

**GOVERNMENT OF INDIA
POWER
LOK SABHA**

UNSTARRED QUESTION NO:4338
ANSWERED ON:18.12.2014
INADEQUATE FUNDS FOR POWER PROJECTS
Ashok Kumar Shri K.;Venugopal Dr. Ponnusamy

Will the Minister of POWER be pleased to state:

- (a) whether the Government is working on measures to bail out thermal and hydropower plants which are facing cost and time overruns and do not have adequate funds;
- (b) if so, the details thereof; and
- (c) the concrete steps taken/to be taken to address the problem and to bring improvement in power sector?

Answer

THE MINISTER OF STATE (INDEPENDENT CHARGE) FOR POWER, COAL AND NEW & RENEWABLE ENERGY (SHRI PIYUSH GOYAL)

(a) to (c) : In order to ensure adequate funds for power projects and to bring improvement in power sector, the following steps have been taken:

- i. In case of cost and time over-runs, Power Finance Corporation has been supporting power projects by providing additional funding, where large investment has already been made and significant construction works have been completed.
- ii. A Working Group was set up under Chairmanship of CMD, India Infrastructure Finance Company Limited with representatives from banks and financial institutions as members to examine suggestions received from the Association of Power Producers.
- iii. Measures to enhance investment in infrastructure sector including power, announced through Union Budget 2014-15, include, inter-alia, Infrastructure Investment Trusts with tax efficient pass-through status for PPP and other infrastructure projects; Rs.100 crore allocation for preparatory work for a new scheme 'Ultra- Modern Super Critical Coal Based Thermal Power Technology'; resolution of the existing impasse in the coal sector and provision of adequate quantity of coal to power plants already/or likely to be commissioned by March, 2015; encouragement to banks to extend long term loans to infrastructure sector; extension of the 10 year tax holiday to the undertakings which begin power generation, distribution and transmission by 31.03.2017.
- iv. Allowing external commercial borrowings for investment by import of capital goods, new projects, modernisation and expansion of existing production units, as well as for part financing of rupee debt of existing power projects.
- v. The eligible date for borrowing in foreign currency has been extended to 30.06.2017 for concessional 5% tax rate on interest payment, to augment low cost long term foreign borrowings for Indian companies.
- vi. Infrastructure Debt Funds were set up to tap the overseas markets for long tenor pension and insurance funds, the first being launched in Feb 2013. Through take- out finance, credit enhancement and other innovative means, they would provide long-term low cost debt for infrastructure projects.
- vii. 15% investment allowance deduction allowed to companies investing over Rs.100 crore in plant and machinery during 2013-15.