

Newspiece

More Changes in definition of Infrastructure by RBI



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From January 2013 onwards, the government has shown a strong resolution to clear more infrastructure projects which were waiting in the pipeline. The cabinet Committee on Investment was set up to clear large-scale projects while the Prime Minister's Monitoring Group cleared similar projects.¹ Now, the Reserve Bank of India has amended the definition of Infrastructure in its Harmonized Master List and included a) hotels with project worth in excess of Rs. 200 crore in any place in India and of any star rating and b) convention centers with project worth in excess of Rs. 300 crore.

These sub sectors will be classified under the head 'Social and Commercial Infrastructure' for the purpose of lending by banks and select All-India term-lending and financing institutions.² With 'infrastructure lending status', qualifying hotels and convention centers can avail loans for a longer period at lower rate of interest.

Prior to this, in a notification, RBI said the credit facility extended by lenders to a borrower in about 30 odd sub-segment of the infrastructure sector will qualify as "infrastructure lending". The sub sectors included roads and bridges, LNG and oil pipelines, water-treatment plants, telecom towers etc. ³These amendments to the definition seem to be in line with the Finance Ministry's urge to relax the lending requirements and rules for the infrastructure sector and to control and reduce NPAs in this sector.

The new definition for infrastructure lending will surely avoid confusion and difficulties that arise due to multiplicity of definitions among various regulators, as lending to the sector has grown significantly.

The rules will apply from 25 November 2013.

¹http://www.moneycontrol.com/news/economy/rbi-widens-infra-sector-lending-sub-category_996759.html

² <http://www.rbi.org.in/scripts/NotificationUser.aspx?Id=8591&Mode=0#A>

³ <http://rbi.org.in/scripts/NotificationUser.aspx?Id=7700&Mode=0;>
<http://rbi.org.in/scripts/NotificationUser.aspx?Id=8076&Mode=0>