whose financial assets, in the business of providing finance for housing, constitute at least 60% of its total assets (netted off by intangible assets); and

(ii) Out of the total assets (netted off by intangible assets), not less than 50% should be by way of housing finance for individuals.

Net owned fund

In terms of the RBI Master Directions – HFC, HFCs are required to maintain a minimum net owned fund of ₹ 200 million to commence with the business of housing finance as its principal business or to carry on the business of a HFC.

Capital adequacy

As per the RBI Master Directions – HFC, we are required to maintain a minimum capital ratio, consisting of tier I capital and tier II capital. Currently, HFCs are required to maintain a minimum capital ratio on an ongoing basis, consisting of tier I and tier II capital, of not less than 15% of its aggregate risk weighted assets and of risk adjusted value of off-balance sheet items. At a minimum, tier I capital of HFCs cannot be less than 10% and the total tier II capital at any point of time, should not exceed 100% of tier I capital.

Accounting Standards

As per the RBI Master Directions – HFC, HFCs that are required to implement Ind As as per the Companies (Indian Accounting Standards) Rules, 2015 shall prepare their financial statements in accordance with Ind AS notified by the Government of India and comply with the regulatory guidance specified in terms of the RBI Master Directions – HFC. Other HFCs are required to comply with the requirements of notified accounting standards insofar as they are not inconsistent with any of the directions provided under the RBI Master Directions– HFC.

Source of funds

HFCs can generally raise funds by way of borrowings or through equity. The sourcing of funds by HFCs is primarily regulated by the RBI, NHB, and SEBI. The limits on borrowings by HFCs are governed by the RBI Master Directions – HFC. The RBI Master Directions – HFC currently permit HFCs to borrow up to 12 times of their net owned funds as at the end of the immediately preceding financial year. Further, the RBI Master Directions – HFC require HFCs to have in place a board approved policy for resource planning, which, inter alia, should cover the planning horizon and the periodicity of private placement of non-convertible debentures.

In accordance with the RBI Master Directions – HFC, the Company has put in place a board approved policy for resource planning ("**Resource Planning Policy**"). The Resource Planning Policy seeks to maintain a balance in the source of funds by borrowing from the debt capital market as well as traditional borrowings from banks and others, reduce the weighted average cost of borrowing by borrowing across multiple maturities, support disbursement growth by providing adequate liquidity, and proper balancing of asset and liability mismatch within the permitted tolerance level.

Other borrowings

HFCs can issue non-convertible debentures ("**NCDs**") only for deployment of funds on its own balance sheet. Such issue of NCDs is governed by the RBI Master Directions – HFC, which amongst others, includes eligibility requirements and conditions in relation to the credit rating and maturity of such NCDs, and compliance with the Companies Act and the applicable laws.

Recently, the RBI has issued Master Direction – Reserve Bank of India (Commercial Paper and Non-Convertible Debentures of original or initial maturity upto one year) Directions, 2024, which will come into force with effect from April 01, 2024. All companies, including HFCs are eligible issuers under these directions. The commercial papers and NCDs are required to be issued in a dematerialised form and in minimum denominations of ₹ 0.5 million and in multiples of ₹ 0.5 million thereafter. The tenor of such NCDs cannot be less than ninety days or more than one year and the tenor of the commercial papers shall not be less than seven days and more than a year. The directions lay down other requirements in relation to the credit rating and maturity of such NCDs.

External commercial borrowings ("**ECB**") are commercial loans raised by eligible resident entities from recognised non-resident entities in terms of the ECB Master Directions. While availing such ECBs, HFCs are required to conform to parameters such as minimum maturity, permitted and non-permitted end-uses, maximum all-in-cost ceiling, etc. set out in the ECB Master Directions.

Term Loans

In terms of the Master Circular – Housing Finance dated July 1, 2015 issued by the RBI, banks are permitted to grant term loans to HFCs considering (long-term) debt-equity ratio, track record, recovery performance and other relevant factors including the other applicable regulatory guidelines.