

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:6987

ANSWERED ON:08.05.2015

LOAN TO STALLED PROJECTS

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Will the Minister of FINANCE be pleased to state:

- (a): whether India would require about \$1 trillion (Rs. 62 lakh crore) over the next five years to overhaul its collapsing infrastructure;
- (b) if so, the details thereof;
- (c) whether the Government has issued instruction to banks to undertake case-by-case review of several stalled road, power, steel and shipping projects and if so, the details thereof;
- (d) whether the banks and projects promoters are facing problems in retrieving stalled projects, if so, the details thereof; and
- (e) the steps taken by the Government to address the issues faced by the banks as well as projects promoters?

Answer

The Minister of State in the Ministry of Finance (SHRI JAYANT SINHA)

(a) & (b): It is fact that India would require huge quantum of funds during next five years to strengthen and expand its infrastructure.

(c) & (d) The banks review their large loans assets on an ongoing basis to ensure timely implementation and proper end use. Recently few major stressed projects related to road, power, steel and shipping sector were reviewed on 28th April, 2015.

The major problems faced by the promoters relate to financial tie-up, environmental clearance, cost overrun and delay in project implementation.

(e): A project monitoring group (PMG) has been constituted in the Cabinet Secretariat for resolution of various issues involved therein. Regular meetings are convened by PMG to resolve the issues with various Ministries and Project proponents.

Occasional review of major large cases are also undertaken by the Government with the banks to identify problem being faced in implementation of the projects.

Reserve Bank of India (RBI) has allowed banks to extend structured long term project loans which includes the tenor of the project loan, the loan amortization if there is a delay in project implementation or after Date of Commencement of Commercial Operations(DCCO)etc subject to certain conditions.

Subsequently, it has extended this facility to the existing loans of banks to projects in the infrastructure sector and in the core industries sector in which the aggregate exposure of all institutional lenders exceeds Rs.500 crore.

Further RBI guidelines to the banks provides that revisions of the DCCO and consequential shift in repayment schedule for equal or shorter duration (including the start date and end date of revised repayment schedule) will not be treated as restructuring provided fulfilment of certain conditions.

RBI vide its circular on 'Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances - Projects Under Implementation - Change in Ownership' dated April 6, 2015 also prescribes that if in the assessment of the banks, the implementation of the project has been stalled primarily due to inadequacies of the existing promoters and a subsequent change in the ownership of the borrowing entity has been effected, banks may permit extension of DCCO up to a further period of two years, in addition to the extension of DCCO permitted under existing regulations without any change in asset classification of the account subject to certain conditions.