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SYNOPSIS ON

INFRASTRUCTURE DEVELOPMENT IN INDIA USING EXTERNAL COMMERCIAL BORROWING (ECB)

UNDER SUPERVISION OF:

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SUBMITTED BY

NAME :

ENROLLMENT NO :

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INFRASTRUCTURE DEVELOPMENT IN INDIA USING EXTERNAL COMMERCIAL BORROWING (ECB)

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Area of Specialization : MBA (IB)

Title of the Project : Infrastructure development in India using
External Commercial Borrowing (ECB)

Name of the Study Centre :

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1. TITLE OF THE PROJECT

**INFRASTRUCTURE DEVELOPMENT IN INDIA USING
EXTERNAL COMMERCIAL BORROWING (ECB)**

2. STATEMENT OF THE PROBLEM

This study will help in establishing impact of various issues on the External Commercial borrowing in the current liberalized scenario, which is a new phenomenon in Indian external commercial sector. Interrelation of various macro economic factors with commercial sector investment perspective will be done. It will also try to identify various regulatory issues, which money market and banking setup are trying to cope up with while lending to power projects. Study will also contribute significantly towards finding innovative ways to meet requirement of infrastructure developing sector.

Due to rapid industrialization and growth of population, India requires huge amount of power. By 2030, India requires an additional power generation capacity of 550, 000 to 850,000 MW. Moreover in India power generation through hydro power is still not tapped completely. According to report, over 150,000 MW of Hydel Power is yet to be tapped in India. The supply of power is less than the demand. The situation is that there are all India average energy shortfalls of 7% and peak demand shortfall of 12%. Alarmed by the increasing gap in supply and demand government has taken various initiatives in policy, regulation and taxation etc., which are likely to boost investment in all segments of power sector.

Infrastructure Development had been in the public domain since its inception way back in 19th century. Most of the infrastructure was created and operated by central government, state government, agencies and undertakings in government domain at various levels. It was mounting technical & commercial losses and widening gap of supply & demand, which forced government to start reform process in power sector. Indian Power sector has been opened up for private sector effectively only in late nineties and afterwards. Necessary regulatory framework and policy has been brought out in 2003. Government has already initiated unbundling of vertically integrated state electricity boards in most of the states in country. Government has also set to privatize the distribution circles whereas the regulatory authorities have come out with tariff reforms to boost investment.

Not much contribution has been made in Infrastructure sector financing by private sector.

3. OBJECTIVES OF THE STUDY

1. Comparative performance analysis of various channels and institutions financing power sector and innovative methods adopted by PFC. (Channels taken as Bonds markets, Stock market, ECBs, domestic debt market, governments. Institutions taken as banks, insurance companies, pension funds, mutual funds, bilateral and multilateral bodies)
2. Identifying limitations of PFC and concerns of various sources currently financing power Sector.
3. Formulating strategic measures required to improve availability of low cost and long term finances to power sector channeled by the PFC. (relaxing exposure norms for banks, SLR status to power sector bonds, review of cap on all-in-cost to borrower for ECBs, channelising insurance and pension funds for long term financing and downward revision on interest rate for loan under APDRP)
4. Finding out new possible innovative ways of funding to be adopted by PFC in near future. (Big and cash rich clients like industrial houses , railways, hospitals etc. can be roped in to contribute equity capital in lieu of subsidized and uninterrupted power supply. Leasing out adjoining land for commercial usage)

4. RESEARCH METHODOLOGY

The project being undertaken is exploratory research. Where in all these approaches of exploratory research like:

It is a way to systematically solve the research problem. The research methodology includes the various methods and techniques for conducting a research. Research is the systematic design, collection and analysis and reporting of data and finding a solution to a specific situation or problem. D.Slesinger and M.Stephenson in the encyclopedia of social sciences defines Research as, “ **The manipulation of things, concepts or symbols for the purpose of generalizing to extend , correct or verify knowledge, whether that knowledge aids in construction of theory or in the practice of an art.**” Research is, thus, an original contribution to the existing stock of knowledge making for its advancement.

- **PRIMARY DATA:** Most of the information will be gathered through primary sources. The methods that will be used to collect primary data are:

- a) Questionnaire
- b) Interview

Questionnaire – It consists of both open ended and close ended questions.

- **SECONDARY DATA:** Secondary data that will be used are web sites and published materials related to ECB as well as any relevant information infrastructure development in India. And secondary data in the form of internal sources come from books and internet.

Secondary data from various

- Magazines
- Newspapers
- Internet, etc

CRITERIA FOR SELECTION:

A criterion for Information in this work will be sourced from books, newspapers, trade journals, white papers, industry portals, government agencies, trade associations, monitoring industry news and developments, and through access to many paid databases. Few important entities which are involved in Infrastructure development sector financing are as follows:

- (i) Planning commission
- (ii) Ministry of Finance
- (iii) Ministry of power
- (iv) Reserve Bank of India
- (v) Power finance corporation
- (vi) Rural Electricity Corporation
- (vii) Central Electricity Authority
- (viii) Stock Exchange Board of India

Data relating to operations and performance of all these entities will be collected.

- (a) Interviews with finance experts and executives, directly involved with power sector financing will be conducted to the extent possible. Data so collected will be primary data and will help in doing qualitative analysis. It will also help out in carrying SWOT analysis for power sector financing and ECB.
- (b) Balance sheet of various companies in power sector will be analyzed for preceding five years. Changes in capital structure of these companies will help in analyzing current investment scenario.
- (c) Mega Power Projects have come up recently and are in the process of completion. Investment data from these projects will help in getting most recent trends in power sector investment. This data is available from Power Finance Corporation, which has emerged as nodal agency of central government for investment in power sector.

METHOD USE TO CLASSIFY DATA:

- Data Analysis & Interpretation – Classification & tabulation transforms the raw data collected through questionnaire in to useful information by organizing and compiling the bits of data contained in each questionnaire i.e., observation and responses are converted in to understandable and orderly statistics are used to organize and analyze the data.
 - ◆ Simple tabulation of data using tally marks.
 - ◆ Calculating the percentage of the responses.
 - ◆ Formula used = $(\text{name of responses} / \text{total responses}) * 100$

Graphical analysis by means of pie charts bar graphs etc.

NUMBER OF RESPONDENTS

Total samples of 50 respondents were contacted who responded to the questionnaires.

AREA OF STUDY

Infrastructure development in India

5. COMPANY PROFILE

PFC was set up on 16th July 1986 as a Financial Institution (FI) dedicated to Power Sector financing and committed to the integrated development of the power and associated sectors. The Corporation was notified as a Public Financial Institution in 1990 under Companies Act, 1956.

The Corporation is registered as a Non Banking Financial Company with the Reserve Bank of India (RBI). RBI, vide its revised Certificate of Registration no. B-14.00004 dated July 28, 2010 classified the company as an 'Infrastructure Finance Company (NBFC-ND-IFC)'.

PFC, which has entered its Silver Jubilee Year in 2010, is a Schedule-A, Nav-Ratna CPSE (conferred by Govt. of India on 22nd June, 2007) in the Financial Service Sector, under the administrative control of the Ministry of Power. Its Registered and Corporate Offices are at New Delhi.

PFC was incorporated with an objective to provide financial resources and encourage flow of investments to the power and associated sectors, to work as a catalyst to bring about institutional improvements in streamlining the functions of its borrowers in financial, technical and managerial areas to ensure optimum utilization of available resources and to mobilize various resources from domestic and international sources at competitive rates.

6. QUESTIONNAIRE

Q1. What do you think ECB help in developing the Infrastructure in India at higher rate?

Yes

No

Q2. What is the attitude of PFC for the ECB?

Positive

Negative

Neutral

Q3. If you think that the PFC is always ready to adopt the new ideas & strategies in the market.

Yes

No

Q4. The rate of interest in the ECB is less than the Local Indian Market.

Yes

No

Q5. If PFC is facing Problem of higher rate of interest prevailing in Indian Market?

Yes

No

Q6. If the ECB is the Best Option for the PFC.

Yes

No

Q7. Which country you will prefer for ECB?

USA

JAPAN

UK

Singapore

Q8. Do you think the Infrastructure development will go on high race by ECB?

Yes

No

Q9. If Indian Laws Come across the ECB?

Yes

No

Q10. If the ECB is the only best option for the Municipal Infrastructure finance in India?

Yes

No

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7. REFERENCES

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8. CHAPTERISATION

Detailed/final Project Report will include the following chapters

- Chapter –I Introduction**
- Chapter –II Objective and scope of study**
- Chapter –III Methodology**
(Details of methodology used in studying and collecting the data and issue will be described)
- Chapter –IV Descriptive work**
(Descriptive work on the topic, this chapter will include analysis and interpretation of data tabulation and categorization)
- Chapter –V Study report**
(Study report of other researcher will be observed and analyzed)
- Chapter –VI Conclusion**
- Chapter-VII Findings**
- Chapter –VIII Limitations**
- Chapter –IX Recommendation**
- Chapter –X Bibliography**
- Chapter –XI Appendix-1**
(Questionnaire prepared for conducting study will be attached and other papers which have not been mentioned above will be included, if required)

PROFILE OF PROJECT GUIDEF

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