VI.3: Liabilities and Assets of Financial Institutions
(As at end-March)

(Amount in ₹ crore)

Item	Amount		Percentage Variation
	2009	2010	2009-10
1	2	3	4
Liabilities			
1. Capital	4,300	4,600	7.0
	(2.0)	(1.9)	
2. Reserves	41,962	39,489	-5.9
	(19.3)	(16.0)	
3. Bonds and Debentures	59,602	69,943	17.4
	(27.4)	(28.3)	
4. Deposits	63,515	79,473	25.1
	(29.2)	(32.2)	
5. Borrowings	35,307	34,413	- 2.5
	(16.2)	(13.9)	
6. Other Liabilities	12,609	18,959	50.4
	(5.8)	(7.7)	
Total Liabilities/Assets	**217,296**	**246,878**	**13.6**
	(100.0)	**(100.00)**	
Assets			
1. Cash and Bank Balance	5,244	3,703	-29.4
	(2.4)	(1.5)	
2. Investments	8,080	9187	13.7
	(3.7)	(3.7)	
3. Loans and Advances	180,140	211,879	17.6
	(82.9)	(85.8)	
4. Bills Discounted/ Rediscounted	2,145	2,668	24.4
	(1.0)	(1.1)	
5. Fixed Assets	570	553	-3.0
	(0.3)	(0.2)	
6. Other Assets	21,117	18,888	-10.6
	(9.7)	(7.7)	

Note: 1. Data pertains to four FIs, *viz*., NABARD, NHB, SIDBI and EXIM Bank. IIBI Ltd. was under voluntary winding up as on March 31, 2010.
2. Figures in parentheses are percentages to total liabilities/ assets.

Source: i) Balance sheets of respective FIs. ii) Unaudited Off-site returns for NHB as on June 30, 2010

debentures remains the major sources of borrowings (Table VI.3). However, resources raised through borrowings witnessed a decline during 2009-10.

6.12 On the assets side, loans and advances continued to be the single largest component contributing around four-fifth of the total assets of FIs. Similar to the trend observed in the case of Scheduled Commercial Banks (SCBs), the growth of loans and advances from FIs decelerated in 2009-10 as compared to the previous year.

Resources Mobilised by FIs

6.13 FIs raised resources in 2009-10 in both rupee and foreign currency terms. Total resources raised by FIs in 2009-10 posted a growth of 25.0 per cent, which can mainly be attributed to long-term resources raised by these institutions comprising bonds/debentures (Table VI.4). Among the four FIs, growth in resource mobilisation in 2009-10 was the highest for SIDBI followed by NABARD Bank.

6.14 FIs raise resources from the money market through various instruments, such as Commercial Paper (CP), Certificate of Deposits (CD) and term deposits. In 2009-10, there was a significant increase in the resources raised by FIs through CP (Table VI.5). As a result, CP

Table VI.4: Resources Mobilised by Financial Institutions

(₹ crore)

Institution	Total Resources Raised								Total Outstanding (As at end-March)	
	Long-term		Short-term		Foreign Currency		Total			
	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2009	2010
1	2	3	4	5	6	7	8	9	10	11
EXIM Bank	3,197	8,150	8,905	5,052	3,800	5,193	15,902	18,395	37,202	40,509
NABARD	4,252	16	3,494	12,330	–	–	7,746	12,346	26,867	24,922
NHB	3,124	7,518	16,881	10,306	–	–	20,005	17,824	16,503	10,598
SIDBI	5,625	13,253	8,811	11,500	1,361	987	15,797	25,740	24,487	30,186
Total	**16,198**	**28,937**	**38,091**	**39,188**	**5,161**	**6,180**	**59,450**	**74,305**	**1,05,059**	**1,06,215**

– : Nil/Negligible

Note: Long-term rupee resources comprise of borrowings by way of bonds/ debentures; and short-term resources comprise of CPs, term deposits, ICDs, CDs and borrowing from the term money. Foreign currency resources comprise largely bonds and borrowings in the international market.

Source: Respective FIs.

Table VI.5: Resources Raised by Financial Institutions from the Money Market

(Amount in ₹ crore)

Instrument	2006-07	2007-08	2008-09	2009-10
1	2	3	4	5
A. Total	**3,293**	**4,458**	**15,247**	**31,743**
i) Term Deposits	89	508	2,222	3,510
ii) Term Money	–	250	1,184	922
iii) Inter-corporate Deposits	–	–	–	0
iv) Certificate of Deposits	663	2,286	5,633	1,555
v) Commercial Paper	2,540	1,414	6,207	25,456
vi) Short term loans from Banks	–	–	–	300
Memo:				
B. Umbrella Limit	**19,001**	**19,500**	**26,292**	**24,650**
C. Utilisation of Umbrella limit (A as percentage of B)	**17.3**	**22.9**	**58.0**	**129.0**

- : Nil/Negligible.

Source: Fortnightly return of Resource mobilised by Financial Institutions.

emerged as the single most important channel accounting for around 80 per cent of the total resources mobilised by FIs from the money market in 2009-10. FIs are mandated to raise resources from the money market within the sanctioned umbrella limit. Given the increase in the amount of resources raised through CP, in 2009-10, FIs had apparently overshot the umbrella limit as against the trend observed in the previous years. However, this impression was created as CP is a short-term money market instrument and FIs kept resorting frequently to this instrument during the year taking the cumulative amount raised through CP to a higher level. It may be noted that the umbrella limit was not crossed each time this instrument was resorted to by FIs during the year.

Sources and Uses of Funds

6.15 In 2009-10, although resources raised by FIs through internal sources registered a decline, these sources continued to be the single largest source of funds for FIs during the year. This fall in internal sources of funds of FIs was mainly on account of decline in the internal sources of funds of SIDBI and NHB. In the case of SIDBI, higher level of disbursements and arrangements of standby lines of credit for managing day to day liquidity caused a reduction in the average investment in short term instruments resulting in decline in internal sources of funds in 2009-10. In case of NHB the internal sources of funds declined as consequence of lower amounts of repayments received from Primary Lending Institutions (PLIs). The funds raised through external sources increased significantly during the year mainly due to a recovery in the global financial markets. Given this increase, the share of external sources increased to around two fifth of the total resources raised in 2009-10 as compared to about one-third in the previous year.

6.16 More than half of the funds raised during the year were used for fresh deployments by FIs. However, there was a significant growth in the funds used for repayment of past borrowings by FIs during the year (Table VI.6).

Maturity and Cost of Borrowings and Lending

6.17 The weighted average cost of rupee resources declined for each of the four FIs in 2009-10 (Table VI.7). Further, the weighted average maturity of rupee resources also declined for all FIs except NHB during the year.

6.18 NHB and SIDBI lowered their Prime Lending Rates in 2009-10, while EXIM Bank kept it unchanged (Table VI.8). Notwithstanding the fact that prime lending rates were lower or remained unchanged, the growth in loans and advances from FIs worked out to be lower in 2009-10 as compared to the previous year, as alluded earlier (refer Table VI.3).

Financial performance of FIs

6.19 The financial performance of the FIs sector improved during 2009-10 as compared with 2008-09. The net profits of FIs registered

Table VI.6: Pattern of Sources and Deployment of Funds of Financial Institutions*

(Amount in ₹ crore)

Item	2008-09	2009-10	Percentage Variation 2009-10
1	2	3	4
A) Sources of Funds (i+ii+iii)	**2,97,296** (100.0)	**3,02,610** (100.0)	**1.8**
(i) Internal	1,93,294 (65.0)	1,56,733 (51.8)	-18.9
(ii) External	91,314 (30.7)	1,26,813 (41.9)	38.8
(iii) Others@	12,688 (4.3)	19,065 (6.3)	50.3
B) Deployment of Funds (i+ii+iii)	**2,97,296** (100.0)	**3,02,610** (100.0)	**1.8**
(i) Fresh Deployment	1,94,711 (65.5)	1,71,922 (56.8)	-11.7
(ii) Repayment of past borrowings	56,592 (19.0)	1,15,015 (38.0)	103.2
(iii) Other Deployment	45,993 (15.5)	15,673 (5.2)	-65.9
of which:			
Interest Payments	8,809 (3.0)	16,561 (5.5)	88.0

* : EXIM Bank, NABARD, NHB and SIDBI.

@: Includes cash and balances with banks, balances with the Reserve Bank and other banks.

Note: Figures in parentheses are percentages to the totals.

Source: Respective FIs.

an increase mainly on account of the substantial increase in interest income, notwithstanding the decline in non-interest income. However, their net profit as a ratio to total average assets (Return on Assets) declined marginally during the same period (Table VI.9). Among the four FIs, RoA continued to be the highest for SIDBI followed by NABARD. It was the lowest for EXIM Bank (Table VI.10).

Table VI.7: Weighted Average Cost and Maturity of Long Term Resources Raised by Select Financial Institutions

Institution	Weighted Average Cost (per cent)		Weighted Average Maturity (years)	
	2008-09	2009-10	2008-09	2009-10
1	2	3	4	5
EXIM Bank	9.0	7.1	2.5	1.9
SIDBI	6.4	5.2	5.3	3.2
NABARD	9.5	4.4	4.3	0.3
NHB	7.4	6.2	2.8	4.7

Note: Data are provisional.

Source: Respective FIs.

Table VI.8: Long-term PLR Structure of Select Financial Institutions

(Per cent)

Effective	NHB	EXIM Bank	SIDBI
1	2	3	4
March 2009	10.75	14.00	12.50
March 2010	10.25	14.00	11.00

Source: Respective FIs.

Table VI.9: Financial Performance of Select All-India Financial Institutions

(Amount in ₹ crore)

Item	2008-09	2009-10	Variation	
			Amount	Percentage
1	2	3	4	5
A) Income (a+b)	**14,274**	**15,331**	**1,057**	**7.4**
a) Interest Income	12,169 (85.2)	14,755 (96.2)	2,587	21.3
b) Non-Interest Income	2,106 (14.8)	575 (3.8)	-1,530	-72.7
B) Expenditure (a+b)	**10,492**	**11,095**	**603**	**5.7**
a) Interest Expenditure	8,977 (85.6)	9,328 (84.1)	351	3.9
b) Operating Expenses	1,516 (14.4)	1,767 (15.9)	252	16.6
of which : Wage Bill	362	464	102	28.1
C) Provisions for Taxation	**1,190**	**1417**	**227**	**19.0**
D) Profit				
Operating Profit (PBT)	3,782	4,236	454	12.0
Net Profit (PAT)	2,592	2,819	227	8.8
E) Financial Ratios@				
Operating Profit (PBT)	1.9	1.8		
Net Profit (PAT)	1.3	1.2		
Income	7.2	6.6		
Interest Income	6.1	6.4		
Other Income	1.1	0.2		
Expenditure	5.3	4.8		
Interest expenditure	4.5	4.0		
Other Operating Expenses	0.8	0.8		
Wage Bill	0.2	0.2		
Provisions	0.6	0.6		
Spread (Net Interest Income)	1.6	2.3		

- : Nil/Negligible. @: As percentage of average total assets.

Note:
1. Figures in parentheses are percentage shares to the respective total.
2. Non Interest Income also includes other non-operating income.
3. Operating Expenses also include other provisions.
4. Other provisions include risk provisions, provisions for other losses, write-offs, if any, provision for depreciation in fixed assets.
5. In case of NABARD, non-operating income includes capital gains.

Source: i) Annual Accounts of respective FIs. ii) Audited/Unaudited OSMOS returns of EXIM Bank, NABARD and SIDBI as at March 31, 2010 iii) Unaudited OSMOS returns of NHB as at June 30, 2010.

Table VI.10: Select Financial Parameters of Financial Institutions
(As at end-March)

(Per cent)

Institution	Interest Income/ Average Working Funds		Non-interest Income/Average Working Funds		Operating Profits/Average Working Funds		Return on Average Assets		Net Profit per Employee (₹ crore)	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
1	2	3	4	5	6	7	8	9	10	11
EXIM Bank	7.75	8.37	0.80	0.80	2.36	1.75	1.18	1.13	2.06	2.21
NABARD	6.47	6.19	0.13	0.10	1.86	1.80	1.30	1.23	0.28	0.33
NHB*	7.96	6.63	0.33	0.15	1.74	1.86	1.20	1.20	..	..
SIDBI	8.84	8.35	1.11	0.41	5.25	4.19	3.11	2.36	0.31	0.41

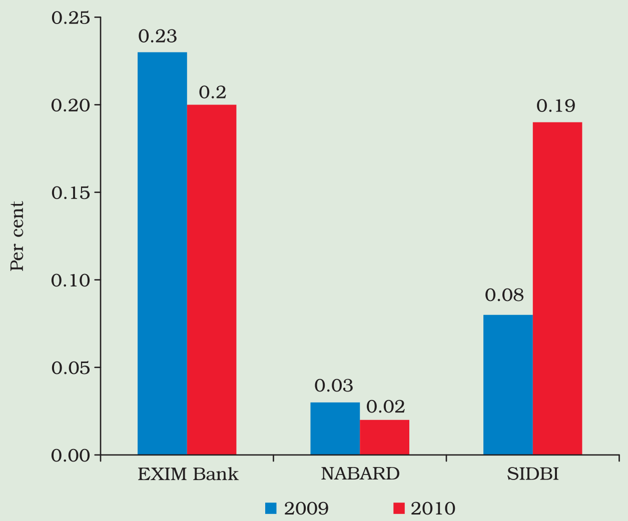
.. : Not Available.
* : Position as at the end of June 2010 as per OSMOS returns. In case of NHB Total assets have been taken in lieu of average working funds.
Source: i) Annual Accounts of respective FIs. ii) Audited/Unaudited OSMOS returns of EXIM Bank, NABARD and SIDBI as at March 31, 2010. iii) Unaudited OSMOS returns of NHB as at June 30, 2010.

Soundness Indicators: Asset Quality

6.20 At the aggregate level, there was an increase in the amount of net NPAs for FIs in 2009-10 as compared to the previous year. The increase in net NPAs, however, was attributable only to SIDBI while in the case of all other FIs, there was in fact a fall in the amount of net NPAs in 2009-10 (Table VI.11 and Chart 1).

6.21 If the four FIs were ranked in an ascending order of the amount of their net NPAs at end March 2010, EXIM Bank appeared at the top having the largest quantum of net NPAs, while NHB was at the bottom with no NPAs. Moreover, the NPA ratio (NPAs as per cent of net loans) was the highest for EXIM Bank. Net NPA ratio of EXIM Bank, however, posted a decline in 2010. On the contrary, the net NPA level for SIDBI increased to 0.19 during 2009-10 from 0.08 per cent in 2008-09 (Chart VI.1). The increase in the net NPA level for SIDBI was mainly on account of the adverse impact of economic downturn witnessed during the period.

Chart VI.1: Net Non-Performing Assets/Net Loans
(As at end-March)



*:NHB has no NPAs

Table VI.11: Net Non-Performing Assets
(As at end-March)

(Amount in ₹ crore)

Institution	Net NPAs	
	2009	2010
1	2	3
EXIM Bank	79	78
NABARD	30	29
NHB*	-	-
SIDBI	26	73
All FIs	135	180

-: Nil/Negligible.
*: Position as at end-March as per OSMOS returns
Source: i) Balance Sheet of respective FIs
ii) Audited/Unaudited OSMOS returns of EXIM Bank, NABARD and SIDBI as at March 31, 2010

6.22 Notwithstanding the increase in the amount of net NPAs, there were signs of improvement in NPA composition of FIs. This was evident from an increase in the percentage of sub-standard assets in the NPA portfolio of all FIs taken together while the percentage of doubtful assets showed a commensurate decline

Table VI.12: Asset Classification of Financial Institutions
(At end-March)

(₹ crore)

Institution	Standard		Sub-Standard		Doubtful		Loss	
	2009	2010	2009	2010	2009	2010	2009	2010
1	2	3	4	5	6	7	8	9
EXIM Bank	34,077	38,957	21	49	58	29	–	–
NABARD	98,822	119,896	7	3	23	25	–	–
NHB*	16,851	19,837	–	–	–	–	–	–
SIDBI	30,854	37,892	23	68	3	2	–	–
All FIs	**180,605**	**216,583**	**51**	**120**	**85**	**56**	–	–

- : Nil/Negligible. *: Position as at end-June.
Source: i) Balance sheet of FIs. ii) Audited/Unaudited OSMOS returns of EXIM Bank, NABARD and SIDBI as at March 31, 2010. iii) Unaudited OSMOS returns of NHB as at June 30, 2010.

in 2009-10 as compared to the previous year (Table VI.12). Even in the case of SIDBI, the FI having the largest increase in net NPAs in 2009-10, there was an increase in the percentage of sub-standard assets and a decline in the percentage of doubtful assets signifying an improved NPA composition.

Capital Adequacy

6.23 The capital adequacy measured by CRAR increased for all FIs except SIDBI in 2009-10. It may be noted, however, that the CRAR was way above stipulated minimum norm of 9 per cent for each of the FIs. CRAR was particularly high for NABARD, wherein capital was almost half of the total risk weighted assets of NABARD indicating that there was considerable scope for this institution to utilise its capital for further credit expansion (Table VI.13).

3. Non-Banking Financial Companies

6.24 The ownership pattern of NBFCs-ND-SI as well as deposit taking NBFCs companies suggest that these companies were perdominantly non-government companies (mainly Public Ltd. Companies in nature). The percentage of non-government companies was 96.6 per cent and 97.1 per cent respectively, in NBFCs-ND-SI and deposit taking NBFCs as against government companies having a share of only 3.4 per cent and 2.9 per cent respecitvely, at end-March 2010 (Table VI.14).

Table VI.13: Capital to Risk (Weighted) Assets Ratio of Select Financial Institutions
(As at end-March)

(Per cent)

Institutions	2009	2010
1	2	3
EXIM Bank	16.8	19.0
NABARD	25.9	48.8
NHB *	17.7	19.6
SIDBI	34.2	31.7

* : Position as at end-March as per OSMOS returns
Source: i) Balance sheets of FIs.
ii) Audited/Unaudited OSMOS returns of EXIM Bank, NABARD and SIDBI as at March 31, 2010
iii) Unaudited OSMOS returns of NHB as at June 30, 2010.

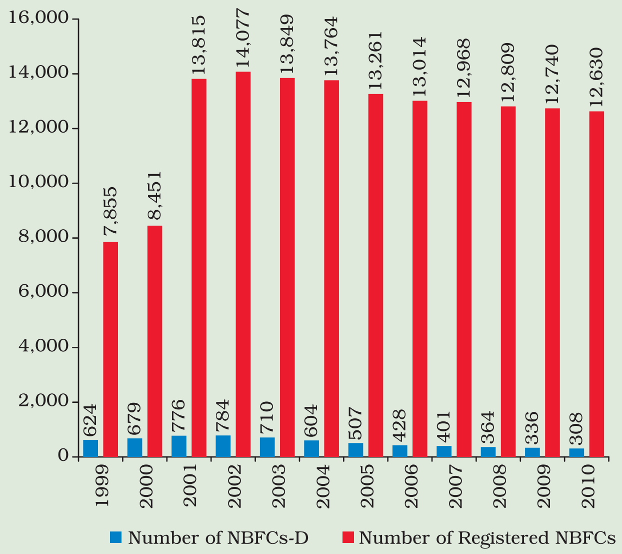
Table VI.14: Ownership Pattern of NBFCs

(Number of Companies as on March 2010)

Ownership	NBFCs-ND-SI	Deposit taking NBFCs
1	2	3
A. Government Companies	**9**	**9**
	(3.4)	(2.9)
B. Non-Government Companies	**258**	**302**
	(96.6)	(97.1)
1. Public Ltd Companies	161	293
	(60.3)	(94.2)
2. Private Ltd Companies	97	9
	(36.3)	(2.9)
Total No. of Companies (A+B)	**267**	**311**

Note: Figures in parentheses are percentage share in total number of companies.

Chart VI.2: Number of NBFCs Registered with Reserve Bank of India



Profile of NBFCs

6.25 The total number of NBFCs registered with the Reserve Bank declined to 12,630 as at end-June 2010 from 12,740 at end-June 2009 (Chart VI.2). There was also a decline in the number of deposit taking NBFCs (NBFCs-D) in 2009-10. This decline was mainly on account of cancellation of Certification of Registration of NBFCs, exit of NBFCs from deposit taking activities and conversion of deposit taking companies into non-deposit taking companies.

6.26 Despite the decline in the number of NBFCs, their total assets as well as net owned funds registered an increase during 2009-10, while deposits recorded a decline. The share of Residuary Non-Banking Companies (RNBCs) in total assets as well public deposits of NBFCs witnessed a decline in 2009-10, while share of the RNBCs in net owned funds registered an increase (Table VI.15).

6.27 The ratio of deposits of NBFCs to aggregate deposits of Scheduled Commercial Banks (SCBs) in 2009-10 indicated a decline. The ratio of deposits of NBFCs to the broad liquidity aggregate of L3 also declined over this year (Chart VI.3).

Table VI.15: Profile of NBFCs

(Amount in ₹ crore)

Item	As at end-March			
	2008-09		2009-10 P	
	NBFCs	*of which:* RNBCs	NBFCs	*of which:* RNBCs
1	2	3	4	5
Total Assets	97,408	20,280 (20.8)	109,324	15,615 (14.3)
Public Deposits	21,566	19,595 (90.9)	17,247	14,520 (84.2)
Net Owned Funds	13,617	1,870 (13.7)	16,178	2,921 (18.1)

P: Provisional.

Note: 1) NBFCs comprise NBFCs-D and RNBCs.
2) Figures in parentheses are percentage shares in respective total.
3) Of the 311 deposit taking NBFCs, 227 NBFCs filed Annual Returns for the year ended March 2010 by the cut-off date September 20, 2010.

Source: Annual Returns.

Operations of NBFCs-D (excluding RNBCs)

6.28 The balance sheet size of NBFCs-D expanded at the rate of 21.5 per cent in 2009-10 as compared with 3.4 per cent in the previous year, largly due to increase in borrowings of NBFCs-D (Table VI.16). It may be noted that borrowings constituted around

Chart VI.3: Ratio of Public Deposits of NBFCs to Broad Liquidity (L3) and Aggregate Deposits of SCBs

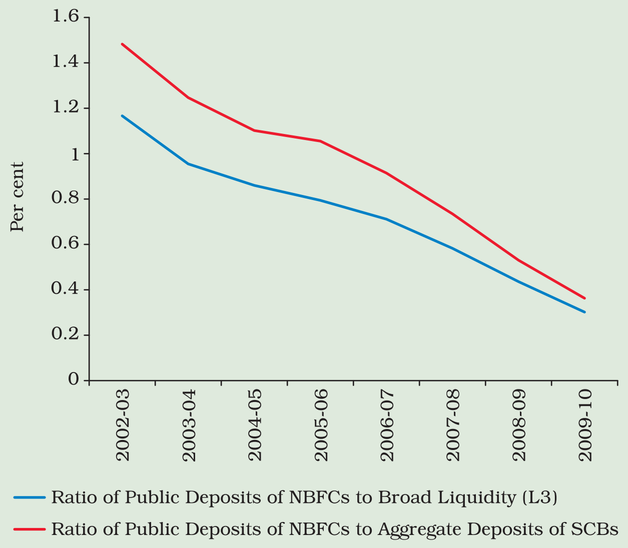


Table VI.16: Consolidated Balance Sheet of NBFCs-D

(Amount in ₹ crore)

Item	As at End-March		Variation			
			2008-09		2009-10	
	2008-09	2009-10 P	Absolute	Per cent	Absolute	Per cent
1	2	3	4	5	6	7
Liabilities						
1. Paid up capital	3,817	3,361	551	16.9	-456	-11.9
	(4.9)	(3.6)				
2. Reserves & Surplus	9,412	12,237	717	8.2	2,825	30.0
	(12.2)	(13.1)				
3. Public Deposits	1,971	2,727	-71	-3.5	756	38.4
	(2.6)	(2.9)				
4. Borrowings	55,897	69,070	5,320	10.5	13,173	23.6
	(72.5)	(73.7)				
5. Other Liabilities	6,031	6,314	-3,951	-39.6	283	4.7
	(7.8)	(6.7)				
LIABILITIES/ASSETS	**77,128**	**93,709**	**2,566**	**3.4**	**16,581**	**21.5**
Assets						
1. Investments	15,686	19,335	4,476	39.9	3,649	23.3
	(20.3)	(20.6)				
i) SLR Securities @	9,412	10,773	2,266	31.7	1,361	14.5
	(12.2)	(11.5)				
ii) Other Investments	6,274	8,562	2,210	54.4	2,288	36.5
	(8.1)	(9.1)				
2. Loan & Advances	21,583	30,802	2,760	14.7	9,219	42.7
	(28.0)	(32.9)				
3. Hire Purchase Assets	35,815	38,549	2,290	6.8	2,734	7.6
	(46.4)	(41.1)				
4. Equipment Leasing Assets	613	241	-435	-41.5	-372	-60.7
	(0.8)	(0.3)				
5. Bill business	24	44	12	98.2	20	83.3
	(0.0)	(0.0)				
6. Other Assets	3,407	4,739	-6,537	-65.7	1,332	39.1
	(4.4)	(5.1)				

P : Provisional @ : SLR Asset comprises 'approved securities' and 'unencumbered term deposits' in Scheduled Commercial Banks.
Note: Figures in parentheses are percentage shares in respective total.
Source: Annual Returns.

three-fourth of the total liabilities of NBFCs-D. Further, growth of deposits of NBFCs-D sector showed a substantial increase in 2009-10 compared to a decline in the previous year due to increase in public deposits of three NBFCs-D. On the assets side, hire purchase assets remained the most important asset category for NBFCs-D constituting over two-fifth of their total assets. Loans and advances constitute the second-most important asset category which witnessed large expansion during 2009-10. Total investments of NBFCs-D also recorded a sharp rise during 2009-10 primarily on account of rise in non-SLR investments.

6.29 Asset Finance Companies (AFCs) held the largest share followed by loan companies in the total assets of NBFCs-D at end-March 2010 (Table VI.17).

Size-wise Classification of Deposits of NBFCs-D

6.30 A steep increase was discernible in 2009-10 in the share of NBFCs-D located at the upper end having deposit size of more than ₹50 crore, accounting for 86.7 per cent of the total deposits at end-March 2010. However, there were only eight NBFCs-D belonging to this class constituting about 3.5 per cent of the total number of NBFCs-D. Thus, only relatively bigger NBFCs-D were able to raise resources through deposits (Chart VI.4 and Table VI.18).

Table VI.17: Major Components of Liabilities of NBFCs-D by Classification of NBFCs

(Amount in ₹ crore)

Classification of NBFCs	Number of NBFCs		Deposits		Borrowing		Liabilities	
	2008-09	2009-10 P	2008-09	2009-10 P	2008-09	2009-10 P	2008-09	2009-10 P
1	2	3	4	5	6	7	8	9
Asset Finance Companies	231	184	1,553	2,268	40,689	54,202	56,496	69,801
			(78.8)	(83.2)	(72.8)	(78.5)	(73.2)	(74.5)
Investment Companies	1	1	-	-	-	-	2	-
			(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Loan Companies	56	43	418	458	15,208	14,867	20,631	23,908
			(21.2)	(16.8)	(27.2)	(21.5)	(26.7)	(25.5)
Total	**288**	**228**	**1,971**	**2,727**	**55,897**	**69,070**	**77,128**	**93,709**

– : Nil/Negligible. P : Provisional.
Note: Figures in parentheses are percentage shares in respective total.
Source: Annual Returns.

Region-wise Composition of Deposits held by NBFCs

6.31 There was a concentration of NBFCs-D in the northern region of the country, which accounted for 63.5 per cent of companies in the total number of NBFCs-D at end-March 2010. However, the deposit size of NBFCs-D in the northern region was fairly smaller in comparison with the NBFCs-D located in the southern region, which accounted for 67.5 per cent of deposits at end-March 2010. There was, however, a decline in the share of deposits held by NBFCs-D in the southern region in 2009-10 (Table VI.19 and Chart VI.5).

6.32 Among the metropolitan cities, New Delhi from the northern region accounted for the largest number of NBFCs-D, while Chennai from the southern region held the largest share in total deposits of NBFCs-D.

Chart VI.4: Share of Public Deposits held by NBFCs-D by deposits Ranges

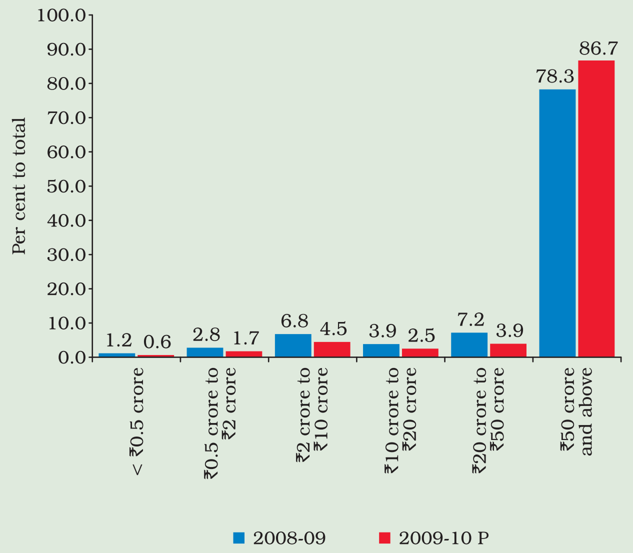


Table VI.18: Public Deposits held by NBFCs-D by Deposit Ranges

(Amount in ₹ crore)

Deposit Range	As at end-March			
	No. of NBFCs		Amount of Deposit	
	2008-09	2009-10 P	2008-09	2009-10 P
1	2	3	4	5
1. Less than ₹0.5 crore	185	141	23	17
2. More than ₹0.5 crore and up to ₹2 crore	57	45	55	47
3. More than ₹2 crore and up to ₹10 crore	30	26	133	122
4. More than ₹10 crore and up to ₹20 crore	6	5	76	69
5. More than ₹20 crore and up to ₹50 crore	4	3	142	107
6. ₹50 crore and above	6	8	1,543	2,364
Total	**288**	**228**	**1,971**	**2,727**

P : Provisional.
Source: Annual Returns.

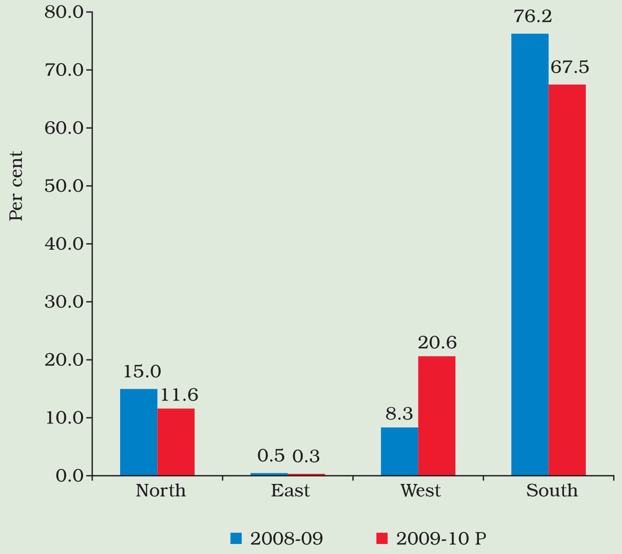
Table VI.19: Public Deposits held by NBFCs-D – Region-wise

(Amount in ₹ crore)

Region	As at end-March			
	2008-09		2009-10 P	
	Number of NBFCs-D	Public Deposits	Number of NBFCs-D	Public Deposits
1	2	3	4	5
Northern	187	295	145	316
Eastern	7	9	9	9
Western	27	164	26	562
Southern	67	1,503	48	1,840
Total	**288**	**1,971**	**228**	**2,727**
Metropolitan cities:				
Kolkata	4	8	6	9
Chennai	33	1,436	24	1,776
Mumbai	11	148	11	542
New Delhi	53	208	50	204
Total	**101**	**1,800**	**91**	**2,531**

P: Provisional.
Source: Annual Returns.

Chart VI.5: Share of Public Deposits held by NBFCs-D: Region-wise



Interest Rate on Public Deposits with NBFCs

6.33 The largest amount of public deposits of NBFCs-D were raised at interest rates in the range of up to 10 per cent with the share accounting more than half as at end-March 2010 (Table VI. 20 and Chart VI.6).

Maturity Profile of Public Deposits

6.34 The largest proportion of public deposits raised by NBFCs-D belonged to the short- to medium-term end of the maturity spectrum. At end-March 2010, the largest percentage of deposits had a maturity of less than one year closely followed by deposits having a maturity of more than two years and up to three years. In 2009-10, there was an increase in the shares of deposits belonging to these two maturity categories, while the shares of deposits belonging to the long-term maturity categories

Table VI.20: Public Deposits held by NBFCs-D – Deposit Interest Rate Range-wise

(Amount in ₹ crore)

Deposit Interest Rate Range	As at end-March	
	2008-09	2009-10 P
1	2	3
Upto 10 per cent	591	1,457
More than 10 per cent and up to 12 per cent	1,267	1,197
12 per cent and above	113	73
Total	**1,971**	**2,727**

P: Provisional.
Source: Annual Returns.

Chart VI.6: Public Deposits held by NBFCs-D - Deposit Interest Rate Range-wise
(Per cent)

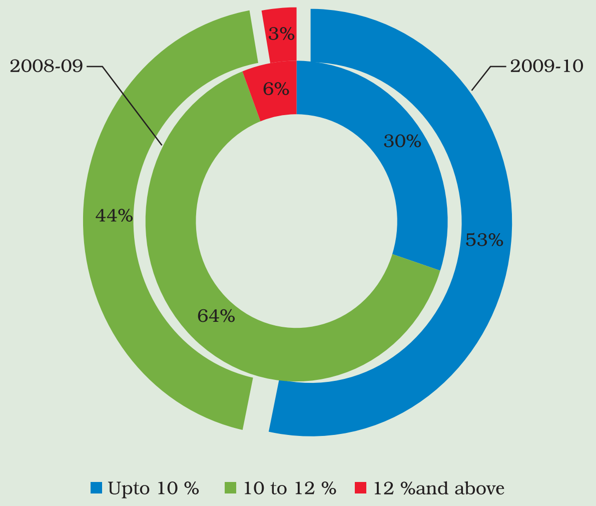


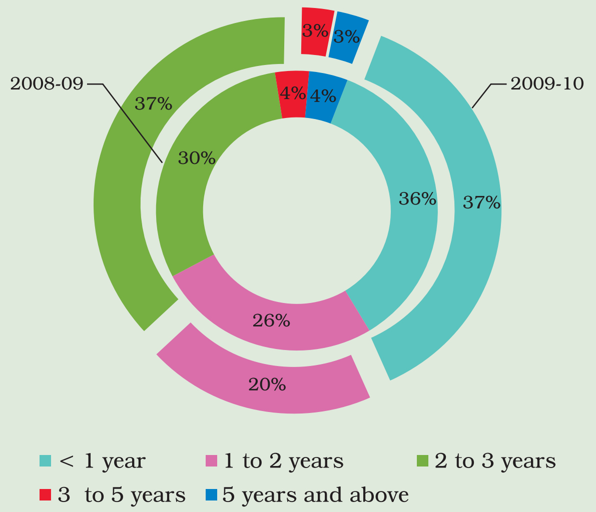
Table VI.21: Maturity Profile of Public Deposits held by NBFCs-D

(₹ crore)

Maturity Period	As at end-March	
	2008-09	2009-10 P
1	2	3
1. Less than 1 year	700	1,022
2. More than 1 and up to 2 years	509	534
3. More than 2 and up to 3 years	601	1,020
4. More than 3 and up to 5 years	74	77
5. 5 years and above	88	73
Total	**1,971**	**2,727**

P : Provisional.
Source: Annual Returns.

Chart VI.7: Maturity Pattern of Public Deposits held by NBFCs-D
(Per cent)



of more than 5 years showed a decline (Table VI.21 and Chart VI.7).

6.35 Banks and financial institutions were the dominant source of borrowings for NBFCs-D with a share of over 45 per cent at end-March 2010. The share of borrowings from the Government (extended only to Government Companies) witnessed a steep rise, while there was a noticeable decline in the share of external sources. Others (which include, *inter alia*, money borrowed from other companies, commercial paper, borrowings from mutual funds and any other type of funds, which were not treated as public deposits) registered a significant growth in 2009-10 resulting in a rise in its share in total borrowings of NBFCs-D (Table VI.22).

Assets of NBFCs

6.36 The total assets of deposit-taking NBFCs-D sector registered a significant growth during 2009-10 mainly on account of increase in the assets of asset finance companies (Table VI.23).

Table VI.22: Sources of Borrowings by NBFCs-D by Classification of NBFCs

(Amount in ₹ crore)

Classification	As at end-March									
	Government		External Sources @		Banks and Financial Institutions		Debentures		Others	
	2008-09	2009-10 P	2008-09	2009-10 P	2008-09	2009-10 P	2008-09	2009-10 P	2008-09	2009-10 P
1	2	3	4	5	6	7	8	9	10	11
Asset Finance	3	–	832	757	21,974	25,488	11,627	13,267	6,253	14,690
	(0.0)	(0.0)	(56.9)	(100.0)	(88.4)	(80.9)	(88.3)	(92.6)	(42.9)	(82.5)
Investment	–	–	–	–	–	–	–	–	–	–
	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Loan	1,824	4,673	631	–	2,872	6,018	1,546	1,057	8,335	3,121
	(99.8)	(100.0)	(43.1)	(0.0)	(11.6)	(19.1)	(11.6)	(7.4)	(57.1)	(17.5)
Total	**1,827**	**4,673**	**1,464**	**757**	**24,846**	**31,505**	**13,173**	**14,324**	**14,588**	**17,811**

P : Provisional. @ : Comprises (i) Foreign Government, (ii) Foreign Authority, and (iii) Foreign Citizen or Person.
Note: Figures in parentheses are percentage to respective total.
Source: Annual Returns.

Table VI.23: Major Components of Assets of NBFCs-D by Classification of NBFCs

(Amount in ₹ crore)

Classification	As at end-March					
	Assets		Advances		Investment	
	2008-09	2009-10 P	2008-09	2009-10 P	2008-09	2009-10 P
1	2	3	4	5	6	7
Asset Finance	56,496	69,801	39,913	46,224	10,791	14,562
	(73.2)	(74.5)	(68.8)	(66.4)	(68.8)	(75.3)
Investment	2	–	–	–	–	–
	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)
Loan	20,631	23,908	18,098	23,368	4,895	4,773
	(26.7)	(25.5)	(31.2)	(33.6)	(31.2)	(24.7)
Total	**77,129**	**93,709**	**58,011**	**69,592**	**15,686**	**19,335**

P : Provisional.
Note: Figures in parentheses are percentages to respective totals.
Source: Annual Returns.

As at end-March 2010, around three-fourths of the total assets of the NBFCs-D sector were held by assets finance companies. Components-wise, advances accounted for the predominant share of total assets followed by investment.

Distribution of NBFCs-D According to Asset Size

6.37 Based on their deposit taking capacity only bigger NBFCs-D had larger asset base. At end-March 2010, only 7 per cent of NBFCs-D had an asset size of more than ₹500 crore, which had share of 97.5 per cent in total assets of all NBFCs-D (Table VI.24).

Distribution of Assets of NBFCs – Type of Activity

6.38 During 2009-10, assets held in the form of loans and inter corporate deposits and investments of NBFCs-D witnessed a robust growth. Notwithstanding a decline in the share of assets held by hire purchase companies in 2009-10, this activity continued to have the largest share in total assets of the NBFCs-D sector (Table VI.25).

Financial Performance of NBFCs-D

6.39 The financial performance of NBFCs-D witnessed moderate deterioration as reflected in the decline in their operating profits during 2009-10. This decline was mainly on account of a higher growth in expenditure (especially financial expenditure) than income of these institutions. The decline in operating profit along with a marginal increase in tax provision resulted in a decline in net profits in 2009-10 (Table VI.26).

Table VI.24: Assets of NBFCs-D by Asset-Size Ranges

(Amount in ₹ crore)

Asset-Size (₹)	No. of Companies		Assets	
	2008-09	2009-10	2008-09	2009-10P
1	2	3	4	5
Less than ₹0.25 crore	3	2	0 (0.0)	0 (0.0)
More than ₹0.25 crore and upto ₹0.50 crore	19	12	7 (0.0)	5 (0.0)
More than ₹0.50 Crore and upto ₹2 Crore	113	84	124 (0.2)	99 (0.1)
More than ₹2 Crore and upto ₹10 Crore	87	69	395 (0.5)	321 (0.3)
More than ₹10 Crore and upto ₹50 Crore	37	32	828 (1.1)	713 (0.8)
More than ₹50 Crore and upto ₹100 Crore	11	10	747 (1.0)	702 (0.7)
More than ₹100 Crore and upto ₹500 Crore	5	4	1,471 (1.9)	510 (0.5)
Above ₹500 Crore	13	15	73,555 (95.4)	91,358 (97.5)
Total	**288**	**228**	**77,128**	**93,709**

P : Provisional.
Note: Figures in parentheses are percentages to respective total.
Source: Annual Returns.

Table VI.25: Assets of NBFCs-D by Activity

(Amount in ₹ crore)

Item	As at end -March		Percentage Variation
	2008-09	2009-10	2010
1	2	3	4
Loans and Inter-corporate deposits	21,583 (28.0)	30,802 (32.9)	42.7
Investments	15,686 (20.3)	19,335 (20.6)	23.3
Hire Purchase	35,815 (46.4)	38,549 (41.1)	7.6
Equipment and Leasing	613 (0.8)	241 (0.3)	-60.7
Bills	24 (0.0)	44 (0.0)	85.0
Other assets	3,407 (4.4)	4,739 (5.1)	39.1
Total	**77,128**	**93,710**	**21.5**

P: Provisional.
Note: Figures in parentheses are percentages to respective total.
Source: Annual Returns.

6.40 Expenditure as a percentage to average total assets witnessed a significant increase during 2009-10, while income as a percentage to average total assets increased at a slower pace resulting in a decline in net profit to total average assets (Return on Assets) ratio of NBFCs-D (Chart VI.8).

Chart VI.8: Financial Performance of NBFCs-D

Table VI.26: Financial Performance of NBFCs-D

(Amount in ₹ crore)

Item	As at end-March	
	2008-09	2009-10P
1	2	3
A. Income (i+ii)	**11,879**	**13,656**
(i) Fund Based	11,572 (97.4)	13,489 (98.8)
(ii) Fee-Based	307 (2.6)	167 (1.2)
B. Expenditure (i+ii+iii)	**8,789**	**11,166**
(i) Financial *of which*	5,663 (64.4)	6,742 (60.4)
Interest Payment	211 (2.4)	289 (2.6)
(ii) Operating	2,392 (27.2)	2,587 (23.2)
(iii) Others	734 (8.3)	1,837 (16.4)
C. TAX Provisions	**1,017**	**1,085**
D. Operating Profit (PBT)	**3,090**	**2,490**
E. Net Profit (PAT)	**2,073**	**1,405**
F. Total Assets	**77,128**	**93,709**
G. Financial Ratios (as % to Total Assets)@		
i) Income	15.4	14.6
ii) Fund Income	15.0	14.4
iii) Fee Income	0.4	0.2
iv) Expenditure	11.4	11.9
v) Financial Expenditure	7.3	7.2
vi) Operating Expenditure	3.1	2.8
vii) Tax Provision	1.3	1.2
viii) Net Profit	2.7	1.5
H. Cost to Income Ratio	**74.0**	**81.8**

P: Provisional. @: As percentage of total assets.
Note: Figures in parentheses are percentages to respective total.
Source: Annual Returns.

Soundness Indicators: Asset Quality of NBFCs-D

6.41 There was a decline in the gross NPAs to credit exposure ratio of NBFCs-D in 2009-10 in continuation with the trend observed in the recent past. Net NPAs remained negative with provisions exceeding NPAs for three consecutive years extending upto end-March 2010 (Table VI.27).

Table VI.27: NPA Ratios of NBFCs-D

(Per cent)

End-March	Gross NPAs to Credit Exposure	Net NPAs to Credit Exposure
1	2	3
2002	10.6	3.9
2003	8.8	2.7
2004	8.2	2.4
2005	5.7	2.5
2006	3.6	0.5
2007	2.2	0.2
2008	2.1	#
2009	2.0	#
2010 P	1.3	#

P: Provisional. #: Provision exceeds NPA.

Source: Half-Yearly Return.

6.42 There was an improvement in the asset quality of asset finance and loan companies in 2009-10 as evident from a decline in the gross NPAs to gross advances ratio for these companies (Table VI.28).

6.43 There was a decline in the shares of all three NPA categories of sub-standard, doubtful and loss assets of asset finance companies in 2009-10 underlining the improvement in asset quality of these institutions. However, in case of loan companies, there was improvement in share of standard assets at end-March 2010 to 97.3 per cent notwithstanding a marginal increase in share of loss assets (Table VI.29).

Table VI.28: NPAs of NBFCs-D by Classification of NBFCs

(Amount in ₹ crore)

Classification@ / End-March	Gross Advances	Gross NPAs		Net Advances	Net NPAs	
		Amount	Percent to Gross Advances		Amount	Per cent to Net Advances
1	2	3	4	6	7	8
Asset Finance						
2008-09	39,038	507	1.3	38,136	-394	-1.0
2009-10 P	45,264	337	0.7	44,166	-760	-1.7
Loan						
2008-09	9,365	472	5.0	8,940	47	0.5
2009-10 P	18,926	516	2.7	18,397	-12	-0.1

P: Provisional

@ New classification of NBFCs *viz.*, Asset Finance Company (AFC) has been in-effect vide notification no DNBS 189 and 190 /CGM(PK)-2006 dated 6-12-2006. Companies financing real/physical assets for productive/economic activities are re-classified as AFC. Accordingly, NBFCs satisfying above criterion were advised to approach RBI to recognise their classification as AFC. In the proposed structure the three categories of NBFCs *viz.*, (i) AFC, (ii) Investment Company and (iii) Loan Company will ultimately emerge.

Source: Half-Yearly Returns.

Table VI.29: Classification of Assets of NBFCs-D by Classification of NBFCs

(Amount in ₹ crore)

Classification/ End-March	Standard Assets	Sub-Standard Assets	Doubtful Assets	Loss Assets	Gross NPAs	Credit Exposure
1	2	3	4	5	6	7
Asset Finance Companies						
2008-09	38,531	429	55	23	507	39,038
	(98.7)	(1.1)	(0.1)	(0.1)	(1.3)	(100.0)
2009-10 P	44,926	280	43	14	337	45,263
	(99.3)	(0.6)	(0.1)	(0.0)	(0.7)	(100.0)
Loan Companies						
2008-09	8,893	331	125	18	386	9,367
	(94.9)	(3.5)	(1.3)	(0.2)	(4.1)	(100.0)
2009-10 P	18,409	296	159	61	34	18,925
	(97.3)	(1.6)	(0.8)	(0.3)	(0.2)	(100.0)

P: Provisional.

Note: Figures in parentheses are percentages to total credit-exposures.

Source: Half-Yearly Returns.

Table VI.30: Capital Adequacy Ratio of NBFCs-D

(Number of Companies)

CRAR Range	As at end-March							
	2008-09				2009-10 P			
	AFC	IC	LC	Total	AFC	IC	LC	Total
1	2	3	4	5	6	7	8	9
1) Less than 12 % (a+b)	2	0	2	4	1	0	3	4
a) Less than 9 %	2	0	2	4	1	0	2	3
b) More than 9 and up to 12%	0	0	0	0	0	0	1	1
2) More than 12 and up to 15%	2	0	0	2	1	0	0	1
3) More than 15 and up to 20%	3	0	1	4	5	1	1	7
4) More than 20 and up to 30%	22	1	3	26	19	0	8	27
5) Above 50%	138	3	48	189	140	2	35	177
Total	**167**	**4**	**54**	**225**	**166**	**3**	**47**	**216**

P: Provisional.
Note: AFC: Asset Finance Companies; IC: Investment Companies; LC: Loan Companies.
Source: Half-yearly Returns.

Capital Adequacy Ratio

6.44 At end-March 2010, 212 out of 216 NBFCs had CRAR of more than 12 per cent or more as against 221 out of 225 NBFCs at end-March 2009 (Table VI.30). It may be highlighted that the NBFC sector is witnessing a consolidation process in the last few years, wherein the weaker NBFCs are gradually exiting, paving the way for a stronger NBFC sector.

6.45 The ratio of public deposits to Net Owned Funds (NOF) for all categories of NBFCs taken together remained unchanged at 0.2 per cent at end-March 2010 (Table VI.31).

6.46 There was an increase in NOF and public deposits of NBFCs-D in 2009-10. This increase was mainly concentrated in the NOF size category of ₹500 crore and above (Table VI.32).

Table VI.31: Net Owned Fund *vis-à-vis* Public Deposits of NBFCs-D by Classification of NBFCs

(Amount in ₹ crore)

Classification	As at end-March			
	Net Owned Funds		Public Deposits	
	2008-09	2009-10 P	2008-09	2009-10 P
1	2	3	4	5
Asset Finance	7,652	9,863	1,553 (0.2)	2,268 (0.2)
Investment	-	-	- (0.0)	- (0.0)
Loan	4095	3394	418 (0.1)	458 (0.2)
Total	11,747	13,257	1,971 (0.2)	2,727 (0.2)

Note: Figures in parentheses are ratio of public deposits to net owned fund.
Source: Annual Returns.

Residuary Non-Banking Companies (RNBCs)

6.47 Assets of the RNBCs declined by 23.0 per cent during the year ended March 2010. The assets mainly consists of investments in unencumbered approved securities, bonds/debentures and fixed deposits/ certificates of deposit of SCBs. However, NOF of RNBCs increased by 56.2 per cent in 2009-10 (Table VI.33).

6.48 The decline in the income of RNBCs during 2009-10 was less than the decline in expenditure, as a result of which the operating profits of RNBCs increased during the year.

Table VI.32: Range of Net Owned Fund *vis-à-vis* Public Deposits of NBFCs-D

(Amount in ₹ crore)

Ranges of Net Owned Fund	As at end-March					
	2008-09			2009-10 P		
	No. of Companies	Net Owned Funds	Public Deposits	No. of Companies	Net Owned Funds	Public Deposits
1	2	3	4	5	6	7
1. Upto ₹0.25 Crore	4	-424	179 -(0.4)	3	-202	148 -(0.7)
2. More than ₹0.25 Crore and up to ₹2 Crore	178	128	49 (0.4)	129	96	34 (0.4)
3. More than ₹2 Crore and up to ₹10 Crore	69	261	136 (0.5)	56	210	117 (0.6)
4. More than ₹10 Crore and up to ₹50 Crore	22	417	159 (0.4)	24	432	189 (0.4)
5. More than ₹50 Crore and up to ₹100 Crore	2	127	45 (0.4)	2	117	52 (0.4)
6. More than ₹100 Crore and up to ₹500 Crore	5	959	389 (0.4)	4	824	482 (0.6)
7. Above ₹500 Crore	8	10,280	1,015 (0.1)	10	11,780	1,704 (0.1)
Total	**288**	**11,747**	**1,971 (0.2)**	**228**	**13,257**	**2,727 (0.2)**

P: Provisional.

Note: Figures in parentheses are Public Deposit as ratio of respective Net Owned Fund.

Source: Annual Returns.

Despite the increase in the provision for taxation, the net profits of RNBCs increased sharply during 2009-10 compared to a decline in the previous year.

Table VI.33: Profile of RNBCs

(Amount in ₹ crore)

Item	As at end-March		Percentage Variation	
	2008-09	2009-10 P	2008-09	2009-10 P
1	2	3	4	5
A. Assets (i to v)	**20,280**	**15,616**	**-17.1**	**-23.0**
(i) Investment in Unencumbered Approved Securities	5,247	2,467	67.3	-53.0
(ii) Investment in Fixed deposits / Certificate of Deposit of Scheduled Commercial Banks / Public Financial Institutions	5,999	4,860	-8.6	-19.0
(iii) Debentures / Bonds / Commercial Papers of Govt. companies / Public Sector Banks / Public Financial Institution / Corporation	6,993	5,290	-43.2	-24.4
(iv) Other Investments	299	1,280	-47.8	328.1
(v) Other Assets	1,742	1,719	-6.3	-1.3
B. Net Owned Funds	**1,870**	**2,921**	**8.8**	**56.2**
C. Total Income (i+ii)	**2,416**	**1,946**	**3.9**	**-19.5**
(i) Fund Income	2,315	1,920	0.5	-17.1
(ii) Fee Income	101	26	339.1	-74.3
D. Total Expenses (i+ii+iii)	**2,069**	**1,400**	**19.9**	**-32.3**
(i) Financial Cost	1,604	974	21.3	-39.3
(ii) Operating Cost	379	343	15.2	-9.5
(iii) Other Cost	86	83	16.2	-3.5
E. Taxation	**149**	**164**	**-33.5**	**10.1**
F. Operating Profit (PBT)	**347**	**547**	**-42.3**	**57.6**
G. Net Profit (PAT)	**198**	**383**	**-47.5**	**93.4**

P : Provisional. PBT : Profit Before Tax. PAT : Profit After Tax.

Source: Annual Return.

Regional Pattern of Deposits of RNBCs

6.49 At end-March 2010, there were two RNBCs, of which, one was located in the eastern region while the other was in the central region. RNBCs are in the process of migrating to other business models and the companies would reduce their deposit liabilities to 'nil' by 2015. Public deposits held by the two RNBCs registered a significant decline in 2009-10 mainly on account of a substantial decline in the deposits held by the RNBC located in the central region (Table VI.34).

Investment Pattern of RNBCs

6.50 Following the decline in deposit, there was a decline in the investments of RNBCs in 2009-10. The decline was noticeable in the case of unencumbered approved securities (Table VI.35).

Table VI.35: Investment Pattern of RNBCs

(Amount in ₹ crore)

		End- March	
		2008-09	2009-10 P
1		2	3
Aggregate Liabilities to the Depositors (ALD)		**19,595**	**14,520**
(i)	Unencumbered approved securities	5,247 (26.8)	2,467 (17.0)
(ii)	Fixed Deposits with banks	5,999 (30.6)	4,860 (33.5)
(iii)	Bonds or debentures or commercial papers of a Govt. company / public sector bank/ public financial institution/corporations	6,993 (35.7)	5,290 (36.4)
(iv)	Other investments	299 (1.5)	1,280 (8.8)

P: Provisional.
Note: Figures in parentheses as percentages to ALDs.
Source: Annual Return.

NBFCs-ND-SI

6.51 Information based on the returns received from non-deposit taking systemically important NBFCs (with asset size of ₹100 crore and above) for the year ended March 2010 showed an increase of 16.7 per cent in their liabilities/assets over the year ended March 2009. Total borrowings (secured and unsecured) by NBFCs-ND-SI increased by 19.6 per cent during the year ended March 2010, constituting around two-thirds of the total liabilities (Table VI.36). Unsecured loans continued to constitute the largest source of funds for NBFCs-ND-SI, followed by secured loans, and reserves and surplus.

Table VI.34: Public Deposit Held by RNBCs – Region-wise

(Amount in ₹ crore)

Region	As at end-March			
	2008-09		2009-10 P	
	No. of RNBCs	Amount	No. of RNBCs	Amount
1	2	3	4	5
Central	1	15,672 (80.0)	1	11,235 (77.4)
Eastern	1	3,924 (20.0)	1	3,285 (22.6)
Total	**2**	**19,596**	**2**	**14,520**
Metropolitan Cities:				
Kolkata	1	3,924	1	3,285
New Delhi	-	-	-	-
Total	**1**	**3,924**	**1**	**3,285**

–: Nil/ Negligible. P: Provisional.
Note: Figures in parentheses are percentages to respective totals.
Source: Annual Return.

6.52 ND-SI sector is growing rapidly and unsecured borrowings comprise their largest source of funds, mostly sourced from banks/FIs. Thus, they have a systemic linkage and need to be monitored closely to ensure that they do not pose any risk to the system. To the extent that they rely on bank financing, there is an indirect exposure for depositors. While the concentration of funding has risks, the caps on bank lending to NBFCs may constrain their growth. The development of an active corporate bond market will help to address the funding requirement of NBFCs. The leverage ratio of the entire ND-SI sector rose during 2009-10. ND-SI sector's exposure towards the sensitive sector that is prone to potential boom-bust cycles such as capital market also shows an increase.

Table VI.36: Consolidated Balance Sheet of NBFCs-ND-SI

(₹ crore)

Item	March 2009	March 2010	June 2010	Percentage variation
1. Share Capital	31,756	33,576	33,734	5.7
2. Reserves & Surplus	99,011	1,11,967	1,15,091	13.1
3. Total Borrowings (A + B)	**3,19,175**	**3,81,850**	**4,13,476**	19.6
A. Secured Borrowings	**1,49,569**	**1,74,803**	**1,87,112**	**16.9**
A.1. Debentures	48,833	56,913	63,009	16.5
A.2. Borrowings from Banks	36,263	47,404	48,995	30.7
A.3. Borrowings from FIs	5,749	7,844	7,313	36.4
A.4. Interest Accrued	2,897	3,506	3,686	21.0
A.5. Others	55,828	59,136	64,109	5.9
B. Un-Secured Borrowings	**1,69,606**	**2,07,047**	**2,26,364**	**22.1**
B.1. Debentures	64,570	82,529	92,469	27.8
B.2. Borrowings from Banks	42,430	42,364	40,702	-0.2
B.3. Borrowings from FIs	2,687	3,064	3,378	14.0
B.4. Borrowings from Relatives	2,230	1,784	2,041	-20.0
B.5. Inter-Corporate Borrowings	13,829	19,136	21,660	38.4
B.6. Commercial Paper	22,337	33,580	34,262	50.3
B.7. Interest Accrued	3,198	3,729	7,844	16.6
B.8. Others	18,326	20,860	24,007	13.8
4. Current Liabilities & Provisions	32,966	36,082	37,087	9.5
Total Liabilities / Total Assets	**4,82,907**	**5,63,476**	**5,99,388**	**16.7**
Assets				
1. Loans & Advances	2,86,555	3,50,470	3,75,052	22.3
1.1. Secured	1,95,335	2,49,895	2,76,326	27.9
1.2. Un-Secured	91,221	1,00,575	98,727	10.3
2. Hire Purchase Assets	35,682	41,746	43,568	17.0
3. Investments	90,242	98,170	1,11,488	8.8
3.1. Long Term Investments	60,569	65,999	67,001	9.0
3.2. Current Investments	29,673	32,171	44,488	8.4
4. Cash & Bank Balances	28,934	25,407	20,748	-12.2
5. Other Current Assets	32,119	36,270	35,834	12.9
6. Other Assets	9,376	11,413	12,697	21.7
Memo Items				
1. Capital Market Exposure	81,865	1,05,514	1,10,761	28.9
Of which				
Equity Shares	34,952	38,670	38,945	10.6
2. CME as % to Total Assets	17.0	18.7	18.5	
3. Leverage Ratio	2.69	2.87	3.03	

Note: 1. Data presented above pertaining to ND-SIs which have consistently reported from March 2009 to June 2009.
2. These ND-SI Constitutes More Than 98 % of Total Assets of All ND-SI.

Source: Monthly Return on ND-SI (₹100 crore and above).

Borrowings of NBFCs- ND-SI by region

6.53 The region-wise analysis of the total borrowing of the NBFCs-ND-SI reveals that the, northern region along with the western region continued to account for more than three-fourths of the total borrowings during March 2010 and March 2009; this trend continued during the quarter ended June 2010 also. All regions registered significant growth during March 2010 as compared with March 2009. During the quarter ended June 2010 all regions registered an increase in the borrowing except eastern region (Table VI.37).

Table VI.37: Borrowings of NBFCs-ND-SI-By Region

(₹ crore)

Region	March 2009	March 2010	June 2010
1	2	3	4
Northern	1,71,438	2,06,073	2,19,788
Eastern	10,079	13,074	12,891
Western	89,290	1,03,408	1,14,283
Southern	48,368	59,296	66,513
Total Borrowings	**3,19,175**	**3,81,850**	**4,13,476**

Source: Monthly Return on ND-SI (₹100 crore and above)

Financial Performance

6.54 The financial performance of the NBFCs-ND-SI sector improved marginally as reflected in the increase in net profit during 2009-10 over the previous year. However, their net profit as a ratio to total assets declined during the same period (Table VI.38).

6.55 Gross and net NPAs as a ratio to total asset of the entire NBFCs-ND-SI sector deteriorated marginally during the year ended March 2010. Latest information available relating to the quarter June 2010 shows some improvements (Table VI.39).

6.56 As on March 2010, seventy-eight companies out of 188 ND-SI companies relied on owned fund to fund their assets. However, few companies showed their dependence on ICDs/commercial paper/banks to fund the significant portion of their assets (Table VI.40).

Table VI.38: Financial Performance of NBFCs – ND-SI

(₹ crore)

Item	March 2009	March 2010	June 2010
1	2	3	4
1. Total Income	60,091	58,628	16,366
2. Total Expenses	43,885	43,227	10,959
3. Net Profit	10,800	10,897	3,792
4. Total Assets	4,82,907	5,63,476	5,99,388
Financial Ratios			
(i) Income as % to Total Assets	12.4	10.4	2.7
(ii) Expenditure as % to Total Assets	9.1	7.7	1.8
(iii) Net Profit to Total Income	18.0	18.6	23.2
(iv) Net Profit to Total Assets	2.2	1.9	0.6

Source: Monthly Return on ND-SI (₹100 crore and above).

Table VI.39: NPA Ratios of NBFCs-ND-SI

(₹ crore)

Item	March 2009	March 2010	June 2010
1	2	3	4
1. Gross NPA to Gross Advances	2.9	3.0	2.6
2. Net NPA to Net Advances	1.0	1.2	1.1
3. Gross NPA to Total Assets	2.2	2.3	2.0
4. Net NPA to Total Assets	0.7	0.9	0.8

Source: Monthly Return on ND-SI (₹100 crore and above).

6.57 As on March 2010, ND-SI companies were largely dependent on the nationalised banks for their term loans, working capital loans, and debentures/CPs. New private banks have emerged as a second major bank group for the ND-SI companies to raise term loans and working capital loans. However in case of debentures, foreign banks contribution was significant for the ND-SI (Table VI.41).

4. Primary Dealers

6.58 As on June 30, 2010, there were twenty Primary Dealers (PDs), of which twelve were banks carrying on Primary Dealership business departmentally (Bank-PDs) and the remaining eight were non-bank entities, known as standalone PDs, registered as NBFCs under section 45 IA of the RBI Act, 1934. During the year 2009-10, DSP Merrill Lynch Securities Trading Limited ceased to be a PD pursuant to

Table VI.40: Dependence on Public Funds (As on March 2010)

(Number of Companies)

Dependence (% to Total Liabilities)	Owned Fund	Banks	Debentures	ICDs	Commercial Paper	Others
1	2	3	4	5	6	7
0%	-	129	129	139	153	92
0 to 20 %	37	26	32	40	20	71
20 to 40 %	31	17	15	1	9	12
40 to 60 %	22	11	10	4	5	8
60 to 80 %	20	4	2	2	-	3
80 to 100 %	78	1	-	2	1	2
Total	188	188	188	188	188	188

- : Nil.

Source: Monthly Return on ND-SI (₹100 crore and above).

Table VI.41: Bank Exposure of NBFCs-ND-SI (As on March 2010)

(Amount in ₹ crore)

Bank Group	Term Loans	Working Capital Loans	Debentures/CPs	Others	Total
1	2	3	4	5	6
A. Nationalised Banks	37,863	5,666	3,773	2,001	49,303
	(59.1)	(37.1)	(32.9)	(37.0)	(51.3)
B. State Bank Group	5,866	3,756	1,160	19	10,802
	(9.2)	(24.6)	(10.1)	(0.4)	(11.2)
C. Old Private Banks	4,995	794	516	342	6,647
	(7.8)	(5.2)	(4.5)	(6.3)	(6.9)
D. New Private Banks	10,823	4,388	2,479	1,530	19,219
	(16.9)	(28.7)	(21.6)	(28.3)	(20.0)
E. Foreign Banks	4,483	674	3,552	1,510	10,218
	(7.0)	(4.4)	(30.9)	(28.0)	(10.6)
All Banks	64,029	15,279	11,480	5,402	96,190
	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)

Source: Monthly Return on ND-SI (₹100 crore and above)

the agreement for merger between Bank of America Corporation, the parent company of Bank of America, N. A. and Merrill Lynch & Co., in terms of which the PD business of DSP Merrill Lynch Securities Trading Limited, was taken over by the Bank of America. Further, Morgan Stanley India Primary Dealer Pvt. Ltd and Nomura Fixed Income Securities Pvt. Ltd. were given authorisation to undertake Primary Dealership with effect from July 20, 2009 and September 7, 2009 respectively. Axis Bank was given authorisation to undertake PD business departmentally with effect from April 5, 2010.

Operations and Performance of PDs

6.59 During the year 2009-10, the actual bids submitted by PDs collectively (including bank-PDs) in Treasury Bills (T-Bills) were ₹7,54,041 crore against their bidding commitment of ₹4,17,060 crore translating into a bid-cover ratio of 1.98. The success ratio, *i.e.*, the amount of bids of the PDs to the total commitment of the PDs declined during 2009-10 both in respect of Treasury Bills and Central Government Securities. All the PDs achieved the minimum prescribed success ratio of 40.0 per cent in both the halves of the year. In the G-Sec auctions, the actual bids of dated securities tendered by the PDs were 1.28 times the notified amount (₹4,18,000 crore) as compared to 1.34 times during 2008-09 (Table VI.42).

6.60 During 2009-10, PDs' turnover (both outright and repo) in the secondary market amounted ₹26,02,475 crore. The share of PDs' total turnover to the total market turnover declined from 12.8 per cent in 2008-09 to 8.7 per cent in 2009-10 (Table VI.43).

Sources and Application of Funds

6.61 The balance sheet size of the PDs remained at their previous year's level during the year ended March 2010. However, the increase in the capital of standalone PDs in 2009-10 as compared with the previous year was on account

Table VI.42: Performance of the PDs in the Primary Market
(At end-March)

(Amount in ₹ crore)

Item	2009	2010
1	2	3
Treasury Bills		
Bidding Commitment	2,84,985	4,17,060
Actual Bids Submitted	5,09,794	7,54,041
Bid to Cover Ratio	1.8	1.9
Bid Accepted	1,72,474	2,33,648
Success Ratio (in per cent)	59.1	56.0
Central Govt. Securities		
Notified Amount	2,61,000	4,18,000
Actual Bids submitted	3,49,393	5,35,722
Bid to Cover Ratio	1.34	1.28
Bid Accepted	1,11,094	1,75,609
Success Ratio (in per cent)	42.6	42.0

Table VI.43: Performance of the PDs in the Secondary Market

(Amount in ₹ crore)

Item	Apr - Jun 2009	Jul- Sep 2009	Oct - Dec 2009	Jan - Mar 2010	2009-10	2008-09
1	2	3	4	5	6	7
Outright						
PDs' Turnover	2,29,437	2,26,437	2,66,662	1,79,557	9,02,093	7,96,187
Market Turnover	15,67,998	14,72,717	15,22,511	11,21,613	56,84,838	42,55,352
Share of PDs (per cent)	14.6	15.4	17.5	16.0	15.9	18.7
Repo						
PDs' Turnover	3,77,966	4,13,077	5,26,858	3,82,480	17,00,382	18,21,096
Market Turnover	60,37,454	68,90,178	62,41,326	50,14,271	2,41,83,229	1,62,34,732
Share of PDs (per cent)	6.3	6.0	8.4	7.6	7.0	11.2
Total						
PDs' Turnover	6,07,403	6,39,515	7,93,520	5,62,037	26,02,475	26,17,283
Market Turnover	76,05,452	83,62,896	77,63,837	61,35,883	2,98,68,067	2,04,90,084
Share of PDs (per cent)	8.0	7.7	10.2	9.2	8.7	12.8

Source: CCIL.

of increase in number of PDs from seven at end-March 2009 to eight at end-March 2010 as well as infusion of fresh capital by some PDs to adhere to the revised minimum NOF requirements. The reserves and surplus of stand alone PDs decreased as compared to the previous year. The secured loans of the PDs declined by 14 per cent; whereas unsecured loans increased by 7 per cent compared with the previous year. With regard to the application of funds, investments in G-Secs declined by 14 per cent as compared to the previous year, while investments in non-G-Sec instruments comprising CPs and corporate bonds rose during 2009-10 (Table VI.44).

Financial Performance of Standalone PDs

6.62 During 2009-10, the net profit of the PDs declined by around 70 per cent as compared to the previous year mainly on account of decline in trading profit and income from interest and discount, despite a decline in interest expenditure.

Table VI.44: Sources and Applications of Funds of Primary Dealers

(Amount in ₹ crore)

	End-March			Percentage Variation	
Item	2008	2009	2010	2009	2010
1	2	3	4	5	6
Sources of Funds	10,882	10,307	10,308	-5.3	0.01
1 Capital	1,508	1,121	1,541	-25.7	37.47
2 Reserves and Surplus	1,944	2,213	1,925	13.8	-13.01
3 Loans (a+b)	7,430	6,973	6,842	-6.2	-1.88
a) Secured	4,580	2,945	2,522	-35.7	-14.36
b) Unsecured	2,850	4,028	4,320	41.3	7.25
Application of Funds	10,882	10,307	10,308	-5.3	0.01
1 Fixed Assets	14	13	14	-7.1	7.69
2 Investments (a to c)	8,291	7,891	7,280	-4.8	-7.74
a) Government Securities	7,584	7,305	6,258	-3.7	-14.33
b) Commercial Papers	86	88	142	2.3	61.36
c) Corporate Bonds	621	498	880	-19.8	76.71
3 Loans and Advances	429	959	741	123.5	-22.73
4 Non-current Assets	0	0	0		
5 Equity, Mutual Funds etc.	150	22	68	-85.3	209.09
6 Others* 1,998	1,422	2,205	-28.8	55.07	

*: Others include cash+ bank balances + accrued interest + Deferred Tax Asset – current liabilities and provisions.
Source: Annual Reports of respective PDs.

Table VI.45: Financial Performance of Primary Dealers

(Amount in ₹ crore)

Item	2008-09	2009-10	Percentage Variation	
			Amount	Percentage
1	2	3	4	5
A. Income (i to iii)	1,825	804	-1,021	-55.9
i) Interest and discount	878	690	-188	-21.4
ii) Trading Profit	843	-30	-873	-103.6
iii) Other income	104	144	40	38.5
B. Expenses (i+ii)	692	461	-231	-33.4
i) Interest	546	303	-243	-44.5
ii) Other expenses	146	158	12	8.2
Profit Before Tax	1,133	343	-790	-69.7
Profit After Tax	749	227	-522	-69.7
No. of standalone PDs	7	8		

Source: Annual Reports of the PDs.

Hardening of G-Sec yields during the year impacted the treasury profits of the standalone PDs (Table VI.45 and Appendix Table VI.2).

6.63 Return on Assets (RoA) of PDs decreased sharply during 2009-10 following the sharp decline in net profit (Table VI.46).

6.64 Stand-alone PDs continued to be well capitalised. The CRAR of individual stand-alone PDs remained above the prescribed minimum CRAR of 15 per cent as at end-March 2010. The CRAR of the stand-alone PDs as a group was at 43.5 per cent as at end-March 2010 (Table VI.47 and Appendix Table VI.3).

5. Conclusions

6.65 The consolidated balance sheet of FIs expanded in 2009-10 attributable to a significant growth in deposits along with the issue of bonds and debentures by these institutions. There was an increase in the absolute level of net profits of FIs in 2009-10. The net NPAs of FIs showed some increase in 2009-10 at the aggregate level. The capital adequacy of FIs was fairly robust with their CRAR exceeding the statutory minimum ratio reflecting considerable scope for expanding their credit dispensation.

Table VI.46: Financial Indicators of Primary Dealers

(Amount in ₹ crore)

Indicator	2008-09	2009-10
1	2	3
i) Net profit	749	227
ii) Average Assets	11,348	12,815
iii) Return on Average Assets (in per cent)	6.6	1.8
iv) No. of PDs	7	8

Source: Primary Dealers' Return (PDR).

Table VI.47: Select Indicators of Primary Dealers
(At end-March)

(Amount in ₹ crore)

Item	2009	2010
1	2	3
Total Assets	10,307	10,308
of which: Government securities	7,305	6,258
Government securities as percentage of total assets	70.9	60.7
Total Capital Funds	3,464	3,610
CRAR (in per cent)	34.8	43.5
Liquidity Support Limit	3,000	3,000
No. of PDs	7	8

Source: Primary Dealers' Returns (PDRs).

6.66 There was a fall in the success ratio of PDs during 2009-10 for both Treasury Bills as well as Central Government Securities compared to the previous year. RoA of the PDs showed a sharp decline, as their net profit fell significantly during the year.

6.67 There was an expansion in the balance sheets of NBFCs-ND-SI in 2009-10. However, their RoA posted a fall in 2009-10. Further, their asset quality also showed moderate deterioration with the increase in gross and net NPA ratios in 2009-10.

6.68 It may be noted that there still exist a large number of NBFCs which do not come under the direct purview of regulation and supervision of the Reserve Bank. For promoting the growth of the NBFC sector, the development of alternative sources of funding in the form of an active corporate bond market, would be desirable.