



Infrastructure Development Finance Company Limited

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KEYWORDS

Infrastructure Development Finance Company Limited (IDFC) was set up on the recommendations of the Expert Group of commercialization of Infrastructure Projects under the Chairmanship of Dr. Rakesh Mohan. The group identified the need for a specialized financial intermediary for infrastructure to professionalize the process of infrastructure development in the country. IDFC was incorporated on January 30, 1997, with an initial paid up capital of Rs 1,000

crore. The Government of India and the Reserve Bank of India have contributed Rs 650 crore by way subordinated debt, raising its total capitalization to Rs, 1650 crore. Domestic financial institutions such as HDFC, ICICI Ltd., IFCI Ltd., SBI, and UTI have contributed 20 per cent of the share capital; foreign shareholding is 40 per cent; and government shareholding constitutes 40 per cent of the total capital.

IDFC was set up to facilitate the flow of private finance to commercially viable infrastructure projects. The traditional sources of finance could not meet the financing needs of such projects, as the risk profile of infrastructure projects is unique. IDFC has designed innovative products and services to address the specific needs of infrastructure financing. The mission of IDFC is leading private capital to commercially viable infrastructure projects by advocating solutions that deliver efficient services to consumers.

Initially IDFC focused on power, roads, ports, and telecommunication.

Now it has broadened this focus to the framework of energy, telecommunication and information technology, integrated transportation, urban infrastructure and food and agri-business infrastructure.

IDFC has been assigned lead manager mandates and key advisory assignments. In its role as policy advisor, IDFC provides leadership in rationalizing policy and regulatory frameworks and removes impediments to the movement of capital to infrastructure sectors. To facilitate the role of policy

advisor, IDFC identifies best products, draws on the expertise of policy advisory boards and promotes policy dialogue amongst key players in the various infrastructure projects. IDFC also provides finance by way of equity and debt support. It also strengthens links between financial institutions and infrastructure projects by encouraging financial institutions to participate in infrastructure projects.

IDFC'S operations: -

Energy IDFC provides consultancy and advisory services to state governments for formulating a power sector strategy. It prepares road maps for reform initiatives in respect of the policy framework governing the power sector with a belief that its multi-pronged and focused approach to reforming the power sector would ultimately translate into desired invest-

ment opportunities. It also acts a lead arranger and financier for power projects.

IDFC played a pivotal role in the preparation of the report of the Government of Karnataka's High Level Committee on Escrow cover to Independent Power Projects. IDFC is part of the consortium acting as a privatization consultant to Karnataka Power Transmission Company Limited, the monopoly state public sector company engaged in transmission and distributed of power. IDFC has provided financial advisory services and prepared a detailed fuel study for the Torrent Group's proposed power generation plant. It also interacts with and responds to documents released by the Central Electricity Regulatory Commission (CERC) and various State Electricity Regulatory Commissions.

As on June 30, 2002, Rs 4,122 crore was approved to 37 projects and Rs 779 crore were disbursed to 13 projects.

Food and Agriculture Business Infrastructure: -

This initiative was launched in August 2000. IDFC entered this sector with a belief that this sector has immense growth potential and the private sector has

an important role to play to complement initiatives of the government. It has entered into a strategic alliance with Rabobank, the Netherlands, a pioneer in the food and agriculture business, to provide the F&A industry in India with unique solutions for the development of its infrastructure.

Integrated Transportation: -

IDFC views integrated transportation as an integrated logistics chain with parts not only complementing each other but also competing with each other.

Hence roads, railways, pipelines, waterways, ports, and airports are links of chain and not stand alone, independent entities.

IDFC has approved Rs 1,980 crore to 24 projects and has disbursed Rs 758 crore to ten projects till June 30,2002.

Telecommunications and IT Infrastructure: -

IDFC has provided financial assistance to various telecom service projects in the areas of cellular mobile, basic national long distance, cable and broadband, and satellite services provision. IDFC's major clients and private sector telecommunication service players. It has provided assistance on a non-or limited resources basis, with project sizes ranging from Rs 20 crore to Rs. 5,000 crore and loan periods varying from one to ten years.

IDFC has consolidated its operations in cellular industry with 60 per cent of assistance provided to cellular mobile telephony service providers. It has played a key role in the two initial public offers by the new telecom companies as underwriter and anchor investors. It also provides performance and finan-

cial guarantees. Telecom and IT assets comprised 50 per cent of IDFC's total assets as on March 31, 2002.

Urban Infrastructure: -

IDFC provides financing and project advisory services for the development of urban infrastructure. It helps the state governments to prepare a road map for private sector participation in the development of urban infrastructure. IDFC played a key role in the Committee for Operation and Maintenance of Rural and Urban Water Supply Schemes constituted by the Government of Maharashtra. It has also entered into an agreement with the Asian Development Bank for a line of credit amounting US \$ 30 million for financing urban and environmental infrastructure projects. It is also a member of the Steering Committee for financing bankable solutions for waste to energy projects in Mumbai. IDFC has so far approved RS 372 crore to eight projects and disbursed Rs 38 crore to five projects.

Summary: -

IDFC has evolved a vision for core sectors such as power, ports, roads and telecom where cost-effective service to the end user is the ultimate goal of infrastructure is in introducing competition. It has successfully financed innovative projects in its five years of existence. In order to provide a thrust to the infrastructure financing programme, IDFC will be merged with the Infrastructure Leasing and Financial Services (IL&FS). This new company will be the country's biggest infrastructure financing company.

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