

RBI/2006-2007/267
DNBS (PD) CC. No.90/ 03.10.001/2006-07

February 23, 2007

All Systemically important Non-Deposit taking NBFCs (all non-deposit taking NBFCs with asset size of Rs. 100 Crore and above)

Dear Sir / Madam,

Misuse of Bank Finance for hoarding – Status and Action

Concerns have been expressed that some of the corporates / entities may be hoarding foodgrains which could have had the benefit of resources from the NBFC finance. NBFC-ND-SI (all non-deposit taking NBFCs with asset size of Rs. 100 Crore and above) are advised to undertake a scrutiny of their financial exposures to large borrowers for procurement of foodgrains.

2. The above class of NBFCs may also consider a quick scrutiny of the accounts on whom they have large exposure and confirm to themselves that funds have not been diverted for procurement of foodgrains with a view to hoarding.

3. NBFC-ND-SI are being sensitized to this issue and hence requested to provide a comprehensive report on the above by March 10, 2007.

Yours faithfully,

(P Krishnamurthy)
Chief General Manager –in -Charge