



RBI/2004/88

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August 3, 2004

**The CEOs of the all-India Term Lending and Refinancing Institutions**  
(Exim Bank, IDBI, IDFC Ltd., IFCI Ltd., IIBI Ltd., NABARD, NHB, SIDBI and TFCI Ltd.)

Dear Sir,

**Annual Policy Statement for the year 2004-05:  
Additional Provisioning Requirement for NPAs**

At present, FIs are required to make provisions on NPAs on a graded scale based on the age of the NPA. However, in respect of NPAs included in 'doubtful for more than three years' category, the provisioning requirement on the secured portion remains unchanged at 50 per cent, irrespective of its age, till it is identified as a loss asset. With the enactment of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 and the chances / extent of recovery of an asset reducing over a period of time, it is essential that FIs expedite recovery of NPAs. In this connection, please refer to paragraph 122 of the Annual Policy Statement for the year 2004-2005 announced on May 18, 2004 (copy of the paragraph enclosed).

2. Accordingly, it has been decided to introduce for FIs also graded higher provisioning according to the age of NPAs in 'doubtful for more than three years' category, with effect from March 31, 2005\*. Consequently, the increase in provisioning requirement on the secured portion would be applied in a phased manner over a three year period in respect of the existing stock of NPAs classified as 'doubtful for more than three years' as on March 31, 2004\*.

3. However, in respect of all advances classified as 'doubtful for more than three years' on or after April 1, 2004 (July 1, 2004 in case of NHB), the provisioning

requirement would be 100 per cent. Accordingly, the provisioning norm for advances identified as 'doubtful for more than three years' will be as under with effect from March 31, 2005\*:

**(a) Unsecured portion**

Portion of the advance, which is not covered by the realisable value of tangible security to which the FI has a valid recourse and the realisable value is estimated on a realistic basis, provision will continue to be to the extent of 100 per cent, as hitherto.

**(b) Secured portion**





