

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2250
ANSWERED ON:05.12.2014
NORMS FOR NBFCs
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Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India (RBI) has tightened norms for bad loan classification for Non-Banking Finance Companies (NBFCs);
- (b) if so, the details thereof;
- (c) whether the RBI has raised the limit for NBFCs to maintain the net fund requirement to four times by 2017;
- (d) if so, the details thereof;
- (e) whether the NBFCs failing to achieve the prescribed ceiling within the stipulated time shall not be eligible to hold the certificate of Registration; and
- (f) if so, the details thereof?

Answer

THE FINANCE MINISTER (SHRI ARUN JAITLEY)

(a) and (b): An asset is classified as Non-Performing Asset (NPA) when it has remained overdue for a period of six months or more for loans; and overdue for twelve months or more in case of lease rental and hire purchase instalments, as compared to 90 days for banks. In the interest of harmonization, it has been decided to bring the asset classification norms for non-deposit taking systemically important Non-Banking Finance Companies (NBFCs-ND-SI) and deposit taking NBFCs (NBFCs-D) in line with that of banks, in a phased manner.

The asset qualification norms in the revised regulatory framework are given below.

1. Lease Rental and Hire-Purchase Assets shall become NPA:

- i. if they become overdue for 9 months (currently 12 months) for the financial year ending March 31, 2016;
- ii. if overdue for 6 months for the financial year ending March 31, 2017; and
- iii. if overdue for 3 months for the financial year ending March 31, 2018 and thereafter.

2. Assets other than Lease Rental and the Hire-Purchase Assets shall become NPA:

- i. if they become overdue for 5 months for the financial year ending March 31, 2016;
- ii. if overdue for 4 months for the financial year ending March 31, 2017; and
- iii. if overdue for 3 months for the financial year ending March 31, 2018; and thereafter;

For the existing loans, a one-time adjustment of the repayment schedule, which shall not amount to restructuring will, however, be permitted.

(c) and (d): It shall be mandatory for all NBFCs to attain a minimum Net Owned Fund (NOF) of Rs. 2 crore by the end of March, 2017 as per milestones given below:

Rs. 1 crore by the end of March, 2016 # Rs. 2 crore by the end of March, 2017

(e) and (f): RBI will contemplate action against NBFCs failing to achieve the prescribed ceiling within the stipulated period and such NBFCs shall not be eligible to hold the Certificate of Registration (CoR) as NBFCs.