NON BANKING FINANCIAL COMPANIES

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

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

But not accept Demand Deposit

Can't issue Cheque

Categories of NBFC

- Deposit taking NBFC (NBFC-D)
- Non Deposit taking NBFC
  - Assets less than 500 cr. (NBFC-ND)
  - Assets more than 500 cr. (NBFC-ND-SI)

Income Recognition

- Performing Assests
  - Accrual
    - Loans & Adv.- Overdue upto 6 month
    - H.P. & Leasing- Overdue upto 12month
- Non Performing Assets
  - Cash

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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	Performing Assets (overdue upto 12 month)	0.35%	0.25%
Sub-Standard	Non Performing Assets upto 14 month*	10%	10%
Doubtful	Non Performing Assets more than 14 month*(i.e. Doubtful)		
Upto 1 year		20%	20%
1 year to 3 year		30%	30%
More than 3 year		50%	50%
Loss Assets	Identified as Loss	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
1	Up to 12 month	NIL
2	Over 12month and up to 24month	10% of Net Book Value
3	Over 24 month and up to 36 month	40% of Net Book value
4	Over 36 month and up to 48 month	70% of Net Book Value
5	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	
Add: Free Reserve	xxx	
Less: Losses	(xxx)	It shall include CRR,DRR,Securities Prem,General Reserve, Convertible Pref share Cap, Capital Reserve (If realized in cash)
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)	xxx
	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

% CRAR = (Capital employed / Risk weighted Assets) x 100

Capital Employed = Tier –I + Tier – II