

FIDC has done it once again!!!!

You may recall RBI had issued Draft guidelines on the issuance of Non Convertible Debentures (NCDs) having Maturity period less than One year. These guidelines proposed that all cos including NBFCs issuing such NCDs were required to have min. NOF of Rs. 4 crores, should have been sanctioned credit by banks or FIs, should obtain credit rating and the minimum denomination should be 5 lakhs. *The draft guidelines mentioned that even those NCDs which are originally issued with a maturity period of one year and above but have an option of early redemption before one year would be covered under these guidelines.*

Now, NBFCs generally issue NCDs having maturity period of at least one year and above, but do have a put / call option enabling early redemption even before one year. This is done to enable the debentureholders to claim refunds in case of any urgent need for funds. As such, these NCDs would have been covered under the proposed draft guidelines which would have created lot of problems for us, specially the small and medium NBFCs for whom Secured NCDs are an important source of fund raising. We had represented on this matter vide our letter dated Dec 31, 2009.

RBI has issued the final guidelines yesterday i.e. 23rd June, 2010 where they have accepted our request and the optionality clause has been deleted. As such, NCDs issued by NBFCs having a maturity period of one year and more shall not be covered by these guidelines.

One more achievement for FIDC !!