

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3101
ANSWERED ON:22.03.2002
LENDING NORMS FOR FINANCING FILM INDUSTRY
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Will the Minister of FINANCE be pleased to state:

- (a) the lending norms on financing the film industry at present:
- (b) whether guidelines on the subject exist; and
- (c) if so, the details thereof and if not, when they be issued?

Answer

MINISTER OF STATE IN THE MINISTRY OF finance (SHRI GINGEE N. RAMACHANDRAN):

(a) to e Bank of India (RBI) has issued guidelines for film Production by the commercial Banks. The lures of RBI Guidelines are given at Statementso constituted a Joint Institutional Committee of representatives of the financial institutions to various aspects relating to financing of ent industry including films and suggest strategy pted by institutions in this regard. The main f the scheme/guidelines formulated by Joint I Committee for adoption by the financial is given at Statement-II.

Statement-I
Je Salient Features ot RBI Guide/lines
are as under

1. Banks will provide finance to film producers with good ecord in the related field. Banks will also provide finance to these entities for production of films in participation with the NFDC.
2. Assistance will be available both to corporate as well as non-corporate entities.
3. Ordinarily producers are to bring in 25% of the project cost and to arrange another 35% to 40% of the budget from the distributors in the usual course as per usual practice. Therefore, the banks assistance will be limited to the remaining 35% to 40%. However, in deserving cases it can go upto 50%.
4. The total cost of the film does not exceed Rs. 10 crores.
5. The period of loan will be fixed based on bank`s assessment.
6. Bank will obtain security in the form of the rights on the negatives of the films, music audio/video rights, Satellite Rights, Channel Rights, Export Rights etc., Hypothecation charges on the movable assets, other collaterals, if any, etc.
7. The existing insurance products as acceptable to banks shoudt be obtained from film producers.

8. Banks should devise appropriate accounting/monitoring formats. Banks may also consider appointing specialized agencies for monitoring.

Statement-II

The main features of the scheme adopted by Joint Institutional Committee for Financial Institutions

I. To be eligible for assistance, the borrower should be a corporate entity.

II. Promoter contribution should be not less than 30% of the estimated budget.

III. Quantum of assistance will be not exceeding 50% of the estimated budget.

IV. The period of loan will normally not more than two years.

V. Lenders shall reserve the right to share profits in a manner to be decided on a case to case basis.

VI. The film would required to be comprehensively insured.

VII. Repayment will be within a period of not exceeding two years.

VIII. Expenses during the pre-shooting stage will be met from Promoter's contribution and institutions' assistance will be disbursed during shooting and post-shooting stages.

IX. Lenders will have the right to appoint a special agency of monitoring the timely shooting/processing of the film and to assess the reasonableness of the expenditure.