
IIFCL may focus on railways and power project

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BS reported that with the India Infrastructure Finance Company Ltd's refinance facility failing to find takers since its launch early this year, the government plans to extend it to railways and power projects.

In the first stimulus package announced in December last, the government had allowed IIFCL to raise INR 10,000 crore through tax free bonds by March 2009 to support private partnership projects in highways and ports. The caveat was that IIFCL could only refinance projects approved after January 31st 2009. The money is currently lying idle with the state run lender because it cannot find proposals for refinancing projects approved after this date.

IIFCL refinances up to 60% of the loan given by banks for public private partnership projects. The National Highway Authority of India alone has since January 31st 2009 awarded 13 national highway projects costing INR 13,317 crore but none of them have come up for refinancing since there is lag of around six months between the project award and refinancing. Besides, the pace of award of contracts has also been slow so far.

The government had earlier expected disbursements from the facility to start by September this year. However, general elections and the slowdown resulted in a lack of interest from bidders.

A finance ministry official told Business Standard that "We are now positively considering the proposal to extend the facility to the railways and the power sector for funding ultra mega power projects. An announcement will be made in a fortnight."

However, the government has not found merit in another demand of the industry and IIFCL to relax the January 31 deadline and consider projects approved before this cut-off date.

The official added that "We will not change the date unless there is strong justification for doing so. Bank lending to infrastructure has been growing and to our notice there are no major issues in infrastructure financing. It takes three or four months for financial closure and then companies have to tie up for equity and debt. So disbursements from the refinancing facility will pick up by early next year."

(Sourced from Business Standard)

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