

**GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:768

ANSWERED ON:21.02.2003

FINANCING FOR INFRASTRUCTURE & GREEN FIELDS SERVICE PACKAGE

A. VENKATESH NAIK;ASHOK NAMDEORAO MOHOL;RAMSHETH THAKUR

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether the ASSOCHAM has suggested a single window approach by banks and financial institutions for financing infrastructure and green fields and service package as reported in the Hindu, dated January 27, 2003;

(b) if so, the measures suggested by the ASSOCHAM in this regard; and

(c) the reaction of the Government/Banks and Financial Institutions thereto?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO V1THOBA ADSUL):

(a) and (b) Yes, Sir. As per the news-item published in The Hindu` dated 27.1.2003. ASSOCHAM has suggested a Single Window approach by Banks/FIs for financing infrastructure and green field projects which, inter-alia, should include the following:

(i) FIs/ banks shall enhance their financing in case of power projects to 70% from existing 50%.

(ii) FIs/banks should not expect very high rate of interest from infrastructure and green field and service projects;

(iii) The appraisal system of Indian Financial Institutions/Banks should be in line with international banking system.

(iv) FIs/Banks should liberally extend financial assistance to long gestation infrastructure projects particularly telecom projects.

(c) (i) FIs/Banks already extend financial assistance upto 70% of the project cost in case of power projects, in case, on detailed appraisal, the project is found to be financially viable.

(ii) Interest rates are charged by FIs/Banks, based on their cost of funds and risk perception about a particular project. Interest rates have softened considerably in the recent past and bankable projects are being financed by Banks/FIs at very competitive rates. Loans to green field projects, being of the high risk variety, carry relatively higher interest rate.

(iii) FIs/Banks have, over the years, evolved a detailed appraisal system, which is quite robust and comparable with that adopted by the international banks.

(iv) A flexible approach with regard to financing norms is adopted by the FIs/ Banks, while considering assistance to projects in a particular sector (say telecom) FIs also fix the repayment schedules based on implementation period of the projects and anticipated revenue generation (i.e projected cash flows).

(v) Financial Institutions have adopted a uniform approach towards financing norms such as debt-equity ratio, promoters contribution, security structure, etc. For large projects where more than one FI/Bank is involved, one of the institutions takes the lead and carries out detailed appraisal. The other FIs/Banks normally consider their assistance based on the appraisal carried out by the lead institution. Similar financing norms/terms and conditions are generally followed by all the participating institutions.