

Norms for Infrastructure Loans granted by NBFCs relaxed

August 1, 2003

The Reserve Bank of India today modified the prudential norms applicable to non-banking finance companies (NBFCs) in relation to their exposure to infrastructure loans. The norms prescribed for NBFCs are in alignment with the norms prescribed for banks and financial institutions.

Accordingly, for the purpose of encouraging NBFCs to grant infrastructure loans, the Reserve Bank of India has specified that, now, when infrastructure loans granted by NBFCs are restructured or renegotiated or rescheduled before the assets have been classified as sub-standard, they can continue to be classified as standard assets, subject to certain conditions. Further, NBFCs are now allowed to exceed the exposure norms by 5 per cent for single party and 10 per cent for single group of parties if the additional exposure is on account of infrastructure related loans and investments. Further, all investments by NBFCs in AAA rated securitised paper pertaining to the infrastructure facility would attract risk weight of 50 per cent (instead of 100per cent).

Reduction in the period of NPA

A non-performing asset (NPA) will be classified in sub-standard category for a period of only 18 months, instead of the present norm of 24 months, from the date it is recognised as NPA. Similarly, after an asset has remained in sub-standard category for 18 months, as against the present norm of 24 months, it would be classified as a doubtful asset.

The detailed circulars and notifications are available on RBI website www.rbi.org.in

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