

Reserve Bank of India (Project Finance) Directions, 2025

The Reserve Bank of India (RBI) vide its **Notification RBI/2025-26/59**, has issued the Reserve Bank of India (Project Finance) Directions, 2025, on June 19, 2025, which is set to become effective from October 01, 2025, aiming to standardize the framework for financing infrastructure and non-infrastructure projects, including commercial real estate (CRE) and commercial real estate-residential housing (CRE-RH) sectors, by all Regulated Entities (REs).

The comprehensive review rationalizes existing guidelines and revises the regulatory treatment for changes in the Date of Commencement of Commercial Operations (DCCO). The directions will apply to all commercial banks (excluding Payments Banks, Local Area Banks, and Regional Rural Banks), Non-Banking Financial Companies (NBFCs), Primary (Urban) Cooperative Banks, and All India Financial Institutions (AIFIs).

Projects where financial closure has been achieved by the effective date will continue under existing prudential guidelines, but any fresh credit event or material change in loan terms post-effective date will be governed by these new directions. Loans not qualifying as 'project finance' or those in the operational phase will remain under the broader Prudential Framework for Resolution of Stressed Assets.

Key aspects of the new guidelines include stringent prudential conditions for project sanction, ensuring financial closure, and clear DCCO documentation before disbursement. Minimum land/right of way requirements have been set for various project types (e.g., 50% for PPP infrastructure, 75% for others). Disbursements must be proportionate to project completion stages and equity infusion, certified by an Independent Engineer/Architect.

The directions introduce a structured approach to stress resolution. A 'credit event', defined to include default, DCCO extension needs, or financial difficulty, triggers a collective resolution process during the construction phase. A prima facie review must occur within 30 days of a credit event. Resolution plans involving DCCO extension are permitted to retain 'Standard' asset classification under specific conditions, including time limits (up to 3 years for infrastructure, 2 years for non-infrastructure), limits on cost overruns (up to 10% of original project cost), and strict adherence to financial parameters.

Additional specific provisions (0.375% for infrastructure, 0.5625% for non-infrastructure) are mandated for each quarter of permitted DCCO deferment for 'standard' assets. Non-compliance with these conditions will lead to an immediate downgrade to Non-Performing Asset (NPA). The RBI also mandated the creation and maintenance of a comprehensive project-specific database by lenders and outlined disclosure requirements for resolution plans. These directions repeal several previous instructions and circulars related to income recognition, asset classification, and provisioning for projects under implementation.

Link

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NT59345BFF7593E047D587358A7A802B0F4A.PDF>

