

NBFC risk weightings to be cut for infra projects

ANUPREKSHA JAIN

Mumbai, 1 October

The Reserve Bank of India has proposed to reduce risk weights for loans by non-banking finance companies to operational, high-quality infrastructure projects. The move is aimed at reducing the cost of infrastructure financing by Non-Banking Financial Companies (NBFCs).

It has been proposed to introduce a principle-based framework for assigning risk weights to infrastructure loans given by these entities. The new rules are expected to improve risk assessment, optimise capital allocation, and reduce the cost of infrastructure financing for NBFCs. The RBI plans to



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issue draft regulations soon for public consultation.

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under public private partnerships (PPPs).

Umesh Revankar, executive vice chairman, Shriram Finance, said: “The principle-based framework proposed by

RBI for infrastructure lending is a welcome step, as it clarifies risk weights for operational projects and supports sound, long-term lending practices — enabling NBFCs like ours to further contribute to nation-building.”

Industry experts said that with more discretion given to NBFCs, supervisory oversight has to be strong to avoid under estimating risks or “window dressing”. Additionally, if risk weights are lowered too much, some players may over-leverage infrastructure projects without adequate due diligence.

“While Infrastructure Debt Funds (IDF) and NBFC-IFCs already benefit from favourable risk weights of 50 per cent,

the proposed relaxation could improve the competitiveness of other NBFCs lending to infrastructure projects and facilitate widening infrastructure financing. However, this relaxation may also enable higher leverage within infrastructure portfolios of NBFCs, which are often relatively concentrated. In this context, prudent capitalisation will be essential for NBFCs to maintain their credit profiles,” said Anil Gupta, senior vice president and co-group head, ICRA.

An NBFC official said, “We may see some new participants in infrastructure financing, increasing the competition among NBFC players. But NBFCs must be cautious regarding overleveraging.”