

FIDC

Finance Industry Development Council

(A body incorporated as a Self Regulatory Organisation for Registered NBFCs)
101/103, Sunflower, 1st Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077 (India)
Tel: 022 21027324/9820035553 • E-mail: maheshthakkar45@yahoo.in website: www.fidcindia.org

16th May 2016

Mr. R. Gandhi
Deputy Governor
Reserve Bank of India
Central Office Building
Shahid Bhagat Singh Road
Mumbai - 400001

Respected Sir,

'Infrastructure Loan' definition for NBFCs

By virtue of Notifications No. DNBS 192/DG(VL)-2007 and DNBS 193/DG(VL)-2007 dated 22nd February 2007 issued by RBI, companies involved in undertaking infrastructure projects were allowed to raise resources from NBFCs in the form of loan, investment, lease, etc. In case of an NBFC, an *'Infrastructure loan'* meant a credit facility extended by NBFCs to a borrower, by way of term loan, project loan subscription to bonds/debentures/preference shares/equity shares in a project company, acquired as a part of the project finance package such that such subscription amounts to be "in the nature of advance" or any other form of long term funded facility provided to a borrower company engaged in:

- *Developing or*
- *Operating and maintaining, or*
- *Developing, operating and maintaining any infrastructure facility that is a project in any of the following sectors (Detailed definition is given in Annexure A)*

However, RBI issued a Circular dated 28th December 2012 which aimed to harmonise the Master List of infrastructure sub sectors in tandem with that notified by the Government on 27th March 2012. In that Circular, *the infrastructure loan by an NBFC was re-defined as a credit facility extended by NBFCs to a borrower for exposure in the following infrastructure sub-sectors: (Detailed definition is given in Annexure B).*

While the list of infrastructure sub-sectors stood expanded and updated, the NBFCs have developed a perception that henceforth they can take exposure *ONLY in the form of loan, and not in any other form of long term funded facility*. Due to this, NBFCs' exposure to infrastructure projects has declined

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substantially as they now prefer to provide only infrastructure loans. Although there is no intention on the part of RBI to discourage NBFCs to provide long term funds in various forms to infrastructure projects, the reason for such apprehension on part of NBFCs seems to have originated from the non-inclusion of certain words in the revised definition of infrastructure loan vis-à-vis the earlier one.

In this backdrop, we hereby request you to kindly clarify that the words (as underlined below) are part of the new definition which were there in the earlier definition of Infrastructure Loan:

“an ‘Infrastructure loan’ means a credit facility extended by NBFCs to a borrower for exposure in the following infrastructure sub-sectors, by way of term loan, project loan subscription to bonds / debentures / preference shares / equity shares in a project company acquired as a part of the project finance package such that such subscription amounts to be “in the nature of advance” or any other form of long term funded facility provided to a borrower company engaged in:

- *Developing or*
- *Operating and maintaining, or*
- *Developing, operating and maintaining any infrastructure facility”*

With this clarification, there will be no scope for any confusion and the NBFCs can once again resume financing of infrastructure projects with a variety of financial instruments at their disposal.

We thank you in advance for your understanding and co-operation.

Thanking you,

Yours faithfully,

For FINANCE INDUSTRY DEVELOPMENT COUNCIL

MAHESH THAKAKR
Director General

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Annexure A

Definition of infrastructure loan as per Non-Banking Financial (Non - Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 prior to amendment in December 2012.

“‘infrastructure loan’ means a credit facility extended by non-banking financial companies to a borrower, by way of term loan, project loan subscription to bonds/debentures/preference shares / equity shares in a project company acquired as a part of the project finance package such that such subscription amount to be “in the nature of advance” or any other form of long term funded facility provided to a borrower company engaged in:

- Developing or
- Operating and maintaining, or
- Developing, operating and maintaining any infrastructure facility that is a project in any of the following sectors:
 - a) a road, including toll road, a bridge or a rail system;
 - b) a highway project including other activities being an integral part of the highway project;
 - c) a port, airport, inland waterway or inland port;
 - d) a water supply project, irrigation project, water treatment system, sanitation and sewerage system or solid waste management system;
 - e) tele-communication services whether basic or cellular, including radio paging, domestic satellite service (i.e., a satellite owned and operated by an Indian company for providing telecommunication service), “Telecom Towers”, network of trunking, broadband network and internet services;
 - f) an industrial park or special economic zone;
 - g) generation or generation and distribution of power;
 - h) transmission or distribution of power by laying a network of new transmission or distribution lines; "(ha) laying down and/or maintenance of gas, crude oil and petroleum pipelines"
 - i) construction relating to projects involving agro-processing and supply of inputs to agriculture;
 - j) construction for preservation and storage of processed agro-products, perishable goods such as fruits, vegetables and flowers including testing facilities for quality;
 - k) [Deleted] and
 - l) any other infrastructure facility of similar nature.”

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Annexure B

Definition of infrastructure loan as amended vide RBI Circular DNBS.PD.CC.No. 371/03.10.001/2012-13 dated 28th December, 2012 and updated from time to time

“Infrastructure loan” means a credit facility extended by NBFCs to a borrower for exposure in the following infrastructure sub-sectors:

| Sr. No. | Category | Infrastructure sub-sectors | |
|---------|--------------------------------------|----------------------------|---|
| 1. | Transport | i | Roads and bridges |
| | | ii | Ports |
| | | iii | Inland Waterways |
| | | iv | Airport |
| | | v | Railway Track, tunnels, viaducts, bridges |
| | | vi | Urban Public Transport (except rolling stock in case of urban road transport) |
| 2. | Energy | i | Electricity Generation |
| | | ii | Electricity Transmission |
| | | iii | Electricity Distribution |
| | | iv | Oil pipelines |
| | | v | Oil / Gas / Liquefied Natural Gas (LNG) storage facility |
| | | vi | Gas pipelines |
| 3. | Water & Sanitation | i | Solid Waste Management |
| | | ii | Water supply pipelines |
| | | iii | Water treatment plants |
| | | iv | Sewage collection, treatment and disposal system |
| | | v | Irrigation (dams, channels, embankments etc) |
| | | vi | Storm Water Drainage System |
| | | vii | Slurry Pipelines |
| 4. | Communication | i | Telecommunication (Fixed network) |
| | | ii | Telecommunication towers |
| | | iii | Telecommunication and Telecom Services |
| 5. | Social and Commercial Infrastructure | i | Education Institutions (capital stock) |
| | | ii | Hospitals (capital stock) |
| | | iii | Three-star or higher category classified hotels located outside cities with population of more than 1 million |
| | | iv | Common infrastructure for industrial parks, SEZ, tourism facilities and agriculture markets |
| | | v | Fertilizer (Capital investment) |
| | | vi | Post harvest storage infrastructure for agriculture and |

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| | | | |
|--|--|------|--|
| | | | horticultural produce including cold storage |
| | | vii | Terminal markets |
| | | | |
| | | viii | Soil-testing laboratories |
| | | ix | Cold Chain |
| | | x | Hotels with project cost of more than Rs 200 Crores each in any place in India of any star rating. |
| | | xi | Conventional Centres with project cost of more than Rs 300 crores each. |