



RBI/2016-17/282

DBR.No.BP.BC.64/21.04.048/2016-17

April 18, 2017

All Scheduled Commercial Banks
(Excluding Regional Rural Banks)

Madam/Dear Sir,

Additional Provisions For Standard Advances At Higher Than The Prescribed Rates

Please refer to paragraph 5 of the [Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015](#).

2. It is advised that the provisioning rates prescribed in the abovementioned circular are the regulatory minimum and banks are encouraged to make provisions at higher rates in respect of advances to stressed sectors of the economy. With a view to ensure that banks have adequate provisions for loans and advances at all times, it is advised as under:

- i) Banks shall put in place a Board-approved policy for making provisions for standard assets at rates higher than the regulatory minimum, based on evaluation of risk and stress in various sectors.
- ii) The policy shall require a review, at least on a quarterly basis, of the performance of various sectors of the economy to which the bank has an exposure to evaluate the present and emerging risks and stress therein. The review may include quantitative and qualitative aspects like debt-equity ratio, interest coverage ratio, profit margins, ratings upgrade to downgrade ratio, sectoral non-performing assets/stressed assets, industry performance and outlook, legal/ regulatory issues faced by the sector, etc. The reviews may also include sector specific parameters.
- iii) More immediately, as the telecom sector is reporting stressed financial conditions, and presently interest coverage ratio for the sector is less than one, Board of Directors of the banks may review the telecom sector latest by

June 30, 2017, and consider making provisions for standard assets in this sector at higher rates so that necessary resilience is built in the balance sheets should the stress reflect on the quality of exposure to the sector at a future date. Besides, banks should also subject the exposure to the sector to closer monitoring.

Yours faithfully

(S.S. Barik)
Chief General Manager-in- Charge