All Non-Banking Financial Companies
excluding Residuary Non-Banking Companies

Dear Sir,

Infrastructure Finance Companies

Please refer to paragraph 178 of the Second Quarter Review of the Monetary Policy for the year 2009-10. NBFCs-ND-SI engaged predominantly in infrastructure financing have represented to the Reserve Bank that there should be a separate category of infrastructure financing NBFCs in view of the critical role played by them in providing credit to the infrastructure sector. Currently, the Reserve Bank has classified NBFCs under three categories, viz., Asset Finance Companies, Loan companies and Investment Companies. It has now been decided to introduce a fourth category of NBFCs as "Infrastructure Finance Companies"(IFCs).

2. Accordingly, it is advised that the present classification of NBFCs stands modified to include IFCs. An IFC is defined as non deposit taking NBFC that fulfills the criteria mentioned below:

i) a minimum of 75 per cent of its total assets should be deployed in infrastructure loans as defined in Para 2(viii) of the Non Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007;

ii) Net owned funds of Rs. 300 crore or above;

iii) minimum credit rating 'A' or equivalent of CRISIL, FITCH, CARE, ICRA or equivalent rating by any other accrediting rating agencies

iv) CRAR of 15 percent (with a minimum Tier I capital of 10 percent).
3. IFCs may exceed the concentration of credit norms as provided in paragraph 18 of the aforesaid Directions as under:

(i) in lending to

(a) any single borrower by ten per cent of its owned fund; and 
(b) any single group of borrowers by fifteen per cent of its owned fund;

(ii) in lending and investing (loans/investments taken together) by

(a) five percent of its owned fund to a single party; and 
(b) ten percent of its owned fund to a single group of parties.

(iii) The extant norms for investment for both single party and single group of parties will remain same as in Para 20 of the Directions referred to above.

4. The present norms relating to infrastructure loan as laid out in Para 20 of the aforesaid Directions will continue for NBFCs that do not meet the criteria to be classified as IFCs.

5. Since the classification for the purpose of income recognition, asset classification and provisioning norms is based on asset specification, the extant prudential norms will continue as hitherto.

6. The companies satisfying the above conditions may approach the Regional Office in the jurisdiction of which their Registered Office is located, along with the original Certificate of Registration (CoR) issued by the Bank for classification as Infrastructure Finance Companies. Their request must be supported by a certificate from their Statutory Auditors confirming the asset /income pattern of the company as on March 31, of the latest financial year. The change in classification would be incorporated in the Certificate of Registration issued by the Bank as NBFC-ND-IFC.

7. The onus of including only eligible assets for the purpose of classification as IFC shall be that of the company concerned.

Yours faithfully,

(A.S. Rao)
Chief General Manager In-Charge
Notification No. DNBS. 213 / CGM(ASR)-2010 dated February 12, 2010

The Reserve Bank of India, having considered it necessary in public interest and being satisfied that, for the purpose of enabling the Bank to regulate the credit system to the advantage of the country, it is necessary to amend the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, contained in Notification No. DNBS. 193/DG(VL)-2007 dated February 22, 2007 (hereinafter referred to as the Directions), in exercise of the powers conferred by sections 45J, 45JA and 45L of the Reserve Bank of India Act, 1934 (2 of 1934) and of all the powers enabling it in this behalf, hereby directs that the said Directions shall be amended with immediate effect as follows, namely -

1. Amendment of paragraph 1–

In sub-paragraph (3), at the end of clause (i) the words, “including an infrastructure finance company”, shall be inserted.

2 Amendment of paragraph 2 –

(1) In sub-paragraph (1), after clause (vii), the following clause (viia) shall be inserted.

“(viia) 'Infrastructure Finance Company' means a non-banking finance company which deploys at least 75 per cent of its total assets in infrastructure loans”

(2) In sub-paragraph (1), in clause (viii), after sub-clause (h), the following sub-clause (ha) shall be inserted.

"(ha) laying down and/or maintenance of gas, crude oil and petroleum pipelines"

(3) In sub-paragraph (1), in clause (viii), sub-clause (k), viz, "construction of educational institutions and hospitals" shall be deleted.
3. Insertion of new paragraph -

After paragraph 19, the following paragraph 19A shall be inserted–

"Requirements for Infrastructure Finance Company -

19A. An Infrastructure Finance Company shall, -

i. not accept deposits from the public;
ii. have net owned funds of Rs. 300 crore or above;
iii. have a minimum credit rating ‘A’ or equivalent of CRISIL, FITCH, CARE, ICRA or equivalent rating by any other accredited rating agencies; and
iv. have a CRAR of 15 percent (with a minimum Tier I capital of 10 percent).

4. Amendment of paragraph 20 –

(1) After sub-paragraph (12), the following sub-paragraph (12A) shall be inserted.

"(12A) Infrastructure Finance Companies may exceed the concentration of credit norms as provided in paragraph 18 of the aforesaid Directions,

(i) in lending to

(a) any single borrower, by ten per cent of its owned fund; and
(b) any single group of borrowers, by fifteen per cent of its owned fund;

(ii) in lending to and investing in, (loans/investments taken together)

(a) a single party, by five percent of its owned fund; and
(b) a single group of parties, by ten percent of its owned fund.

(A S Rao)
Chief General Manager In-Charge