



## NBFC LOAN COMPANY

Non-Banking Financial Company (NBFC) Loan Company is regulated by the **Reserve Bank of India and Section 45-I (f) of RBI Act, 1934** defines NBFC as a **“Financial Institution”** which is a company having Principal Business related to the receiving of deposits.

 [www.enterslice.com](http://www.enterslice.com)

 +91-9870310368



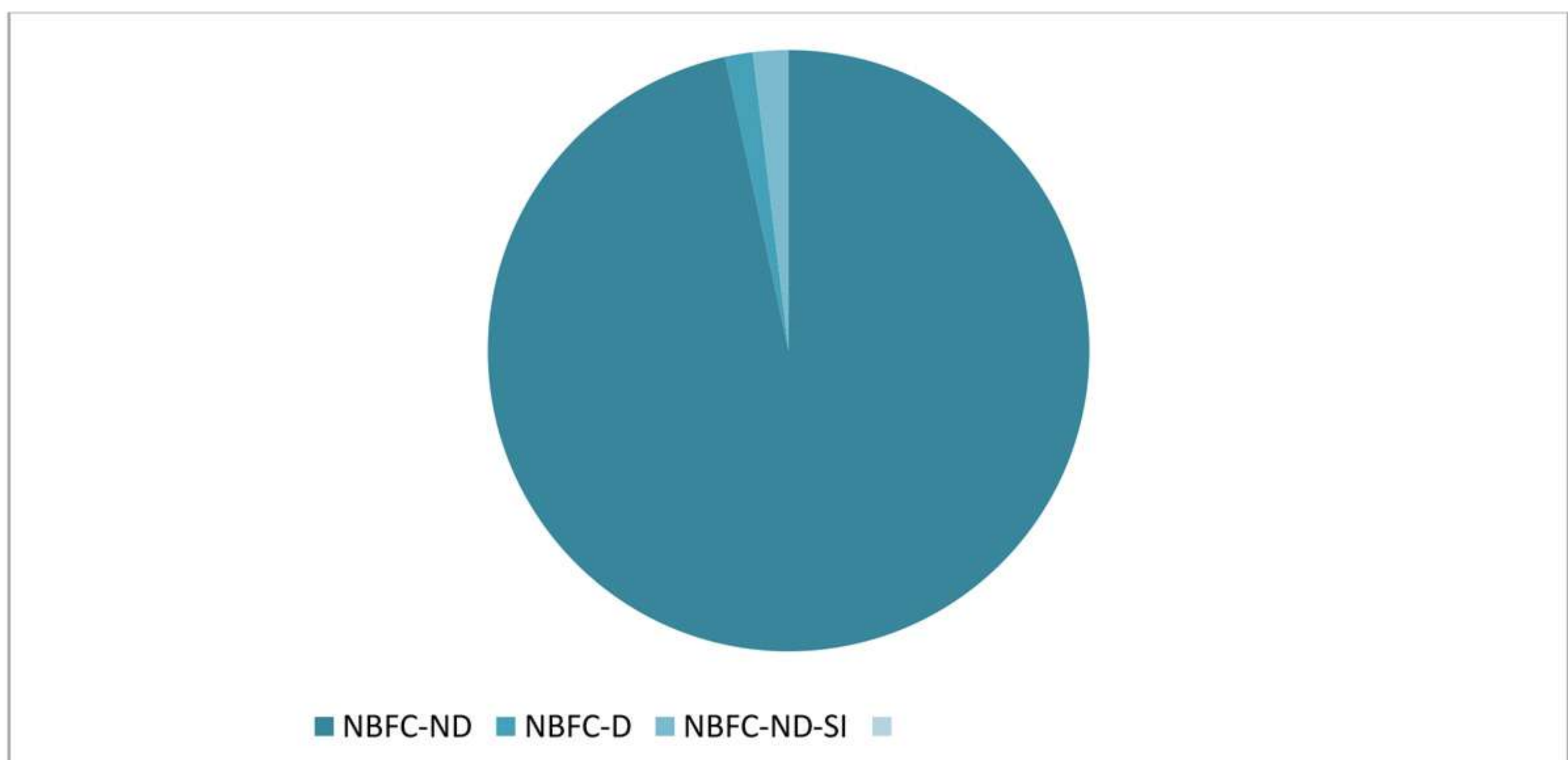
## NBFC LOAN COMPANY

### Basic Information

Non-Banking Financial Company (NBFC) Loan Company is regulated by the **Reserve Bank of India and Section 45-I (f) of RBI Act, 1934** defines NBFC as a **“Financial Institution”** which is a company having Principal Business related to the receiving of deposits, under any scheme or arrangement or in any other manner, or lending in any manner. The Reserve Bank of India prescribes rules & regulations time to time for NBFCs in India.

### Classification

- ✓ Deposit Taking NBFCs (NBFC-D)
- ✓ Non Deposit Taking NBFCs (NBFC-ND)
- ✓ Systematically Important NBFCs (NBFC-ND-SI)

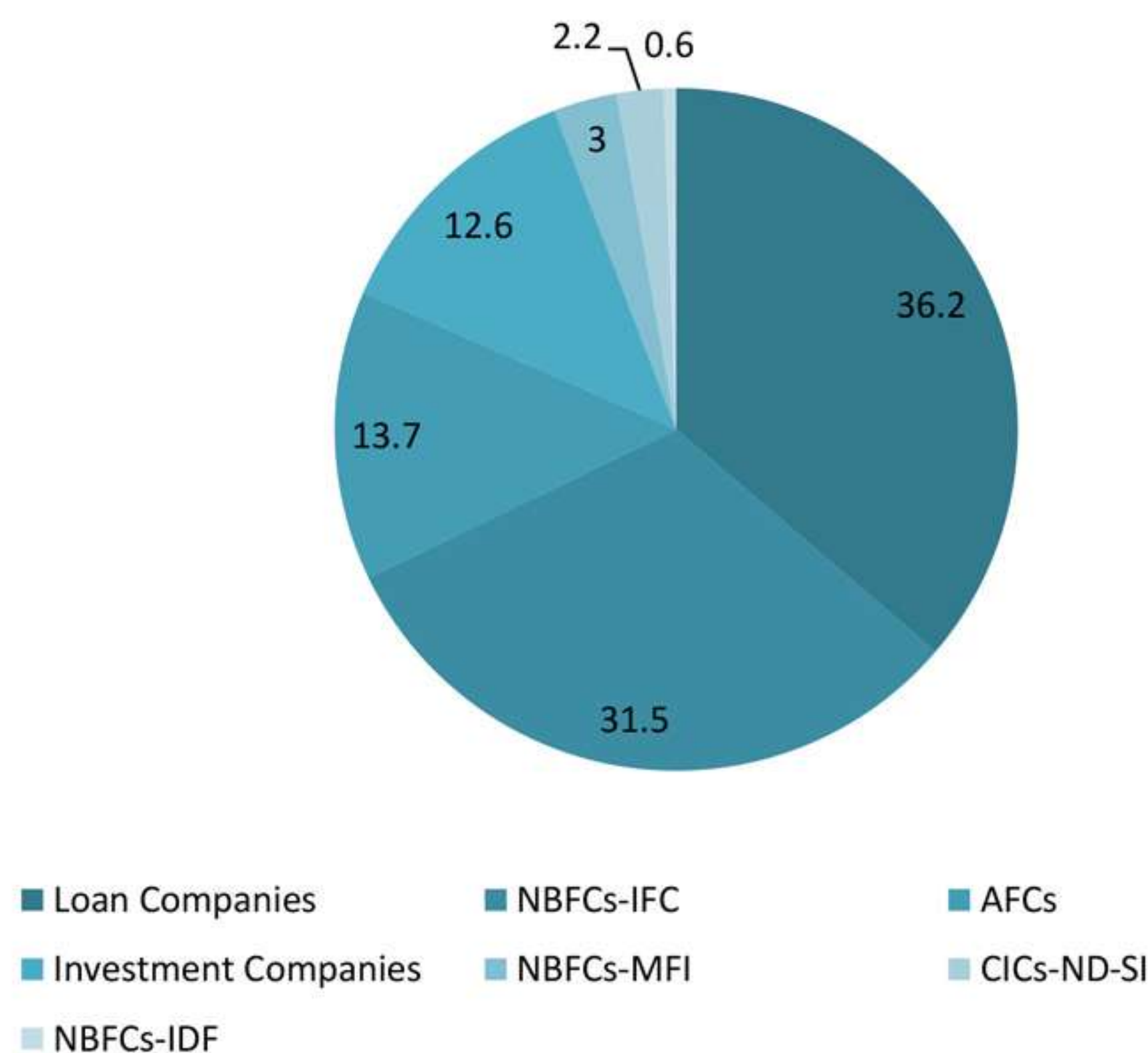


## NBFC Types

- ✓ Investment and Credit Company (NBFC-ICC)
- ✓ Infrastructure Finance Company (NBFC-IFC)
- ✓ Systematically Important Core Investment Company (NBFC CIC-ND-SI)
- ✓ Infrastructure Debt Fund (NBFC-IDF)
- ✓ Micro Finance Institution (NBFC-MFI)
- ✓ NBFC- Factor

## Market Size of NBFCs in India

In past few years, financial sector of Indian economy is rapidly growing. NBFCs have wider reach and strong risk management capabilities with a better understanding of customer segments. Credit demand of our country can be fulfilled with the help of NBFCs as traditional banks are not able to serve all. As compared to traditional banks NBFCs have strong understanding of market.



## NBFC Loan Company

NBFC Loan Company is a type of financial institution whose principal business is mainly concerned with providing finance by way of loans or advances or for any other activity not including Asset Finance Company.

### **NBFC REGISTRATION REQUIREMENTS**

- ✓ Company must be registered as public limited company or private limited company in India.
- ✓ Company must have minimum net owned fund of Rs.2 Crore.

*\*Provided that, net owned funds should be calculated according to the last audited balance sheet of the company.*

### **Pre-Conditions in NBFC Loan Company**

- ✓ 50% of total assets involved in providing loans.
- ✓ 50% of total income must be arise from the aforesaid assets.

### **Grown Aspect of Loan Company**

As per the Crisil Report, NBFCs in loan market in India will go up to 19% from 16%. In the next three years 18% annual growth is expected. Overall credit growth will increase as NBFCs will continue to do well in the traditional retail finance and growing on wholesale finance segment. NBFCs have to maintain risk reward ratio as day to day competition puts pressure on yields.

### **Grown Aspect of Loan Company**

- ✓ Power Finance Corporation Limited
- ✓ Shriram Transport Finance Company Limited

- ✓ Bajaj Finance Limited
- ✓ Mahindra & Mahindra Financial Services Limited
- ✓ Muthoot Finance Ltd
- ✓ HDB Finance Services
- ✓ Cholamandalam
- ✓ Tata Capital Financial Services Ltd
- ✓ L & T Finance Limited
- ✓ Aditya Birla Finance Ltd.

## Types of Loan

Following types of loan can be given by the Loan Company:

### ✓ **Gold Loan**

Gold is one of the most influential financial instruments in India. NBFCs are actively engaged in providing loans against gold value. These loans have played a vital role by providing liquidity for an idle asset kept in the lockers. RBI has prescribed certain norms for gold loan for NBFCs.

### ✓ **Personal Loan**

NBFC Loan Company can offer personal loans to customers that do not have easy access to banks and similar institutions for speedy short or medium finance.

### ✓ **Loan Against Property**

Loan against property belongs to the secured loan category where the borrower gives a guarantee by using his property as security. Customer can pledge either Residential or Commercial Property with their ownership and valuation certificate then based on Valuation Certificate and Stamp Value of Property, the Sanctioning Team will offer loan amount with tenure and Interest Rate to be charged.

## ✔ **Loan Against Securities**

Loan against security is a loan advance to a customer against a pledge of security. These loans facilitate our clients to capitalize on their investments by providing liquidity against investments in Shares, Mutual Funds, and Bonds, without the need to sell the securities.

## ✔ **Vehicle Financing**

Customer can pledge their automobiles as security for sanctioning loan to purchase new vehicle or collect fund for other productive business. Loan can be given up to the limits prescribed by the RBI.

## ✔ **Working Capital Loan**

NBFCs are stepping in to meet working capital demand from companies.

## **Registration Procedure**

- ✔ Acquire DSC and Din for directors.
- ✔ File name approval application.
- ✔ Affidavit from directors to fulfill RBI compliance.
- ✔ Draft MOA & AOA.
- ✔ File incorporation forms with necessary documents.
- ✔ Obtain certificate of incorporation (COI) from Registrar of Companies.
- ✔ Deposit Net Owned Funds in bank account opened for company.
- ✔ Apply for registration with RBI under RBI Act, 1934.
- ✔ Applicant Company has to file an online COSMOS application with the RBI on its official website.
- ✔ After this, an applicant will get a reference number to facilitate inquiry in the future.
- ✔ After this, it is require to submit the duplicate hard copies to the concerned regional office of RBI.

- ✓ The regional office shall check the accuracy of all submitted documents.
- ✓ The regional office will send the application for NBFC registration to the central office.
- ✓ The central office of RBI grants NBFC registration only when applicant company fulfills prescribed requirements under section 45-IA.
- ✓ NBFC must commence its business within 6 months from the date of Certificate of Registration.

## Documents Required

- ✓ Certified copies of Certificate of Incorporation (COI) and Certificate of Commencement of Business in case of public limited companies.
- ✓ Certified copies of extract of only the main object clause in the MOA relating to the financial business.
- ✓ Certified true copy of Board resolution stating that:
  - 1) The company is not carrying on any NBFC activity/stopped NBFC activity and will not carry on/commence the same before getting registration from RBI.
  - 2) The company has not accepted any public deposit, in the past (specify period)/does not hold any public deposit as on the date and will not accept the same in future without the prior approval of Reserve Bank of India.
  - 3) The UIBs in the group where the director holds substantial interest or otherwise has not accepted any public deposit in the past does not hold any public deposit as on the date and will not accept the same in future.
  - 4) The company has formulated "Fair Practices Code" as per RBI Guidelines.
  - 5) The company does not have any customer interface as on date and will not have any customer interface in the future without the approval of Reserve Bank of India.

- ✓ Copy of Fixed Deposit Receipt & Bankers Certificate of no lien indicating balances in support of Net Owned Fund.
- ✓ For companies already in existence, the Audited balance sheet and Profit & Loss account along with directors & auditors report or for the entire period the company is in existence, or for last three years, whichever is less, should be submitted.
- ✓ Copy of the certificate of highest educational and professional qualification in respect of all the directors.
- ✓ Copy of experience certificate, if any, in the Financial Services Sector (including Banking Sector) in respect of all the directors.
- ✓ NBFCs are required to be members of all four credit information companies licensed by RBI (CIBIL, CRIF High Mark, Equifax and Experian).
- ✓ Banker's report in respect of applicant company, its group / subsidiary / associate / holding company / related parties, directors of the applicant company having substantial interest in other companies The Banker's report should be about the dealings of these entities with these bankers as a depositing entity or a borrowing entity.

## After Incorporation Loan Disbursal Structure

### ✓ Pre Loan





## After Incorporation Loan Disbursal Structure

### ✓ On Loan



### ✓ Post Loan



#### Repayment Schedule

As per types of Loan and tenure of Loan read with applicable Interest Rate



#### Collection Process

Electronic Clearing Service (ECS) or Personal Visit & Collection



#### Settlement Letter

As per requirement read with terms and condition of Loan will provide Settlement or Relieve Letter

## After Incorporation Loan Disbursal Structure

S No.	Particulars	Time limit
1	Unaudited March Monthly return/NBS7	on or before 30th June
2	Audited March Monthly return/NBS7	Upon completion
3	Statutory Auditors certificate on Income & Assets	on or before 30th June
4	Information about Cos having FDI/Foreign Funds	on or before 30th June
5	Resolution of Non-acceptance of Public Deposit	before commencement of new Financial year
6	File Audited Annual Balance Sheet and P&L Account	One month from the date of signoff
7	Declaration of Auditors to Act as Auditors of the Company	annual basis

## Monthly Compliances

S No.	Particulars	Time limit
1	Monthly Return	by 7th of every month
2	Upload monthly	by 7th of every month

## Periodical Compliances

S No.	Particulars	Time limit
1	Appointment of Director(Annexure-III)	within 30 days of appointment
2	Upload monthly return	within 30 days of resignation
3	Resignation of Director	



**Thank You!**

