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New Price of Domestic Natural Gas

**Revised Regulatory Framework for
Non-Banking Financial Companies
(NBFCs)**

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New Price of Domestic Natural Gas

The Government of India approved a formula for determining the price of domestic natural gas produced in India. On the basis of the approved formula and with effect from November 1, 2014, the price of domestic natural gas has been increased to US \$5.61 per mmBtu. A copy of the Government notification can be found here <http://petroleum.nic.in/docs/NewNaturalGasPricingGuidelines.pdf>.

The price, determined under the new guidelines is applicable to all domestic natural gas produced in India except (i) in cases where prices have been contractually fixed for a certain period of time, till the end of such period, (ii) where the production sharing contract provides for a specific formula, and (iii) pre-NELP production sharing contracts which do not provide for Government approval of formula/basis for gas prices.

With respect to gas produced from D1 and D3 discoveries in KG-DWN-98/3, in view of the arbitration going on between the contractor, that is, Reliance and the Government of India, the difference in the new gas price and the erstwhile price of US\$ 4.2 per mmBtu will be credited to a gas pool (escrow) account maintained by GAIL, which will be paid out depending on the outcome of the pending arbitration/legal proceedings. [Reliance had initiated arbitration against the Government's decision to disallow its cost recovery of approximately a total US\$ 2.4 billion after the Comptroller and Auditor General of India alleged that Reliance breached some terms of the production sharing contract with the Government. Under the NELP, the Government of India allows operators to first recover their costs from oil and gas revenue, and subsequently share profits with the government. Reliance failed to meet

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targets for gas generation in the D1 and D3 gas fields in the KG-D6 block. Reliance's reasons that unexpected geology caused the decline in output were rejected by the oil ministry, which believes output has fallen due to non-drilling of the promised number of wells.]

The new gas price will be reviewed every six months.

Revised Regulatory Framework for Non-Banking Financial Companies (NBFCs)

The Reserve Bank of India (RBI) has revised the regulatory framework for NBFCs. The revisions include the following:

- All NBFCs are required to attain a minimum net owned fund (NOF) of Rs. 20 million by the end of March 2017, as per the milestones given below:
 - Rs. 10 million by the end of March 2016; and
 - Rs. 20 million by the end of March 2017.
- Enhanced prudential regulations will be made applicable to NBFCs wherever public funds are accepted and conduct of business regulations will be made applicable wherever customer interface is involved. NBFCs-ND with an asset size of less than Rs. 50 million will be as under:
 - They will not be subjected to any regulation either prudential or conduct of business regulations viz., Fair Practices Code (FPC), KYC, etc., if they have not accessed any public funds and do not have a customer interface.
 - Those having customer interface will be subjected only to conduct of business regulations including FPC, KYC etc., if they are not accessing public funds.
 - Those accepting public funds will be subjected to limited prudential regulations but not conduct of business regulations if they have no customer interface.
 - Where both public funds are accepted and customer interface exist, such companies will be subjected both to limited prudential regulations and conduct of business regulations.

- The threshold for defining systemic significance for non-deposit taking NBFCs (NBFC-ND) has been revised. Systemically important non-deposit taking NBFCs (NBFC-ND-SI) will henceforth be those NBFCs-ND which have asset size of Rs. 50 million and above as per the last audited balance sheet.
- NBFCs-ND will now be categorized into two broad categories viz.,
 - NBFCs-ND (those with assets of less than Rs. 50 million) and
 - NBFCs-ND-SI (those with assets of Rs. 50 million and above).
- All NBFCs-ND with assets of Rs. 50 million and above, irrespective of whether they have accessed public funds or not, will need to comply with prudential regulations as applicable to NBFCs-ND-SI. They will also comply with conduct of business regulations if customer interface exists.
- Consequent to the redefining of 'systemic significance', NBFCs-ND with asset size of less than Rs. 50 million, are exempted from the requirement of maintaining CRAR and complying with credit concentration norms.
- Asset classification norms for NBFCs-ND-SI and NBFCs-D are being brought in line with that of banks, in a phased manner, as given below:
 - Lease rental and hire-purchase assets will become non-performing assets (NPA) if they become overdue for 9 months (currently 12 months) for the financial year ending March 31, 2016; and if overdue for 6 months for the financial year ending March 31, 2017; and if overdue for 3 months for the financial year ending March 31, 2018 and thereafter.
 - Assets other than lease rental and hire-purchase assets will become NPA if they become overdue for 5 months for the financial year ending March 31, 2016; and if overdue for 4 months for the financial year ending March 31, 2017; and if overdue for 3 months for the financial year ending March 31, 2018 and thereafter.

For more information, please see <http://rbidocs.rbi.org.in/rdocs/notification/PDFs/RRFNC101114F.pdf>.

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