FIDC NEWS

Finance Industry Development Council

(A Self-Regulatory Organisation for Non-Banking Finance Companies (NBFCs) registered with RBI)

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PRUDENT REGULATION

The world we are living in today is dramatically different from even the one that we saw in 1998. The events of the last 12 months have destroyed many myths, notably, that size gave you immunity from everything. That is one of the big myths which was destroyed by the recent economic melt down.

What the financial melt down has shown, if we really cut through the details and get to the heart of the matter, is that a combination of arrogance and greed has landed the global financial system in the mess that it finds itself in today.

Not surprisingly, everybody now craves for more regulation; the G-20 nations are attempting to come up with a framework that can govern the financial sector all across the world. Happily , India has come out shining in terms of its regulatory framework and we must in many ways give thanks to the people who have steered the ship of the Indian economy both in the government and in the RBI, notably, Dr YV Reddy who was till recently the Governor. His vision and understanding of what the challenges were for a country like India, the fact that we were very different from western economies, are perspectives that really helped to steer India through a very turbulent time. We were perhaps the only financial system other than China that was left relatively untouched by this global melt down. It is not to say that we did not feel pain, but our financial system was rock solid. That was largely due to the prudence of the people who have steered regulation in this country.

T. T. SRINIVASARAGHAVAN, Chairman

Regulatory Perimeter

Preservation Period of Records under PML Act

RBI has directed the NBFCs[including RNBCs] vide circular No. DNBS(PD). CC 164/03.10.042/ 2009- 10 dated Nov.13, 2009 to maintain all records of transactions between NBFCs/ RNBCs and a client for at least 10 years from the date of a transaction. This will permit reconstruction of individual transactions so as to provide, if necessary, evidence for prosecution of persons involved in criminal activity. Records pertaining to the identification of the customer and his address (e.g. copies of documents like passports, identity cards, driving licenses, PAN card, utility bills etc.) obtained while opening the account and during the course of business relationship, would continue to be preserved for at least ten years after the business relationship is ended as required under Rule 10 of the PMLA Rules.

ECB for the NBFC Sector

As per the current ECB norms, Non-Banking Finance Companies (NBFCs), which are exclusively involved in the financing of the infrastructure sector, are permitted to avail of ECBs from multilateral / regional financial institutions and Government owned development financial institutions for on-lending to the borrowers in the infrastructure sector under the approval route. In view of the thrust given to development of

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infrastructure sector, it has been decided with immediate effect to allow NBFCs exclusively involved in financing the infrastructure projects to avail of ECB from the recognized lender category including international banks under the approval route, subject to complying with the prudential standards prescribed by the Reserve Bank and the borrowing entities fully hedging their currency risk. The AD Category-I bank should certify the compliance with the prudential norms by the borrowing NBFCs.[See RBI/2009-10/252 A.P. (DIR Series) Circular No.19 dated Dec. 9, 2009.]

RBI cautions NBFCs on 'politically exposed persons'

The Reserve Bank of India has cautioned non-banking finance companies that in the event of an existing customer or the beneficial owner of an existing account subsequently becoming a politically exposed person (PEP) then the companies should obtain senior management approval to continue the business relationship. Further, the account has to be subjected to customer due diligence measures as applicable to customers in the PEP category including enhanced monitoring on an ongoing basis. The RBI's advisory to NBFCs and residuary NBFCs on PEPs is significant in the context of growing concerns about money laundering.

PEPs are individuals who are or have been entrusted with prominent public functions in foreign country. These include heads of States or of Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc. According to the RBI, NBFCs/RNBCs should gather sufficient information, including by checking all the information available on the person in the public domain, on any person/customer falling in the PEP category and intending to establish a business relationship. They should verify the identity of the person and seek information about the sources of funds before accepting the PEP as a customer. The decision to open an account for PEP should be taken at a senior level.

With a view to enable the Principal Officer of an NBFC/RNBC to discharge his responsibilities, the RBI said the Officer and other appropriate staff should have timely access to customer identification data and other customer due diligence information, transaction records and other relevant information. Further, NBFCs (including RNBCs) should ensure that the Principal Officer is able to act independently and report directly to the senior management or to the Board of Directors.[See RBI circular DNBS(PD). CC 163/03.10.042/ 2009- 10 dated Nov. 13, 2009].

Submission of certificate from Statutory Auditor to the RBI

Every NBFC has to submit a Certificate from its Statutory Auditor that it is engaged in the business of non-banking financial institution requiring it to hold a Certificate of Registration under Section 45-IA of the RBI Act. A certificate from the Statutory Auditor in this regard with reference to the position of the company as at end of the financial year ended March 31 has to be submitted to the Regional Office of the DNBS latest by June 30, every year. RBI has decided that the NBFCs may submit the certificate within one month from the date of finalization of the balance sheet and in any case not later than December 30th of that year. [See Notification-No. 209 and 210 dated 22-10-2009 and circular: DNBS (PD) CC. No. 162/03.05.002/2009-2010 dated October 22, 2009].

RBI 2-Q Monetary Policy measures for NBFCs

Reserve Bank of India's second quarter review of monetary policy announced on October 27 covers following measures for NBFC sector:

1. Classification of NBFCs-ND-SI: Infrastructure Companies

NBFCs-ND-SI engaged predominantly in the 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 classifies 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 NBFCs', defined as entities which hold minimum of 75 per cent of their total assets for financing infrastructure projects. Detailed instructions, including eligibility criteria will be issued by RBI separately.

2. Repossession of Vehicles by NBFCs

The Annual Policy Statement of April 2009 had emphasised that NBFCs should have a built-in repossession clause (in respect of repossession of vehicles) and also detailed provisions with regard to terms and conditions for ensuring transparency in the contract/loan agreement with the borrower which will be legally enforceable. Accordingly, NBFCs were advised the broad framework in respect of terms and conditions of the contract/loan agreement, viz., (i) notice period before taking possession; (ii) circumstances under which the notice period can be waived; (iii) the procedure for taking possession of the security; (iv) a provision regarding final chance to be given to the borrower for repayment of loan before the sale/auction of the property; (v) the procedure for giving repossession to the borrower; and (vi) the procedure for sale/auction of the property. Furthermore, NBFCs were urged to make available a copy of such terms and conditions to the borrowers at the time of sanction/disbursement of loans, which may form a key component of such contracts/loan agreements.

3. Special Liquidity Facility for Eligible NBFCs-ND-SI

The IDBI SASF's SPV will cease to make fresh purchases after December 31, 2009 and will recover all dues by March 31, 2010. The facility was availed of to the extent of Rs.750 crore and was repaid fully by July 7, 2009.

4. Banks' Exposure to NBFCs Engaged in Infrastructure Financing: Review of Risk Weights

At present, the risk weight for banks' exposure to systemically important non-deposit taking NBFCs (NBFCs-ND-SI) is 100 per cent. However, asset finance companies (AFCs) within the NBFCs-ND-SI category carry a risk weight based on credit ratings. NBFCs engaged in financing of infrastructure would henceforth be classified in a new

category called infrastructure NBFCs. Since financing by such NBFCs would essentially result in the creation of physical infrastructure, it is proposed to link the risk weights of banks' exposure to such NBFCs to the credit rating assigned to the NBFC by external credit assessment institutions (ECAIs). This is likely to ease liquidity for such NBFCs.

RBI wants NCD issues not below 90 days

The Reserve Bank of India (RBI) on Nov.3 came up with draft guidelines for the issuance of non-convertible debentures (NCDs) of maturity less than one year. It states that the NCDs, a debt instrument through which companies raise capital, shall not be issued for maturities of less than 90 days from the issuance date and the minimum denomination has been fixed at Rs 5 lakh. On the eligibility criterion of the issuer, RBI has fixed Rs 4 crore, as per the latest audited balance sheet, as the tangible net worth of any corporate willing to issue such NCDs. "The exercise date of put or call option attached to the NCDs shall not fall within the 90-day period from the date of issue. The maturity date of the NCD shall co-terminate with the date up to which the credit rating of the issuer is valid," the central bank said. [Financial Express, Nov 04, 2009]

RBI to fine-tune norms on credit default swaps

The Reserve Bank of India (RBI) has set up a group to look into the norms for credit-default swap (CDS), which will revisit guidelines already issued, RBI Deputy Governor Shyamala Gopinath said in Mumbai on Nov.25. Gopinath said credit derivatives were not like other derivatives linked to macro factors and carried idiosyncratic risks. Hence, we have to find ways to standardise these products, she added. [Business Standard, Nov.26]

Happy days are here for NBFC sector

Shri Umesh Agrawal, Vice-President, Ambit Corporate Finance Pte Ltd

The NBFC sector, like most other businesses, was a victim of the global credit crisis in October 2008. RBI adopted a positive and inclusive approach towards the sector and introduced several measures to improve credit flow. Among various sources of credit to the sector, banks and financial institutions have since increased their share significantly whereas mutual funds and public deposits have taken a backseat. Borrowings from banks and financial institutions surged 29.3% during FY09 whereas bonds and debentures remained flat and public deposits declined 4.9%. Foreign borrowings continue to have a small share.

Supply of credit to the sector has improved significantly in the past three quarters. The sector has since focused on increasing proportion of long-term funds and has been successful, too. While every NBFC needs to play the ALM (asset liability management) to a certain extent for superior returns, the sector has scaled down its ambitions and focused more on maintaining stability.

The sector has also been successful in curtailing credit losses — 0.9% as on June 30, 2009, as against 1.6% as on March 31, 2008. While disbursement growth has slowed, overall, the sector has demonstrated strong resilience during the global downturn. With revival of financial markets over the past few months, mutual funds have started seeing fresh inflows and their risk appetite has increased.

Mutual fund exposure to NBFC consequently went up over 20% during April to August 2009. Due to a decline in deposit rates in the banking system, NBFCs like Shriram Transport and L&T Finance have successfully raised non-convertible debentures — long tenor at fine rates — in the public market. Some have also used innovative instruments like equity-linked bonds which offer superior returns linked to equity indices. Flow of credit to the sector is expected to improve further. Several NBFCs will also raise equity funds through capital market and strengthen their balance sheets in coming months.

With the revival, business has begun to pick up. Disbursement growth in the past two quarters is encouraging. NBFCs are now making aggressive plans to grow their business. They are re-launching high-yield products like IPO & margin funding, promoter financing and the like. Loan against gold is emerging as the 'next big thing'. Among traditional products, secured lending is growing whereas unsecured lending, particularly to retail (personal loans), has not revived and is unlikely to revive in the near future.

NBFCs are also investing in new businesses such as distribution of MFs, insurance broking, asset management and insurance to leverage on their strong distribution and customer relationships and thereby, diversify revenue streams. They have begun to develop unique competitive advantages for themselves in the form of product categories, under-banked segments, geography, lower operational costs and strong collections, among other things.

Several banks have begun exiting some products/geographies and are showing greater willingness to partner with NBFCs rather than compete, recognising that some products and segments of customers are better serviced by the latter. NBFCs have begun buying portfolios of standard and non-standard assets from banks at discounts to take advantage of their low-cost infrastructure and strong collection set-up. The debate as to which of the banks and NBFCs are more competitive will continue. At different points of time, different components of the business model will have an upper hand which will drive competitiveness at that point in time. NBFCs, therefore, need to continue to strengthen their niche positioning.

NBFCs will, more often than not, find it difficult to compete with banks on the liability side — funds availability and cost. The need for long-term funds will remain. While the availability has improved currently, the need for further deepening the debt market in India has only been further highlighted by the credit crisis.

The monetary policy statement announced recently signals the end of easy liquidity and it is likely that over the next 3-6 months, RBI will take measures to control liquidity. However, in view of RBI support to NBFCs over the past 12 months and the partnership role emerging between NBFCs and banks, the NBFC sector will continue to have access to adequate credit. The only question will be quantum of long-tenure funds. [Courtesy: Economic Times,Nov. 18]

NBFCs - Regulatory and Legislative Gaps

T T Srinivasaraghvan
MD, Sundaram FinancLtd.
& Chairman - FIDC

"In the RBI there was a very clear appreciation for the role played by the NBFCs and that NBFCs were definitely considered as an integral part of the financial system."

"But unfortunately, in our country in early stage itself, because of lack of appreciation of what leasing is, and what leasing can achieve, systematically, this line of financing was decimated first through lease tax, then through a sales tax, a value added tax, misunderstandings on income tax."

T T Srinivasaraghvan

For everyone in the financial sector, especially for those of us in the non-banking financial sector, regulation is something that is omnipresent. It has always been the case, going back to our deposit guidelines, which are more than 30 years old. But we need to understand regulation in the context of what happened in those turbulent times of the late 90s. It was in September 1996, that RBI first came out with the concept of certificate of registration and did away with the ceiling on interest rates for deposits. The events that followed in 1997 which led to that very frightening passage for our industry are too well known to be repeated. Happily of course, 10 years on, we have reached a point where those of us who are still active in the industry, those of us who continue to play our designated roles in the industry can look back with some pride, that notwithstanding the turbulence, notwithstanding the various challenges thrown at us, we were able to not only adapt but become far more mature, more responsible and more solid entities in the financial sector of this country.

Pains of Regulation:

We must necessarily funnel down to what regulations have meant in our own context as the NBFC sector. We have all lived through some of the challenges and the pains of what has not always been a friendly and encouraging regulatory environment and yet, we have adapted, coped, changed and most importantly, we have remained relevant. Today, we have to grapple with the reality, of more regulation and not less, because in an environment where everyone is running scared, where the biggest of names have been hammered, clearly the tendency will be towards more regulation. There is nothing we can do to prevent or change that. What we can and must do is to try and engage with the lawmakers, with the regulators and make sure that our points of view are heard, that all our legitimate concerns and demands are properly understood and find articulation in the policy framework that comes out from the RBI and the government.

Recognition of AFC -a major milestone:

This session is called 'Regulatory Gaps'. I will expand this to 'Regulatory and Legislative Gaps'. We are governed as much by regulation which is RBI's domain, as by legislation, which is more the Government, the Finance Ministry. Our lives are by and large dictated by what these two major entities do. One of the things that we primarily need to now put forth and which we have been doing over the last couple of years, is to first of all gain proper recognition of the role that the NBFCs have played.I"NBFC" itself has been a definition which has done very little justice to us and it is through the untiring efforts of the industry, through all our industry bodies that we finally at least have recognition for 'asset financing NBFCs'. That itself was a major milestone for us because till then, we were lumped together with people who are engaged in any manner of financial activity . That did a great dis-service to the asset financing NBFCs, who have been the backbone of this industry. If you go back historically, it is the hire purchase companies of the 1940s and 50s, which expanded into equipment financing, auto financing, etc. and overall into secured lending-backed by assets. That is the group all of us represent, regardless of big or small, north, west, south or east. We are a homogeneous group of companies called asset financing NBFC. The fact that we have gained recognition for this group is a major step forward. However, that is only the beginning. What we still face both in terms of regulatory and legislative impediments is the fact that we are bunched together when it comes to any regulatory norms that are applied.

Taxation of NBFCs- a double whammy:

Taxation: the chairman referred to it briefly. This is an area where we have cried for parity with the rest of the financial sector for the last 15 years. It is indeed a travesty that on the one hand we are regulated exactly like the banking system, in terms of prudential norms, non performing assets, recognition of income, provisioning - all of these things we are more or less identically placed with the banking sector. However, when it comes to taxation, the tax department takes the view that NBFCs are not on level with banks and the statute does not in anyway admit of an entity called NBFC. That is really

where our woes begin. It effectively means that we present a set of books to our

shareholders where our profits are understated to the extent of the unrecognised income and provisions relating to our non performing loans, which is the prudent to do. But the taxman is indifferent to what we have told our shareholders. From their, all of this is income, they do not recognize our provisions, and require us to pay tax on the entire thing. This is called a double whammy.

Leasing is not pleasing!

But it does not stop there. Look at indirect taxation as well. I felt sad when references were made to the fact that leasing is now dead or nearly dead. It is a tragedy in many ways. If you look at most developed economies in the world today their growth was fuelled by leasing. Leasing is an excellent financial tool which has helped economies, helped companies, big and small, who found scarcity of capital, grow in a significant way. But unfortunately, in our country , because of the lack of appreciation of what leasing is, and what leasing can achieve, this line of financing was systematically, decimated, first through a lease tax, then through a sales tax, a value added tax and misunderstandings on income tax. Through every device available to them they actually destroyed, what is even today, perhaps one of the best financial instruments to aid economic growth in countries like ours. I continue to hope that, somewhere in the larger scheme of things, legislators and regulators alike see the importance of leasing. It is absurd even for all of us when we finance a truck, or a piece of equipment if we call it a loan or a hypothecation, the tax treatment is one way. But the same transaction, the same borrower, the same lender, it has a different tax treatment. I cannot understand what the basis of this is, but that is the reality under which we continue to function. The hope is that when the GST regime comes and when the multiplicity of taxes goes away, this will get addressed and we will indeed go back to a point where regardless of the type of product you offer the substance of the transaction is what is looked at. That is a dream for me and hope we will one day see the reality.

NBFCs: excluded or included in Financial Inclusion?

Now moving away from specifics, let's look at the role that NBFCs play. An earlier speaker talked about micro finance. I feel a mix of joy and sorrow. It is very good that we have MFIs. It is great that people are talking about financial inclusion, that attempts are being made to reach the under-served sections of society. But I cannot help feel that the 45,000 NBFCs that existed prior to 1998 were also very much in the business of financial inclusion. They too were delivering credit to the under-served sections of the society. They too were doing last mile credit delivery. But the service that these NBFCs-big and small- rendered across the length and breadth of this country has neither been documented nor acknowledged. To that extent, even today there is a need on the part of the powers that be to mobilize the extra-ordinary knowledge and reach of the non banking financial companies to deliver last mile credit. It does not matter what labels you put on them, what we really should be concerned with is the fact that these companies have an encyclopedic knowledge of their constituencies; in our own backyard, in Chennai, or in Vijayawada or Jalandhar. There are so many different pockets in this country, where the knowledge base of our fraternity is so immense,their ability to assess credit, to lend and collect is something very unique and that hardly anyone can replicate. We do ourselves a dis-service in not recognizing the strength and the importance of this large fraternity of financiers we have within our system. Whatever regulatory and legislative framework that is put in place to address financial inclusion must definitely ensure the active participation of NBFCs .

Last week when we had the customary interaction with the Governor of the RBI, representing FIDC, we made this point that sometimes though there is a talk of financial inclusion, we as NBFCs felt more excluded than included. The Governor responded saying that it was not at all the case, and in the RBI there was a very clear appreciation of the role played by the NBFCs and that NBFCs were definitely considered an integral part of the financial system. It was very reassuring to hear this from the Governor himself.

Long term Funding framework

While it is not possible to address every single demand that we may have as an industry, RBI was certainly open and extremely sympathetic to the genuine demands of the industry. We have our on-going needs under various heads. Not all of them are strictly regulation, but as we all know one of our key challenges, the key constraint that we face going forward, is funding. Definitely, meaningful intervention from the regulator and the government is very critical. This is what we are continuously placing before the powers that be in terms of setting up a long term funding framework. What we seek is not an instruction to banks to lend to NBFCs. We are only talking about an institutional framework - for example, the national housing bank provides long term funding to housing finance companies. We have talked about a long term funding framework which Mr. Ananda also addressed briefly in terms of 'corporate debt'. Corporate debt is one aspect but it goes beyond that.

Legal Framework:

The second is the legal framework. We are all aware of SARFAESI and Debt Recovery Act. Again, we are the only entities in the financial sector that are excluded from the ambit of SARFAESI and Debt Recovery Act; housing companies have access to SARFAESI; banks have access to SARFAESI, NBFC's don't. That is the second area. The third area is taxation - both direct and indirect. Why are we placed on a footing that is less advantageous than our brothers in the financial services sector? The recently introduced direct tax code[DTC], though it has a lot of scary provisions, has one interesting construct called 'permitted financial institutions'[PFIs]. There is a reference continuously in the DTC to something called permitted financial institutions. Under the definition of permitted financial institutions, there are banks, housing finance companies and NBFCs. For the first time this code talks

about many of the provisions in the direct taxes code being applicable to the entire gamut of PFIs. Incidentally, even this issue we are raising about the tax provisions and income recognition, will actually get redressed,should the DTC be implemented .

Principally, PFI is a concept we must welcome , because a permitted financial institution means any constituent of the financial sector, which is appropriately governed and regulated, should be treated on the same footing. Banks have a much larger role to play. We understand that the insurance companies have a much larger role to play. Therefore, they have dedicated regulators and their framework is different. We are not being arrogant to say that we be equated with banks. Our case is that a lot of what we do is similar to what banks do. A lot of regulation that applies to us is similar to what applies to the banking system. Therefore, as the next tier of financial intermediaries- housing finance companies, non- banking finance companies, asset financing companies and MFIs- we have an important role to play in Financial inclusion. If we have to play our role in delivering financial inclusion, if we have to play our meaningful role in reaching credit to the last village, to the last mile of this country, the only way that can happen is if we have parity in every other regard. What we have right now is a situation which can be described as having to fight with one hand tied behind your back, because we are expected to do what the other players in the financial system are doing, but we don't enjoy the rights and the privileges that they have. Even from the point of view of deposit taking companies we have often said this: when we ask for privileges like SARFAESI, it is not a selfish demand we make. It is not saying that we want SARFAESI to protect our asset, because in protecting our assets we are actually protecting the deposits of our depositors. It is systemic. It is that appreciation which needs to come. This point we have made to the government and to the RBI alike.

NBFC-AFCs- Uniquely Indian

There is no entity, to my knowledge, in the NBFC sector today which is opposed to regulation. None of us is questioning the need for regulation. We are not complaining about regulation. We are responsible, mature, constituents of this industry. After 1998, the not-so-serious people have gone away. But those of us who have remained, are people who are committed to this business, we understand our responsibilities to our customers, to our depositors, to society at large. We are more than willing to fulfil that responsible role. This is not for asking concessions, not asking for favours, not for some special privilege. We want to be treated on par with every other constituent that is regulated by the RBI or by like authorities, and for us to be empowered to play our given role in the development of this great country. There are non-banks elsewhere in the world but I believe that the construct of small, medium and large non-banking finance companies serving the 'Non Bankable' segments of the economy, that we have in this country, is truly unique. We should encourage these companies to regain their rightful place. [*Excerpts from Talk delivered at Silver Jubilee seminar of Equipment Leasing Association [India] on October 24, 2009 at Chennai]*.Sub-headings are added.

Profile Of Asset Financing Companies [AFCs]

"Asset Financing Companies dominated the scene in NBFCs-D segment in respect of number, size of liability and borrowings."

"Gross NPAs (as percentage of gross advances) of asset finance companies, equipment leasing companies and investment companies and hire purchase companies declined during 2008-09."

Reserve Bank of India re-classified NBFCs in December 2006. The companies financing real/physical assets for productive / economic activity were classified as Asset Finance Company (AFC). AFC were defined as any company which is a financial institution carrying on as its principal business the financing of physical assets supporting productive / economic activity, such as automobiles, tractors, lathe machines, generator sets, earth moving and material handling equipments, moving on own power and general purpose industrial machines. Principal business for this purpose was defined as aggregate of financing real/physical assets supporting economic activity and income arising there from is not less than 60% of its total assets and total income respectively. The change in classification is to be incorporated in the Certificate of Registration issued by the Reserve Bank as NBFC-Asset Finance Company; NBFC-D-AFC if accepting deposits and NBFC-ND-AFC, if not accepting deposits.

Total number of NBFCs registered with the Reserve Bank, consisting of NBFCs-D (deposit-taking NBFCs), RNBCs, mutual benefit companies (MBCs), miscellaneous non-banking companies (MNBCs) and Nidhi companies, declined from 12,809 at end-June 2008 to 12,740 at end-June 2009. The number of NBFCs-D also declined from 364 at end-June 2008 to 336 at end-June 2009, mainly due to the exit of many NBFCs from deposit taking activity. Thus the consolidation process in NBFC sector continued.

Asset Financing Companies [AFCs] dominated the scene in NBFCs-D segment in respect of number, size of liability and borrowings. Their number in 2007-08 was 185 who had assets of Rs. 50,998 crore and borrowing of Rs. 34,093 crore. Although, the number of reporting AFCs declined to 147* in F Y 2008-09 their assets moved up to Rs. 40,232 crore and borrowing went up to Rs. 40,232 crore.

Among NBFC groups, asset finance companies (AFCs) held the largest share in total assets/liabilities (70.3 per cent), followed by loan companies (28.9 per cent), hire purchase

companies (0.6 per cent) and equipment leasing (0.3 per cent) as shown in table-1. The increase in assets/liabilities of AFCs was mainly on account of reclassification of NBFCs, which was initiated in December 2006 and the process of which is still continuing. The share of equipment leasing companies declined to below 1 per cent subsequent upon the re-classification of NBFCs in 2006-07.

(Amount in Rs. crore)

Table -1: Major Components of Liabilities of NBFCs-D by Classification of NBFCs

Classification of NBFCs	Liabilities		Deposits		Borrowings	
	2007-08	2008-09 P	2007-08	2008-09 P	2007-08	2008-09 P
1	2	3	4	5	6	7
Asset Finance	50,998	53,068	1,161	1,364	34,093	40,232
[185] *	(68.4)	(70.3)	(56.9)	(70.3)	(67.4)	(72.8)
Equipment Leasing	162	192	10	3	76	54
[15]*	(0.2)	(0.3)	(0.5)	(0.2)	(0.2)	(0.1)
Hire Purchase	178	425	169	186	38	43
[76]*	(0.2)	(0.6)	(8.3)	(9.6)	(0.1)	(0.1)
Investment	402	-	19	-	358	-
[1]*	(0.5)		(0.9)		(0.7)	
Loan	22,819	21,831	682	388	16,012	14,960
[70]*	(30.6)	(28.9)	(33.4)	(19.9)	(31.7)	(27.1)
MNBC	3	-	1	-	0	
[3]*	(0.0)		(0.1)			
Total [350]*	**74,562**	**75,516**	**2,042**	**1,941**	**50,577**	**55,289**

P : Provisional. • **Note** : Figures in parentheses are percentage shares in respective total. **Source** : Annual Returns.
*Figures in first column in bracket show the number of companies in said activity in F Y 2007-08.

Assets of AFCs :

The total assets of deposit-taking NBFCs registered a marginal growth of 1.3 per cent during 2008-09 mainly on account of decline in assets of loan companies Loans and advances (7.3 per cent) as well as investments (32.1 per cent) of NBFCs also increased during the year. At end-March 2009, 73.0 per cent of total assets, 75.4 per cent of total loans and advances and 23.9 per cent of total investments by all NBFCs were held by AFCs. The assets of AFC grew 6 percent in 2008-09 over previous year.

Sources of Borrowings by AFCs:

The relative significance of various NBFC groups reflected largely the pattern of their borrowings as deposits constituted a small share (2.6 per cent) of their total liabilities. Of the total deposits held by all NBFCs, asset finance companies held the largest share in total deposits of NBFCs (70.3 per cent), followed distantly by loan companies with a 19.9 per cent share and by hire purchase companies with a share of 9.6 per cent.

The outstanding borrowings by NBFCs increased by 9.3 per cent during 2008-09. Borrowings by equipment leasing companies and loan companies declined, while those by asset finance companies and hire purchase companies increased during the year. AFCs continued to hold the largest share (72.8 per cent) of borrowings of all NBFCs, followed by loan companies (27.1 per cent).

Borrowings by NBFCs from banks and financial institutions increased sharply by 29.3 per cent while borrowings by way of bonds and debentures remained at the same level during 2008-09. The borrowings from Government declined by 21.4 per cent during 2008-09. Other deposits (which include, inter alia, money borrowed from other companies, unsecured loans from directors/promoters, commercial paper, borrowings from mutual funds and any other type of funds which are not treated as public deposits) also registered a decline of 2.6 per cent during 2008-09

AFCs' borrowing from banks and financial institutions went up sharply by 33.3 percent in F Y 2008-09 over previous year to Rs. 21,775 crore. Money raised by way of debentures grew by 13.7 percent to Rs. 11,620 crore. Their borrowings from other sources, as mentioned in preceding para, declined by 10.6 percent [Table-2].

(Amount in Rs. crore)

Table - 2 : Sources of Borrowings by NBFCs-D by Classification of NBFCs

Classification	As at end-March									
	Government		External Sources @		Banks and Financial Institutions		Debentures		Others	
	2008	2009 P	2008	2009 P	2008	2009 P	2008	2009 P	2008	2009 P
1	2	3	4	5	6	7	8	9	10	11
Asset Finance	0	0	828	832 (0.5)	16,330	21,775 (33.3)	10,216	11,620 (13.7)	6,719	6,005 (-10.6)
Equipment Leasing	0	0	0	0	4	7 (83.2)	0	0	72	47 -34.8
Hire Purchase	0	0	0	0	0	13	3	2 (-33.3)	35	28 (-19.7)
Investment	72	0	0	0	82	0	0	0	204	0
Loan	2,247	1,824 (-18.8)	627	631 (0.7)	2,579	2770 7.4	2,835	1,444 -49.1	7,723 434.8	8,291 7.4
MNBC	0	0	0	0	0	0	0	0	0	0
Total	2,319	1,824 (-21.4)	1,455	1,463 (0.6)	18,995	24,565 (29.3)	13,054	13,066 (0.1)	14,753	14,371 (-2.6)

P : Provisional.
@ : Comprises (i) Foreign Government, (ii) Foreign Authority, and (iii) Foreign Citizen or Person
Note: Figures in parentheses are percentage variations over the previous year. **Source** : Annual Returns.

Net Owned Funds vis-à-vis Public Deposits:

NOF of NBFCs is the aggregate of paid- up capital and free reserves, netted by (i) the amount of accumulated losses; and (ii) deferred revenue expenditure and other intangible assets, if any, and adjusted by investments in shares, and loans and advances to (a) subsidiaries, (b) companies in the same group, and (c) other NBFCs (in excess of 10 per cent of owned fund). Information on NOF can complement the information on CRAR. The ratio of public deposits to NOF in the case of loan

companies and hire purchase declined during the year ended March 2009, while that of other category companies witnessed a marginal increase. The ratio of hire purchase companies continued to be negative because of negative NOF. The ratio of public deposits to NOF for all categories of NBFCs taken together was unchanged at 0.2 per cent at end-March 2009 [Table-3].

NOF of NBFCs range from less than Rs.25 lakh to above Rs.500 crore. Public deposits, as ratio of NOF, held by NBFCs in the category of NOF of up to 25 lakh and 'more than Rs.25 lakh and and up to Rs.2 crore' declined, while the ratio of 'more than 10 crore up to 50 crore' and 'more than 100 crore and up to 500 crore' registered a rise. NBFCs in all other ranges of NOF generally remained constant[Table-3].In case of AFCs public deposits forms 17.67 percent of NOF at the end of June, 2009.

(Amount in Rs. crore)

Table - 3 : Net Owned Fund vis-à-vis Public Deposits of NBFCs-D

Classification	As at end-March			
	Net Owned Funds		Public Deposits	
	2008	2009 P	2008	2009 P
1	2	3	4	5
Asset Finance	6,939	7,632	1,161 (0.2)	1,364 (0.2)
Equipment Leasing	-50	10	10 -(0.2)	3 (0.3)
Hire Purchase	-76	-72	169 -(2.2)	186 -(2.6)
Investment	83	0	19 (0.2)	-
Loan	3,306	4,018	682 (0.2)	388 (0.1)
MNBC	1	-	1	-
Total	**10,203**	**11,588**	**2,042 (0.2)**	**1,941 (0.2)**

P : Provisional.
Note : Figures in parentheses are ratio of public deposits to net owned fund.
Source : Annual Returns.

Non-Performing Assets:

Gross NPAs (as percentage of gross advances) of asset finance companies, equipment leasing companies and investment companies and hire purchase companies declined during 2008-09. Net NPAs (as percentage of net advances) increased marginally in case of asset finance companies and hire purchase companies, while those of equipment leasing companies and investment companies decreased. NPAs of loan companies remained negative during 2008-09 also [Table-4].

(Amount in Rs. crore)

Table - 4 : NPAs of Asset Finance Companies

Classification End-March	Gross Advances	Amount Gross NPAs	Per cent to Gross Advances	Per cent to Assets	Net Advances	Amount Gross NPAs Net NPAs	Per cent to Net Advances	Per cent to Assets
1	2	3	4	5	6	7	8	9
2007	11,824	262	2.2	2.2	11,548	-14	-0.1	-0.1
2008	37,233	652	1.8	1.7	36,609	28	0.1	0.1
2009 P	34,240	573	1.7	1.6	34,023	356	1.0	1.

Asset Quality:

Asset quality of various types of NBFCs as reflected in various categories of NPAs (substandard, doubtful and loss) shows that there was sharp improvement in the asset quality of equipment leasing companies and deterioration in the asset quality of hire purchase companies during 2008-09 over previous year [Table-5]

(Amount in Rs. crore)

Table - 5 : Classification of Assets of Asset Financing Companies

Classification End-March	Standard Assets	Sub-Standard Assets	Doubtful Assets	Loss Assets	Gross NPAs	Gross Advances
1	2	3	4	5	6	7
2007	11,562 (97.8)	242 (2.1)	17 (0.1)	3 (0.0)	262 (2.2)	11,824 (100.0)
2008	36,581 (98.2)	584 (1.6)	41 (0.1)	27 (0.1)	652 (1.8)	37,233 (100.0)
2009P	33,667 (98.3)	520 (1.5)	35 (0.1)	18 (0.1)	573 (1.7)	34,240 (100.0)

Capital Adequacy Ratio

CRAR norms were made applicable to NBFCs in 1998, in terms of which every deposit- taking NBFC is required to maintain a minimum capital, consisting of Tier-I and Tier-II capital, of not less than 12 per cent (15 per cent in the case of unrated deposit taking loan/investment companies) of its aggregate risk-weighted assets and of risk-adjusted value of off-balance sheet items. Total of Tier-II capital, at any point of time, cannot exceed 100 per cent of Tier-I capital. The number of NBFCs with less than the minimum regulatory CRAR of 12 per cent declined to 9 at end-March 2009 from 47 at end- March 2008 [Table-6]. At end-March 2009, 198 out of 207 NBFCs had CRAR of 12 per cent or more as against 280 out of 327 NBFCs at end-March 2008. The number of NBFCs with CRAR more than 30 also declined to 168 at end- March 2009 from 239 at end-March 2008.

Notwithstanding this, it is noteworthy that the NBFC sector is witnessing a consolidation process in the last few years, wherein the weaker NBFCs are gradually exiting, paving the way for a stronger NBFC sector.

Asset Financing Companies' growth appears to be healthy despite impact of global melt down experienced by Indian economy. They hold dominant position in NBFCs-D segment.

(Per cent)

Table - 6 : Capital Adequacy Ratio of NBFCs-D

CRAR Range	As at end-March			
	2007-08		2008-09 P	
	AFC	Total	AFC	Total
1	2	6	7	11
1) Less than 12 per cent (a+b)	19	47	0	9
a) Less than 9 per cent	4	32	0	8
b) More than 9 and up to 12 per cent	0	0	0	0
2) More than 12 and up to 15 per cent	3	4	3	3
3) More than 15 and up to 20 per cent	5	8	4	6
4) More than 20 and up to 30 per cent	25	29	17	21
5) Above 30 per cent	117	239	99	168
Total	**169**	**327**	**123**	**207**

AFC : Asset Finance Company. • **P** : Provisional • **Source** : Half-Yearly Returns.

*It may be due to less number of reporting companies as only 275 NBFC-D reported in 2008-09 compared to 350 in previous year.

[This article is based on facts presented in Reserve Bank of India's "Report on Trend and Progress of Banking in India 2008-09" released on October 22.]

Periscope

"In order to have legal clarity, a clear provision stating the financier's Right to repossess vehicles in case of default subject to terms and conditions / guidelines prescribed by Reserve Bank of India be incorporated."

Experts stress need to set up authority for NBFCs

Major role seen for the sector in inclusive financial system.

"While banks ought to focus on mobilising public resources and serving the needs of large customers, the NBFCs can reach out to the masses and ensure financial inclusion."

Various experts of the 'non-banking finance company' [NBFC] industry, who spoke at a seminar of the Equipment Leasing Association (India) at Chennai, stressed the relevance and the indispensable role of NBFCs in the economy. Mr R. Thyagarajan, Chairman of the Shriram group of companies and a doyen of the industry, called upon the Government to set up an authority exclusively to take charge of the development of the industry, which he termed as "practically non-existent" today. He said that an exclusive authority would impart respectability and credibility to the industry and also ensure orderly growth of it. The authority could set itself as an objective that over a specified period of time, (say) ten per cent of financial assets (which today would be Rs 4 lakh crore) should be under the management of NBFCs.

While Mr T B Kapali, Vice-President, Shriram Capital, pitched for fostering of the NBFC from a risk-mitigation perspective, Mr Thyagarajan said that inclusive financial system would be impossible to achieve without NBFCs. Pointing out that 85 per cent of the financial assets in the country are with the banks and about 80 per cent of that is concentrated in only about 30 geographical centres in the country, Mr Kapali said, it is a potential systemic risk. NBFCs have a role in dispersing this risk, he said.

Mr Thyagarajan said that the NBFC industry is today minuscule, largely because of regulatory constrictions. He said this should change and there should emerge an environment conducive for encouraging entrepreneurs into the industry. Noting that the roles of banks and NBFCs are complementary, Mr Thyagarajan said that while banks ought to focus on mobilising public resources and serving the needs of large customers, the NBFCs can reach out to the masses and ensure financial inclusion. Answering a question in this connection, he said that the role of micro finance institutions could only be limited. Mirco finance has done well up to a point, but when the scaling-up happens at a level seen in the last few years, it will become risky, he said. Mr Thyagarajan also wanted those in the NBFC industry to set up a well-funded lobby to argue its case before the government.

The seminar was held to occasionalise Equipment Leasing Association (India)'s Silver Jubilee celebrations. The Chairman of the Silver Jubilee Committee, Mr R Anand, Partner – Ernst & Young, also observed that banks and NBFCs were partners in the financial inclusion agenda of the nation.

Mr M Anandan, former Managing Director of Cholamandalam DBS Finance Ltd, said that funding is not a big issue for NBFCs today. [Business Line, Oct. 25]

ELAI assumes new role to represent NBFCs

The 25 year old Equipment Leasing Association (India), which played a dominant role in representing the cause of NBFCs primarily engaged in the business of hire purchase financing, leasing and hypothecation, has assumed a new role with leasing becoming almost non-existent now. At the silver jubilee celebration of ELAI in Chennai on Oct. 24, it was re-christened as Finance companies' association (India). Based in Chennai, the new body took off with the existing 40 members, mostly corporates.

Manappuram group Chairman and CEO, V P Nandakumar, chairman of ELAI and the new association told ET, " We want to broad base our membership to represent various NBFCs registered with RBI and engaged in asset financing, mortgage finance, providing gold loans and personal loans. We will not represent investment companies". R Anand, partner- tax & regulatory services, Ernst & Young and Chairman of the silver jubilee committee said of the estimated 300 active NBFCs in the country, the association would like to cover in the first phase 100 to 120. In order to effectively raise the voice of the members before Government and regulators, it has been decided to create a Trust which will do research on the NBFC sector and analyse the impact of policy changes. The initial

"Mr R. Thyagarajan called upon the Government to set up an authority exclusively to take charge of the development of the [NBFC] industry, which he termed as "practically non-existent" today. He said that an exclusive authority would impart respectability and credibility to the industry and also ensure orderly growth of it."

contribution of Rs 10 lakhs will come from ELAI. It is proposed to raise more resources from corporates and other bodies. The Trust will have an office and a research team to carry out the works.

Coinciding with the celebration, ELAI organised a seminar to deliberate on the various aspects of the financial services sector. Inaugurated by RBI regional director, K R Ananda, it was addressed by industry experts like Sundaram Finance Managing director, T T Srinivasaraghavan, Shriram group Chairman R Thyagarajan, Shriram Capital Vice President, T B Kapali, M Anandan, former MD, Cholamandalam DBS Finance and P S Balasubramaniam, Director, H C Kothari group firms.

The speakers recalled the turbulent times in the early nineties and explained how the existing players had survived those dark days as well as the recent global financial melt down. They traced this to the robust Indian financial system and the prudential norms followed by RBI. While the regulatory system had achieved its overall objective, the experts urged RBI and Government to recognise the relevance of NBFCs in the changing landscape. As they have deep knowledge of the country's financial system, they would play a meaningful role like banks and micro finance institutions in the financial inclusion agenda as well as in the overall economic agenda of Government. For this, the authorities have to treat them on par with other players in the financial system when it comes to taxation, availability of funds, broad basing the source of finance, recovery of NPAs (by applying the Sarfasi act) etc., Both banks and NBFCs should be viewed as partners in the financial inclusion agenda of the nation, Mr Anand said summing up the discussion on the occasion. [Economic Times , 25 Oct 2009]

Amend Motor Vehicles Act, 1988 says FIDC

In India, the tremendous growth of road transport sector became possible due to ready finance provided by NBFC-AFCs and more recently by banks. The prime security in all finance agreements is the vehicle financed. As such, proper and speedy procedures are must pertaining to vehicle financing, specially, registration of the lien in the R.C. in favour of the financier, sufficient safe guards to prevent fraudulent deletion of the lien and transfer of the R.C. in the name of the financier in case of repossessed vehicles, said Mr. Raman Aggarwal, co-chairman before expert committee setup by Ministry of Road transport and Highways on Nov.27.

Outlining the amendments required in Motor Vehicles Act, 1988 Mr. Aggarwal suggested that Section 51(2) needs to address change in registered owner in case of amalgamation of companies. The registered owner in the R.C. should be changed to new company based on a letter from the transferee company along with a suitable proof and financier's NOC should be mandatory for making such changes. He added that change should be made without disturbing the hypothecation endorsement in favour of the financier.

Due to lack of safeguards in Section 51(3) to prevent fraudulent cancellation of H.P./ Lease/ Hypothecation endorsement, this provision has been misused by the borrowers i.e. registered owners in getting the lien deleted by submitting NOC with forged signatures of the financier. He suggested introducing system of seeking confirmation from the financier within 7 days.

Issuance of fresh R.C. in the name of the financier in case of Repossessed Vehicles provided under Section 51(5) is a problem due to refusal by RTAs as they insist on financiers to pay Road Tax/ Permit Fee arrears payable by the registered owner or insist on financiers to surrender the permit inspite of the fact that registered owner is the permit holder. Mr. Aggarwal further pointed out that frustrating delays in issuance of fresh R.C. in the name of financier takes place on frivolous grounds since there is no time limit prescribed.

Recommending remedial measures he stated that the word "may" should be replaced with the word "shall" in section 51(5). A clear provision exempting the financier from the liability to pay the Road Tax arrears and the permit fee, [which should be recovered from the defaulting registered owner] and a provision exempting the financier from submission of the permit be incorporated in the amendment Act. A new provision for registration of unregistered repossessed vehicles directly in the name of financier is also needed.

To obviate dilatory procedure, Mr. Aggarwal suggested that only one notice to be sent by RTA to the defaulting registered owner by registered post with acknowledgement due at his address entered in the R.C. and a maximum period of 30 days should be prescribed for issuance of fresh R.C. In case the financier submits the original R.C., the RTA should issue fresh R.C. in its name under intimation to the borrower without going through the usual process, he added. All other objections raised by the borrower pertaining to the dispute with the financier should not be entertained as RTA is not the proper forum for such disputes. Unless there is a specific court order against the financier or the RTA for transferring vehicles, such objections should not be entertained.

Trade Certificate is required under Chapter-III of The Central Motor Vehicle Rules, 1989 by a dealer of motor vehicles for exemption from registration of new vehicles till the time it is sold and registered in the name of the owner. However, RTAs insist on financier also to obtain & submit Trade Certificate for endorsement of Hypothecation in the financier name in the R.C. at the time of registration of a new vehicle, Mr. Agarwal pointed out. He insisted that Trade Certificate should not be mandatory for RBI registered NBFC-AFCs . NBFC-AFCs should be given the choice to get the Trade Certificate and also decide the number of certificates required.

In order to have legal clarity, a clear provision stating the financier's Right to repossess vehicles in case of default subject to terms and conditions/ guidelines prescribed by Reserve Bank of India be incorporated. A system of one time Road Tax (life time tax) should be introduced for all class of vehicles. This shall address the problem of backlog of Road Tax arrears due to which many cases are pending before various courts all over the country. This measure will enable the government to save lot of time and resources in collection of Road Tax.

Legal Eagle

"Supreme Court has observed that when a person signs a document, there is a presumption that he has read the document properly and understood it and only then he affixed his signature thereon, unless there is a proof of force or fraud."

Arbitration Cost :

One of the difficulties being faced by the parties to the Arbitration Agreement is high costs towards Arbitrators' Fees. When a retired High Court Judge is appointed to adjudicate upon the issue arising between the parties to the Arbitral Agreement, the parties are burdened with high Arbitrator's fees. Many of the Arbitrators fix the fees per hearing and parties are forced to pay huge fees, when the sittings are dragged to many hearings. This happens for the reason that the court appointing the retired High Court Judge as an Arbitrator leaves the fees aspect to him.

Taking into consideration of the above, Supreme Court in the case Union of India Vs Singh Builders Syndicate suggested the following:

1) At the time of appointing the Arbitrator, with the consent of the parties, the Court shall fix suitable fees. 2) Wherever necessary, the retired High Court Judge may also be interacted for fixing the fees. 3) The Court may maintain a panel of Arbitrators who offered their services to act as Arbitrators and while empanelling them, they may be required to furnish the fees structure to the registry of the High Courts. The parties may select the Arbitrators of their choice 4) To have Institutional Arbitration which stipulates uniform rate towards fees.

Added to the suggestions made by the Supreme Court in the above case, the following may also be considered for appointment of Arbitrators with affordable costs;

1) To appoint Retired District Judges known for honesty and integrity; 2) To fix the fees on the basis of the schedule prescribed by the Indian Council of Arbitration, New Delhi at the time of appointing the Arbitrators.*[Contributed by Mr.V Srinivasan, DGM [Legal], S. F. L.]*

Signed means- read and signed

In majority of Arbitration Cases, the respondents used to take defence that they signed the blank documents and hence they are not bound by the terms of the documents. Normally when there is an executed and duly filled in document, the presumption is that the executants signed the documents after having read and understood the terms and conditions of the document before signing them. Supreme Court has confirmed the above presumption in the case of Grasim Industries Ltd and another Vs Agarwal Steel (Civil Appeal No.5994/2004 with Civil Appeal Nos.7477/2004 and 1733/2005).

The document in issue is a joint statement of account, bearing the signatures of the claimant and the respondent. The Arbitrator before whom the dispute was referred to, held that the signature on behalf of the claimant - respondent was made under a mistake and the same was not binding. This issue reached the Supreme Court in the above appeal and the Supreme Court has observed that when a person signs a document, there is a presumption that he has read the document properly and understood it and only then he affixed his signature thereon, unless there is a proof of force or fraud. The Supreme Court has further observed that unless the above presumption is drawn, no signature on a document can ever be accepted. The above judgment can be made use of in cases where the Borrowers/Hirers dispute the claim on the ground mentioned above. [*Contributed by Mr.V Srinivasan, DGM [Legal], S. F. L.]*

Bounced cheque: No case if borrower hasn't issued it

While accepting a cheque from someone who owes you money, make sure that he himself — or his authorised representative — has signed it. Otherwise, in case the cheque bounces, you won't be able to file criminal case against the actual borrower, as per a judgement of the Bombay High Court. Viral Filaments borrowed certain amount from one Arvind Degvekar sometime in 1997. When the time to return the money came, the company gave him a cheque. The cheque was issued by one Balram, an associate of Viral Filaments and owner of another firm. It bounced, and even after Degvekar informed Viral Filaments about it, he did not get his money back. Degvekar filed criminal case against both Balram and Viral Filaments under Section 138 of the Negotiable Instruments Act. Viral Filaments then moved the high court, seeking to quash the complaint. In the order last week, Justice R Kingaonkar noted that the company itself had not issued the cheque, though it owed the money.

Under the provisions of Section 138, "action could be initiated against the drawer of the cheque", Justice Kingaonkar observed, quashing the case against Viral. However, Degaonkar was free to file a civil suit against the company, the judge added.

FIDC In Action

"We will provide the booklet (FIDC Handbook) to all Police Stations"

DGP, Gujarat

Meeting of Managing Committee of FIDC at Ahmedabad

Meeting of the Members of the Managing Committee of FIDC was held on December 09, 2009 at 3.00 p m at Ahmedabad-380006.Meeting was presided over by Co-chairman Mr. Raman Aggarwal.

FIDC Actions:

- FIDC has sent Representation on draft Direct Tax Code proposed by Union Government. and also had meetings with Finance Minister and CBDT Chairman.
- A meeting with Reserve Bank Governor Mr. D. Subbarao and Dy Governors was held on 15-10-09.
- A meeting of FIDC Chairman Mr.T T Srinivasaraghvan with Mr. A. Narayana Rao new CGM-in-charge, DNBS, RBI was held to brief him on the issues of NBFCs relating to RBI.

FIDC recommends changes in MV Act, 1988

A presentation was made by Mr. Raman Aggarwal, Co-chairman, FIDC on Nov. 27, 2009 at New Delhi before the Expert Committee set up by Ministry of Road Transport and Highways to recommend amendments to the Motor Vehicles Act, 1988. The details are given on page 10.

Gujarati Copy of FIDC Handbook on Repossession unveiled:

Cops can get to know the legal aspect in firm, client dispute

If police refuse to file a complaint against the seizure of vehicle you took loan to buy or any other asset, just ask them to view the Gujarati version of a booklet-'Vasulat matte milkat no Pher-Kabjo' (Handbook on repossession) issued by Finance Industry Development Council (FIDC).

The booklet is meant to resolve the disputes between the clients and finance companies. "We will provide the booklet to all Police Stations so that in case of any matter of repossession by agents of the finance companies, exact legal aspects can be referred to," Director General of Police, Gujarat, SS Khandwawala told DNA

The booklet was unveiled by Mohan Jha, JCR Traffic, Ahmedabad city. "We may also try to introduce the book for training of police wings dealing in financial crimes," said Jha at Ahmedabad on Dec.9.

The booklet mainly focuses on legal aspects, dos and don'ts for the financial companies as well as the legal practice that has to be conducted while repossessing the defaulter's assets.

"The booklet contains guidelines for the repossession and the protocol that has to be maintained by the finance companies" Mukesh Gandhi, chairman of Gujarat Finance Companies Association, told DNA.

Read the booklet

To know about Dos and don'ts of repossession for finance companies.

How to identify if agent is valid one for firm ?

Guidelines for agents for repossessing the assets.

Responsibilities of finance companies.

[DNA, Dec. 9, 2009]

Views expressed herein are not necessarily the views of FIDC.

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T T SRINIVASARAGHAVAN
for and on behalf of
Finance Indusry Development Council,
222, Ashoka Shopping Centre, 2nd Floor, L T Road,
Near G T Hospital, Mumbai-400001, INDIA.
Phone : 91-222267 5500 / 91 98200 35553
Fax : 91-222267 5600,
E-mail : FIDC : info@fidcindia.com
Director General : maheshthakkar@vsnl.com
Website : www.fidcindia.com

Suggestions and feed-back

We would appreciate your views, suggestions and feed-back to make the **'FIDC News'** more useful and illuminating. Your inputs and contributions too are welcome on : fidcnews@gmail.com

- Editorial Committee

Traffic congestion and pay cuts forced him to shift from a 4-wheeler to 3-wheeler to 2-wheeler to this...

(Courtesy : Times of India)

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