



Ref. No. NB.DoR / 197 / PPS - 156 / 2018-19

11 April 2018

Circular No. 79 / DoR - 25 / 2018

The Chief Executive Officer
All NBFCs

Madam/Dear Sir,

Refinance Policy for schematic lending for F. Y. 2018-19 - NBFCs

Please refer to our circular no. 75/DoR-12/2017 dated 31 March 2017 on refinance policy for schematic lending for F.Y. 2017-18. The policy for the year 2018-19 has been finalized and is enclosed.

2. The Circular is also available on NABARD website www.nabard.org under the tab information Centre.
3. We request you to take advantage of the refinance facility made available to you for extending credit for the eligible purposes and clients. You may contact our Regional office in your state for further enquiries and clarification.
4. Please acknowledge receipt.

Yours faithfully

Padma

(Padma Raghunathan)
Chief General Manager

Encls : 3 pages

राष्ट्रीय कृषि और ग्रामीण विकास बैंक
National Bank for Agriculture and Rural Development

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Long Term Refinance Policy for F. Y. 2018-19 for NBFCs

NABARD provides long-term refinance to the NBFCs, against the long-term loans provided by them in rural areas to the farmers, self-help groups, joint liability groups and others for agriculture, allied activities, rural housing as also for rural off-farm sector activities.

The refinance policy for NBFCs for the F. Y. 2018-19 has been finalized and the salient features of the same are as under:

1. Eligibility criteria

- i. Should have a certificate of registration under Sec. 45-IA of the RBI Act, 1934 to function as an approved financial institution.
- ii. Both deposit taking and non-deposit taking NBFCs are eligible to be considered for NABARD refinance.
- iii. Should have been carrying on lending business, at least for last 5 years.
- iv. Should maintain capital adequacy ratio as stipulated by RBI from time to time (at present it is 15%).
- v. Should have recorded net profit during 3 consecutive financial years preceding the previous year.
- vi. Net NPAs not exceeding 3% as on 31.03.2017.
- vii. The Memorandum of Association should have a provision for borrowing from higher financing agencies.
- viii. For the first 3 months of F. Y. 2018-19 or till such time as the audited balance sheet and Profit and Loss Account of the NBFC for the F. Y. 2017-18 are available, whichever is earlier, CRAR and Net NPA of the NBFC as on 31.03.2017 will be reckoned. For sanction and / or drawals thereafter, CRAR / Net NPA position as on 31.03.2018, as per the audited balance sheet will be reckoned.

2. Rating of NBFCs

- i. The eligibility of the NBFCs to avail refinance from NABARD should be minimum rating [on the long-term debt instruments and bank facilities and fixed deposit programme] of 'AA' subject to fulfilment of other terms and conditions. The rating should have been awarded by CRISIL or any other SEBI approved rating agency. Rating of AAA / AA includes (+, -, AAA / AA).
- ii. In case of North Eastern Region, including Sikkim, the eligibility norm is relaxed to 'A' (+ or -).

3. Interest rates

- i. **Interest on refinance:** The interest rates on refinance to NBFCs will be decided by NABARD based on tenor, prevailing market rate, risk perception etc. and is subject to revision from time to time.

- ii. **Penal interest:** In the event of default, penal interest rate at 2% p.a. over and above the interest rate at which refinance was disbursed, will be charged on defaulted amount and for the period of default.
- iii. **Penalty for pre-payment of refinance:** The pre-payment penalty will be 2.5% p.a. for residual period, other conditions remaining unchanged.

In case of pricing of credit, NBFCs should follow the guidelines prescribed by RBI vide Master Circular No. RBI/DNBR/2016-17/44 [Master Direction DNBR.PD.007/03.10.119/2016-17] and RBI/DNBR/2016-17/45 [Master Direction DNBR.PD.008/03.10.119/2016-17] dated 01 September 2016 (as amended from time to time).

4. Quantum of refinance

- ❖ **90%** for top rated 'AAA' (or equivalent rated) NBFCs.
- ❖ **85%** for 'AA' rated NBFCs.
- ❖ **80%** for 'A' rated NBFCs (in North Eastern Region, including Sikkim).

5. Automatic refinance

Automatic refinance facility will be extended to NBFCs for all kinds of projects under Farm Sector and off-Farm Sector activities. In case the agency intends to avail refinance under pre-sanction procedure, they may submit projects to NABARD.

6. Repayment period

Repayment period for refinance will be minimum 18 months (minimum) and up to 5 years or above, to be repaid on half-yearly basis on 31 January / 31 July every year. Interest on refinance to be at paid half-yearly rests on 01 February and 01 August every year.

7. Security norms

The security norms prescribed for NBFCs are as under:

- ❖ Holding the securities obtained by NBFC for the loans covered by refinance, in trust, for the National Bank,
- ❖ Execution of General Refinance Agreement (GRA) with NABARD
- ❖ Mandate to debit Current Account with the principal banker of the NBFC.
- ❖ Board resolution in prescribed proforma.
- ❖ Assigning of book debts in favour of NABARD and registration of charge with the Registrar of Companies on the assets created out of refinance. However, in case of need, instead of assigning exclusive rights of the assets to NABARD for which refinance is availed, we may, as a special case, accept pari pasu rights on the assets of the NBFC.
- ❖ Submission of duly signed and stamped Agreement for assignment of book debts, delivery letter and DPN formats, acknowledgement of debts / securities.

8. Others

- i. NABARD will have the right to conduct spot verification / checks to ensure that the terms and conditions of refinance are adhered to.
- ii. The eligibility norm will be applicable for drawal of refinance under both Farm and off-Farm Sectors.
- iii. All other existing terms and conditions remain unchanged.