
ASSOCHAM urges for re finance of infrastructure debts through ECB

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A report of Associated Chambers of Commerce & Industry of India said that Indian lenders especially for infrastructure sector including steel should be permitted to refinance their long term debts through External Commercial Borrowings from 2010-11 onwards so that their long term working capital requirements are met without any inconvenience.

In addition, ASSOCHAM has also suggested that commercial banks be permitted to raise long term bonds from NRI's say for a period of 10 years to garner funds for infrastructure sector. Besides, it has also mooted a proposal to permit pension funds to invest upto 15% of their funds in infrastructure projects as also suggested that refinancing of existing rupee loans through ECB be permitted for such projects based on interest cost advantage.

In a representation forwarded to the finance ministry, Dr Swati Piramal president of ASSOCHAM emphasized that ECB usage should be permitted for utilization against working capital and long term financing of debts for infrastructure sector especially steel industry.

Dr Piramal pointed out that currently Indian banks are constrained by their own available funds being short term in nature and they usually lend for average period of around 4 to 5 years. This clearly means that project companies face huge debt servicing obligations in initial years of their operation.

The ASSOCHAM has also emphasized that earlier policy of allowing Indian banks to guarantee ECBs should be restored to enable corporates to access cheaper source of funds to effectively compete in the export markets.

Thirdly, the ASSOCHAM has also suggested that commercial banks be allowed to raise long term bonds from NRI's as they are well equipped with funds and wants longer investments avenues in developing economy like India to enable it garner funds for infrastructure sector.

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