



Non-Banking Finance Company

By Pathik Shah

What is an NBFC?

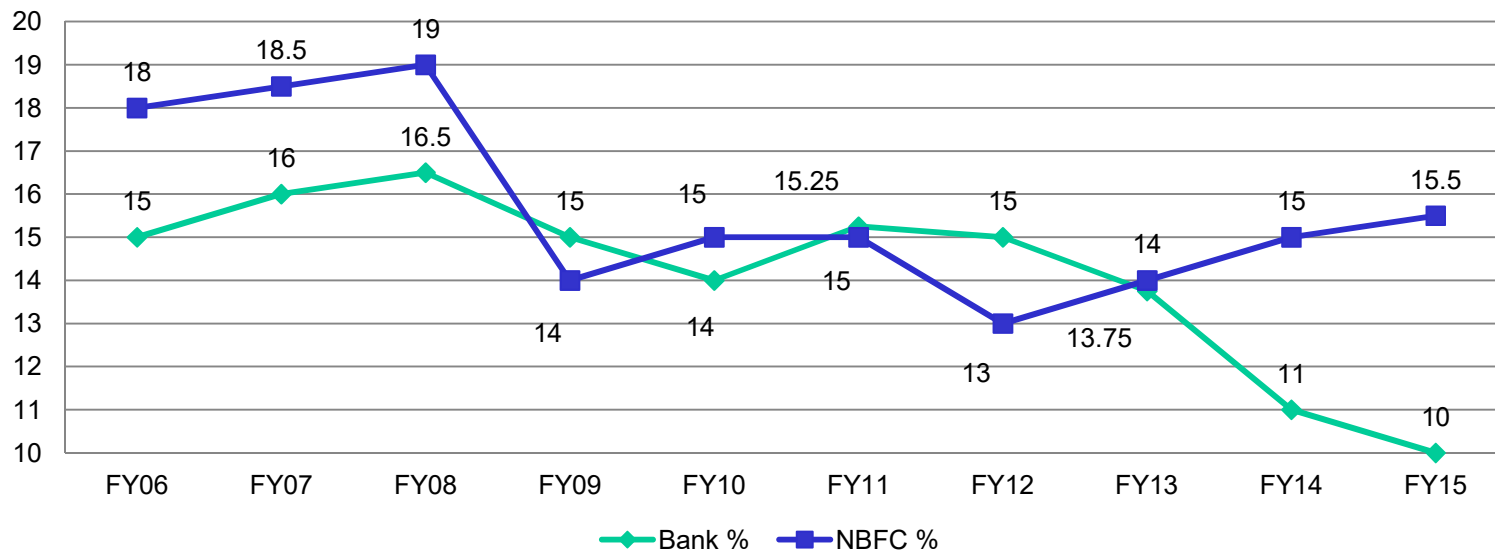
A Non-Banking Finance Company (NBFC) is a company registered under Companies Act and is engaged in business of:

- Loans and Advances
- Acquisition of shares, stocks, bonds, debentures, securities issued by government, other securities of like marketable
- Leasing
- Hire-purchase
- Merchant banking companies
- Stock broking companies
- RNBCs

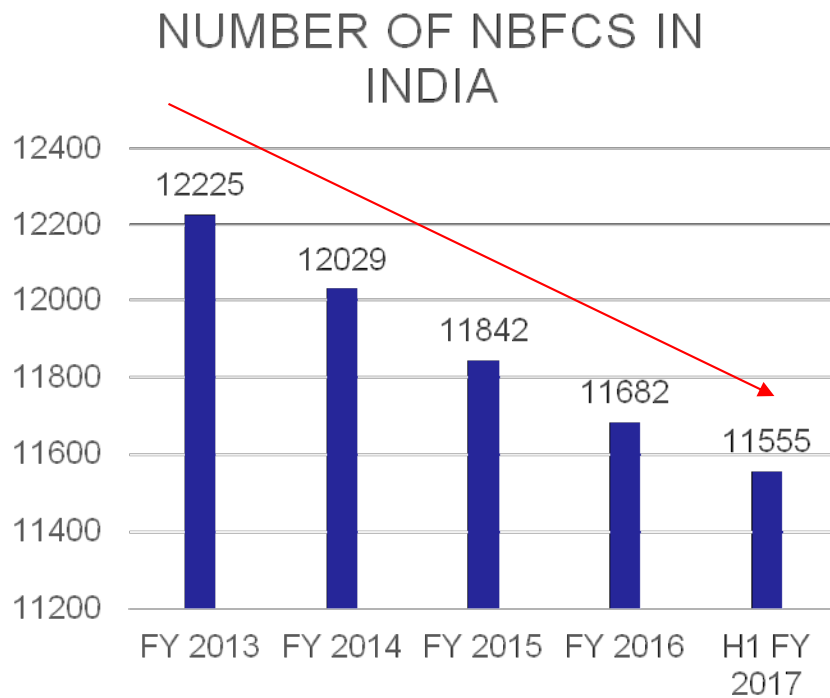
Advantage of NBFC

- HNI's can do secured lending
- Property can be mortgage against lending amount
- If default in repayment recovery can be made by sale of mortgage property
- RBI has deregulated interest rate to be charged to borrowers – so NBFC can charge any interest rate

Return on equity



Number of NBFC registered in India



Over 95% of the registered NBFCs are either Investment Companies or Loan Companies

Data source: RBI

Registration with RBI as NBFC

- NBFC should have net owned fund (Equity + Reserves) of minimum Rs. 2 crore
- NBFC should make application to RBI for registration with necessary documents
- Compulsory Rs. 2 crore Fixed deposit to be made with any bank till registration received as NBFC
- NBFC should have a director having experience in Financial Service Sector / preferably director in other NBFC
- RBI issued certificate after satisfying itself conditions as per RBI Act

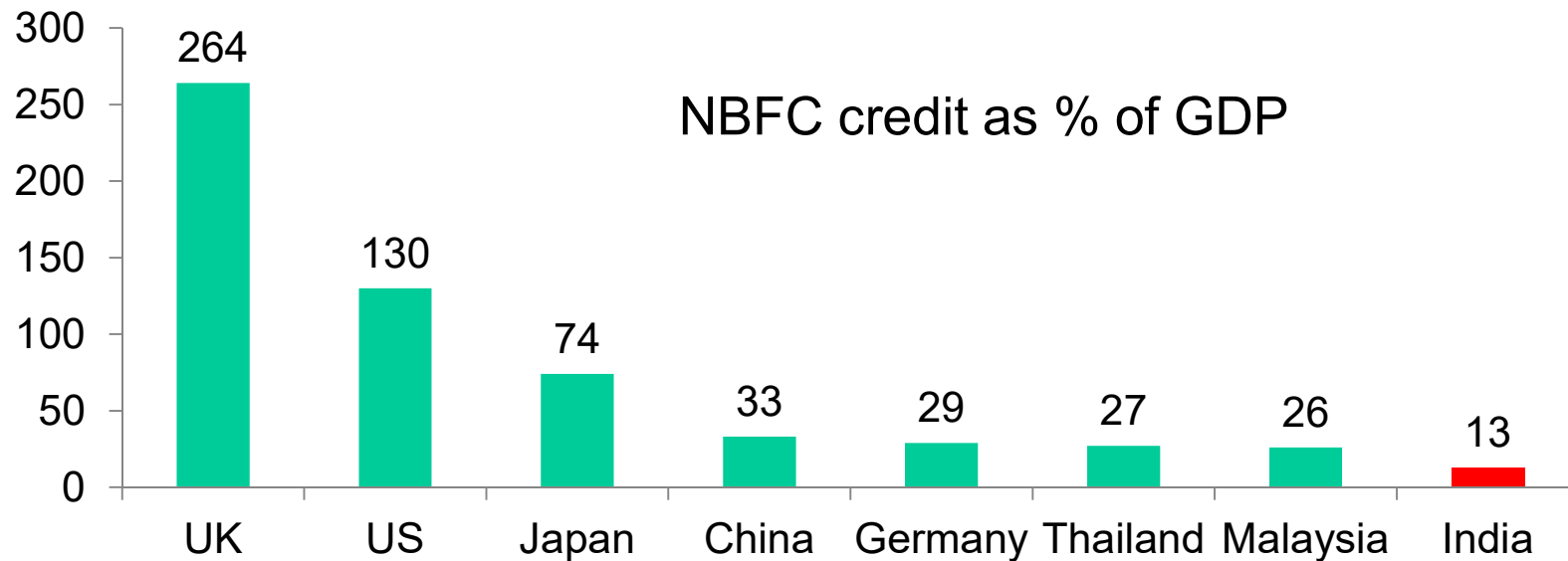
Process take 3 to 8 months for registration with RBI as NBFC

Size of NBFC sector in India

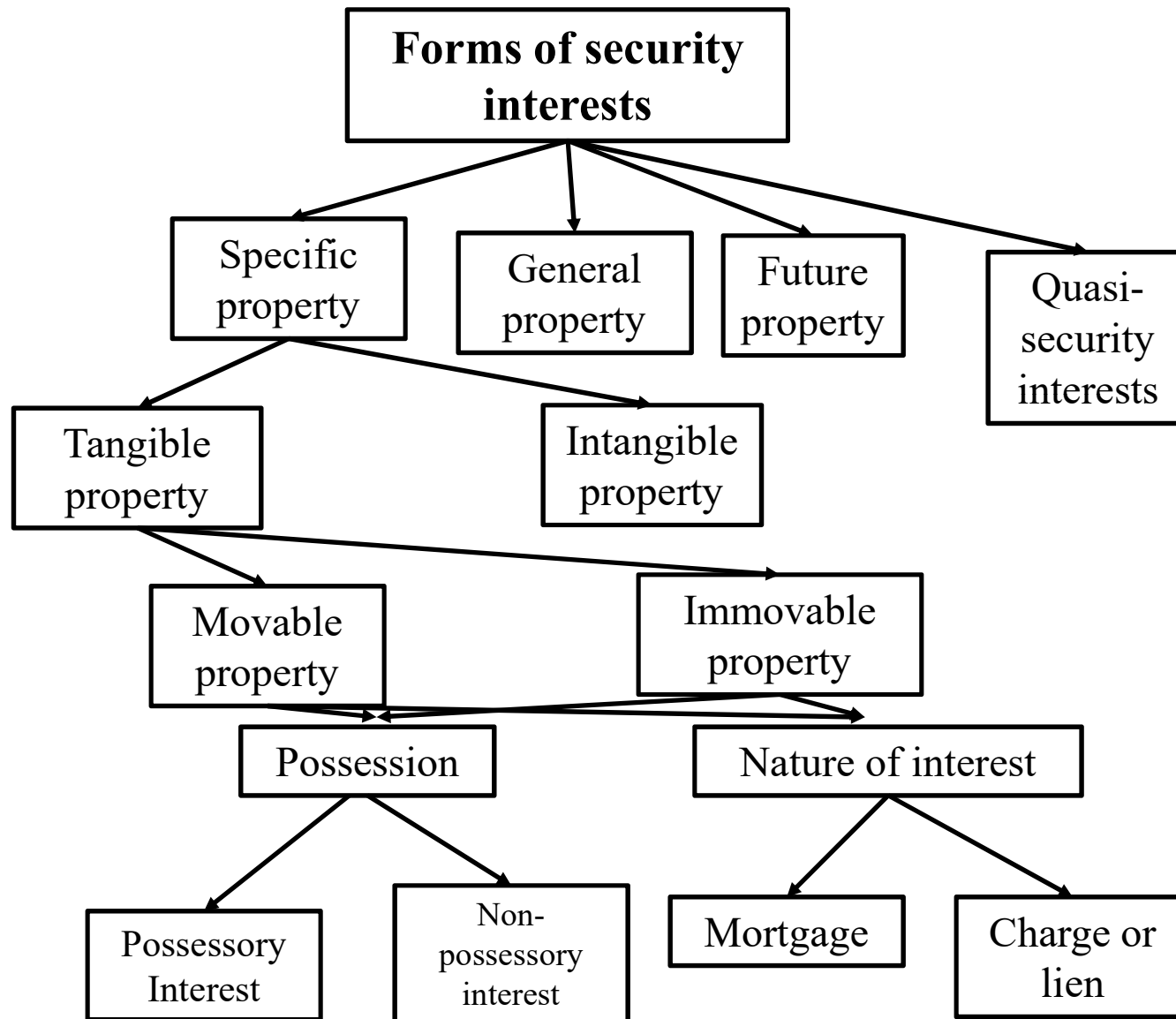
Assets of NBFC and Banking (SCBs) Sectors as a % to GDP								
Ratio	Year							
	2006	2007	2008	2009	2010	2011	2012	2013
NBFC Assets to GDP (%)	8.4	9.1	10.1	10.3	10.8	10.9	11.9	12.5
Bank Assets to GDP (%)	75.4	80.6	86.8	93.0	93.0	92.2	92.7	95.5

NBFC sector in India and other countries

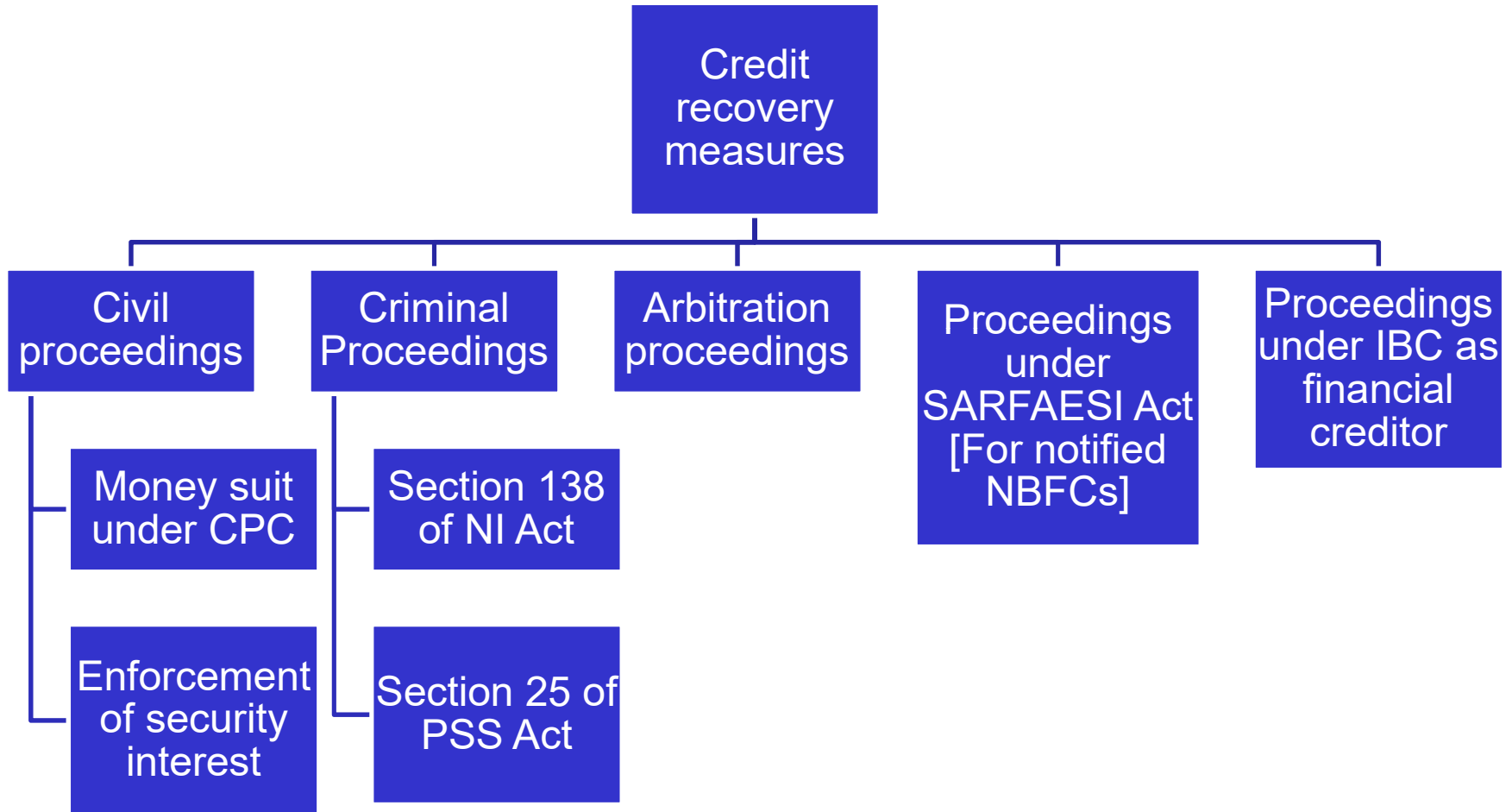
NBFC size substantially lower vs. other economies



Types of Securities can be taken



Recourses for RECOVERY



Options to get funding in NBFC

NBFC – (non accepting deposit) can take loan from:

- Share holders
- Directors
- Any other company (Inter-corporate deposit)
- Private placement of Non Convertible Debentures with a minimum subscription of Rs. 1 crore per investor (Maturity more than 1 year and this can be unsecured)
- Secured Non-Convertible Debenture minimum subscription Rs. 20,000 per investor for maturity less than 1 year through private placement
- Compulsory convertible debenture within 5 years
- Any Banks



Foreign Direct Investment in NBFC

**100% allowed – without no limit on
minimum investment**

Returns and compliance under NBFC

For NBFC-ND having asset size less than 100 crore

- NBFC to take membership of Credit information agency (CIBIL, Equifax, Experian and Highmark)
- Quarterly – position of asset & liability to file with RBI
- Annually – to be file with RBI

Name of the Return	Reference date	Reporting Time	Due on
NBS-9	31 st March	60 days	30th May
Statutory Auditor Certificate	31 st March	One month from the date of finalisation of Balance Sheet. Not later than 31st December.	



For any query:

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