



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA  
www.rbi.org.in

RBI /2011-12 /18

DNBS (PD) CC No.224 / 03.02.001/ 2011-12

July 1, 2011

To

The Chairman / CEOs of all Non-Banking Financial (Deposit Accepting or Holding) Companies and Residuary Non-Banking Companies

Dear Sir,

**Notification as amended upto June 30, 2011 – “Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007”**

As you are aware, in order to have all current instructions on the subject at one place, the Reserve Bank of India issues updated circulars / notifications. The instructions contained in the Notification No. DNBS. 192 / DG (VL)-2007 dated February 22, 2007 updated as on June 30, 2011 are reproduced below. The updated notification has also been placed on the RBI web-site (<http://www.rbi.org.in>).

Yours sincerely,

(Uma Subramaniam)  
Chief General Manager- in -Charge

**RESERVE BANK OF INDIA  
DEPARTMENT OF NON-BANKING SUPERVISION  
CENTRAL OFFICE  
CENTRE I, WORLD TRADE CENTRE  
CUFFE PARADE, COLABA  
MUMBAI 400 005**

**NOTIFICATION No. DNBS. 192 / DG (VL)-2007 dated February 22, 2007**

The Reserve Bank of India, having considered it necessary in the public interest, and being satisfied that, for the purpose of enabling the Bank to regulate the credit system to the advantage of the country, it is necessary to issue the Directions relating to the prudential norms as set out below, in exercise of the powers conferred by Section 45JA of the Reserve Bank of India Act, 1934 (2 of 1934) and of all the powers enabling it in this behalf, and in supersession of the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998 contained in [Notification No. DFC. 119/DG\(SPT\)/98 dated January 31, 1998](#), gives to every non-banking financial company (other than Residuary Non-Banking Company) accepting/holding public deposits and to every Residuary Non-Banking Company the Directions hereinafter specified.

**Short title, commencement and applicability of the Directions:**

1. (1) These Directions shall be known as the "Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007".

(2) These Directions shall come into force with immediate effect.

(3) (i) The provisions of these Directions, shall apply to:

(a) a non-banking financial company, except a mutual benefit financial company [and a mutual benefit company] as defined in the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998 and accepting/holding public deposit;

(b) a residuary non-banking company as defined in the Residuary Non-Banking Companies (Reserve Bank) Directions, 1987.

- (ii) These Directions shall not apply to a non-banking financial company being a Government company as defined under Section 617 of the Companies Act, 1956 (1 of 1956) and accepting / holding public deposit.

## **Definitions**

2. (1) For the purpose of these Directions, unless the context otherwise requires:

- (i) “break up value” means the equity capital and reserves as reduced by intangible assets and revaluation reserves, divided by the number of equity shares of the investee company;
- (ii) “carrying cost” means book value of the assets and interest accrued thereon but not received;
- (iii) “current investment” means an investment which is by its nature readily realisable and is intended to be held for not more than one year from the date on which such investment is made;
- (iv) “doubtful asset” means:
- (a) a term loan, or
  - (b) a lease asset, or
  - (c) a hire purchase asset, or
  - (d) any other asset,

which remains a sub-standard asset for a period exceeding 18 months;

- (v) “earning value” means the value of an equity share computed by taking the average of profits after tax as reduced by the preference dividend and adjusted for extra-ordinary and non-recurring items, for the immediately preceding three years and further divided by the number of equity shares of the investee company and capitalised at the following rate:
- a) in case of predominantly manufacturing company, eight per cent;
  - (b) in case of predominantly trading company, ten per cent; and
  - (c) in case of any other company, including non-banking financial company, twelve per cent;

NOTE : If, an investee company is a loss making company, the earning value will be taken at zero;

- (vi) “fair value” means the mean of the earning value and the break up value;
- (vii) “hybrid debt” means capital instrument which possesses certain characteristics of equity as well as of debt;
- (viii) ‘infrastructure loan’ means a credit facility extended by non-banking financial companies to a borrower, by way of term loan, project loan subscription to bonds/debentures/ preference shares / equity shares in a project company

acquired as a part of the project finance package such that such subscription amount to be “in the nature of advance” or any other form of long term funded facility provided to a borrower company engaged in:

- Developing or
- Operating and maintaining, or
- Developing, operating and maintaining

any infrastructure facility that is a project in any of the following sectors:

- a) a road, including toll road, a bridge or a rail system;
- b) a highway project including other activities being an integral part of the highway project;
- c) a port, airport, inland waterway or inland port;
- d) a water supply project, irrigation project, water treatment system, sanitation and sewerage system or solid waste management system;
- e) telecommunication services whether basic or cellular, including radio paging, domestic satellite service (i.e., a satellite owned and operated by an Indian company for providing telecommunication service), “Telecom Towers”<sup>1</sup> network of trunking, broadband network and internet services;
- f) an industrial park or special economic zone;
- g) generation or generation and distribution of power;
- h) transmission or distribution of power by laying a network of new transmission or distribution lines;
- i) construction relating to projects involving agro-processing and supply of inputs to agriculture;
- j) construction for preservation and storage of processed agro-products, perishable goods such as fruits, vegetables and flowers including testing facilities for quality; and
- k)[~~deleted~~]<sup>2</sup>
- l) any other infrastructure facility of similar nature.

(ix) “loss asset” means:

- (a) an asset which has been identified as loss asset by the non-banking financial company or its internal or external auditor or by the Reserve Bank of India during the inspection of the non-banking financial company, to the extent it is not written off by the non-banking financial company; and
- (b) an asset which is adversely affected by a potential threat of non-recoverability due to either erosion in the value of security or non-availability of security or due to any fraudulent act or omission on the part of the borrower;

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<sup>1</sup> Inserted vide [Notification No. DNBS\(PD\).226/ CGM\(US\)-2011 dated March 16, 2011](#)

<sup>2</sup> Deleted vide [Notification No. DNBS\(PD\).226/ CGM\(US\)-2011 dated March 16, 2011](#)

- (x) "long term investment" means an investment other than a current investment;
- (xi) "net asset value" means the latest declared net asset value by the mutual fund concerned in respect of that particular scheme;
- (xii) "net book value" means:
  - (a) in the case of hire purchase asset, the aggregate of overdue and future instalments receivable as reduced by the balance of unmatured finance charges and further reduced by the provisions made as per paragraph 9(2)(i) of these Directions;
  - (b) in the case of leased asset, aggregate of capital portion of overdue lease rentals accounted as receivable and depreciated book value of the lease asset as adjusted by the balance of lease adjustment account.
- (xiii) 'non-performing asset' (referred to in these Directions as "NPA") means:
  - (a) an asset, in respect of which, interest has remained overdue for a period of six months or more;
  - (b) a term loan inclusive of unpaid interest, when the instalment is overdue for a period of six months or more or on which interest amount remained overdue for a period of six months or more;
  - (c) a demand or call loan, which remained overdue for a period of six months or more from the date of demand or call or on which interest amount remained overdue for a period of six months or more;
  - (d) a bill which remains overdue for a period of six months or more;
  - (e) the interest in respect of a debt or the income on receivables under the head 'other current assets' in the nature of short term loans/advances, which facility remained overdue for a period of six months or more;
  - (f) any dues on account of sale of assets or services rendered or reimbursement of expenses incurred, which remained overdue for a period of six months or more;
  - (g) the lease rental and hire purchase instalment, which has become overdue for a period of twelve months or more;
  - (h) in respect of loans, advances and other credit facilities (including bills purchased and discounted), the balance outstanding under the credit facilities (including accrued interest) made available to the same borrower/beneficiary when any of the above credit facilities becomes non-performing asset:

Provided that in the case of lease and hire purchase transactions, a non-banking financial company may classify each such account on the basis of its record of recovery;

(xiv) "owned fund" means paid up equity capital, preference shares which are compulsorily convertible into equity, free reserves, balance in share premium account and capital reserves representing surplus arising out of sale proceeds of asset, excluding reserves created by revaluation of asset, as reduced by accumulated loss balance, book value of intangible assets and deferred revenue expenditure, if any;

(xv) "standard asset" means the asset in respect of which, no default in repayment of principal or payment of interest is perceived and which does not disclose any problem nor carry more than normal risk attached to the business;

(xvi) "sub-standard asset" means:

(a) an asset which has been classified as non-performing asset for a period not exceeding 18 months;

(b) an asset where the terms of the agreement regarding interest and / or principal have been renegotiated or rescheduled or restructured after commencement of operations, until the expiry of one year of satisfactory performance under the renegotiated or rescheduled or restructured terms:

Provided that the classification of infrastructure loan as a sub-standard asset shall be in accordance with the provisions of paragraph 23 of these Directions;

(xvii) "subordinated debt" means an instrument, which is fully paid up, is unsecured and is subordinated to the claims of other creditors and is free from restrictive clauses and is not redeemable at the instance of the holder or without the consent of the supervisory authority of non-banking financial company. The book value of such instrument shall be subjected to discounting as provided hereunder:

<u>Remaining Maturity of the instruments</u>	<u>Rate of discount</u>
(a) Upto one year	100%
(b) More than one year but upto two years	80%
(c) More than two years but upto three years	60%
(d) More than three years but upto four years	40%
(e) More than four years but upto five years	20%

to the extent such discounted value does not exceed fifty per cent of Tier I capital;

- (xviii) "substantial interest" means holding of a beneficial interest by an individual or his spouse or minor child, whether singly or taken together in the shares of a company, the amount paid up on which exceeds ten per cent of the paid up capital of the company; or the capital subscribed by all the partners of a partnership firm;
- (xix) "Tier I Capital" means owned fund as reduced by investment in shares of other non-banking financial companies and in shares, debentures, bonds, outstanding loans and advances including hire purchase and lease finance made to and deposits with subsidiaries and companies in the same group exceeding, in aggregate, ten per cent of the owned fund;
- (xx) "Tier II capital" includes the following:
  - (a) preference shares other than those which are compulsorily convertible into equity;
  - (b) revaluation reserves at discounted rate of fifty five percent;
  - (c) <sup>3</sup>"General Provisions (including that for standard assets) and loss reserves to the extent these are not attributable to actual diminution in value or identifiable potential loss in any specific asset and are available to meet unexpected losses, to the extent of one and one fourth percent of risk weighted assets;"
  - (d) of one and one fourth percent of risk weighted assets;
  - (d) hybrid debt capital instruments; and
  - (e) subordinated debt

to the extent the aggregate does not exceed Tier I capital.

(2) Other words or expressions used but not defined herein and defined in the Reserve Bank of India Act, 1934 (2 of 1934) or the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998 or the Residuary Non-Banking Companies (Reserve Bank) Directions, 1987 shall have the same meaning as assigned to them under that Act or those Directions. Any other words or expressions not defined in that Act or those Directions, shall have the same meaning assigned to them in the Companies Act, 1956 (1 of 1956).

### **Income recognition**

**3. (1)** The income recognition shall be based on recognised accounting principles.

(2) Income including interest/discount or any other charges on NPA shall be recognised only when it is actually realised. Any such income recognised before the asset became non-performing and remaining unrealised shall be

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<sup>3</sup>Inserted vide [Notification No. DNBS.222/ CGM\(US\)-2011 dated January 17, 2011](#)

reversed.

- (3) In respect of hire purchase assets, where instalments are overdue for more than 12 months, income shall be recognised only when hire charges are actually received. Any such income taken to the credit of profit and loss account before the asset became non-performing and remaining unrealised, shall be reversed.
- (4) In respect of lease assets, where lease rentals are overdue for more than 12 months, the income shall be recognised only when lease rentals are actually received. The net lease rentals taken to the credit of profit and loss account before the asset became non-performing and remaining unrealised shall be reversed.

### **Explanation**

For the purpose of this paragraph, 'net lease rentals' mean gross lease rentals as adjusted by the lease adjustment account debited/credited to the profit and loss account and as reduced by depreciation at the rate applicable under Schedule XIV of the Companies Act, 1956 (1 of 1956).

### **Income from investments**

4. (1) Income from dividend on shares of corporate bodies and units of mutual funds shall be taken into account on cash basis:

Provided that the income from dividend on shares of corporate bodies may be taken into account on accrual basis when such dividend has been declared by the corporate body in its annual general meeting and the non-banking financial company's right to receive payment is established.

(2) Income from bonds and debentures of corporate bodies and from Government securities/bonds may be taken into account on accrual basis:

Provided that the interest rate on these instruments is pre-determined and interest is serviced regularly and is not in arrears.

(3) Income on securities of corporate bodies or public sector undertakings, the payment of interest and repayment of principal of which have been guaranteed by Central Government or a State Government may be taken into account on accrual basis.

### **Accounting standards**

5. Accounting Standards and Guidance Notes issued by the Institute of Chartered Accountants of India (referred to in these Directions as "ICAI") shall be followed insofar as they are not inconsistent with any of these Directions.

### **Accounting of investments**



6. (1) (a) The Board of Directors of every non-banking financial company shall frame investment policy for the company and implement the same;

(b) The criteria to classify the investments into current and long term investments shall be spelt out by the Board of the company in the investment policy;

(c) Investments in securities shall be classified into current and long term, at the time of making each investment;

(d) (i) There shall be no inter-class transfer on ad-hoc basis;

(ii) The inter-class transfer, if warranted, shall be effected only at the beginning of each half year, on April 1 or October 1, with the approval of the Board;

(iii) The investments shall be transferred scrip-wise, from current to long-term or vice-versa, at book value or market value, whichever is lower;

(iv) The depreciation, if any, in each scrip shall be fully provided for and appreciation, if any, shall be ignored;

(v) The depreciation in one scrip shall not be set off against appreciation in another scrip, at the time of such inter-class transfer, even in respect of the scrips of the same category.

(2) Quoted current investments shall, for the purposes of valuation, be grouped into the following categories, viz.,

(a) equity shares,

(b) preference shares,

(c) debentures and bonds,

(d) Government securities including treasury bills,

(e) units of mutual fund, and

(f) others.

Quoted current investments for each category shall be valued at cost or market value whichever is lower. For this purpose, the investments in each category shall be considered scrip-wise and the cost and market value aggregated for all investments in each category. If the aggregate market value for the category is less than the aggregate cost for that category, the net depreciation shall be provided for or charged to the profit and loss account. If the aggregate market value for the category exceeds the aggregate cost for the category, the net appreciation shall be ignored. Depreciation in one category of investments shall not be set off against appreciation in another category.

(3) Unquoted equity shares in the nature of current investments shall be valued at cost or break up value, whichever is lower. However, non-banking financial

companies may substitute fair value for the break up value of the shares, if considered necessary. Where the balance sheet of the investee company is not available for two years, such shares shall be valued at one Rupee only.

- (4) Unquoted preference shares in the nature of current investments shall be valued at cost or face value, whichever is lower.
- (5) Investments in unquoted Government securities or Government guaranteed bonds shall be valued at carrying cost.
- (6) Unquoted investments in the units of mutual funds in the nature of current investments shall be valued at the net asset value declared by the mutual fund in respect of each particular scheme.
- (7) Commercial papers shall be valued at carrying cost.
- (8) A long term investment shall be valued in accordance with the Accounting Standard issued by ICAI.

**Note:** Unquoted debentures shall be treated as term loans or other type of credit facilities depending upon the tenure of such debentures for the purpose of income recognition and asset classification.

### **Need for Policy on Demand/Call Loans**

7. (1) The Board of Directors of every non-banking financial company granting/intending to grant demand/call loans shall frame a policy for the company and implement the same.
- (2) Such policy shall, inter alia, stipulate the following, -
  - (i) A cut off date within which the repayment of demand or call loan shall be demanded or called up;
  - (ii) The sanctioning authority shall, record specific reasons in writing at the time of sanctioning demand or call loan, if the cut off date for demanding or calling up such loan is stipulated beyond a period of one year from the date of sanction;
  - (iii) The rate of interest which shall be payable on such loans;
  - (iv) Interest on such loans, as stipulated shall be payable either at monthly or quarterly rests;
  - (v) The sanctioning authority shall, record specific reasons in writing at the time of sanctioning demand or call loan, if no interest is stipulated or a moratorium is granted for any period;
  - (vi) A cut off date, for review of performance of the loan, not exceeding six

months commencing from the date of sanction;

- (vii) Such demand or call loans shall not be renewed unless the periodical review has shown satisfactory compliance with the terms of sanction.

### **Asset Classification**

8. (1) Every non-banking financial company shall, after taking into account the degree of well defined credit weaknesses and extent of dependence on collateral security for realisation, classify its lease/hire purchase assets, loans and advances and any other forms of credit into the following classes, namely,:

- (i) Standard assets;
- (ii) Sub-standard assets;
- (iii) Doubtful assets; and
- (iv) Loss assets.

(2) The class of assets referred to above shall not be upgraded merely as a result of rescheduling, unless it satisfies the conditions required for the upgradation.

### **Provisioning requirements**

9. Every non-banking financial company shall, after taking into account the time lag between an account becoming non-performing, its recognition as such, the realisation of the security and the erosion over time in the value of security charged, make provision against sub-standard assets, doubtful assets and loss assets as provided hereunder:

### **Loans, advances and other credit facilities including bills purchased and discounted**

(1) The provisioning requirement in respect of loans, advances and other credit facilities including bills purchased and discounted shall be as under :

- |                      |   |
|----------------------|---|
| (i) Loss Assets      | The entire asset shall be written off.<br>If the assets are permitted to remain in the books for any reason, 100% of the outstanding should be provided for;  |
| (ii) Doubtful Assets | (a) 100% provision to the extent to which the advance is not covered by the realisable value of the security to which the non-banking financial company has a valid recourse shall be made. The realisable value is to be estimated on a realistic basis;<br><br>(b) In addition to item (a) above, |

depending upon the period for which the asset has remained doubtful, provision to the extent of 20% to 50% of the secured portion (i.e. estimated realisable value of the outstanding) shall be made on the following basis : -

**Period for which the asset has been considered as doubtful**

**% of provision**

Upto one year	20
One to three years	30
More than three years	50

iii) Sub-standard assets                      A general provision of 10% of total outstanding shall be made.

**Lease and hire purchase assets**

(2) The provisioning requirements in respect of hire purchase and leased assets shall be as under:

**Hire purchase assets**

- (i) In respect of hire purchase assets, the total dues (overdue and future instalments taken together) as reduced by
  - (a) the finance charges not credited to the profit and loss account and carried forward as unmatured finance charges; and
  - (b) the depreciated value of the underlying asset,

shall be provided for.

**Explanation :**

For the purpose of this paragraph,

- (1) the depreciated value of the asset shall be notionally computed as the original cost of the asset to be reduced by depreciation at the rate of twenty per cent per annum on a straight line method; and
- (2) in the case of second hand asset, the original cost shall be the actual cost incurred for acquisition of such second hand asset.

**Additional provision for hire purchase and leased assets**

(ii) In respect of hire purchase and leased assets, additional provision shall be made as under :

(a) Where hire charges or lease rentals are overdue upto 12 months	Nil
(b) where hire charges or lease rentals are overdue for more than 12 months but upto 24 months	10 percent of the net book value
(c) where hire charges or lease rentals are overdue for more than 24 months but upto 36 months	40 percent of the net book value
(d) where hire charges or lease rentals are overdue for more than 36 months but upto 48 months	70 percent of the net book value
(e) where hire charges or lease rentals are overdue for more than 48 months	100 percent of the net book value

(iii) On expiry of a period of 12 months after the due date of the last instalment of hire purchase/leased asset, the entire net book value shall be fully provided for.

NOTES:

- (1) The amount of caution money/margin money or security deposits kept by the borrower with the non-banking financial company in pursuance of the hire purchase agreement may be deducted against the provisions stipulated under clause (i) above, if not already taken into account while arriving at the equated monthly instalments under the agreement. The value of any other security available in pursuance to the hire purchase agreement may be deducted only against the provisions stipulated under clause (ii) above.
- (2) The amount of security deposits kept by the borrower with the non-banking financial company in pursuance to the lease agreement together with the value of any other security available in pursuance to the lease agreement may be deducted only against the provisions stipulated under clause (ii) above.
- (3) It is clarified that income recognition on and provisioning against NPAs are two different aspects of prudential norms and provisions as per the norms are required to be made on NPAs on total outstanding balances including the depreciated book value of the leased asset

under reference after adjusting the balance, if any, in the lease adjustment account. The fact that income on an NPA has not been recognised cannot be taken as reason for not making provision.

- (4) An asset which has been renegotiated or rescheduled as referred to in paragraph (2) (1) (xvi) (b) of these Directions shall be a sub-standard asset or continue to remain in the same category in which it was prior to its renegotiation or reschedulement as a doubtful asset or a loss asset as the case may be. Necessary provision is required to be made as applicable to such asset till it is upgraded.
- (5) The balance sheet to be prepared by the non-banking financial company may be in accordance with the provisions contained in sub-paragraph (2) of paragraph 10.
- (6) All financial leases written on or after April 1, 2001 attract the provisioning requirements as applicable to hire purchase assets.

"9A. Every Non Banking Financial Company shall make provision for standard assets at 0.25 percent of the outstanding, which shall not be reckoned for arriving at net NPAs. The provision towards standard assets need not be netted from gross advances but shall be shown separately as 'Contingent Provisions against Standard Assets' in the balance sheet."<sup>4</sup>

#### **Disclosure in the balance sheet**

**10.** (1) Every non-banking financial company shall separately disclose in its balance sheet the provisions made as per paragraph 9 above without netting them from the income or against the value of assets.

(2) The provisions shall be distinctly indicated under separate heads of account as under :

- (i) provisions for bad and doubtful debts; and
- (ii) provisions for depreciation in investments.

(3) Such provisions shall not be appropriated from the general provisions and loss reserves held, if any, by the non-banking financial company.

(4) Such provisions for each year shall be debited to the profit and loss account. The excess of provisions, if any, held under the heads general provisions and loss reserves may be written back without making adjustment against them.

#### **Constitution of Audit Committee by non-banking financial companies**

**11.** A non-banking financial company having assets of Rs. 50 crore and above as per its last audited balance sheet shall constitute an Audit Committee, consisting of not less than three members of its Board of Directors.

Explanation I: The Audit Committee constituted by a non-banking financial company as required under Section 292A of the Companies

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<sup>4</sup> Inserted vide Notification No. DNBS.222/ CGM(US)-2011 dated January 17, 2011

Act, 1956 (1 of 1956) shall be the Audit Committee for the purposes of this paragraph.

Explanation II: The Audit Committee constituted under this paragraph shall have the same powers, functions and duties as laid down in Section 292A of the Companies Act, 1956 (1 of 1956).

### **Accounting year**

**12.** Every non-banking financial company shall prepare its balance sheet and profit and loss account as on March 31 every year. Whenever a non-banking financial company intends to extend the date of its balance sheet as per provisions of the Companies Act, it should take prior approval of the Reserve Bank of India before approaching the Registrar of Companies for this purpose.

Further, even in cases where the Bank and the Registrar of Companies grant extension of time, the non-banking financial company shall furnish to the Bank a proforma balance sheet (unaudited ) as on March 31 of the year and the statutory returns due on the said date.

"Every non-banking financial company shall finalise its balance sheet within a period of 3 months from the date to which it pertains".<sup>5</sup>

### **Schedule to the balance sheet**

**13.** Every non-banking financial company shall append to its balance sheet prescribed under the Companies Act, 1956, the particulars in the schedule as set out in Annex 1.

### **Transactions in Government securities**

**14.** Every non-banking financial company may undertake transactions in Government securities through its CSGL account or its demat account:  
provided that no non-banking financial company shall undertake any transaction in government security in physical form through any broker.

### **Submission of a certificate from Statutory Auditor to the Bank**

**15.** Every non-banking financial company shall submit a Certificate from its Statutory Auditor that it is engaged in the business of non-banking financial institution requiring it to hold a Certificate of Registration under Section 45-IA of the RBI Act. A certificate from the Statutory Auditor in this regard with reference to the position of the company as at end of the financial year ended March 31 may be submitted to the Regional Office of the Department of Non-Banking Supervision under whose jurisdiction the non-banking financial company is registered, ["within one month from the date of finalization of the balance sheet and in any case not later

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<sup>5</sup> Inserted vide [Notification No. DNBS. 217 / CGM\(US\)-2010 dated December 01, 2010](#)

than December 30th of that year".]<sup>6</sup> Such certificate shall also indicate the asset / income pattern of the non-banking financial company for making it eligible for classification as Asset Finance Company, Investment Company or Loan Company.

**Requirement as to capital adequacy**

16. (1) Every non-banking financial company shall maintain a minimum capital ratio consisting of Tier I and Tier II capital which shall not be less than twelve per cent of its aggregate risk weighted assets on balance sheet and of risk adjusted value of off-balance sheet items.

"[Such ratio shall not be less than fifteen percent by March 31, 2012.]"<sup>7</sup>

(2) The total of Tier II capital, at any point of time, shall not exceed one hundred per cent of Tier I capital.

**Explanations :**

**On balance sheet assets**

(1) In these Directions, degrees of credit risk expressed as percentage weightages have been assigned to balance sheet assets. Hence, the value of each asset/item requires to be multiplied by the relevant risk weights to arrive at risk adjusted value of assets. The aggregate shall be taken into account for reckoning the minimum capital ratio. The risk weighted asset shall be calculated as the weighted aggregate of funded items as detailed hereunder:

**Weighted risk assets - On-Balance Sheet items**

	<b><u>Percentage weight</u></b>
(i) Cash and bank balances including fixed deposits and certificates of deposits with banks	0
(ii) <u>Investments</u>	
(a) Approved securities [Except at (c) below]	0
(b) Bonds of public sector banks	20
(c) Fixed deposits/certificates of deposits/ bonds of public financial institutions	100
(d) Shares of all companies and	

<sup>6</sup> Substituted vide [Notification No. DNBS. \(PD\) 209 / CGM\(ANR\)-2009 dated October 22, 2009](#)

<sup>7</sup> Inserted vide [Notification No. DNBS.224 / CGM\(US\)-2011 dated February 17, 2011](#)



debentures/bonds/commercial papers of all companies and units of all mutual funds	100
<b>(iii) <u>Current assets</u></b>	
(a) Stock on hire (net book value)	100
(b) Intercompany loans/deposits	100
(c) Loans and advances fully secured against deposits held by the company itself	0
(d) Loans to staff	0
(e) Other secured loans and advances considered good	100
(f) Bills purchased/discharged	100
(g) Others (To be specified)	100
<b>(iv) <u>Fixed Assets (net of depreciation)</u></b>	
(a) Assets leased out (net book value)	100
(b) Premises	100
(c) Furniture & Fixtures	100
<b>(v) <u>Other assets</u></b>	
(a) Income tax deducted at source (net of provision)	0
(b) Advance tax paid (net of provision)	0
(c) Interest due on Government securities	0
(d) Others (to be specified)	100

**Notes:**

- (1) Netting may be done only in respect of assets where provisions for depreciation or for bad and doubtful debts have been made.
- (2) Assets which have been deducted from owned fund to arrive at net owned fund shall have a weightage of 'zero'.

(3) While calculating the aggregate of funded exposure of a borrower for the purpose of assignment of risk weight, non-banking financial companies may net off the amount of cash margin / caution money/security deposits (against which right to set-off is available) held as collateral against the advances out of the total outstanding exposure of the borrower.

[“(4) The counterparty credit risk, arising out of exposure of NBFCs to CCIL on account of securities financing transactions (CBLOs) will carry a risk weight of zero, as it is presumed that the CCP’s exposures to their counterparties are fully collateralised on a daily basis, thereby providing protection for the CCP’s credit risk exposures. The deposits / collaterals kept by NBFCs with CCIL will attract a risk weight of 20%”].<sup>8</sup>

**Off-balance sheet items**

(2) In these Directions, degrees of credit risk exposure attached to off-balance sheet items have been expressed as percentage of credit conversion factor. Hence, the face value of each item requires to be first multiplied by the relevant conversion factor to arrive at risk adjusted value of off-balance sheet item. The aggregate shall be taken into account for reckoning the minimum capital ratio. This shall have to be again multiplied by the risk weight of 100. The risk adjusted value of the off-balance sheet items shall be calculated as per the credit conversion factors of non-funded items as detailed hereunder : -

<b>Nature of item</b> -----	<b>Credit conversion factor – Percentage</b> -----
i) Financial & other guarantees	100
ii) Share/debenture underwriting obligations	50
iii) Partly-paid shares/debentures	100
iv) Bills discounted/rediscounted	100
v) Lease contracts entered into but yet to be executed	100
vi) Other contingent liabilities (To be specified)	50

<sup>8</sup>Inserted vide [Notification No. DNBS. 211 / CGM \(ANR\)-2009 dated December 1, 2009](#)

**Note:** Cash margins/deposits shall be deducted before applying the conversion factor.

**Loans against non-banking financial company's own shares prohibited**

17. (1) No non-banking financial company shall lend against its own shares.

(2) Any outstanding loan granted by a non-banking financial company against its own shares on the date of commencement of these Directions shall be recovered by the non-banking financial company as per the repayment schedule.

**Non-banking financial company failing to repay public deposit prohibited from making loans and investments**

18. A non-banking financial company which has failed to repay any public deposit or part thereof in accordance with the terms and conditions of such deposit, as provided in Section 45QA(1) of the Reserve Bank of India Act, 1934 (2 of 1934) shall not grant any loan or other credit facility by whatever name called or make any investment or create any other asset as long as the default exists.

**Restrictions on investments in land and building and Unquoted shares**

19. (i) No Asset Finance Company, which is accepting public deposit, shall, invest in -

- (a) land or building, except for its own use, an amount exceeding ten percent of its owned fund;
- (b) unquoted shares of another company, which is not a subsidiary company or a company in the same group of the non-banking financial company, an amount exceeding ten percent of its owned fund.

(ii) No loan company or investment company, which is accepting public deposit, shall, invest in -

- (a) land or building, except for its own use, an amount exceeding ten percent of its owned fund ;
- (b) unquoted shares of another company, which is not a subsidiary company or a company in the same group of the non-banking financial company, an amount exceeding twenty percent of its owned fund:

Provided that the land or building or unquoted shares acquired in satisfaction of its debts shall be disposed off by the non-banking financial company within a period of three years or within such period as extended by the Bank, from the date of such acquisition if the investment in these assets together with such assets already held by the non-banking financial company exceeds the above ceiling;

### **Explanation**

While calculating the ceiling on investment in unquoted shares, investments in such shares of all companies shall be aggregated.

Provided further that the ceiling on the investment in unquoted shares shall not be applicable to an Asset Finance Company or a loan company or an investment company in respect of investment in the equity capital of an insurance company upto the extent specifically permitted, in writing, by the Reserve Bank of India.

### **"NBFCs not to be partners in partnership firms"**

19A. (1) No non-banking financial company, which is accepting public deposit shall contribute to the capital of a partnership firm or become a partner of such firm.

(2) A non-banking financial company, which is accepting public deposit and which had already contributed to the capital of a partnership firm or was a partner of a partnership shall seek early retirement from the partnership firm.<sup>9</sup>

### **Concentration of credit/investment**

**20.** (1) No non-banking financial company shall,

(i) lend to

(a) any single borrower exceeding fifteen per cent of its owned fund; and

(b) any single group of borrowers exceeding twenty five per cent of its owned fund;

(ii) invest in

(a) the shares of another company exceeding fifteen per cent of its owned fund; and

(b) the shares of a single group of companies exceeding twenty five per cent of its owned fund;

(iii) lend and invest (loans/investments taken together) exceeding

(a) twenty five per cent of its owned fund to a single party; and

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<sup>9</sup> Inserted vide [Notification no. DNBS.227 / CGM\(US\)-2011 dated March 30, 2011](#)

(b) forty per cent of its owned fund to a single group of parties.

Provided that the ceiling on credit/investment concentration shall not be applicable to a residuary non-banking company in respect of investments in approved securities, bonds, debentures and other securities issued by a Government company or a public financial institution or a scheduled commercial bank under the provisions of paragraphs 6(1)(a) and 6(1)(b) of the Residuary Non-Banking Companies (Reserve Bank) Directions, 1987.

Provided further that the ceiling on the investment in shares of another company shall not be applicable to a non-banking financial company in respect of investment in the equity capital of an insurance company upto the extent specifically permitted, in writing, by the Reserve Bank of India.

**Provided** further that any non-banking financial company, classified as Asset Finance Company by the Reserve Bank of India, may in exceptional circumstances, exceed the above ceilings on credit/investment concentration to a single party or a single group of parties by 5 per cent of its owned fund, with the approval of its Board.

**Notes :**

- (1) For determining the limits, off-balance sheet exposures shall be converted into credit risk by applying the conversion factors as explained in paragraph 16.
- (2) The investments in debentures for the purposes specified in this paragraph shall be treated as credit and not investment.
- (3) These ceilings shall be applicable to the credit/investment by such a non-banking financial company to companies/firms in its own group as well as to the borrowers/ investee company's group.

**Submission of half yearly return**

**21.** Non-banking financial companies including residuary non-banking companies referred to in paragraphs 1(3)(i)(a) and (b) shall submit a half-yearly return within three months of the expiry of the relative half-year as on September and March every year, in the format NBS 2 provided in Annex 2 to the Regional Office of the Department of Non-Banking Supervision of the Reserve Bank of India under whose jurisdiction the registered office of the company is located as per Second Schedule to the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998 and Schedule B to Residuary Non-Banking Companies (Reserve Bank) Directions, 1987.

**Exposure to Capital Market**

22. Every non-banking financial company (including residuary non-banking company) with total assets of Rs. 100 crore and above according to the previous audited balance sheet, shall submit a monthly return within a period of 7 days of the expiry of the month to which it pertains in the format NBS 6 provided in Annex 3 to the Regional Office of the Department of Non-Banking Supervision of the Reserve Bank of India as indicated in the Second Schedule to the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998 and Schedule B to the Residuary Non-Banking Companies (Reserve Bank) Directions, 1987.

### **Norms relating to Infrastructure loan**

#### **23. (1) Applicability**

- (i) These norms shall be applicable to restructuring and/or rescheduling and/or renegotiation of the terms of agreement relating to infrastructure loan, as defined in paragraph 2(1)(viii) of these Directions which is fully or partly secured standard and sub-standard asset and to the loan, which is subjected to restructuring and/or rescheduling and/or renegotiation of terms.
- (ii) Where the asset is partly secured, a provision to the extent of shortfall in the security available, shall be made while restructuring and/or rescheduling and/or renegotiation of the loans, apart from the provision required on present value basis and as per prudential norms.

#### **(2) Restructuring, reschedulement or renegotiation of terms of infrastructure loan**

The non-banking financial companies may, not more than once, restructure or reschedule or renegotiate the terms of infrastructure loan agreement as per the policy framework laid down by the Board of Directors of the company under the following stages:

- (a) before commencement of commercial production;
- (b) after commencement of commercial production but before the asset has been classified as sub-standard;
- (c) after commencement of commercial production and the asset has been classified as sub-standard:

Provided that in each of the above three stages, the restructuring and/or rescheduling and/or renegotiation of principal and / or of interest may take place, with or without sacrifice, as part of the restructuring or rescheduling or renegotiating package evolved.

(3) Treatment of restructured standard loan

The rescheduling or restructuring or renegotiation of the instalments of principal alone, at any of the aforesaid first two stages shall not cause a standard asset to be re-classified in the sub-standard category, if the project is re-examined and found to be viable by the Board of Directors of the company or by a functionary at least one step senior to the functionary who sanctioned the initial loan for the project, within the policy framework laid down by the Board:

Provided that rescheduling or renegotiation or restructuring of interest element at any of the foregoing first two stages shall not cause an asset to be downgraded to sub-standard category subject to the condition that the amount of interest foregone, if any, on account of adjustment in the element of interest as specified later, is either written off or 100 per cent provision is made thereagainst.

(4) Treatment of restructured sub-standard asset

A sub-standard asset shall continue to remain in the same category in case of restructuring or rescheduling or renegotiation of the instalments of principal until the expiry of one year and the amount of interest foregone, if any, on account of adjustment, including adjustment by way of write off of the past interest dues, in the element of interest as specified later, shall be written off or 100 per cent provision made thereagainst.

(5) Adjustment of interest

Where rescheduling or renegotiation or restructuring involves a reduction in the rate of interest, the interest adjustment shall be computed by taking the difference between the rate of interest as currently applicable to infrastructure loan (as adjusted for the risk rating applicable to the borrower) and the reduced rate and aggregating the present value (discounted at the rate currently applicable to infrastructure loan, adjusted for risk enhancement) of the future interest payable so stipulated in the restructuring or rescheduling or renegotiation proposal.

(6) Funded Interest:

In the case of funding of interest in respect of NPAs, where the interest funded is recognized as income, the interest funded shall be fully provided for.

(7) Income Recognition norms

The income recognition in respect of infrastructure loan shall be governed by the provisions of paragraph 3 of these Directions;

(8) Treatment of Provisions held

The provisions held by the non-banking financial companies against non-performing infrastructure loan, which may be classified as 'standard' in terms of sub-paragraph (3) hereinabove, shall continue to be held until full recovery of the loan is made.

(9) Eligibility for upgradation of restructured sub-standard infrastructure loan

The sub-standard asset subjected to rescheduling and/or renegotiation and/or restructuring, whether in respect of instalments of principal amount, or interest amount, by whatever modality, shall not be upgraded to the standard category until expiry of one year of satisfactory performance under the restructuring and/or rescheduling and/or renegotiation terms.

(10) Conversion of debt into equity

Where the amount due as interest, is converted into equity or any other instrument, and income is recognized in consequence, full provision shall be made for the amount of income so recognized to offset the effect of such income recognition:

Provided that no provision is required to be made, if the conversion of interest is into equity which is quoted;

Provided further that in such cases, interest income may be recognized at market value of equity, as on the date of conversion, not exceeding the amount of interest converted to equity.

(11) Conversion of debt into debentures

Where principal amount and/or interest amount in respect of NPAs is converted into debentures, such debentures shall be treated as NPA, ab initio, in the same asset classification as was applicable to the loan just before conversion and provision shall be made as per norms.

(12) Increase in exposure limits for Infrastructure related loan and investment

The non-banking financial companies may exceed the concentration of credit/investment norms, as provided in paragraph 20 of these Directions, by 5 per cent for any single party and by 10 per cent for a single group of parties, if the additional exposure is on account of infrastructure loan and/ or investment.

(13) Risk weight for investment in AAA rated securitized paper



The investment in “AAA” rated securitized paper pertaining to the infrastructure facility shall attract risk weight of 50 per cent for capital adequacy purposes subject to the fulfilment of the following conditions:

- (i) The infrastructure facility generates income / cash flows, which ensures servicing / repayment of the securitized paper.
- (ii) The rating by one of the approved credit rating agencies is current and valid.

Explanation:

The rating relied upon shall be deemed to be current and valid, if the rating is not more than one month old on the date of opening of the issue, and the rating rationale from the rating agency is not more than one year old on the date of opening of the issue, and the rating letter and the rating rationale form part of the offer document.

- (iii) In the case of secondary market acquisition, the ‘AAA’ rating of the issue is in force and confirmed from the monthly bulletin published by the respective rating agency.
- (iv) The securitized paper is a performing asset.

### **Exemptions**

**24.** The Reserve Bank of India may, if it considers it necessary for avoiding any hardship or for any other just and sufficient reason, grant extension of time to comply with or exempt any non-banking financial company or class of non-banking financial companies, from all or any of the provisions of these Directions either generally or for any specified period, subject to such conditions as the Reserve Bank of India may impose.

### **Interpretations**

**25.** For the purpose of giving effect to the provisions of these Directions, the Reserve Bank of India may, if it considers necessary, issue necessary clarifications in respect of any matter covered herein and the interpretation of any provision of these Directions given by the Reserve Bank of India shall be final and binding on all the parties concerned.

### **Repeal and saving**

**26. (1)** The Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998 shall stand repealed by these Directions.

(2) Notwithstanding such repeal, any circular, instruction, order issued under the Directions in sub-section (1) shall continue to apply to non-banking financial

companies in the same manner as they applied to such companies before such repeal.

Sd/-

(V. Leeladhar)  
Deputy Governor

**Schedule to the**  
**Balance Sheet of a non-banking financial company**  
(as required in terms of paragraph 13 of  
Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential  
Norms (Reserve Bank) Directions, 2007)  
(Rs. in lakhs)

<b>Particulars</b>			
<b><u>Liabilities side :</u></b>			
(1)	<b>Loans and advances availed by the non-banking financial company inclusive of interest accrued thereon but not <u>paid</u>:</b>  (a) Debentures : Secured : Unsecured (other than falling within the meaning of public deposits*)  (b) Deferred Credits (c) Term Loans (d) Inter-corporate loans and borrowing (e) Commercial Paper (f) Public Deposits* (g) Other Loans (specify nature)  * Please see Note 1 below	Amount out- standing  _____	Amount overdue  _____
(2)	<b><u>Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued <u>thereon</u> but not paid):</u></b>  (a) In the form of Unsecured debentures (b) In the form of partly secured debentures i.e. debentures where there is a shortfall in the value of security (c) Other public deposits  * Please see Note 1 below		

	<b><u>Assets side :</u></b>	
		Amount outstanding
(3)	<b>Break-up of Loans and Advances including bills receivables [other than those included in (4) below] :</b>  (a) Secured (b) Unsecured	
(4)	<b>Break up of Leased Assets and stock on hire and other assets counting towards AFC activities</b>	
	(i) Lease assets including lease rentals under sundry debtors :  (a) Financial lease (b) Operating lease (ii) Stock on hire including hire charges under sundry debtors:  (a) Assets on hire (b) Repossessed Assets (iii) Other loans counting towards AFC activities  (a) Loans where assets have been repossessed (b) Loans other than (a) above	
(5)	<b><u>Break-up of Investments :</u></b> <u>Current Investments :</u> 1. <u>Quoted :</u>  (i) Shares : (a) Equity (b) Preference (ii) Debentures and Bonds (iii) Units of mutual funds (iv) Government Securities (v) Others (please specify)	

	<p>2. <u>Unquoted</u> :</p> <p>(i) Shares : (a) Equity (b) Preference</p>																								
	(ii) Debentures and Bonds																								
	<p>(iii) Units of mutual funds (iv) Government Securities (v) Others (please specify)</p> <p><u>Long Term investments</u> :</p> <p>1. <u>Quoted</u> :</p> <p>(i) Shares : (a) Equity (b) Preference</p> <p>(ii) Debentures and Bonds (iii) Units of mutual funds (iv) Government Securities (v) Others (please specify)</p> <p>2. <u>Unquoted</u> :</p> <p>(i) Shares : (a) Equity (b) Preference</p> <p>(ii) Debentures and Bonds (iii) Units of mutual funds (iv) Government Securities (v) Others (please specify)</p>																								
(6)	<p><b>Borrower group-wise classification of assets financed as in (3) and (4) above :</b></p> <p>Please see Note 2 below</p> <table border="1"> <thead> <tr> <th rowspan="2">Category</th> <th colspan="3">Amount net of provisions</th> </tr> <tr> <th>Secured</th> <th>Unsecured</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>1. Related Parties **</td> <td></td> <td></td> <td></td> </tr> <tr> <td>(a) Subsidiaries</td> <td></td> <td></td> <td></td> </tr> <tr> <td>(b) Companies in the same group</td> <td></td> <td></td> <td></td> </tr> <tr> <td>(c) Other related parties</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>		Category	Amount net of provisions			Secured	Unsecured	Total	1. Related Parties **				(a) Subsidiaries				(b) Companies in the same group				(c) Other related parties			
Category	Amount net of provisions																								
	Secured	Unsecured	Total																						
1. Related Parties **																									
(a) Subsidiaries																									
(b) Companies in the same group																									
(c) Other related parties																									

	2. Other than related parties			
	Total			
(7)	<b>Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):</b> Please see note 3 below			
	Category	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)	
	1. Related Parties **			
	(a) Subsidiaries			
	(b) Companies in the same group			
	(c) Other related parties			
	2. Other than related parties			
	<b>Total</b>			

\*\* As per Accounting Standard of ICAI (please see Note 3)

**(8) Other information**

Particulars		Amount
(i)	Gross Non-Performing Assets	
	(a) Related parties	
	(b) Other than related parties	
(ii)	Net Non-Performing Assets	
	(a) Related parties	
	(b) Other than related parties	
(iii)	Assets acquired in satisfaction of debt	

**Notes:**

- As defined in paragraph 2(1)(xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.

2. Provisioning norms shall be applicable as prescribed in the Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.
3. All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of investments and other assets as also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break up/fair value/NAV in respect of unquoted investments should be disclosed irrespective of whether they are classified as long term or current in (5) above.

xxx

**Form NBS 2****Half yearly Statement of capital funds, risk assets/exposures and risk asset ratio etc., as at the end of March/September 200....**Name and address of the Non-Banking  
Financial Company

Company code number (as given by RBI) \_\_\_\_\_

Registration number (as given by RBI) \_\_\_\_\_

Classification of the company (as given by RBI) \_\_\_\_\_

(Rupees in lakh)

Item Name	<b><u>PART - A</u></b>	Item Code	Amount
<b><u>Capital Funds – Tier I</u></b>			
(i) Paid-up Equity Capital		111	
(ii) Preference shares to be compulsorily convertible into equity		112	
(iii) Free reserves			
(a) General Reserves		113	
(b) Share Premium		114	
(c) Capital Reserves (representing surplus on sale of assets held in separate account)		115	
(d) Debenture Redemption Reserve		116	
(e) Capital Redemption Reserve		117	
(f) Credit Balance in P & L Account		118	
(g) Other free reserves (to be specified)		119	
<b>Total (111 to 119)</b>		<b>110</b>	
(iv) Accumulated balance of loss		121	
(v) Deferred Revenue Expenditure		122	
(vi) Other Intangible Assets		123	
<b>Total (121 to 123)</b>		<b>120</b>	
(vii) Owned Fund (110 - 120)		<b>130</b>	
(viii) Investment in shares of :			
(a) Subsidiaries		141	
(b) Companies in the same Group		142	
(c) Other non-banking financial companies		143	



ix) The book value of debentures, bonds, outstanding loans and advances, bills purchased and discounted (including hire-purchase and lease finance) made to, and deposits with	
(a) Subsidiaries	144
(b) Companies in the same Group	145
<b>(x) Total (141 to 145)</b>	<b>140</b>
(xi) Amount of Item 140 in excess of 10% of item 130 above	<b>150</b>
(xii) Tier I Capital	
Net owned fund (130 -150)	<b>151</b>

(Rupees in lakh)

<b><u>PART - B</u></b>	
<b>Item Name</b>	<b>Item Code</b>
<b><u>Capital Funds – Tier II</u></b>	
(Para 2(1)(xx)(b) of Directions)	
(i) Preference Share Capital other than those compulsorily convertible into equity	161
(ii) Revaluation reserves	162
(iii) General provisions and loss reserves	163
(iv) Hybrid debt capital instruments	164
(v) Subordinated debt	165
(vi) Aggregate Tier II Capital (Items 161 to 165)	<b>160</b>
<b>Total Capital Funds (151 + 160)</b>	<b>170</b>

(Rupees in lakh)

<b><u>PART - C</u></b>	
<b>Item Name</b>	<b>Item Code</b>
<b><u>Risk Assets and Off-Balance Sheet items</u></b>	
(i) Adjusted value of funded risk assets i.e. on-balance sheet items (To tally with Part D)	181
(ii) Adjusted value of non-funded and off-balance sheet items (To tally with Part E)	182
(iii) Total risk weighted assets/ exposures (181 + 182)	180
(iv) Percentage of capital funds to risk weighted assets/exposures:	
(a) Tier I capital (Percentage of item 151 to item 180)	191
(b) Tier II capital (Percentage of item 160 to item 180)	192
(c) Total (Percentage of item 170 to item 180)	193

(Rupees in lakh)

#### **PART – D**

#### **Weighted assets i.e. On - balance Sheet items**

Item name	Item code	Book value	Risk weight	Adjusted value
I. Cash and bank balances including fixed deposits & certificates of deposits	210		0	0
II. Investments [see paragraph 6 of the Directions]				
(a) Approved securities as defined in Reserve Bank of India Act, 1934	221		0	0
(b) Bonds of public sector banks				
(i) Amounts deducted in part `A' item (x) (Item code 150)	222A		0	
(ii) Amounts not deducted in part `A' item (x) (Item code 150)	223A		20	
(c) FDs/CDs/bonds of public financial institutions				
(i) Amounts deducted in part `A' item (x) (Item code 150)	224A		0	0
(ii) Amounts not deducted in part `A' item (x) (Item code 150)	225A		100	
<b>Sub-total(222A+223A+224A+225A)</b>	<b>ST225A</b>			
(d) Shares of all companies and debentures/ bonds/ commercial papers of companies and units of all mutual funds				
(i) Amounts deducted in Part `A' Item (xi) (Item code 150)	226		0	0
(ii) Amounts not deducted in Part A	227		100	
<b>Sub-total(226+227)</b>	<b>ST227</b>			
III. Current Assets				
(a) Stock on hire (Please see Note 2 below)				
(i) Amounts deducted in Part A [Item (xi) Item code 150]	231		0	0
(ii) Amounts not deducted in part A	232		100	
<b>Sub-total(231+232)</b>	<b>ST232</b>			
(b) Inter-corporate loans/ deposits				
(i) Amounts deducted in Part `A' [Item (xi) item code 150]	233		0	0
(ii) Amounts not deducted in Part A	234		100	
<b>Sub-total (233+234)</b>	<b>ST234</b>			
(c) Loans and advances fully secured by company's own deposits	235		0	0
(d) Loans to staff	236		0	0
(e) Other secured loans and advances considered good				
(i) Amounts deducted in Part A [Item (xi) item code 150]	241		0	0
(ii) Amounts not deducted in Part A	242		100	
<b>Sub-total(235+236+241+242)</b>	<b>ST242</b>			
(f) Bills purchased/discounted				
(i) Amounts deducted in Part A [Item (xi) item	243		0	0

code 150)]			
(ii) Amounts not deducted in Part A	244	100	
<b>Sub-total (243+244)</b>	<b>ST244</b>		
(g) Others (to be specified)	245	100	
<b>IV. Fixed Asset (net of depreciation)</b>			
(a) <u>Assets leased out</u>			
(i) Amounts deducted in Part A [Item (xi) item code 150)]	251	0	0
(ii) Amounts not deducted in Part A	252	100	
<b>Sub-total (251+252)</b>	<b>ST252</b>		
<b>Total credit exposure (ST232+ST234+ST242+ST244+245+ST252)</b>	<b>CT200</b>		
(b) Premises	253	100	
(c) Furniture & Fixtures	254	100	
<b>V. Other assets</b>			
(a) Income-tax deducted at source (net of provisions)	255	0	0
(b) Advance tax paid (net of provision)	256	0	0
(c) Interest due on Government securities	257	0	0
(d) Others (to be specified)	258	100	
Total weighted assets (Items 210 to 258 please exclude item codes prefixed by "ST")	200		

**NOTES:**

1. Netting may be done in respect of assets where provisions for depreciation or for bad and doubtful debts have been made.
2. Stock on hire should be shown net of finance charges i.e. interest and other charges recoverable.
3. Assets which have been deducted (item code 150) from owned fund to arrive at net owned fund will have a weightage of '0'.
4. Netting may be done in respect of total outstanding exposure of a borrower by cash margin/caution money/security deposits against which right to set-off is available.

**PART - E**

**Weighted non-funded exposures/off-balance sheet items**

<b>Item Name</b>	<b>Item Code</b>	<b>Book value</b>	<b>Conversion factor</b>	<b>Equivalent value</b>	<b>Risk weight</b>	<b>Adjusted value</b>
-----	----	----	-----	-----	-----	-----
1. Financial & Other guarantees	310		100		100	
-----	----	----	-----	-----	-----	-----
2. Share/debenture underwriting obligations	320		50		100	
-----	----	----	-----	-----	-----	-----
3. Partly paid shares/debentures	330		100		100	
-----	----	----	-----	-----	-----	-----
4. Bills rediscounted	340		100		100	
-----	----	----	-----	-----	-----	-----
5. Lease contracts entered into but yet to be executed	350		100		100	
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6. Other contingent liabilities (To be specified)	360		50		100	
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Total non-funded exposures (Items 310 to 360)	300		--		--	
-----	----	----	-----	-----	-----	-----

Note: Cash margin/deposits shall be deducted before applying the conversion factor.

**PART - F**  
**Asset Classification**

**I. Aggregate of credit exposures categorised into:**

<i>Item name</i>	<i>Item code</i>	<i>Amount</i>
(i) Standard assets	411	
(ii) <u>Sub-standard assets</u> :		
(a) Lease and hire purchase assets	412	
(b) Other credit facilities	413	
(iii) Doubtful assets	414	
(iv) Loss assets	415	
<b>Total (411 to 415)</b>	<b>410</b>	

Note: (item 410 should tally with CT200 )

**II. Aggregate provisioning in respect of I above as per the Directions prescribed**

Item Name	Item code	Provision required	Actual provision made
(A) <u>Loans, advances and other credit facilities</u>			
(i) <u>Sub-standard assets</u> :			
(a) entire amount taken to the credit of profit and loss account before the asset became NPA and remaining unrealised [paragraph 3(2) of the Directions]	421		
(b) 10% of the balance of outstanding dues	422		
(ii) <u>Doubtful assets</u> :			
(a) entire amount taken to the	423		

Item Name	Item code	Provision required	Actual provision made
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credit of profit and loss account  
before the asset became NPA  
and remaining unrealised  
[paragraph 3(2) of the Directions]

(b) 100% to the extent not covered by  
realisable value of security plus 20% to  
50% of the secured portion for the period  
the asset has remained doubtful 424

(iii) Loss assets :

(a) entire amount taken to the credit of  
profit and loss account before the  
asset became NPA and remaining  
unrealised [paragraph 3(2) of the  
Directions] 425

(b) 100 % of the outstanding balance 426

<b>Total: (item No.421 to 426)</b>	<b>ST426</b>		
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**(B) Hire purchase and Leased assets**

(i) Sub-standard assets : [paragraph  
9(2) of the Directions]

Hire Purchase assets

(a) entire amount taken to the credit of  
profit and loss account before the  
asset became NPA and remaining  
unrealised [paragraph 3(3) of the  
Directions] 427

(b) deficit between total dues and  
depreciated value [paragraph  
9(2)(i) of the Directions] 428

(c) 10% of net book value [paragraph  
9(2)(ii) of the Directions] 429

Leased Assets

(d) net lease rentals credited to profit  
and loss account before the asset  
became NPA and remaining  
unrealised [paragraph 3(4) of the  
Directions] 430

(e) 10% of the net book value  
[paragraph 9(2)(ii) of the Directions] 431

Item name	Item code	Provision required	Actual provision made
(ii) <u>Doubtful assets</u>			
<u>Hire Purchase assets</u>			
(a) entire amount taken to the credit of profit and loss account before the asset became NPA and remaining unrealised [paragraph 3(3) of the Directions]	432		
(b) deficit between total dues and depreciated value [paragraph 9(2)(i) of the Directions]	433		
(c) 40% of net book value [paragraph 9(2)(ii) of the Directions]	434		
<u>Leased Assets</u>			
(d) net lease rentals credited to profit and loss account before the asset became NPA and remaining unrealised [paragraph 3(4) of the Directions]	435		
(e) 40% of the net book value [paragraph 9(2)(ii) of the Directions]	436		
<u>Hire Purchase assets</u>			
(f) entire amount taken to the credit of profit and loss account before the asset became NPA and remaining unrealised [paragraph 3(3) of the Directions]	437		
(g) deficit between total dues and depreciated value [paragraph 9(2)(i) of the Directions]	438		
(h) 70% of net book value [paragraph 9(2)(ii) of the Directions]	439		
<u>Leased Assets</u>			
(i) net lease rentals credited to profit and loss account before the asset became NPA and remaining unrealised [paragraph 3(4) of the Directions]	440		
(j) 70% of the net book value [paragraph 9(2)(ii) of the Directions]	441		

Item name	Item code	Provision required	Actual provision made
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(iii) Loss assets

Hire Purchase assets

(a) entire amount taken to the credit of profit and loss account before the asset became NPA and remaining unrealised [paragraph 3(3) of the Directions]	442		
(b) deficit between total dues and depreciated value [paragraph 9(2)(i) of the Directions]	443		
(c) 100% of net book value [paragraph 9(2)(ii) of the Directions]	444		

Leased Assets

(a) net lease rentals credited to profit and loss account before the asset became NPA and remaining unrealised [paragraph 3(4) of the Directions]	445		
(b) 100% of the net book value [paragraph 9(2)(ii) of the Directions]	446		

<b>Sub-Total: (item No.427 to 446)</b>	<b>ST 446</b>		
<b>Total provisions (ST426+ST446)</b>	<b>420</b>		

III. Other provisions in respect of :

(i) Depreciation in fixed assets	451		
(ii) Depreciation in investments	452		
(iii) Loss/intangible assets	453		
(iv) Provision for taxation	454		
(v) Gratuity/provident fund	455		
(vi) Others (to be specified)	456		

<b>Total</b>	<b>450</b>		
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**PART- G**

**Particulars regarding investments in and advances to companies/firms in the same group and other non-banking financial companies**

Item name	Item code	Amount
i) Book value of bonds and debentures and outstanding loans and advances to and deposits with subsidiaries and companies in the same group (Details to be enclosed in Appendix No. ).	510	
ii) Investments in shares of subsidiaries and companies in the same group and all non-banking financial companies (Details to be enclosed in Appendix No. ).	520	
iii) Investments by way of shares, debentures, loans and advances, leasing, hire purchase finance, deposits etc. in other companies, firms and proprietary concerns where directors of the company hold substantial interest (Details to be enclosed in Appendix No. ).	530	

## PART - H

### **Particulars regarding concentration of advances including off balance sheet exposure and investments to parties including those in Part G above**

Item name	Item Code	Amount
i) Loans and advances including off-balance sheet exposures to any single party in excess of 15 per cent of owned fund of the non-banking financial company (Details to be enclosed in Appendix No. )	610	
ii) Loans and advances including off-balance sheet exposures to a single group of parties in excess of 25 per cent of owned fund of the non-banking financial company (Details to be enclosed in Appendix No. )	620	
iii) Investments in a single company in excess of 15 per cent of the owned fund of the non-banking financial company (Details to be enclosed in Appendix No. )	630	
iv) Investments in the shares issued by a single group of companies in excess of 25 per cent of the owned fund of the non-banking financial company	640	
v) Loans, advances to (including debentures/ bonds and off-balance sheet exposures) and investment in the shares of single party in excess of 25 per cent of the owned fund of the non-banking financial company	650	
vi) Loans, advances to (including debentures/ bonds and off-balance sheet exposures) and investment in the shares of single group of parties in excess of 40 per cent of the owned fund of the non-banking financial company	660	

#### **Notes :**

- (1) All these exposure limits shall be applicable to the non-banking financial company's own group as well as to the borrower/investee company's group.
- (2) Investment in debentures for this purpose shall be treated as credit and not investment.

**Part - I**

**Particulars regarding Investments in premises and unquoted shares**

----- Item name -----	----- Item Code -----	----- Amount -----
(i) Investments in Premises, (Land and buildings) except for own use, (out of item code 253 in the return) held by the company in excess of 10 percent of the owned fund		
(a) Acquired by the company independently	710	
(b) Acquired in satisfaction of its debts.	720	
(ii) Investments in unquoted shares except those held in the subsidiaries and companies in the same group (vide item code 141 and 142) in excess of		
(a) 10 percent of the owned fund in case of Asset Finance Companies	730	
(b) 20 percent of the owned fund in case of loan and investment companies	740	
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**PART – J**

**Particulars on suit filed and decreed debts by  
the non-banking financial company and against it**

Item Name	Item Code	Amount
I.		
(i) Loans, advances, other credit facilities, leased assets and hire purchase assets for which the non-banking financial company has filed suits in any Court of Law for recovery of its dues including the decreed debts :	810	
Pending for over 5 years	811	
Pending for 3 to 5 years	812	
Pending for 1 to 3 years	813	
Pending for less than one year	814	
(ii) Out of (I) above, the loans, advances, other credit facilities and hire purchase assets for which decree has been obtained by the non-banking financial company	820	
(iii) Recoveries made in suit filed / decreed debts (including amounts deposited in the Court)	830	
II. Suit filed and decreed against the company	840	

## **CERTIFICATE**

Certified that

- (1) the data/information furnished in this statement are in accordance with the Directions issued by the Reserve Bank of India relating to income recognition, accounting standards, asset classification, provisioning for bad and doubtful debts, capital adequacy and concentration of credit and investments. The statement has been compiled from the books of account and other records of the company and to the best of my knowledge and belief they are correct;
- (2) Reserve Bank's classification of the company as a ..... on the basis of its principal business as evidenced from its asset and income pattern continues/does not continue to hold good (delete whatever is not applicable);
- (3) the company has accepted public deposit and the quantum of such deposit is within the limits applicable to the company;
- (4) the company has not paid interest/brokerage on deposit beyond the ceiling prescribed under the Directions;
- (5) the company has not defaulted in repayment of matured deposit;
- (6) the credit rating for fixed deposits assigned by the Credit Rating Agency viz.------(Name of the Agency) at ------(rating level) is valid;
- (7) the capital adequacy as disclosed in part C of the return after taking into account the particulars contained in part D, E and F has been correctly worked out;
- (8) the aggregate of amount outstanding in respect of loans, equipment leasing, hire purchase finance and investment held together with other assets of the company during the half year ended March / September \_\_\_\_\_ is taken into account to ensure that the minimum stipulated capital adequacy ratio as applicable to the company has been maintained throughout the relevant period on an on-going basis;
- (9) classification of assets as disclosed in part F of the return has been verified and found to be correct. No rollover/rephasing of loans, lease and hire purchase transactions and bills discounted beyond due dates has been observed. The sub-standard or doubtful or loss asset, if up-graded, has been done so, in conformity with the Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007;
- (10) investments in group companies as disclosed in part G of the return, exposures to individuals/firms/other companies exceeding the credit/investment concentration norms as disclosed in part H of the half-yearly return, investments in premises and unquoted shares as

disclosed in part I of the return and particulars on suit filed and decreed debts by the company and against it as disclosed in part J of the return and classification of such assets is correct.

Place : For and on behalf of  
Date : (Name of the company)

Managing Director/Chief Executive Officer

Auditor's Report

We have examined the books of account and other records maintained by ..... Limited in respect of the capital funds, risk assets/exposures and risk asset ratio etc. as on .....20... and statements/certificate hereinabove made by the Managing Director/Chief Executive Officer of the company or his authorised representative. On the basis of random checking, we certify the statement in paragraph (8) above. We further report that to the best of our knowledge and according to the information and explanations given to us and as shown by the record examined by us, the figures shown in Parts A, B, C, D, E, F, G, H, I and J of the statement hereinabove are correct.

Place:

Date:

Statutory auditors

Form NBS 6

Monthly return on exposure to capital market

as at end of month\_\_\_\_\_, 20...

Name of the NBFC/RNBC :

Company Code No. :  
(To be filled by RBI)

Address of Registered Office:

RBI Registration No.:

Classification of the Company : AFC/Loan/Investment/RNBC

Notes and Instructions for filling of the Return

1. **Applicability**

This return is to be filled by all deposit taking NBFCs having total assets of Rs 100 crore and above as on March 31 of the previous year (e.g. for the return for the month of April 2007 or October 2007 the base date total assets would be March 2007, similarly for the return for the month of March 2008 base date total assets would be March 2007). In the absence of audited figures, provisional figures may be taken for the purpose.

2. The return should be submitted to the Regional Office of the Department of Non-Banking Supervision, Reserve Bank of India under whose jurisdiction its Registered Office is situated.

3. **Definition of capital market exposure (CME)**

The CME, for the purpose of this return, would be the aggregate of exposures of the company in the form of:

(i) investment in quoted equity shares, quoted compulsorily convertible preference shares (CCPS), quoted convertible bonds and debentures and quoted units of primarily equity oriented mutual funds;

(ii) loans and advances against securities at (i) above, including those for financing of IPOs, etc.

(iii) secured and unsecured loans and advances to and guarantees issued on behalf of stock brokers; and

(iv) underwriting commitments in respect of equity related primary issues including through book building route; and

(v) any other equity related exposure to capital market.

4. The CME does not cover acceptance of shares, debentures, units of mutual funds, etc. assigned to the NBFCs and RNBCs as collateral or additional security, if they are accepted as per normal business practice and appraisal procedure, as also the investments by RNBCs in compliance with the provisions of paragraph 6 of the Residuary Non-Banking Companies (Reserve Bank) Directions, 1987.

5 'Subsidiaries' and 'Companies in the same group' mentioned in this Return have the same meanings assigned to them in Section 4 and Section 372 (11) respectively, of the Companies Act, 1956.

6 Turnover means total of sales and purchases in the same category of investments.

7 In case there is nothing to report in any part / item of the Return, **00s** may be indicated in the column(s) meant for "*Amount*".

8. The Return should be signed by any of the Principal Officers as given in the Annual return on deposits (NBS-1/NBS-1A).

9. The term Gross Purchases indicates exposures which result in increase in capital market exposure and Gross Sales means exposure which result in decline in capital market exposure of the NBFC/RNBC.



## Part 1 – Quoted Investments

(Amount in lakhs of Rs.)

Particulars of investments	Turnover during the last month			Book value as at the end of the month	Market value as at the end of the month
	GP*	GS**	Total		
1. Investment in Quoted Equity shares of Companies including Public Sector Undertakings					
1.1 Companies in the same group					
1.2 Other companies					
2. Investment in quoted convertible bonds / debentures of Companies including Public Sector Undertakings					
2.1 Companies in the same group					
2.2 Other companies					
3. Investment in units of primarily equity oriented Mutual Funds					
4. Investments in quoted Compulsorily Convertible Preference Shares					
4.1 Companies in the same group					
4.2 Other companies					
5. Total of investments in quoted shares, bonds/ convertible debentures, units of primarily equity oriented Mutual Funds (1+2+3+4)					
6. Loans and advances against quoted shares or quoted convertible bonds/debentures or units of primarily equity oriented Mutual Funds to companies against					
(a) physical securities					
(b) demat securities					
6.1 Of 6 above, maximum amount given to a company					

6.2 Of 6 above, loans and advances to companies for financing of IPOs					
6.2.1 physical securities					
6.2.2 demat securities					
6.3 Of 6 above, loans and advances to					
6.3.1 Companies in the same group					
6.3.2 Other companies					
7. Loans and advances against quoted shares or quoted convertible bonds/debentures or units of primarily equity oriented Mutual Funds to Individuals, firms, HUFs and unincorporated associations of persons against					
(a) physical securities					
(b) demat securities					
7.1 Of 7 above, maximum amount of loan and advances given to one individual or a firm or an HUF or an unincorporated association of persons					
7.2. Of (7) above, loans and advances to individuals, firms, HUFs and unincorporated associations of persons for financing of IPOs against					
7.2.1 physical securities					
7.2.2 demat securities					
8. Exposure to stock brokers					
8.1 Loans to stock brokers:					
8.1.1 Secured					
8.1.2 Unsecured					
8.1.3 Sub Total 8.1.1 + 8.1.2					
8.2 Guarantees on behalf of stock brokers					
8.3 Maximum amount of loan and advances given to a stock broker					
8.4 Total of exposure to stock brokers (8.1.3+8.2)					
8.5 Of 8.4 above, the exposure to broking entities/firms in the own group of NBFC					

9. Underwriting commitments of the company in respect of equity related primary issues including through book building route					
10. Any other equity related exposure to capital market (Please specify)					
<b>11. TOTAL CAPITAL MARKET EXPOSURE – (5 +6 + 7 + 8 + 9 + 10)</b>					

### **Part – 2 Unquoted investments**

12. Investment in unquoted Equity shares of Companies including Public Sector Undertakings					
12.1 Companies in the same group					
12.2 Other companies					
13. Investment in unquoted bonds / debentures of Companies including Public Sector Undertakings					
13.1 Companies in the same group					
13.2 Other companies					
14. Total of investments in unquoted equity shares/bonds/debentures (12+13)					

\* GP – Gross Purchases

\*\* GS – Gross Sales

### **Part - 3 Position as per last Audited Balance Sheet**

15. Owned Funds of the company as per last audited balance sheet	
16. Total assets of the company (net of intangibles) as per last audited balance sheet	
17. Total deposits (for RNBCs)/public deposits (for NBFCs) of the company as at the end of the month to which the return relates	

-----  
Signature of Manager/ Managing  
Director / Authorised Official

Place : -----

Name : -----

Date:-----

Designation : -----