

NON BANKING FINANCIAL COMPANIES



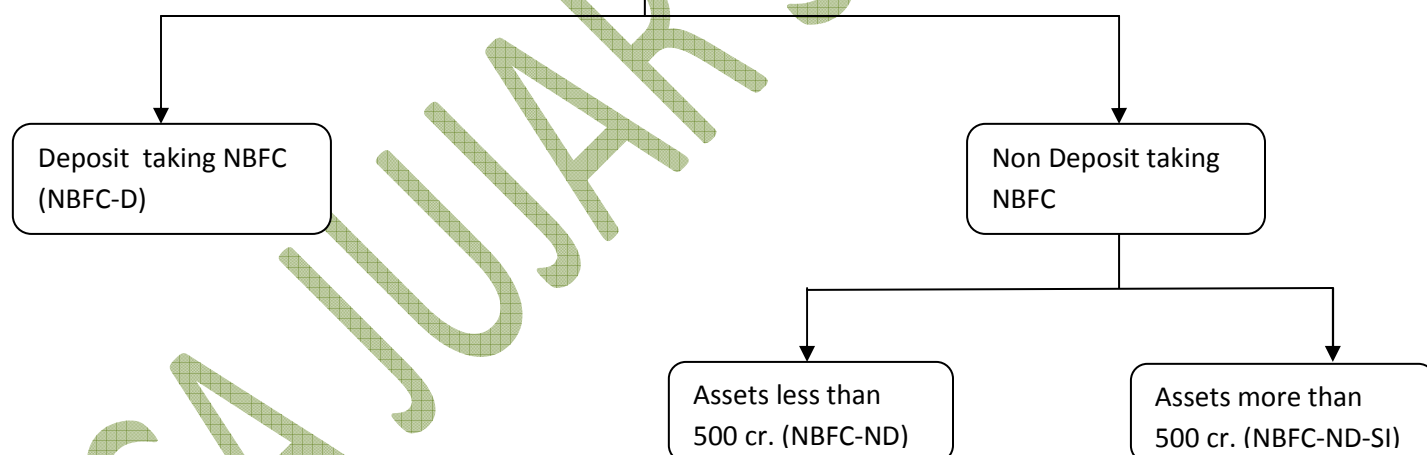
NBFC IS A **COMPANY**, FOLLOW **RBI** GUIDELINES

ENGAGED IN THE BUSINESS OF LOAN & ADVANCES
,LEASING,HIRE PURCHASE ,INSURANCE,CHIT BUSINESS ETC.

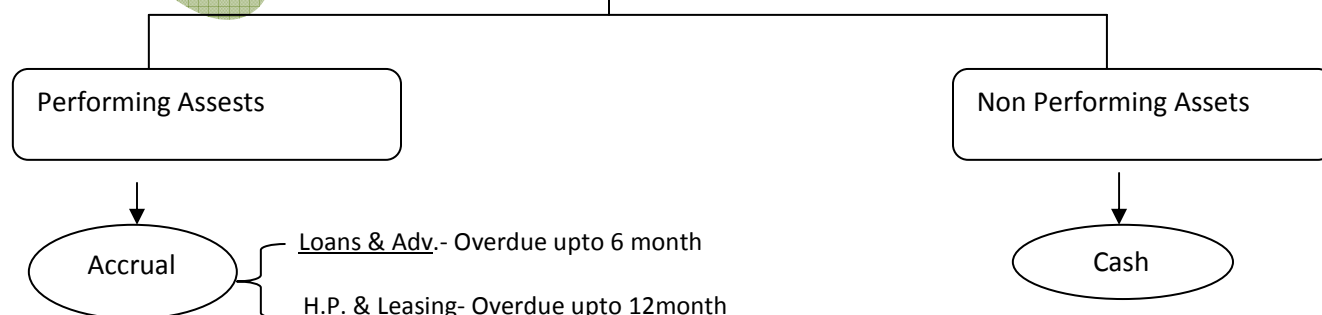
But not accept Demand Deposit

Can't issue Cheque

Categories of NBFC



Income Recognition



Dividend income on shares may be recognized when **right to dividend** has been established.
Interest on Bond and Debentures to be recognized on **accrual basis**.

Provisioning Requirement In Of The Lease & Hire Purchase Assets

Particulars	Definition	NBFC-ND-SI(Assets more than 500 cr.)	NBFC-ND**(Assets Less than 500 cr.)
Standard	<u>Performing Assets (overdue upto 12 month)</u>	0.35%	0.25%
Sub-Standard	<u>Non Performing Assets upto 14 month*</u>	10%	10%
Doubtful	<u>Non Performing Assets more than 14 month*(i.e. Doubtful)</u>		
<u>Upto 1 year</u>		20%	20%
<u>1 year to 3 year</u>		30%	30%
<u>More than 3 year</u>		50%	50%
<u>Loss Assets</u>	<u>Identified as Loss</u>	100%	100%

*Consider 12 month for year ending 31st March 2018 & thereafter in the case of NBFC-ND-SI

** Consider 18 month instead of 14 month in case of NBFC-ND

Additional Provision

S.No.	Particulars	Provision
<u>1</u>	Up to 12 month	NIL
<u>2</u>	Over 12month and up to 24 month	10% of Net Book Value
<u>3</u>	Over 24 month and up to 36 month	40% of Net Book value
<u>4</u>	Over 36 month and up to 48 month	70% of Net Book Value
<u>5</u>	Over 48 month	100 % of Net Book Value

Basic Provision

Installment Due but not received	XXX
Add: Installment due in future	XXX
Less: Interest Income not yet recognized in future	(XXX)
Less: Depreciated Value of Asset	
(Cost- 20% Dep on SLM)	(XXX)
	XXXX

Owned Fund and Net Owned Fund

Equity share capital	xxx	It shall include CRR, DRR, Securities Prem, General Reserve, Convertible Pref share Cap, Capital Reserve (If realized in cash)
Add: Free Reserve	xxx	
Less: Losses	(xxx)	
Less: Deferred exp	(xxx)	
Less: Intangible Asset	(xxx)	
Owned Funds	xxx	
Less: Excess advances and Investment (In Group companies beyond 10% of Owned Funds)	(xxx)	
_Net Owned Fund	xxxx	

This is also called **Tier – I Capital Employed**

NBFC should transfer a minimum of 20% of their profit to reserves before declaration of dividend.

Tier – II Capital Employed

Non - Convertible Pref share cap	xxx
Add: Revaluation Reserve	xxx
Add: Capital Reserve (Not realized in Cash)	<u>xxx</u>
	xxx

Note: Tier-II Capital Employed can never exceed Tier - I Capital Employed Capital to Risk Weighted Asset Ratio (CRAR)

Every NBFC to which the prudential norms are applicable shall have CRAR of minimum 15

$\% \text{ CRAR} = (\text{Capital employed} / \text{Risk weighted Assets}) \times 100$

Capital Employed = Tier – I + Tier – II