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NBFCs expect 25-bp cash reserve ratio cut by RBI

However, they don't expect repo rate cut

Non-banking finance companies (NBFCs) expect a 25-basis point cut in banks' Cash reserve ratio by the Reserve Bank of India (RBI) in its annual monetary policy review scheduled for May 3. They, however, don't expect a repo rate cut.

NBFC heads met the RBI brass today as part of the customary pre-policy round of meetings. Top executives from Shriram Capital, Mahindra Finance, L&T Finance Holdings and Kotak Mahindra Prime were among those who attended. "We discussed monetary issues, funding and liquidity problems," Mahesh Thakkar, director general, Finance Industry Development Council, the umbrella body of asset financing companies, told reporters after the meeting.

NBFCs also discussed their concerns on the Usha Thorat committee report, which had recommended stricter provisioning and capital norms for NBFCs. "We talked of the report, particularly provisioning norms and CRAR (capital adequacy ratio) and if our demands can be met on that. That is a separate issue but we do not want it to come up suddenly and we get taken aback," said Thakkar.

NBFCs had requested RBI to keep asset classification norms at the current 180 days, instead of the 90 days recommended by the Thorat report, bringing them at par with banks. They had also requested for keeping the Tier-I capital norms at 7.5 per cent, instead of the 10 per cent in the draft guidelines.

According to Thakkar, many foreign companies are interested in investing in the NBFC sector in India.

They either want to set up their own NBFCs or take stake in existing NBFCs.

"But they have only one demand and that is to have a stable policy for the decade," said Thakkar. If there is one, they (foreign companies) will invest in NBFCs in a big way, boosting the economy and financial inclusion, he said.

He cited the examples of companies such as Fullerton, Reliance Capital and Edelweiss, which were able to get foreign investments.