

May16, 2007

All Commercial Banks (excluding RRBs)
All India Term Lending and Refinancing Institutions
All Non Banking Financial Companies (including RNBCs)

Dear Sir,

Guidelines on purchase / sale of Non Performing Assets

Please refer to our Circular No. DBOD.BP.BC.16/21.04.048/2005-06 dated 13 July 2005 on the captioned subject. In terms of Para 5(iii) of the circular, the banks were advised that the estimated cash flows are normally expected to be realised within a period of three years and not less than 5% of the estimated cash flows should be realised in each half year.

2. The matter has been reviewed in response to difficulties expressed by banks. In partial modification of the above guidelines, it has now been decided that at least 10% of the estimated cash flows should be realized in the first year and at least 5% in each half year thereafter, subject to full recovery within three years. The revised guidelines come into force immediately. All other conditions stipulated in the aforesaid circular remain unchanged.

3. Please acknowledge receipt.

Yours faithfully,

(Prashant Saran)
Chief General Manager-in-Charge