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भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA  
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39

DBOD.BP.No. 1517 /08.012.014/2012-13

July 26, 2012

The Chairman  
National Highways Authority of India  
(Ministry of Road Transport and Highways)  
G-5 & 6, Sector - 10, Dwarka  
New Delhi-110075

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Dear Sir,

Classification of debt as Secured and Unsecured

Please refer to your D.O letter D.O.No.NHAI/Chairman/1/Misc/2012 dated July 20, 2012 on the captioned subject.

2. In this connection, we advise that while banks should not treat rights, licences, authorisations etc., charged to banks as collateral, as tangible security, we have made an exception in the case of road/highway projects. In terms of our circular DBOD.No.BP.BC.96/08.12.014/2009-10 dated April 23, 2010 (copy enclosed) on Prudential norms on Advances to Infrastructure Sector, banks have been allowed to treat annuities under build-operate-transfer (BOT) model in respect of road/highway projects and toll collection rights, where there are provisions to compensate the project sponsor if a certain level of traffic is not achieved, as tangible securities subject to the condition that banks' right to receive annuities and toll collection rights is legally enforceable and irrevocable.

Yours faithfully

(M. P. Baliga)  
General Manager

चक्रिय परि षालन और विकास विभाग, केन्द्रीय कार्यालय,, 12वीं मंाल, केन्द्रीय कार्यालय भवन, शहीद भगतसिंह मार्ग, मुंाई 400001

Department of Banking Operations and Development, Central Office, 12th Floor, Central Office Building, Shahid Bhagat Singh Marg., Mumbai, 400001

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हिंदी अमान है, इसका प्रयोग नद्वारा



RBI/2009-10/421

DBOD No. BP.BC. 96 / 08.12.014/ 2009-10

April 23, 2010

All Scheduled Commercial Banks  
(excluding RRBs)

Dear Sir,

**Prudential norms on Advances to Infrastructure Sector**

Please refer to paragraphs 96 and 97 of the Annual Policy Statement for the year 2010-11 (extract enclosed) wherein it has been proposed (i) to treat annuities and toll collection rights as tangible securities, and (ii) to reduce the provisioning required on unsecured infrastructure loan accounts classified as sub-standard to 15 per cent.

2. In terms of paragraph 2(a) of our circular DBOD.No.BP.BC.125/21.04.048/2008-09 dated April 17, 2009 on 'Prudential Norms on Unsecured Advances', rights, licenses, authorizations, etc. charged to banks as collateral in respect of projects (including infrastructure projects) should not be reckoned as tangible security. In partial modification to the above it has been decided that banks may treat annuities under build-operate-transfer (BOT) model in respect of road/highway projects and toll collection rights, where there are provisions to compensate the project sponsor if a certain level of traffic is not achieved, as tangible securities subject to the condition that banks' right to receive annuities and toll collection rights is legally enforceable and irrevocable.

3. In terms of paragraph 6 of our circular No.DBOD.BP.BC.97/ 21.04.141/ 2003-04 dated June 17, 2004 on 'Prudential Guidelines on Unsecured Exposures' it is stipulated that unsecured exposures identified as sub-standard would attract additional provision of 10 per cent, i.e., a total of 20 per cent on the outstanding balance. In view of certain safeguards such as escrow accounts available in respect of infrastructure lending, it has been decided that infrastructure loan accounts which are classified as sub-standard will attract a provisioning of 15 per cent instead of the current prescription of 20 per cent. To avail of this benefit of lower provisioning, the banks should have in place an appropriate mechanism to escrow the cash flows and also have a clear and legal first claim on these cash flows.

Yours faithfully

(B. Mahapatra)  
Chief General Manager