NBFC – Acceptance of Deposits prudential norms & Auditors duties

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On behalf of: -

WESTERN INDIA REGIONAL COUNCIL OF
THE INSTITUTE OF CHARTERED
ACCOUNTANTS OF INDIA

BACKGROUND

- Reserve Bank of India Act, 1934 – (amended 1st Dec, 1964)- Reserve Bank Amendment Act, 1963 - covered provisions for Non-Banking Institutions receiving deposits.

- Late 90's - NBFC accepting deposits emerged an alternative to mainstream Banking - Regulatory Arbitrage between banks and NBFC

- Protection of Depositors –A Key Concern

- Revised regulatory framework over the years, resulted in segregation of all NBFC's (such as NBFC-ND, NBFC-D, NBFC-ND-SI, NBFC-D-SI)

- February 2007 - Directions relating to Prudential Norms for NBFC-D issued ; Excluded Govt. Cos. under S.617 of Cos. Act, 1956 accepting/holding public deposit

- All prudential norms applicable. Not much change from earlier guidelines

Prudential Norms - Matrix

Sr. No	Particulars	NBFC - D	NBFC - ND
1	Income recognition	Applicable	Applicable
2	Income from investments	Applicable	Applicable
3	Accounting standards	Applicable	Applicable
4	Accounting of investments	Applicable	Applicable
5	Need for Policy on Demand/Call Loans	Applicable	Applicable
6	Asset Classification	Applicable	Applicable
7	Provisioning requirements	Applicable	Applicable
8	Disclosure in the balance sheet	Applicable	Applicable
9	Accounting year	Applicable	Applicable
10	Schedule to the balance sheet	Applicable	Applicable
11	Transactions in Government securities	Applicable	Applicable
12	Submission of a certificate from Statutory Auditor to the Bank	Applicable	Applicable

Sr. No	Particulars	NBFC - D	NBFC - ND
13	Requirement as to capital adequacy	Applicable	Applicable
14	Loans against non-banking financial company's own shares prohibited	Applicable	Applicable
15	Non-banking financial company failing to repay public deposit prohibited from making loans and investments	Applicable	N.A
16	Restrictions on investments in land and building and Unquoted shares	Applicable	N.A
17	NBFCs not to be partners in partnership firms	Applicable	Applicable
18	Submission of half yearly return	Applicable	N.A
19	Exposure to Capital Market	Applicable	N.A
20	Norms relating to Infrastructure loan	Applicable	N.A
21	Norms for restructuring of advances	Applicable	Applicable
22	Exemptions	Applicable	Applicable
23	Submission of 'Branch Info' Return	N.A	Applicable

Registration/ Board requirements

- Obtain CoR from RBI

- Maintain minimum Tier I and Tier II capital - 15 percent of aggregate risk weighted assets on-balance sheet and of risk adjusted value of off- balance sheet items.

- Total Tier I capital, at any point of time be not be less than 8.5 percent by March 31, 2016 and 10 percent by March 31, 2017.

Regulatory Restrictions for Deposit accepting NBFC

- Cannot offer gifts/incentives or any other additional benefit to the depositors.
- NBFC accepting public deposit cannot –
  - ✓ invest in Land and Building – Own use permissible subject to Max 10% of Owned funds
  - ✓ invest in Unquoted shares of another co. - Exceeding 10% of Owned funds for AFC. (20% In case of Loan or investment co)

Land or building or unquoted shares acquired in satisfaction of debts – to dispose within 3 years or extended time by RBI where investment exceeds above ceiling limits

- ✓ be Partner in Partnership Firms/LLP or part of AOP or Contribute Capital to Partnership

NBFCs which had already contributed to capital of a LLP / Association of persons or partner of a LLP / Association of persons to seek early retirement

Accounting standards

- Accounting Standards and Guidance Notes issued by the Institute of Chartered Accountants of India (referred to in these Directions as "ICAI") shall be followed in so far as they are not inconsistent with any of these Directions.

Income Interest/HP/ Lease recognition

- Based on recognised accounting principles.
- Interest/discount/ other charges on NPA – On cash basis
- Hire purchase/ Leased assets : Installments /Rentals overdue > 12 month –

  a) Income recognised when hire charges / lease rentals actually received ,

  b) Unrealised Hire purchase income / Net lease rentals before being NPA –To Reverse

Income from investments

- Dividend on shares of corporate bodies and units of mutual funds - Cash basis

  Exception - Recognise on accrual basis for Body corporate where Dividend declared in such AGM and right to receive by NBFC is established.

- Bonds / debentures of corporate bodies and Government securities/bonds - accrual

  Exception:- Allowed where interest rate on instruments is pre-determined & interest serviced regularly and not in arrears

- Income on securities of public sector undertakings –

  payment of interest / repayment of principal recognised on accrual basis where

Accounting of investments & Inter Class transfers

- Board approved Investment policy with classification critetions of investment into current & long term

- Investments in securities classified into current and long term, at the time of making investment;

- Inter class transfer of Assets permitted with conditions :-

  a) No ad-hoc basis inter class transfer , transfer can be done on 1st April or on 1st October

  b) Scrip wise Transfer permitted at lower of book value or market value from current to long term or vice versa

  c) Depreciation of each scrip to be fully provided for, All appreciation to be ignored

  d) No Scrip wise set off [illegible] appreciation in another scrip in

Accounting of investments

Quoted current investments		Unquoted current investments	
Group	**Valuation**	**Group**	**Valuation**
Equity shares	cost or market value whichever is lower	Equity shares	cost or break up value, whichever is lower
Preference shares	cost or market value whichever is lower	Preference shares	cost or face value, whichever is lower
Government securities including treasury bills	cost or market value whichever is lower	Government securities including treasury bills	carrying cost
units of mutual fund	cost or market value whichever is lower	units of mutual fund	net asset value

Long term investments valued as per AS-13

Accounting of investments

- **Quoted current investments** – Accounting for Depreciation / Appreciations

  a) Value For <u>each category</u> scrip wise - cost or market value whichever is lower.

  b) Cost and market value aggregated for all investments in each category.

  c) Where aggregate market value for category < aggregate cost for that category - Net depreciation charged to P/L

  d) Ignore appreciation - Where aggregate market value for category > aggregate cost for category

  e) Depreciation in one category cannot be set off against appreciation in another category

- ***Unquoted debentures classified as investments are exceptions –***

  Valued akin term loans or other type of credit facilities depending upon tenure of such

Demand/Call Loans

- Board approved policy inter alia to identify …

  a) Cut off date by repayment of demand / call loan be demanded or called up;

  b) rate of interest payable either at monthly or quarterly rests;

- Sanctioning authority to record reasons at time of sanction where cut off date for such loan > Period of 1 year from date of sanction and if no interest is stipulated or a moratorium is granted for any period

- Renewal of Demand or call loans subject to periodical reviews & satisfactory compliances of sanction terms.

Asset Classification

Asset	Particular	Period
Standard assets	Provision for standard assets at 0.25 per cent of the outstanding. Provision not be netted from gross advances but shown **separately** as 'Contingent Provisions against Standard Assets' in balance sheet.	Rate:- 0.25 % as on March 31, 2015; 0.30 % as on March 31, 2016; 0.35 % as on March 31, 2017; 0.40 % as on March 31, 2018 and thereafter".
Doubtful and Sub-standard asset	A term loan, or a lease asset, or a hire purchase asset, or any other asset, which remains sub-standard asset for a period exceeding 18 months ;	Provided that the period - 'exceeding 18 months' - Till FY ending March 31, 2015 'exceeding 16 months', - FY ending March 31, 2016; 'exceeding 14 months', - FY ending March 31, 2017 and 'exceeding 12 months', - FY ending March 31, 2018 and thereafter."

Asset Classification

Asset	Particular	Period
NPA	1) Interest, term loan instalment, demand or call loan, bill or any dues, which remained overdue for a period of 6 months or more:	Provided that the period ‘6 months or more’-Till FY ending March 31, 2015 ‘5 months or more’- FY ending March 31, 2016; ‘4 months or more’ - FY ending March 31, 2017 ‘3 months or more’ - FY ending March 31, 2018 and thereafter.”
	2) Lease rental and hire purchase instalment, which has become overdue for a period of twelve months or more;	Provided that the period:- ‘12 months or more’ - Till FY ending March 31, 2015 ‘9 months or more’ - FY ending March 31, 2016; ‘6 months or more’ – FY ending March 31, 2017 and ‘3 months or more’ - FY ending March 31, 2018 and thereafter.

Asset Classification

Asset	Assessment for types of Advances	Provisioning norms for assets other then lease/HP	Provision norms- lease/ Hire Purchase assets
Standard	No default risk perceived and not carrying more than normal risk attached to its business	0.30% on standard assets	
Sub-standard	- Lease/ Hire purchase rentals overdue > 9 months ; Other facilities Int./ Principal overdue > 6 months; -Agreement term renegotiated / rescheduled / restructured after commencement of production till 1 year satisfactory performance under renegotiated terms	10%	Rentals overdue greater than:- 12 months but upto 24 months - 10% of Net Book Value(NBV) 24 months but upto 36 months- 40% of NBV 36 months but upto 48 months - 70% of NBV More than 48 months – 100% of NBV; On 12 month expiry after last installment due date entire book value to provide.
Doubtful	Substandard asset > 16 months	20% - upto 1 yr; 30% - 1 to 3 yr; 50% - more than 3 yr; 100% for unsecured portion	
Loss	Threat of non- recovery; identified as loss by NBFC/ its auditors/ RBI	100%	

Asset Classification

A class of assets referred in asset classification not be upgraded merely as a result of rescheduling, unless it satisfies the conditions required for upgradation

Disclosure of provisions in the Balance Sheet

- Separately disclose provision without netting of the income or against the value of asset
- Provisions indicated under separate heads of account as under:

  (i) provisions for bad and doubtful debts; and

  (ii) provisions for depreciation in investments.

- Provisions not be appropriated from general provisions and loss reserves held
- Provisions for each year to be charged to the profit and loss account. Excess of provisions, if any, held under the heads general provisions and loss reserves

Accounting Year

- Prepare balance sheet and profit and loss account as on March 31 every year.
- For extensions prior approval of the Reserve Bank of India before approaching the Registrar of Companies for extensions.

Even though extension is granted, NBFC has to give unaudited Balance Sheet to RBI

Transactions in Government securities

- Every non-banking financial company may undertake transactions in Government securities through its CSGL account or its demat account:
- Provided that no non-banking financial company shall undertake any transaction in government security in physical form through any broker.

Credit Default Swaps (CDS)

- Permitted to buy credit protection to hedge the credit risk on corporate bonds

- Bonds can be either in Current or Long term category

Submission of a certificate from Statutory Auditor to the Bank

- Submit certificate from statutory auditors that it is engaged in NBFC activities and hold a Certificate of Registration under Section 45-IA of the RBI Act.

- A certificate from the Statutory Auditor with reference to the position of the company required to be submitted to the RO of the Department of Non-Banking Supervision under whose jurisdiction regd.

Loans against security of single product - gold jewellery

- Maintain Loan-to-Value Ratio not exceeding 75% for loans granted against the collateral of gold jewellery
- Not grant any advance for purchase of gold in any form – Includes gold bullion, gold jewellery, gold coins, units of ETF and units of gold mutual fund.
- NBFCs primarily engaged in lending against gold jewellery (such loans comprising 50% or more of their financial assets) shall maintain a minimum Tier I capital of 12%
- Disclose in balance sheet the percentage of such loans to their total assets.
- Board approved policy, Stringent KYC norms to follow , Due diligence of customers

Loans against security of single product - gold jewellery

- Assess ownership of Jewellery – where original receipt not available, other document which identifies ownership
- Valuation of gold jewellery based on rates prescribed by Bombay Bullion Association of last 30 days avg. of closing price of 22 carat gold 35 or historical spot gold price data publicly disseminated by a commodity exchange regulated by the FMC
- NBFC to give a certificate to the borrower on their letterhead, of having assayed the gold and stating the purity (in terms of carats) and the weight for the collaterised gold.
- RBI norms for opening of branches and vaults.

Non-banking financial company failing to repay public deposit prohibited from making loans and investments

- Failed to repay any public in part or whole with the terms and conditions of such deposit, shall not grant any loan or other credit facility

- Cannot accept fresh deposits

Exposure to Capital Market

- Every NBFC with total assets of Rs. 100 crore and above as per last audited balance sheet, to submit a monthly return within a period of 7 days of the expiry of the month to which it pertains to the RO – DNBS of RBI

Concentration Limits for credit/investments in counter parties/investee cos

- Max. exposure lending identified on owned funds for single borrower(15%) & single group of borrowers(25%)
- Max. exposure Investment norms on owned funds in Shares of single company(15%) or single group of companies (25%)
- In addition aggregate both lending and investment together in a Single party (25%) or group of single party (40%)
- Exemption for investment in shares of Insurance co. subject to limits approved by RBI
- Above norms not applicable to Residuary non banking co. for investment in Govt. securities/ Approved FI/Scheduled commercial bank.
- Norms not applicable for investment / deposit by NBFC in its subsidiaries

Norms relating to Infrastructure loan

- Increase in exposure limits for Infrastructure related loan and investment

The NBFCs may exceed the concentration of credit/investment norms

- 5% for any single party and 10% for a single group of parties

- Risk weight for investment in AAA rated securitized paper

The investment in “AAA” rated paper pertaining to the infrastructure facility shall attract risk of 50 per cent for capital adequacy purposes subject to:

- The infrastructure facility generates income / cash flows

- The rating by one of the approved credit rating agencies is current and valid.

Norms for restructuring of advances

- Norms for restructuring of advances by NBFCs shall be on the lines of the norms specified by the Reserve Bank of India for banks

Norms on Restructuring of Advances by NBFCs

- Spell out of Date of Completion(DOC) and Date of Commencement of Commercial Operations(DCCO) -- At time of financial closures & appraisal note
- **Projects under implementation**
  1. Project Loan
  2. Project Loans for Infrastructure Sector
  3. Project Loans for Non-Infrastructure Sector (Other than Commercial Real Estate Exposures)

Restructuring Project Loans

- All project loans are divided into 2 categories
  a) Project Loans for infrastructure sector
  b) Project Loans for non-infrastructure sector
- 'Project Loan' would mean any term loan which has been extended for the purpose of setting up of an economic venture.

Situations of restructure--

- When the completion of projects is delayed for legal and other extraneous reasons like delays in Government approvals etc.
- Factors beyond the control of the promoters – results into restructuring / reschedulement of loans by NBFCs

Restructure for Infrastructure Sector and Non Infrastructure Sector

<table>
<tr><th>Infrastructure Sector</th><th>Non Infrastructure Sector</th></tr>
<tr><td colspan="2">Loan can be classified NPA during any time before commencement of operations till the time it is eligible for classification as “standard asset”</td></tr>
<tr><td>Loan will be classified as NPA if it fails to commence operations within 2 years</td><td>Loan will be classified as NPA if it fails to commence operations within 1 year</td></tr>
<tr><td>A Standard Asset with in time band of 2 years from the DCCO, can be retained as Standard Asset if the fresh DCCO is fixed in the following limit.
· Infrastructure Projects involving court cases
· Infrastructure Projects delayed for other reasons beyond the control of promoters</td><td>-</td></tr>
</table>

Project Loans for Infrastructure Sector and Non Infrastructure Sector

Infrastructure Sector	Non Infrastructure Sector
Provisions regarding restructuring of accounts - application for restructuring be received **before the expiry of period of two years from the original DCCO** and **when the account is still standard** as per record of recovery.	If the delay in commencement in operation **extend beyond 1 year from DOC**, NBFC can prescribe from fresh DCCO and retain load as standard – provided further the fresh DCCO does not extend beyond 2 years from the original DCCO.
The other conditions applicable would be:	The other conditions applicable would be:
NBFCs should not book income on accrual basis beyond two years from the original DCCO, considering the high risk	NBFCs should not book income on accrual basis beyond one years from the original DCCO, considering the high risk

Restructure Loans –Other matters

- Cost overruns allowed to be funded

In line with Standby facility at time of sanction / within time limits of DCCO without treating loan as restructured asset.

Maintainance of other conditions (eg maintaining original Debt equity ratio at time of initial financial closure, sponsor brings its share of funds for overruns etc.)

Restructure Loans –Other matters

- **Revival of stalled projects even after extended DCCO-**

a) NBFCs can permit further extension of the DCCO of the project up to two years without classifying as NPA – Conditions include existent management proven inefficient, new promoters fund min 51% of equity in Project, viability assessment of project;

Project loans -Commercial Real Estate

- CRE projects – an extension not a restructure if revised DCCO falls within 1 year of original DCCO & no change in other terms

- servicing loan by equal or shorter durations compared to period of DCCO extended

- Such CRE Loan a standard asset without higher provisions for restructured asset

Income recognition - Restructuring

- Project under implementation classified as standard – Recognise income on accrual

- Funded Interest - All NPA's whether subject to restructure or not - Recognise on cash basis

- Conversions of interest dues of debt into Equity/ Debentures -

  a) If income recognised for such income,

Eligibility criteria for restructuring of advances

- ✓ NBFCs may restructure the accounts under 'standard', 'substandard' and 'doubtful' categories.
- ✓ **No retrospective effect** in a reschedule / restructure / renegotiate borrowal accounts
- ✓ Process of re-classification of an asset should not stop merely because restructuring proposal is under consideration.
- ✓ Asset classification status as on the date of approval of the restructured package by the competent authority relevant to decide the status of the account after restructuring / rescheduling / renegotiation.
- ✓ In case there is undue delay in sanctioning a restructuring package and in the meantime the status of the account undergoes deterioration, it would be a matter of supervisory concern.
- ✓ No account will be taken up for restructuring unless the financial viability is established

Eligibility criteria for restructuring of advances

- No ever greening permitted

Auditors duties :-

- NBFC has assessed the cash flows & viability
- Viability determined based on acceptable viability benchmarking on case to case basis
- such viablity parameters includes Debt service coverage ratio, IRR, GAP between IRR and Cost of funds etc. as applicable to sector where the Asset is operating
- BIFR cases not eligible for restructuring without BIFR approval
- Borrowers indulging in frauds and malfeasance remain ineligible for restructuring.

- No Financial Re-engineering - Provision for dimunition in fair value of restructured advances

Auditors duties :-

- Assess erosion value by NBFC – i.e. Fair value of loan before and after restructuring

Restructuring of advances -Asset classification norms

- **Restructuring of advances could take place in the following stages:**
  - ✓ Before commencement of commercial production / operation;
  - ✓ After commencement of commercial production / operation **but** before the asset has been classified as 'sub-standard';
  - ✓ After commencement of commercial production / operation **and** the asset has been classified as 'sub-standard' or 'doubtful'.
- 'standard assets' should be immediately reclassified as 'sub-standard assets' upon restructuring.
- NPA accounts retained in the same category on restructuring by the NBFC should be upgraded only when all the outstanding loan / facilities in the account perform satisfactorily

Conversion of Unpaid Interest into 'Funded Interest Term Loan' (FITL), Debt or Equity Instruments

- **Asset classification norms**

FITL / debt or equity instrument created by conversion of unpaid interest will be classified in the same asset classification category in which the restructured advance has been classified.

- **Income recognition**

a)Standard assets – Accrual basis else on cash basis for NPA classifed

b)Unrealised interest should have a corresponding credit in a/c styled “sundry liability account (interest capitalisation)” , On repayment the balances are reduced

Disclosures in Financials for restructured advances

- Includes in notes to accounts …

  ✓ No. and amt. of advances restructured

  ✓ Amt. of dimunition in fair value of restructured advances ---

  - details of accounts restructured on a cumulative basis excluding the standard restructured accounts which cease to attract higher provision and risk weight

  ✓ provisions made on restructured accounts under various categories

  ✓ details of movement of restructured accounts.

Audit Procedure

- **Ascertaining the Business of the company**
  - ✓ Audit of MOA and AOA of the company, to know the business of the company in which it is engaged itself.
  - ✓ May also scan through minutes of the Board/ Committee Meeting and hold discussion with the top level management to assess principal object of the company.
- **Evaluation of Internal Control System**
  - ✓ Understanding of the accounting system and related internal controls.
  - ✓ IFC
- **Registration with the RBI**
  - ✓ Obtain a copy of certificate of registration granted by the RBI
  - ✓ Verify the minimum net owned fund is 2 Crore for commencing/ carrying on its business.
  - ✓ Filings of quarterly returns have been filed with the RBI duly signed by an officer of the NBFC.

Audit Procedure

- **NBFC Public Deposit Directions**
  - ✓ Credit rating assigned to the NBFC
  - ✓ Public deposit accepted/ held by it in line with level of credit rating assigned.
  - ✓ downgrade of rating - public deposit be reduce accordingly with revised rating assigned to it.
  - ✓ Interest calculation practices
  - ✓ Acceptance or renewal of any public deposit only after a written application form depositor
  - ✓ Availability of depositors list.
  - ✓ Filed its annual return before 30th June with reference to its position as on 31st March of each year.

Audit Procedure

- **NBFC Prudential Norms Directions**

  - ✓ Compliance with prudential norms encompassing income recognition, income from investments, accounting Standard, Accounting of investments, capital adequacy norms, etc.
  - ✓ NPA assessment internal process. IT System checks.
  - ✓ Demand /call loans granted within a board approved framework and policy
  - ✓ Assessment of reasons for NPA account upgradations
  - ✓ Verification of revised Cash flows statement in case of Restructured assets
  - ✓ Approvals for any restructure, internal notes, date of restructuring

Audit Check Point

- **Investment :-**

  - ✓ Physical verification
  - ✓ Lending norms compliances
  - ✓ No advanced loans against the security of its own shares.
  - ✓ Income recognition norms compliances
  - ✓ Verify Bills/contract notes received from the broker.
  - ✓ Verify board minutes for purchase and sale of investments (current or Long term Investment).
  - ✓ Inter class transfer norms
  - ✓ Check whether investments have been valued in accordance with the NBFC Prudential Norms Directions after providing for fall in market value as required by the directions
  - ✓ Obtain list of subsidiary/group companies from the management for concentration risks

Audit Check Point

Loans :-

- ✓ Sanction process adherence, Policy of Board, Committee minutes
- ✓ Infrastrucute v/s non infrastructure classification
- ✓ Balance confirmation from the concerned parties.
- ✓ Creation of charges
- ✓ Reset of Interest rates and effects in CBS environment
- ✓ IT reviews of Loan systems
- ✓ Borrower concentration limits
- ✓ NBFC has not advanced any loan against the security of its own shares.
- ✓ Adequate system for the follow up of loan and advance.
- ✓ Check the classification of loan and advances

Audit Check Point

Asset Finance Companies

Hire Purchase Finance Co.	Equipment Leasing Finance Co.
Adequate appraisal system for hire purchase	Adequate appraisal system for lease finance
System to check asset periodically whether hire purchase asset has been sold or not	Physical Verification of the leased asset so as to dispel any doubts that equipment finance was not extended without asset being created
Assets given on hire purchase have been adequately insured against	Assets are adequately insured against and regular maintenance of the leased assets is being carried out by the lessee.
Hire purchase against vehicles, registration certificate contains an endorsement in favour of the hire purchase company	Lease agreement relates to equipment given on lease only

Auditors Duties- Reporting

- Auditors shall make a separate report to the board of directors u/s 227 of Companies Act
- Special Report to Board of Directors (Para 2 -NBFC Auditors Report (RBI) Directions,'08
- Exceptional Report to RBI for qualified /adverse opinion
- Periodical Certified Returns to RBI – NBS 1 , NBS 2

Balance sheet disclosure –

- Registration license details
- Exposure to real estate sector
- Maturity pattern of assets and liability
- Information of country of operation, Joint venture overseas subsidiaries

Submission of 'Branch Info' Return

- All NBFCs shall submit a quarterly return on Branch Information within 10 days of the expiry of the relative quarter as on March 31, June 30, September 30 and December 31 every year, in the specified format to RBI, under whose jurisdiction the registered office of the company is located as per second Schedule to the NBFCs Acceptance of Public Deposits (Reserve Bank) Directions, 1998. The return shall be submitted online in the format available.

Submission of half yearly return

- All NBFC, excluding residuary non-banking companies to submit on-line a quarterly return within fifteen days of expiry of quarter - March 31, June 30, September 30 and December 31 every year.

Disclosure as per NBFC – Corporate Governance - CRAR

- Capital to Risk (Weighted) Assets Ratio

Note 27: Disclosures as per Non-Banking Financial Companies-Corporate Governance (Reserve Bank) Directions, 2015

27.01 Capital to Risk (weighted) Assets Ratio

S. No	Particulars	31.03.2015	31.03.2014
i)	CRAR (%)	21.41	18.18
ii)	CRAR – Tier I Capital (%)	17.22	14.46
iii)	CRAR – Tier II Capital (%)	4.19	3.72
iv)	Amount of Subordinated debt as Tier II Capital (₹ In lakhs)	706,10.00	570,10.00
v)	Amount raised by issue of Perpetual Debt Instruments	–	–

Disclosure as per NBFC – Corporate Governance - Investments

- Investments

27.02 Investments (₹ in lakhs)

S. No	Particulars	31.03.2015	31.03.2014
1)	Value of Investments		
i)	Gross Value of Investments		
	a) In India	1552,44.07	1472,74.62
	b) Outside India	26,94.86	26,94.86
ii)	Provisions for Depreciation		
	a) In India	57,91.41	52,42.33
	b) Outside India	–	–
iii)	Net Value of Investments		
	a) In India	1494,52.66	1420,32.29
	b) Outside India	26,94.86	26,94.86
2)	Movement of provisions held towards depreciation on investments		
i)	Opening balance	52,42.33	53,90.73
ii)	Add: Provisions made during the year	5,64.08	7,84.40
iii)	Less: Write-off / write-back of excess provisions during the year	15.00	9,32.81
iv)	Closing balance	57,91.41	52,42.32

Disclosure as per NBFC – Corporate Governance - Derivatives

- Derivatives

27.03 Derivatives

27.03.01 Forward Rate Agreement / Interest Rate Swap (FRA/IRS)

(₹ in lakhs)

S.No	Particulars	31.03.2015	31.03.2014
i)	The notional principal of swap agreements	350,00.00	50,00.00
ii)	Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements	8.04	21.60
iii)	Collateral required upon entering into swaps	–	–
iv)	Concentration of credit risk arising from the swaps	100% with Banks	100% with Banks
v)	The fair value of the swap book	(18.54)	21.60

The nature and terms of FRA / IRS as on March 31, 2015 are set out below:

S. No	Nature	Notional Principal (₹ in lakhs)	Benchmark	Terms
1	Hedging	150,00.00	OIS	Fixed Receivable V/s Floating Payable
2	Hedging	200,00.00	USD LIBOR	Fixed Payable V/s Floating Receivable

Disclosure as per NBFC – Corporate Governance - Derivatives

- Derivatives

27.03.02 Exchange Traded Interest Rate (IR) Derivaties : NIL

27.03.03 Disclosures on risk exposure of derivatives

i) Qualitative disclosures

The Company has a Board approved policy in dealing with derivative transactions. Derivative transactions comprises forward rate agreements, interest rate swaps and forward cover contracts. The Company undertakes derivative transactions for hedging on-balance sheet assets and liabilities. Such outstanding derivative transactions are accounted on accrual basis over the life of the underlying instrument. The Asset Liability Management Committee and Risk Management Committee closely monitors such transactions and reviews the risks involved.

ii) Quantitative disclosures (₹ in lakhs)

S. No	Particulars	Currency Derivatives		Interest Rate Derivatives	
		31.03.2015	31.03.2014	31.03.2015	31.03.2014
i)	Derivatives (Notional Principal Amount) For Hedging	211,81.79	–	350,00.00	50,00.00
ii)	Marked to Market Position				
a)	Asset (+)	2,58.27	–	8.04	21.60
b)	Liability (–)	–	–	26.58	–
iii)	Credit Exposure	71.07	–	3,50.00	1,50.00
iv)	Unhedged Exposures	–	–	–	–

Frequently Asked Questions

- **What does the term public funds include? Is it the same as public deposits?**

Public funds are not the same as public deposits. Public funds include public deposits, inter-corporate deposits, bank finance and all funds received whether directly or indirectly from outside sources such as funds raised by issue of Commercial Papers, debentures etc. However, even though public funds include public deposits in the general course, it may be noted that CICs/CICs-ND-SI cannot accept public deposits.

Further, indirect receipt of public funds means funds received not directly but through associates and group entities which have access to public funds.

- **What is deposit as per Companies Act 2013?**

- Pursuant to Section 2(31) “deposit” includes any receipt of money by way of deposit or loan or in any other form by a Company, but does not include such categories of amount as may be prescribed in consultation with the RBI.

- **Can Proprietorship/Partnership Concerns associated/not associated with registered NBFCs accept public deposits?**

No. Proprietorship and partnership concerns are un-Incorporated bodies. Hence they are prohibited

Thank You

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