

FIDC

Finance Industry Development Council

(A body incorporated as a Self Regulatory Organisation for Registered NBFCs – AFCs)

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FOR IMMEDIATE PRESS RELEASE

Bank Funding for NBFCs

At a meeting between Finance Industries Development Council (FIDC), IBA, PSU Banks and Ministry of Finance, Government of India held in Delhi last week, leading public sector banks **reaffirmed** their commitment to fund Asset Financing NBFCs (NBFC-AFC).

This follows the meeting held a few weeks ago to discuss issues relating to funding for NBFCs involved in financing Commercial Vehicles , in the wake of the second stimulus package announced by the Government of India.

CMDs of some of the leading public sector banks like SBI, Bank of India, Union Bank, Bank of Baroda and Canara Bank and CGM of PNB participated in the meeting convened by Mr Amitabh Verma, Joint Secretary, Ministry of Finance.

With CV Sales in December 08 dropping by 70% compared to December 07 and by 50% compared to November 08, there was a compelling need to boost CV sales through infusion of funds at affordable cost. The funding requirements of NBFCs engaged in CV financing are estimated to be in the region of Rs.11000crores and are likely to go up further with a few other NBFCs expected to come up with their requirements shortly.

FIDC Requirements

- Formal acceptance of relationship between Bank and NBFCs as wholesaler-retailers and not competitors**
- Allow differential rate of interest for NBFCs given that 80% of their funding is for priority sector lending**
- Create a separate refinancing window for NBFCs-AFCs based on track record irrespective of their size (more than 90% of the number of NBFC-AFCs are small and medium)**

T. T. Srinivasaraghavan, Chairman, FIDC said, “The asset financing NBFCs represented by FIDC were not seeking any bailout package in the current scenario. What we would like is for the bankers to look at the long term funding needs of the asset financing NBFCs, especially given the track record that none of the asset financing NBFCs had posed any problem to their bankers in the past. In fact, in funding for similar sectors, NBFCs had better recovery experience than the banks.”

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Srinivasaraghavan added, “Also, there is a need to spread the banks’ exposure to NBFC AFCs and help credit reach the remotest corners of the country.” For this the needs of the smaller players should be considered favourably. While doing so banks should not insist on collateral security and credit rating by rating agencies. Instead, banks can draw comfort from the fact that almost all NBFC-AFCs are deposit taking and as such are subject to stringent RBI norms.”

Mr T S Narayanaswamy, Chairman, IBA and CMD, Bank of India is reported to have assured the FIDC representatives that the banking sector was not averse to funding NBFCs and would reach out even more to the asset financing NBFCs.”

Similar sentiments were echoed by Mr O P Bhatt, Chairman, State Bank of India, Mr Mallya, CMD of Bank of Baroda, Mr Nair, CMD of Union Bank of India and Mr Mahajan, CMD of Canara Bank present at the meeting.

In another important development at this meeting, Mr Amitabh Verma, Joint Secretary, Min of Finance, Govt of India, is reported to have told the FIDC representatives that the other long pending requirements of NBFCs, such as lower risk weightage for less risky asset classes, proper legal frame work for recovery and parity in tax matters would also receive favourable consideration, so as to enable NBFCs to play a more meaningful role in last mile credit delivery.

Praising this initiative of the Ministry of Finance and IBA, Srinivasaraghavan said, “We compliment the Ministry of Finance for creating a platform for Asset Financing NBFCs (NBFC-AFC)) and commercial banks to come together with a view to boost credit flow to the commercial vehicle sector. FIDC is quite hopeful that these initiatives of the Government to bring the bankers and NBFC-AFCs closer would foster a very healthy relationship, leading to a well aligned framework for credit delivery to the underserved segments of the economy.”

About FIDC

Finance Industry Development Council (FIDC) is the Self Regulatory Organisation (SRO) for Asset Financing NBFCs, (NBFC-AFC) registered with Reserve Bank of India. FIDC is an All India body registered U/s. 25 of Companies Act, 1956. Its main objectives are to work towards bringing discipline amongst its members by enforcing a model code of conduct, represent the views of the industry to the appropriate authorities where necessary and act as a credible and responsible voice of Asset Financing NBFCs.

For FINANCE INDUSTRY DEVELOPMENT COUNCIL

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