

## भारतीय रिज़र्व बैंक RESERVE BANK OF INDIA

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## RBI Issues the Reserve Bank of India (Project Finance) Directions, 2025

The Reserve Bank had issued <u>draft guidelines on 'Prudential Framework for Income Recognition, Asset Classification and Provisioning pertaining to Advances - Projects Under Implementation' on May 03, 2024</u>, for stakeholder comments. The draft guidelines proposed an enabling framework for the regulated entities (REs) for financing project loans, while addressing the underlying risks.

- 2. As part of the stakeholder consultation exercise, inputs / feedback were received from around 70 entities including banks, NBFCs, industry associations, academicians, law firms, individuals and the Central Government. The inputs/feedback received have been examined and suitably incorporated while formalising the final Directions, which have been issued by the Reserve Bank today. The Directions entail inter alia the following:
  - Adoption of a principle-based regime for resolution of stress in project finance exposures, harmonised across REs.
  - Rationalization of permissible 'date of commencement of commercial operations' (DCCO) extensions with an overall ceiling of three and two years for infrastructure and non-infrastructure sectors, respectively.
  - Flexibility to REs in extending the DCCO within the above ceilings, based on their commercial assessments.
  - Rationalisation of standard asset provisioning requirement to 1% for projects under construction, which shall gradually increase for each quarter of DCCO deferment. The requirements for under construction CRE exposures will be however, slightly higher at 1.25%.
  - Under construction projects where financial closure has already been achieved shall continue to be guided by the extant provisioning norms to facilitate a seamless implementation.
  - During operational phase, the standard asset provisioning requirement shall stand reduced to 1% for CRE, 0.75% for CRE-RH and 0.40% for other project exposures, respectively.

The Reserve Bank of India (Project Finance) Directions, 2025 shall come into force with effect from October 1, 2025.

(Puneet Pancholy) Chief General Manager