

FIDC

Finance Industry Development Council

(A Representative Body of NBFCs in India)

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

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



www.fidcindia.org.in

September 06, 2023

**Shri M Rajeshwar Rao,
Deputy Governor,
Reserve Bank of India,
Central Office Building,
Shahid Bhagat Singh Marg, Fort,
Mumbai – 400 001**

Respected Sir,

SUB: NEED TO SEEK PRIOR RBI APPROVAL FOR ISSUANCE OF SHARES TO RAISE NOF TO THE MINIMUM PRESCRIBED LEVELS – REQUEST FOR SUPPORT TO SMALLER NBFCs

We express our gratitude to RBI for having favourably considered FIDC's request in the past for longer time to the smaller NBFCs to achieve the enhanced NOF and RBI suitably provided a glide path and permitted the smaller NBFCs to raise their minimum net worth of NBFCs from Rs. 2.00 Crs to Rs. 5.00 Crs by March 31, 2025 and to Rs. 10.00 Crs by March 31, 2027.

It may be observed that the present RBI norms on "Acquisition / Transfer of Control of Applicable NBFCs" require prior approval of RBI for acquisition of more than 26% of equity of an existing NBFC.

A combined reading of both the regulations indicates that almost every NBFC which has an NOF of less than Rs. 10 crores would have to approach RBI for prior approval for change in control either for issue of fresh capital to the new investors or for transfer of business / control to any prospective deep pocket investors to meet the prescribed minimum capital requirement.



twitter.com/FidcIndia



facebook.com/fidcindia/



linkedin.com/company/fidc-india



instagram.com/fidcindia/

FIDC

Finance Industry Development Council

(A Representative Body of NBFCs in India)

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

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



www.fidcindia.org.in

At the outset, it is widely appreciated that RBI, being the supervisor for the entire financial system has all the powers to decide its process for approvals and RBI may prescribe such other regulations as may be considered necessary.

However, RBI approval for change in shareholding exceeding 26% takes unusually longer time and in case of foreign investors it takes 12-14 months. This not only chokes the potential growth opportunity of NBFCs but compels them to sell their asset at much cheaper valuations, a national loss where the country is suffering devaluation of its asset with foreign countries gaining the same valuable asset at much cheaper price and returns.

In the above context, we humbly seek that RBI may please like to **streamline the processes so that the time presently being taken to consider the requests of the NBFCs can be reasonably minimised**, which will sustain the interest of the prospective investors / acquirers. Such a step will go a long way

- (i) in fulfilling the objective for which additional time and glide path was allowed to the smaller NBFCs;
- (ii) in ensuring that the compliance and governance standards of the smaller NBFCs would appreciably be upgraded because of induction of new investors and management and professionalisation in the NBFC sector.

We request your kind consideration.

Thanking you,

For FINANCE INDUSTRY DEVELOPMENT COUNCIL

**MAHESH THAKKER
DIRECTOR GENERAL
9820035553**



twitter.com/FidcIndia



facebook.com/fidcindia/



linkedin.com/company/fidc-india



instagram.com/fidcindia/