

**GOVERNMENT OF INDIA
POWER
LOK SABHA**

UNSTARRED QUESTION NO:958
ANSWERED ON:30.07.2010
POWER FINANCE CORPORATION LIMITED
Kumar Shri P.

Will the Minister of POWER be pleased to state:

- (a) whether the Power Finance Corporation Limited (PFC) has approached the Reserve Bank of India (RBI) to seek the status of an infrastructure Finance Company;
- (b) if so, the details thereof and the reasons therefor;
- (c) whether the move will help PFC to increase its capacity to lend more to individual and group companies; and
- (d) if so, the details thereof?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF POWER (SHRI BHARATSINH SOLANKI)

- (a) & (b) : Yes, Madam, PFC has requested RBI to classify it as an Infrastructure Finance Company (IFC), in view of the following:-
- i) IFCs can take higher lending exposure in a single Company and Group of Companies. This would enable PFC in taking higher exposure in Private Sector borrowers.
 - ii) Banks can take higher exposure in IFCs. This shall enable PFC to borrow higher amount from the banks for on-lending to the power sector.
 - iii) Banks` exposure to IFCs shall be risk weighted as per the credit rating assigned by the rating agency registered with SEBI and accredited by RBI. PFC being a AAA rated company, the risk weight of banks` finance to PFC shall be 20% vis-À-vis risk weight of 100% presently applicable. Lower risk weight may facilitate banks in offering competitive interest rates to PFC.

Reserve Bank of India has also liberalized its External Commercial Borrowing (ECB) policy and permitted IFCs to avail of ECBs upto 50% of their owned funds under the automatic route. This would enable PFC to tap ECB market to meet its huge borrowing requirements under automatic route without prior approval of RBI to the extent of 50% of owned funds.

- (c) & (d) : Yes, Madam, the classification of PFC as IFC by the RBI shall make it eligible to take higher exposure in case of an individual borrower as well as a group of companies in private sector. It shall make it eligible to lend additional 5% of its owned funds to a single borrower as well as to group of borrowers.