PRESENTATION
ON
BANK AUDIT 2009
by

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Beware of your auditee's financial health

- Good december quarter results indicate increased interest margin, control in NPA and increase in Govt securities yield
- Credit growth trend in 08 has also been good –averaged 30%
- But Poor disbursals and Reluctance to reduce interest inspite of liquidity glut indicate lack of demand or risk aversion, in turn suggests that banks are worried of credit quality

- Stock market is wary of banking sector -PE ratio around 5.3
- Securities yield to be around 6.5% , likely affect employee liability burden and the profit
- Bankers seeking regulators help often for relaxing restructure norms are indicative of their problems

Conclusion - NPA in all likely is upward although banks may refuse to admit it and attempt restructuring as many accounts possible.

Take note of the on going “Restructure wave”

- Unprecedented regulatory move
- Most of the portfolio is covered
- Challenging the restructure itself will be the key
- Compliance of RBI norms including feasibility/ viability tests

- Make use of LFAR extensively to report on “non compliant restructures”.

Restructure Norms

- 1^{st} july 2008, circular covered the subject generally
- Aug 27^{th} 2008 circular superseded that for all subsequent restructures. Special regulatory treatment allowed.
- Amendments came on Nov 3^{rd}, Dec 8^{th},2^{nd} Jan 09 and 4^{th} Feb ’09.

Can an NPA account be restructured

- Banks may restructure the accounts classified under 'standard', 'sub-standard' and 'doubtful' categories.

- Restructure on account of natural calamities will continue to be covered by SEPARATE guidelines issued by the RPCD

- All other restructures are guided by circular dt 27^{th} Aug 2008

Can an asset be retained as standard up on restructure

General rules

- Immediate re-classification as'sub-standard assets' upon restructuring.(3.2.1)
- NPAs continue to have the same asset classification as prior to restructuring . Follow pre-restructure repayment schedule to decide on further down grading .(3.2.2)

Relaxation during 08-09

- Borrowers engaged in important business activities , are eligible for special regulatory consideration. They do not include consumer and personal advances, advances classified as capital market exposure .(6.2)

- Under special regulatory frame work , they will be entitled to retain the asset classification for specified period ,upon restructuring, subject to the conditions enumerated in para 6.2.

What are the conditions for special regulatory treatment

- The unit becomes viable in 7 years (10 years,for infrastructure activities)
- Maximum repayment period 10 years (including moratoriums)/ 15 years for infrastructure
- Promoters' sacrifice and additional funds brought by them should be a minimum of 15% of banks' sacrifice.
- Personal guarantee is offered by the promoter except when the unit is affected by external factors pertaining to the economy and industry.
- The restructuring under consideration is not a 'repeated restructuring‘. However second restructure permitted as one time measure vide Dec 8th Circular.

Does restructuring means CDR to industrial sector alone

- No, Restructuring of accounts is done both under CDR Mechanism and under banks own scheme, which is separate for SMEs and others .
- Restructuring is possible even non commercial sector.
- Even CDR is permitted now to non industrial sector
- CDR is applicable only when multiple banks are engaged and exposure is above Rs 10.Crs

Asset classification on restructure

- During the pendency of restructure application , down grading has to be done as per normal rule.
- If restructured with in 120 days of taking up restructure and if the account was standard as on 1-9-08, restore asset classification to the date of receipt of application

- Once restructured a standard account to remains standard
- Once restructured a NPA account to remain in that category for one year from the first date of repayment as per restructure.
- If satisfactory performance , up grade. If not, downgrading as per regular NPA norms , w r t original NPA date.

Can unsecured advances be restructured

- In order to avail the special regulatory treatment, the dues shall be ‘fully secured’ as per clause 6.2.2 of Aug 27th circular.
- However amendment dated 2nd Jan allows restructring of accounts that have unsecured exposure also , provided 20% provision is created on both standard and sub.std .
- Exemption from security clause for (a) SSI borrowers, where the outstanding is up to Rs.25 lakh. (b) Infrastructure projects, provided the cash flows generated from these projects are adequate for repayment of the advance, the financing bank(s) have in place an appropriate mechanism to escrow the cash flows, and also have a clear and legal first claim on these cash flows.

Other eligibility requirement for restructure

- All the loans except the exposure to capital market, consumer/personal loans are eligible.
- The account must be standard as on 1-9-08
- Time available for taking up the restructure is 31-3-09
- Restructure be implemented with in 120 days

Are real estate loans excluded from restructure scheme

- Although Aug 27th 08, circular excludes exposure to real estate sector , from special statutory treatment , Dec 8th Circular has relaxed that and included exposure to real estate sector , restructured up to 30th june 2009.
- Second restructuring not allowed in this case

Can housing loan be restructured – what about 10 year clause

- Ambiguity in Aug 27 circular removed by clarification on 3rd Nov.

- Housing loans are allowed for restructure. 10 year clause not applicable, there. Banks can fix an extended repayment period.

Will an asset be down graded during the process of restructure

- Although the general rule is that asset classification status as on the date of approval of the restructured package by the competent authority would be relevant to decide the asset classification status of the account after restructuring , there are some relaxation in 08-09.

- Accordingly, the asset classification status may be restored to the position which existed prior to reference/ application for restructure if it is implemented within 120 days

Can the bank on its own initiate restructuring

- Normally, restructuring can not take place unless alteration / changes in the original loan agreement are made with the formal consent / application of the debtor.
- However, the process of restructuring can be initiated by the bank in deserving cases subject to customer agreeing to the terms and conditions.

When can an account be upgraded after restructuring

- All restructured accounts which have been classified as non-performing assets upon restructuring, would be eligible for up-gradation to the ‘standard’ category after observation of ‘satisfactory performance’ during 12 months from the first date of repayment as per restructure (3.2.3)
- In case, however, satisfactory performance after the specified period is not evidenced, the asset classification of the restructured account would be governed as per the applicable prudential norms with reference to the pre-restructuring payment schedule.(3.2.4)

Is there any relaxation if it is the case of willful defaulters

- While the borrowers indulging in frauds and malfeasance will continue to remain ineligible for restructuring, banks may review the reasons for classification of the borrowers as wilful defaulters specially in old cases where the manner of classification of a borrower as a wilful defaulter was not transparent and satisfy itself that the borrower is in a position to rectify the wilful default.

- The restructuring of such cases may be done with Board's approval, while for such accounts the restructuring under the CDR Mechanism may be carried out with the approval of the Core Group only.

Can repeated restructure be done

- General rule - In case a restructured asset, which is a standard asset on restructuring, is subjected to restructuring on a subsequent occasion, it should be classified as substandard. Asset classification of NPA subjected to second restructuring, will be reckoned from the date when it became NPA on the first occasion.

- Special provisions - (circular dated Dec 8^{th} ’08) - In the face of the current economic downturn, there are likely to be instances of even viable units facing temporary cash flow problems. To address this problem, it has been decided, as a one-time measure, that the second restructuring done by banks of exposures (other than exposures to commercial real estate, capital market exposures and personal/consumer loans) upto June 30, 2009, will also be eligible for exceptional/special regulatory treatment (means asset classification will not change).

Are cases under BIFR eligible for restructure

- BIFR cases are not eligible for restructuring without their express approval.
- Approving authorities can consider the proposals for restructuring in such cases, after ensuring that all the formalities in seeking the approval from BIFR are completed before implementing the package

What is the status for additional finance

- Any additional finance may be treated as ‘standard asset’, up to a period of one year after the first interest / principal payment, whichever is earlier, falls due under the approved restructuring package.
- However, in the case of accounts where the pre-restructuring facilities were classified as ‘sub-standard’ and ‘doubtful’, interest income on the additional finance should be recognised only on cash basis.
- If the restructured asset does not qualify for upgradation at the end of the above specified one year period, the additional finance shall be placed in the same asset classification category as the restructured debt.
- In the case of FITL as debt instruments in the case of NPA, income recognition to be on cash basis.

Additional provision-Interest sacrifice

- Erosion in the fair value of the advance should be provided for up on restructuring.
- Provision shall be the difference between "*the present value of future cash flows **(principal and interest**) reckoned based on the current BPLR as on the date of restructuring plus the appropriate term premium and credit risk premium for the borrower category on the date of restructuring*", and *'the present value of future cash flows' **(principal and interest)** based on rate charged as per the restructuring package).*

How practical is to calculate the sacrifice provision

- Where in a small branch it is difficult to calculate the fair value sacrifice, banks will have the option of notionally computing the amount of diminution in the fair value and providing therefor, **at five percent** of the total exposure, in respect of all restructured accounts where the total dues to bank(s) are less than **rupees one crore,** till the financial year ending March 2011

FITL in restructured NPAs- when to recognize income

- Only on repayment in case of FITL or sale/redemption proceeds of the debt/equity instruments, the amount received will be recognized in the P&L Account, while simultaneously reducing the balance in the "Sundry Liabilities Account (Interest Capitalisation)".

- The depreciation, if any, on valuation may be charged to the Sundry Liabilities (Interest Capitalisation) Account.

Funded Interest instrument not realized,, but the account is upgraded to standard

- In the case of conversion of unrealised interest income into equity, which is quoted, interest income can be recognized after the account is upgraded to standard category at market value of equity, on the date of such up gradation, not exceeding the amount of interest converted into equity.

Retail loans in difficulties

- Accounts generally sanctioned at branches
- Less supervisory overseeing
- More chances of NPA
- Rely on system based account verification

Are there any changes to IRAC norms this year

- No , there are no material changes.
- Interest if not recovered fully with in 90 days makes the account NPA
- BASIC RBI NORM - (PARA 2.1.3) Banks should, classify an account as NPA only if the interest charged during any quarter is not serviced fully within 90 days from the end of the quarter

A CC account is with in DP, but poor operations – NPA ?

- A CC account becomes NPA when it is out of order .
- Account is out of order

1. If the outstanding is in excess of limit or DP continuously or
2. It is within DP, but there are no credits continuously in the account during last 90 days as on balance sheet date or
3. even when there are credits, it was not sufficient to cover interest debited in the past 90 days as on balance sheet date (ie of Jan, Feb and March)

Continuously in excess makes CC a/c out of order and hence NPA- Means what ?

- A CC account is in excess of DP since 10th Jan 2009 and is not regularized as on 31-3-2009. Should it not be NPA when 90 days clause is not provided for CC which is continuously in excess of limit to be called “out of order” and hence NPA
- The circular does not specify the period for which it has to be continuously in excess to be called “out of order”. However unless the interest remains unserviced for more than 90 days an account can not be NPA. Reading both together, 90 days continuously in excess makes it NPA, which is not the case here.

Out of order yet not NPA ?

- Balance in a CC account on 1-1-09 was Rs 9.00 L against DP of Rs 10.00 L .Interest for Dec month was cleared through a credit on Dec 31st iteslf . There were no credits during the quarter Jan- Mar 09, although interest for all three months have been debited.
- In cases where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period, these accounts should be treated as **'out of order'**. (2.2)

- However as the account has serviced interest till December, there is no unserviced interest older than 90 days .Hence can not be NPA as per clause 2.1.3

Case of a bill discounted- NPA ?

- Bill discounted became due for repayment on 1st Nov ’08. However the borrower has paid interest till Dec 08. will the account be NPA on 31-3-2009

- Bill discounted is overdue for longer than 90 days and hence falls with in para 2.1.2 to be in the category of NPA.
- However no interest older than 90 days is unserviced .Hence according to para 2.1.3 it can not be classified as an NPA

Case of a short term crop loan .

- Crop loan was granted on 1-3-08, for a crop season of 4 months and the account is still unpaid.
- The account was due for repayment on 1-7-08. In the case of short duration crops overdue for more than two crop seasons makes the account NPA. So the account is NPA on 1-3-09.
- Pass MOC for reversal of unrealised interest and for advance classification (in to substandard) and for provision of 10 %

Consumer loan –interest not serviced

- In a consumer loan account, installment till the quarter ended December is fully paid. Jan, Feb and March 09 are unpaid . What is the status of the account as on 31-3-2009

- An account has to be classified as NPA only if interest charged in a quarter is not serviced fully with in 90 days from the end of that quarter.
- There is no overdue above 90 days here and hence standard

Basics on income recognition

- Where account has been classified as NPA interest is booked on realisation basis
- Where the account is standard, income is accrued on due basis
- In the case of loans against NSC/KVP/ IVPS/Deposits/ LI policies etc.. , income can be booked on due date subject to availability of margins
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Unrealised interest

- Don’t forget to reckon unrealized interest correctly and reverse it.

- Common errors include missing out uncollected interest debits and forgetting to pass MOCs

Watch out for disguised regularisation

- An account which is often overdrawn was kept out of NPA classification due to isolated credits received in the account.
- Source of credits were traced in “Bill discounted” at times, which was again regularized by debit to CC account.
- Reclassify as NPA

Operations thin , yet DP regular – NPA ?

- Stock statements are regular and DP is current. There are hardly any transactions. However interest is serviced.

- The account can not be NPA, in this case.

Can an account become NPA forDefault in Stock statement

- Yes, only in the case of working capital loans .
- Drawing Power   based on a stock statement older than 90 days is irregular.

- When this irregularity remains for continuous 90 days, the account becomes NPA , irrespective of other good features in the account .

- This is an exception to the general rule that interest recovery is the criterion for NPA classification

When do Adhoc limits become NPA

- Unless Adhoc limits are regularised through appropriate sanctions with in 180 days of their sanction, they become NPA

Can non renewal of account make it NPA

- Yes, if the account is not renewed with in 180 days of it becoming due for renewal, it becomes NPA.
- Renewal is different from technical review and has to be done after taking in to account the financial position.

Can an account be upgraded after recovering the overdues

- Once the whole of the overdue in an account is recovered and income is credited to P/L , it can be upgraded to standard.
- Where there are part recoveries, upgrading is deferred, till fully regularized.
-

Accounts regularisation near closing date

- An account which was non operative for major part of the year was regularised two days before Balance sheet date. Comment
- Technically , the account may be regular as on balance sheet date.
- Requires to be commented as potentially bad account after examining full facts on the account.
- Whether reported as NPA during the year requires verification. If not comment.
- Ensure that the credit received is not out of any fresh loans and that the credit is genuine.

Is this an NPA

- An account with CC , TL and BG limits , in which the BG was invoked and the Bank after paying for BG has parked the same in a different account namely BG invoked. CC and TL accounts are regular and BG invoked is older than 90 days. Interest is charged on BG invoked and the same is recovered from CC account. Is any account NPA. Which all

- All the accounts become NPA here. Had the BG been debited to CC itself, how much would have been the excess in CC, must be calculated and the non recovery of interest after invocation of BG, must be calculated , by comparing such excess in the CC account and accordingly must be reversed

Consortium accounts

- CC Account under a consortium , is hardly operated , although Interest is serviced regularly through credits from lead bank. Correspondences in file suggest that devolvement of LC has made the account NPA in the lead bank. NPA or not

- No operation in this case can not be a reason to make it NPA as consortium may be providing for operation with other banks
- NPA determination in Consortium lending is based on individual bank track record of interest recovery and hence the status with lead bank can not be a bench mark.
- Account is not NPA

What are the changes in provision norms

- No significant changes
- NPA provisions remain same , ie 10% for substandard and 20, 30, 100 for Doubtful – D1, D2, D3 respectively
- Fair value sacrifice for restructured account
- Additional provision of 20% on unsecured advances
- Standard provision norms simplified unlike in previous year. Now there are only two slabs ie, .25% for direct advances to agricultural and SME and 0.4% for others

Is the process of downgrading always first to substandard only

- Not always.

- If the NPA has lesser than 10% coverage of security , then it can be classified as LOSS asset directly

- If the realisable value of security is less than 50% of the value assessed in previous assessment , the account has to be Doubtful.

Can gold loan be an NPA

- Yes, what determines NPA is the account recovery record and not the security alone.

Will a loan against Indira Vikas patra /NSC etc be NPA,

- RBI circular gives certain relaxation in the case of these loans .
- Accordingly , as long as there is sufficient margin of security available in the account , it need not be an NPA
- Security coverage encompasses, not only the value but an absolute right of title to the borrower too.

Project loans with moratorium

- In the case of project loans there could be moratorium for payment of interest as per sanction terms
- In that case the account will not become NPA even if interest not serviced . Income can be recognized on accrual during moratorium.

Tractor Loan – direct or indirect agricultural

- Tractor loan is a Direct Agricultural finance and therefore NPA norms to follow Crop duration basis
- Direct agricultural advance includes those for raising crops and for investment in relation to cultivation

Construction of ware house

- Loan granted for construction of ware house was not repaid . Crop cultivated is rice with 100 days crop season . Loan Overdue period is 120 days . Is it NPA

- This is an indirect agricultural advance where 90 days delinquency norms apply and not the “two crop season” norm. So NPA

CC account regularly overdrawn

- A CC account is frequently overdrawn , ranging up to 20% , although regularization is often done and as on balance sheet date it is with in the limits . How to treat in audit

- Facts do not suggest it as NPA.
- Report in LFAR about the account health

Can a Central Government guaranteed account be classified as NPA

- In the case of central government guaranteed accounts, even if the account is overdue, it shall not be classified NPA, unless the government repudiates the guarantee.

- However Income recognition shall be on the basis of realisation

State government guaranteed accounts

- State government guarantees do not enjoy any privilege, so far as NPA norms are concerned.

- Therefore recovery track is the basis for asset classification and income recognition.

Invocation of BG

- TL account and CC account are properly maintained. BG invoked is parked in a demand loan for which interest is serviced properly from CC. Is it NPA

- Invoked BG amount has to be clubbed with other balances to see the excess drawn against limits, which if is above 90 days would make the account NPA.

- “Customers’ Total liability” record be examined to trace such cases

Export money remitted, blocked –NPA ?

- An export bill is long overdue due to refusal of remitters bank to part with the money consequential to restrictions in the importers country which is in war , although importer has remitted the money to his banker.

- Once there are enough evidences that money has already been paid , but is pending at the remitters bank level due to conditions beyond control, account need not be down graded. This is an exception to general rule.

Very old advances against deposits – watch out – fraud prone

- Advances against deposits are unlikely to be very old
- Third party deposits based loans need special care
- Other banks deposits’ loans – watch out genuineness
- Many reported cases of frauds are there in these categories

Educational loan

- Servicing of interest during education period
- Keeping track of borrowers course
- EMI changes consequential to interest changes

Home loans

- Interest rate change must have made EMI insufficient to cover the interest and there could be possible NPAs.
- Identifying borderline cases and reporting in LFAR under monitoring is more important.
- Credit appraisal to be examined- likely ineligible cases would come up
- Mortgage and legal opinion very important

Agrl debt waiver/ relief

- 100% Waiver scheme meant for small and marginal farmers (up to 2 hectars/ 5 acres of land under cultivation)
- 25% relief meant for other farmers , provided they pay 75% in three installments, the first being doe on 30th sep 08.
- Disbursals up to 31-3-07(not prior to 31-3-97), overdue as on 31-12-07 and outstanding on 28-2-08 are eligible. Interest not to accrue after 29-2-08
- Auditors may be required to certify the data
- Identified accounts are to transferred to “amt Recoverable from Govt under Debt waiver scheme” to be shown under advances
- Generally these accounts are standard although no interest would accrue. NPA provisions already created not to be reversed.
- If payment not received from farmer on relief, the account becomes NPA from “original” date. But date of first installment 31-3-09
- Present value loss to be provided using discount rate 9.56%

Instances of additional provisions suggested in doubtful category

- Stock audit report gives reduced coverage of primary security
- Financial statements have been in conflict with periodical statements and significant erosion in security
- Collateral security valuation is expired and fair valuation gives lesser coverage.
- ECGC cover claim found invalid
- Objective evidence of impairment of assets , offered as security

Will Security cover matter in provision for sub standard accounts

1. In the case of limit of 10 Cr CC and 15 Crs BG, the security was 2.00 Crs by way of pledge of stock and corporate guarantee for 25.00 Crs. The account became substandard and provision was made at 10 % of the outstanding-
2. Unsecured exposure abinitio is less than 10% , so additional 10% provision needed. So total provision is 20% here

Security value is older than three years

- In the case of doubtful asset valuation of security on record was older than three years . Impact

- Banks are required to get valuation done in three years . In its absence best judgment value needs to be arrived at and unsecured portion needs to be provided for fully

ECGC Guaranteed accounts

1. In the case of accounts guaranteed under ECGC/CGTSI that are doubt ful no provision for the guaranteed part, is to be made
2. Check for correctness of guarantee claim as long delay in getting claims suggest refusal of claim not taken on record.

ECGC cover in substandard account

- In the case of an export credit which is substandard , provision of 10% was made after reducing ECGC Guarantee cover-
- Wrong, Only in doubtful category guarantee cover is adjustable . Here flat 10% provision is applicable

Leased assets – additional provisions

- substandard provision – 10% on the whole net lease recoverable plus 10% additional on unsecured part.

Additional loans to NPA

- A sick SSI unit was in doubtful category and the bank granted a rehabilitation package in 2008 under which an additional facility was provided. Should the provisioning be done , if yes how.
-
- Old loan as per old classification ,
- On additional loan no provision for one year

Packing credit transactions and bill discounting

- Running account system defies PCL norms
- Bills discounted transactions need close monitoring for source of regularisation
- Compliance ECM procedures to be seen

Other points on IRAC

- Can the banks build up higher provisions than required as per norms – yes –
- Sale of NPAs – 2 yr old NPAs, to remain with buyer for 15 months at least before further sale, Without recourse basis sale, cash basis only, Standard asset for purchaser.
- NPA Assets sold to other banks- Don’t reverse the excess provision of any , but utilise for loss on other NPA sales.
- Appropriation of recovery – consistent policy
- NPA Assets purchased from other banks – appropriation of recovery – first to cost and then to revenue

NON FUND & CONTRA ITEMS

- GUARANTEES ISSUED
- LETTERS OF CREDITS-INLAND/FOREIGN
- FORWARD CONTRACTS/HEDGES / DERIVATIVES
- INVOKED GUARANTEES
- DEVOLVED LCs
- EXPIRED LCs AND BGs

FOREIGN EXCHANGE TRANSACTIONS

- FOREX REMITTANCES
- EXPORT/IMPORT BILLS
- FLCS
- FORWARD CONTRACTS.

DEPOSITS & OTHER ASPECTS

- COMPLIANCE OF KYC NORMS
- LONG OUTSTANDING ENTRIES IN OTHER ASSETS
- REVIEW OF HO /INTER BRANCH ACCOUNTING
- WINDOW DRESSING ASPECT
- INTEREST CHECKING –TEST CHECK
- PROMPT CREDITING OF CLEARING AND OUTSTATION CHEQUES
- REPORT TO RBI ON ABOVE Rs 10 LAKH CASH DEPOSITS

HOUSE KEEPING

- BALANCING OF ACCOUNTS
- SECURITY ITEMS AND INVENTORY RECORDS
- EDP AND I T SECURITY
- ASSET REGISTER
- QUALITY OF RECORD KEEPING &CONTROL RECORDS
- RETURNS AND REPORTS

LFAR POINTS

- Cash
- Balances with Banks
- Money at call and short notice
- Investments
- Advances -Credit Appraisal ,Sanction / disbursement, Documentation, Review/Monitoring/Supervision, Guarantees and Letters of credit
- Stationery and stamps
- Suspense Accounts / Sundry Assets
- Deposits
- Bill payable, sundry Deposits etc.
- Contingent Liabilities
- Profit and Loss Accounts
- Books and Records
- Reconciliation of control and Subsidiary Records.
- Inter Branch Accounts
- Audit / Inspections
- Frauds
- Miscellaneous
- Large advance report –account wise
- Special branch reports

Equity / Debt instruments issued for FITL- valuation

- These instruments should be held under AFS and valued as per usual valuation norms. Equity classified as standard asset should be valued either at market value, if quoted, or at break-up value, if not quoted (without considering the revaluation reserve, if any,)which is to be ascertained from the company’s latest balance sheet. In case the latest balance sheet is not available the shares are to be valued at Rs 1.
- Equity instrument classified as NPA should be valued at market value, if quoted, and in case where equity is not quoted,it should be valued at Rs. 1.00. Depreciation on these instruments should not be offset against the appreciation in any other securities held under the AFS category.

PROJECT NOT IMPLEMENTED (UNDER IMPLEMENTATION) –NPA DATE ?

1. SANCTIONS PRIOR TO 1997 WITH PROJECT COST OF 100 CRORES OR MORE , NPA AFTER TWO YEARS FROM DEEMED DATE OF COMPETION (AS DETERMINED BY INDEPENDENT GROUP)

2. SANCTIONS PRIOR TO 1997 WITH PROJECT COST LESS THAN 100 CRORES , NPA AFTER TWO YEARS FROM ORGINALLY ENVISAGED DATE OF COMPETION .

3. SANCTIONS AFTER 28TH MAY 2002 NPA AFTER SIX MONTHS FROM ORGINALLY ENVISAGED DATE OF COMPETION .

4. INFRA PROJECTS SANCTIONED AFTER 31ST MARCH 2007, ONE YEAR INSTEAD OF SIX MONTHS IN (3) ABOVE

5. OTHERS- NPA AFTER TWO YEARS FROM ORGINALLY ENVISAGED DATE OF COMPETION

6. ORGINALLY ENVISAGED DATE OF COMPETION SHALL BE AS PER SANCTION LETTER, WHERE FINANCIAL CLOSURE NOT ACHIEVED

7. RECOVERY TRACK IS IRRELEVENT IN PROJECTS UNDER IMPLEMENTATION.

CAN INCOME BE RECOGNISED ON ACCRUAL FOR PROJECT UNDER IMPLEMENTATION

- YES , AS LONG AS IT IS STANDARD

- EVEN IF IT BECOMES SUBSTANDARD , DUE TO NON- COMPLETION , INCOME CAN BE BOOKED ON CASH REALISATION

- WHEREVER THE PROJECT BECAME SUBSTANDARD, THE WHOLE OF UNEALISED INTEREST OF EARLIER YEARS BE PROVIDED FOR .

- FUNDED INTEREST ON NPA BE FULLY PROVIDED FOR

- FUNDING OF INTEREST BY WAY OF ACCEPTING SHARES DEBENTURES OR OTHER INSTRUMENTS ALSO BE PROVIDED FOR.

- VALUATION OF SUCH SECURITIES ALSO BE DONE AS PER INVESTMENT VALUATION NORMS.

- VALUE OF QUOTED SHARES IF ANY, IN FUNDED INTEREST NEED NOT BE PROVIDED FOR .

THANKS