

RBI/2006-2007/320  
DBOD No. BP.BC. 76 /21.04.048/2006-07

April 12, 2007

All Scheduled Commercial Banks  
(Excluding RRBs)

Dear Sir,

**Prudential norms on Income recognition, Asset Classification and Provisioning pertaining to Advances – Projects involving time overrun**

In terms of Sub-para (iv) of Para 4.2.17 of Master Circular DBOD No. BP.BC. 15/ 21.04.048/2006-07 dated 1 July 2006 on 'Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances' banks had been advised that, as regards the projects to be financed by them, the date of completion of the project should be clearly spelt out at the time of financial closure of the project and if the date of commencement of commercial production extends beyond a period of **six months** after the date of completion of the project, as originally envisaged, the account should be treated as a sub-standard asset.

2. Infrastructure projects require heavy fund outlays with long gestation periods due to many inherent factors such as statutory/ regulatory clearances, land acquisition, resettlement/ rehabilitation of the displaced people, etc. All these factors, which are beyond the control of the promoters, may lead to delay in project implementation and involve restructuring/ reschedulement by the banks. Accordingly, it has been decided to partially modify the above quoted asset classification norms for infrastructure projects alone, involving time overrun.

3. In case of infrastructure projects to be financed by banks, the date of completion of the project should be clearly spelt out at the time of financial closure of the project and if the date of commencement of commercial production extends beyond a period of **one year** after the date of completion of the project, as originally envisaged, the account should be treated as sub-standard. The revised instructions come into force with effect from 31 March 2007.

4. Please acknowledge receipt.

Yours faithfully

(Prashant Saran)  
Chief General Manager-in-Charge