

FIDC

Finance Industry Development Council

(A Representative Body for Assets and Loan Financing NBFCs)

101/103, Sunflower, 1st Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077 (India)

Tel: 022 21029898/9820035553 • E-mail:directorgeneral@fidcindia.org website: www.fidcindia.org

February 12, 2020

**Shri Manoranjan Mishra,
Chief General Manager,
Reserve Bank of India,
Department of Regulations (NBFCs),
Main Office Building, 1st Floor,
Shahid Bhagat Singh Road,
Fort, MUMBAI 400 001**

Respected Sir,

SUB: IND-AS

Pursuant to our Meeting on 10th January 2020, we hereby seek clarifications on the following issues pertaining to Ind-AS.

Ind AS classifications

Company is currently preparing financials under IND AS as MCA (Ministry Of Corporate Affairs) has notified it and made applicable from April 01, 2018 for NBFCs, RBI has not issued any Guidelines for RBI disclosures under IND AS. Many terminologies like Provision of Standard assets, Gross NPA, Net NPA which are not applicable under IND - AS still continue under Existing RBI disclosures.

DPD Concept for classification of NPA in Substandard assets, Doubtful assets and loss assets are not available under IND AS – 109 Financials instruments, provision is done on ECL (Expected credit loss) model which depends upon the staging of the assets (Stage 1, stage 2 and stage 3).

Treatment on Securitised assets in calculation of CRAR in NBS-2

The assets sold to banks/institutions are de-recognised under previous IGAAP based on the true sale criteria being satisfied whereas under Ind-AS, these structures would not meet the de-recognition criteria in the absence of regulatory forbearance. Hence NBFCs have to keep such Assets on their Balance sheet and maintain ECL provision on such assets. Treatment of such securitized assets in CRAR calculation is not given by RBI.

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RBI returns under IND AS

Company is currently preparing financials under IND AS as notified by MCA (Ministry Of Corporate Affairs) and applicable from April 01, 2018 for NBFCs, Hence company is filling RBI return also in IND AS but RBI Return format has not been revised in line with IND AS, Existing RBI returns are still under IGAAP.

RBI Circular on Harmonisation of different categories of NBFCs

As per Circular dated February 22, 2019 on Harmonisation of different categories of NBFCs, RBI has merged three categories of NBFCs viz. Asset Finance Companies (AFC), Loan Companies (LCs) and Investment Companies (ICs) into a new category called NBFC - Investment and Credit Company (NBFC-ICC). But existing return does not allow the selection of new category hence company is selecting "Asset Finance Companies (AFC)" for submission of return.

Statutory auditors report (SAC)

NBFCs are required to submit Statutory auditors report (SAC) annually, In RBI format of SAC (Sr. No. 05) "The company has been classified by RBI as Investment Company/Loan Company/AFC/NBFC-MFI/NBFC-Factor/IFC/IDF-NBFC" but as per circular dated February 22, 2019 on Harmonisation of different categories of NBFCs, RBI has merged three categories of NBFCs viz. Asset Finance Companies (AFC), Loan Companies (LCs) and Investment Companies (ICs) into a new category called NBFC - Investment and Credit Company (NBFC-ICC).

Sr. No. 14 of the SAC format required "If the company is classified as an AFC, provide a) % of Advances given for creation of physical/real assets supporting economic activity to Total Assets, b) % of income generated out of these assets to Total Income" It is also not in line with **RBI circular on Harmonisation of different categories of NBFCs.**

CRILC return on monthly basis

As per RBI Circular dated June 07, 2019 on Prudential Framework for Resolution of Stressed Assets dated June 07, 2019, Deposit taking Non-Banking Financial Companies (NBFC-D) are required to submit CRILC-Main Report on monthly basis but the existing excel utility available does not allow us to select month except June, September, December and March.

Access to CRILIC information

Currently NBFCs are required to file the data in CRILIC platform , however the access of data from CRILIC is not available for NBFCs which is available to Banks. The access for the same needs to be provided for NBFCs also.

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We shall be glad to supplement this memorandum with any additional information/ clarification that may be required. We thank you in anticipation of a positive response and assure you of our full co-operation always.

Yours Faithfully

For FINANCE INDUSTRY DEVELOPMENT COUNCIL

MAHESH THAKKAR
DIRECTOR GENERAL
98200 35553