

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4021

ANSWERED ON:26.08.2011

CHEAPER FUNDS TO NBFCs

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Will the Minister of FINANCE be pleased to state:

- (a) whether the benefits of access to External Commercial Borrowings (ECBs) and cheaper funds is restricted to those Non Banking Financial Companies (NBFCs), which fall within the ambit of Infrastructure Finance Company (IFC);
- (b) if so, the details thereof;
- (c) whether the Government is considering to extend similar facilities to some important NBFCs as available to IFCs;
- (d) if so, the details thereof; and
- (e) if not, the reasons therefor?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) to (e): The present classification of Non-Banking Financial Companies (NBFCs) stands modified to include Infrastructure Finance Companies (IFCs) vide Reserve Bank of India (RBI) Circular dated 12.02.2010 whereby an IFC is defined as a Non-Deposit taking NBFC fulfilling the following criteria:

- i. not accept deposits from the public;
- ii. have net owned funds of Rs. 300 crore or above;
- iii. have a minimum credit rating 'A' or equivalent of CRISIL, FITCH, CARE, ICRA or equivalent rating by any other accredited rating agencies; and
- iv. have a CRAR of 15 percent (with a minimum Tier I capital of 10 percent).

IFCs may exceed the concentration of credit norms as provided in the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

As per the extant regulations of Foreign Exchange Management Act (FEMA), 1999, NBFCs categorised as IFCs by RBI are permitted to raise funds through External Commercial Borrowings (ECBs) under automatic and approval routes from internationally recognized sources (recognized lenders) in accordance with the rules and regulations of FEMA, 1999.

The ECB Guidelines / rules and regulations under FEMA are amended from time to time keeping in view the objectives and performance of various segments, and the overall dynamics of the economy.