

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:1696  
ANSWERED ON:12.12.2003  
LOSSES OF FI'S  
JASWANT SINGH YADAV

**Will the Minister of FINANCE be pleased to state:**

- (a) the financial institutions which have incurred losses during the each of the last three years;
- (b) the financial assistance provided by the Union Government to each of these FI's for bailing them out of their losses during the said period; and
- (c) the effective steps taken by the Government to check the said losses?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO V. ADSUL)

(a): IFCI has reported losses during each of the last three years:-

( Rs. in crore )

Financial Institution 2000-01 2001-02 2002-03

IFCI -261.93 -884.70 -259.70

IIBI has reported losses during 2001-02 and 2002-03.

(b): As per the Restructuring Package for IFCI, the Government proposes to give financial support of Rs.5220 crore to IFCI spread over till 2011-12 for meeting the principal and interest liabilities of IFCI as follows:

(i) The liabilities of IFCI in respect of the Government guaranteed SLR bonds and detail borrowings of investors below Rs.One lakh would be taken over by Government.

(ii) Government would service the borrowings of of IFCI from ADB and KfW. Government would bear the difference

(i) between the existing coupon rate and the current G-Sec rate on SLR bonds held by Public Sector Undertakings/Financial Institutions till its maturity.

Out of the total amount of Rs.5220 crore, a sum of Rs.523 crore has been released as loan during 2002-03 and another sum of Rs.1573 crore as grant has been released during 2003-04 to IFCI.As a part of restructuring of debt/liabilities of IFCI, Public Sector Banks and Financial Institutions have also restructured their loans/advances/investments in IFCI.

The Government assistance is meant for restructuring of debt/liabilities of IFCI.

(c): The steps taken by the Government to check the said losses of IFCI are as under :

(i) IFCI should not incur fresh borrowings/deposit liabilities over and above its outstanding position as on March 31, 2003 except on account of rolling over and restructuring of debt liabilities as envisaged in the package finalized in the meeting of stakeholders.

(ii) IFCI would reduce its percentage of net NPAs to net advances from 22% at the end of FY01-02 to 9% by end of FY04-05. iii) The Board of IFCI would set a target as regards the amount of assets to be transferred by IFCI to ARC for the next three years beginning 2003-2004 in line with paragraph (ii) above.

(iv) Recovery from NPAs by means other than through sale/transfer to ARC would be stepped up in line with the target for reduction in NPAs.

(v) Reduction in the strength of personnel at the rate of 5% points per annum.

(vi) Fresh sanctions and disbursements would be restricted to cases where exposure has been undertaken prior to March 31, 2003 or otherwise to top rated corporate clients only.

(vii) In the interest of securing the interest of stakeholders of IFCI, the Government may seek specific compliance to additional terms and conditions as may be set out from time to time.

(viii) A monthly report on compliance of the terms and conditions of the sanction of Rs.1573 crore is required to be submitted by IFCI to Banking Division.  
Similar steps have been taken in respect of IIBI.