

**AVOIDABLE LOSS DUE TO EXTENSION OF LOAN IN  
TERMINATED PROJECTS RELATING TO INDIA  
INFRASTRUCTURE FINANCE COMPANY LIMITED (IIFCL)  
[Based on Para No. 5.2 of C&AG Report No. 18 of 2020]**

**INDIA INFRASTRUCTURE FINANCE COMPANY LIMITED**

**MINISTRY OF FINANCE (DEPARTMENT OF FINANCIAL SERVICES)**

**COMMITTEE ON PUBLIC UNDERTAKINGS  
(2023-24)**

**TWENTIETH REPORT**

**SEVENTEENTH LOK SABHA**



**LOK SABHA SECRETARIAT**

**NEW DELHI**

**TWENTIETH REPORT**

**COMMITTEE ON PUBLIC UNDERTAKINGS  
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[Based on Para No. 5.2 of C&AG Report No. 18 of 2020]**

**INFRASTRUCTURE FINANCE COMPANY LIMITED**

**MINISTRY OF FINANCE (DEPARTMENT OF FINANCIAL SERVICES)**

**[Action Taken by the Government on the Observations/Recommendations contained in  
the Seventeenth Report of the Committee on Public Undertakings on Audit Para No. 5.2 of  
C&AG Report No. 18 of 2020 relating to IIFCL]**



*Presented to Lok Sabha on 1 August, 2023*

*Laid in Rajya Sabha on 1 August, 2023*

**LOK SABHA SECRETARIAT  
NEW DELHI**

***August, 2023/ Sravana, 1945 (Saka)***

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COMPOSITION OF COMMITTEE ON PUBLIC UNDERTAKINGS (2023-24)

*Shri Santosh Kumar Gangwar* - *Chairperson*

Members

*Lok Sabha*

2. Shri Sudip Banyopadhyay
3. Dr. Heena Vijaykumar Gavit
4. Shri Chandra Prakash Joshi
5. Smt. K. Kanimozhi
6. Shri Lavu Sri Krishna Devarayalu
7. Smt. Poonamben Hematbhai Maadam
8. Shri Arjunlal Meena
9. Shri Janardan Mishra
10. Shri Nama Nageswara Rao
11. Dr. Arvind Kumar Sharma
12. Shri Ravneet Singh Bittu
13. Shri Sushil Kumar Singh
14. Shri Uday Pratap Singh
15. Shri Ramdas Chandrabhanji Tadas

*Rajya Sabha*

16. Dr. Radha Mohan Das Agrawal
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18. Dr. Anil Jain
19. Shri Prakash Javadekar
20. Dr. Amar Patnaik
21. Shri V. Vijaysai Reddy
22. Shri Binoy Viswam

SECRETARIAT

1. Shri Chander Mohan - Joint Secretary
2. Shri Santosh Kumar - Director
3. Shri G.C. Dobhal - Additional Director
4. Shri Dhruv - Executive Officer

## **INTRODUCTION**

I, the Chairperson, Committee on Public Undertakings (2023-24) having been authorized by the Committee to submit the Report on their behalf, present this Twentieth Report on Action Taken by the Government on the Observations/Recommendations contained in the Seventeenth Report of the Committee on Public Undertakings (17<sup>th</sup> Lok Sabha) on “Avoidable loss due to extension of loan in terminated projects relating to India Infrastructure Finance Company Limited (IIFCL) [based on Para no. 5.2 of C&AG Report No. 18 of 2020]”.

2. The Seventeenth Report of the Committee on Public Undertakings (17<sup>th</sup> Lok Sabha) was presented to Lok Sabha and laid on the Table of Rajya Sabha on 1<sup>st</sup> August, 2022. The Action Taken Replies to all the 9 Recommendations contained in the Report were received from the Department of Financial Services, Ministry of Finance on 20<sup>th</sup> March, 2023.

3. The Committee considered and adopted the draft Report at their sitting held on 26 July, 2023. The Minutes of the sitting are given in Appendix- I

4. An analysis of the action taken by the Government on the Observations/ Recommendations contained in the Seventeenth Report of the Committee (17<sup>th</sup> Lok Sabha) is given in Appendix -II.

**New Delhi:**  
**26 July, 2023**  
**04 Sravana 1945 (S)**

**SANTOSH KUMAR GANGWAR**  
**Chairperson,**  
**Committee on Public Undertakings**

# REPORT

## CHAPTER I

This Report of the Committee deals with the action taken by the Government on the Observations/Recommendations contained in the seventeenth Report of the Committee on Public Undertaking on 'Avoidable Loss due to extension of loan in terminated projects relating to India Infrastructure Finance Company Limited (IIFCL) (based on C&AG Audit Para No. 5.2 of Report No.18 of 2020); which was presented to Lok Sabha on 01<sup>st</sup> August 2022. It contained nine observations/recommendations.

2. Action Taken notes have been received from the Government in respect of all the 9 observations/recommendations contained in the Report. These have been categorized as under:-

- |       |  |                              |
|-------|--|------------------------------|
| (i)   | Observations/Recommendations which have been accepted by the Government<br>Sl. Nos. 3, 4, 5, 6, 7 & 8  | (Chapter II)<br>(Total: 06)  |
| (ii)  | Observations/Recommendations which the Committee do not desire to pursue in view of the Government's replies.<br>Sl. Nos. 1,2 & 9                            | (Chapter III)<br>(Total: 03) |
| (iii) | Observations/Recommendations in respect of which replies of Government had not been accepted by the Committee and which require reiteration.<br>Sl. Nos. Nil | (Chapter IV)<br>(Total:0)    |
| iv)   | Observations/Recommendations to which the Government has furnished interim replies and final replies are still awaited.<br>Sl.No. Nil                        | (Chapter V)<br>(Total:0)     |

**3. The Committee desire the Ministry of Finance to furnish final Action Taken Notes/replies in respect of observations/recommendations contained in Chapter I of the Report.**

4. The Committee will now deal with the Action Taken by the Government on some of the Observations/Recommendations in succeeding paragraphs:

**Obtaining No objection certificate(NOC)before extending take out finance; need for tripartite agreement and the model concession agreement and 'Noc' from all concerned**

**Recommendation (Sl. No. 3, 4 & 5)**

5. The Committee in their seventeenth Report, had recommended the following with regard to obtaining No Objection Certificate (NOC) before extending take out finance; need for tripartite agreement; and the model concession agreement:

"The Audit had observed that as per IIFCL's Credit Policy 2012, the Company, for affecting Take Out finance, 'The No Objection Certificate (NOC) from the lender(s), the Concessionaire Authority (CA) (if applicable) and the Consortium, is to be provided to IIFCL for extending the Take Out finance under the Scheme. This NOC is to be arranged by the Borrower Company/ Lender(s) before Scheduled Date of Occurrence of Take Out". Though the company has obtained NOC from the existing lenders and the consortium, yet it could not do so from the CAs (in this case Raipur and Bhilai- Durg Municipal Corporations) as -

(i) there was no clause /provision/ requirement in the Concession Agreement stipulating requirement for taking NOC from the CAs by any lender or borrower prior to extending Take Out facility by the lenders ,

(ii) even if IIFCL had applied for NOC, the CA had no 'locus standi' to issue NOC to IIFCL. IIFCL being a third party, had no direct linkage with the CAs under any agreement. Even extant lending banks also had no direct linkage with the CA under any agreement.

(iii) there has not been industry practice where lenders in India seek any NOC from Concession Authority for any change in financing in terms of Take Out Finance, Refinance, or down selling in respect of Infrastructure Projects the Company could not obtain CA's NOC.

The IIFCL had disbursed the Take Out amount only to the existing banks of the consortium of lenders, as per the applicable credit policy, the NOC was required to be arranged and obtained from the lenders before scheduled date of occurrence of Take Out. The applicability was to the extent of lenders providing the NOC since the Take Out was directly between IIFCL and the lending banks.

Accordingly, in compliance with the provisions of IIFCL's Credit Policy 2012, IIFCL had obtained No Objection Certificates (NOCs) from the consortium of lenders i.e. Dhanlaxmi Bank and Catholic Syrian Bank in case of RWMPL and Dhanlaxmi Bank and South Indian Bank in case of BDWMPL before effecting Take Out in the instant case as

per the requirements. Further, all the lenders have confirmed the asset classification as "Standard" before the disbursement of loan in both the accounts, as per the norms.

The Committee find this a serious shortcoming in the concession agreement and also find it rather surprising for IIFCL not realizing the need to include a clause for obtaining NOC from the respective Concessioneing Authorities before affecting the Take Out although IIFCL's own Credit Policy 2012 has a provision for it. It should have realized this gap in the concession agreements and sought to plug the same before effecting Take Out to protect its own financial interest. Instead, it relied more on the presumption that NOC would be refused by the Concessioneing Authorities as it was not covered under any clause in the Agreement.

The Committee, therefore, recommend that IIFCL should make necessary amendments in its Credit policy to include clauses in concession agreements for making 'obtaining of NOC from Concessioneing Authorities, lender(s) as well as the consortium of lenders' a pre-requisite before extending any Take Out finance to the borrowers in the Credit Policy/ Take Out scheme. The Committee also strongly recommend that need for a modified Take Out Finance scheme with suitable conditions pertaining to Tripartite Agreement be incorporated in the Credit Policy. IIFCL should ensure that the proposed Take Out finance projects having existing Tripartite Agreement should have provision for inclusion of IIFCL as new or additional lender in all other lendings viz. direct lending, credit enhancement, etc. In cases involving Concessioneing Authorities, IIFCL should finance only those projects where a Tripartite agreement will be entered.

In view of the important role played by Take Out Financing in development of Infrastructure sector and to protect the interest of the lenders and Take Out financiers , a model concession agreement may be drafted/ prepared where in a provision for Tri-partite Agreement, as is the norm globally, involving Concessioneing Authorities, Concessioneaire and the lenders / Take Out financiers be inserted to enable furnishing of NOC to the lenders and Take Out financiers by the Concessioneing Authorities."

6. The Ministry, in their action taken reply, have stated as follows:-

"1. As apprised by IIFCL, in light of the above recommendations of the Committee, an external expert committee has been constituted w.e.f 03.08.2022 to suggest modifications to IIFCL's credit policy and credit manual. The members of the external expert committee include:

- a) Sh. Sujit Kumar Varma, Ex Deputy Managing Director (DMD), State Bank of India (SBI)
- b) Sh. C M Khurana, Ex CGM Oriental Bank of Commerce (OBC) and Ex CGM, IIFCL

2. The committee since then had the following meetings:

- a) Meeting with Chief Credit officer and officers of Credit Department on 05.08.2022
- b) Meeting with MD, DMD, Chief Credit officer and officers of Credit Department on 09.09.2022
- c) Meeting with Chief Credit officer and officers of Credit Department on 17.11.2022

3. IIFCL has further informed that the committee is in the process of finalising its detailed recommendations for incorporation in credit policy/ credit manual and the same will be completed by 30<sup>th</sup> June 2023 through approval by Board of Directors of IIFCL. Once approved, IIFCL will submit the relevant extracts of the updated credit policy/ credit manual to DFS/CoPU.

4. With regard to the recommendation on drafting/preparing a Model Concession Agreement (MCA) wherein the provision for Tri-partite Agreement involving Concessioneing Authorities, Concessionaire and the lenders / Take Out financiers be inserted. It is stated that this Department alongwith IIFCL has taken up the matter with various Department/Ministries (administering the concessioneing authorities) on various occasions:

- a) OM dated 20.01.2020 on Draft Model Concession Agreement (MCA) for BOT (Toll) Model for Highway Sector
- b) OM dated 27.12.2021 forwarding the recommendations of C&AG on Road Sector.
- c) Background note submitted to Parliamentary Standing Committee on Transport, Tourism and Culture in January, 2021.
- d) IIFCL vide email dated 10.06.2020 forwarding the suggestions to MoRTH
- e) IIFCL vide email dated 08.03.2022 forwarding a note structural issues pertaining Infrastructure lending to Department of Economic Affairs.
- f) IIFCL vide email dated 14.04.2022 forwarding a note issues pertaining Infrastructure Sector to Indian Bank's Association.

Copy of the above-mentioned OM and email alongwith Notes is enclosed at Annexure-I."

### **Clarity on stipulated Debt Service Coverage Ratio(DSCR)**

#### **Recommendation (Sl. No. 6)**

7. The Committee in their Seventeenth Report, had recommended the

following with regard to clarifications on the stipulated Debt Service Coverage Ratio:-

"Audit had observed that as per IIFCL's Credit Policy 2012 the Company is empowered to consider the proposals of those projects only which have Debt Service Coverage Ratio (DSCR) of at least 1.00. There was, however no clarity on the period of DSCR - a financial year or immediate 12 months period prior to effecting the Take Out. IIFCL

has informed that a Statutory Auditor Certificate duly certifying DSCR of 1.16 and 1.20 in case of RWMPL and BDWPL respectively for the period of one year from July 2013 to June 2014 was obtained while processing the disbursements in the account. The Committee tend to agree with the views and suggestions of C&AG that quarterly figures are generally unaudited ones which may not have authenticity, acceptability and may not give as much confidence as that of audited figures to the lenders and accordingly recommend that in future, IIFCL should rely on audited figures and should also consider the available balance sheet figures for considering DSCR in the projects."

8. The Ministry, in their action taken reply, have submitted that:

"1. The Department agree with the recommendation of the Committee that IIFCL shall rely on the Audited figures and Balance Sheet figures while computing Debt Service Coverage ratio (DSCR) of the projects under Take Out Finance Scheme. Taking note of the observation, IIFCL has appointed a committee of external experts to suggest relevant modifications in its credit policy and credit manual. This committee have had 3 meetings with the officials of the IIFCL.

2. IIFCL has informed that the committee is in the process of finalising its detailed recommendations for incorporation in credit policy/ credit manual and the same will be completed by 30<sup>th</sup> June 2023 through approval by Board of Directors of IIFCL. Once approved, IIFCL will submit the relevant extracts of the updated credit policy/ credit manual to DFS/CoPU."

**Prudent approach before disbursal of funds and action on erring officials**

**Recommendation (Sl. No. 7 & 8)**

9. The Committee had recommended the following with regard to prudent

disbursal of funds and action on erring officials :-

"The Committee when asked about sanction of loan to RWMPL and BDWPL without obtaining of NOC from the Concessioneing Authority, IIFCL had stated that there was no provision or requirement in the concession agreement stipulating that NOC is to be obtained from respective Concessioneing Authorities by any lender(s). In another issue regarding sanction and disbursement of loan after termination of the project of RWMPL and BDWPL, IIFCL informed the Committee that until August 2015 there was no information available to IIFCL about the termination of the projects of RWMPL and BDWPL. This was despite the fact that as per clause no. 6.1 (g) under Article 6 of the concession agreements of the project, the respective Concessioneing Authorities (Municipal Corporations) were under obligation to intimate the lenders regarding any termination or event of default that was initiated by the Concessioneing Authorities or any breach on part of the concessionaire in the said projects. The details of issue of termination notices and termination of the said project, were not provided to the Lead Lender and hence not provided to the IIFCL during the appraisal stage nor during the disbursement state (before the date of Take Out)by the Concessioneing Authority which is in contravention of the clause 6.1(g) of the Concession Agreement. Requirement of NOC not being part of Concession Agreement and Take Out Finance Scheme approved by the Government of India, IIFCL had disbursed the Take Out amount to the existing banks of the consortium of lenders, the NOC was required to be arranged and obtained only from the lenders before scheduled date of occurrence of Take Out. Accordingly, in compliance with the provisions of IIFCL's Credit Policy 2012, it as obtained No Objection Certificates (NOCs) from the consortium of lenders of both the projects before effecting Take Out in the instant case as per the requirements.

The Committee noted that IIFCL is well in agreement that the Concession Authority should inform the existing set of lenders in the projects regarding Termination Notices, which is in contravention to clause 6.1(g) of the Concession Agreement. This is the reason, IIFCL has been professing the need to have a Tri-partite Concession Agreement and a Model Concession Agreement for all infrastructure sectors to safeguard lenders' interest (having majority financial stake in Infrastructure projects), for building the confidence of lenders and to address the issues as highlighted by C&AG in the instant cases and to give impetus to financing the Sunrise sectors including such Social Infrastructure sectors.

The Committee feel that IIFCL should have been more careful and vigilant in drafting financial agreements to address the issue of termination of projects by the Concessionaire Authorities.



Further, the pre-disbursement site inspection in both the cases was done by IIFCL on 17 October 2014, which was after the notice of termination of concession agreement (which IIFCL stated was unaware) was served and the loan sanctioned. The Committee further observe that the report of two Committees that conducted the staff accountability & fact finding exercise and concluded that there was no lapse on any of the officials of IIFCL was not made available to C&AG for further analysis giving the impression that the fact finding exercise was more like a cover-up exercise as the reports were considered by IIFCL's own Managing Director and the fact finding closed at his instance. The Committee without casting any aspersions on the conduct of the officials involved or without questioning the wisdom of the Board, feel that the IIFCL should have taken prudent approach by

taking legal action against the Concessioneing Authorities (Municipal Corporations) for violation of 6.1 (g) of the concession agreement to come out clean on their part.”

10. The Ministry, in their action taken reply, have stated as follows:-

“1. IIFCL has informed that it has taken legal action in both the cases against the borrowers and Concessioneing Authorities (Municipal Corporations) for violation of 6.1 (g) of the concession agreement through the Debt Recovery Tribunal (DRT) Court, Bengaluru & Delhi. The details of the legal proceedings in each case is given below:

**a) Raipur Waste Management Pvt. Ltd (RWMPL)**

The DRT, Bengaluru has awarded its order in favor of IIFCL The DRT through its Recovery Officer (RO) for RC No. 434/2020 on 23.11.2021 directed, the parties i.e borrower, M/s Raipur Waste Management private Limited Project, promoter, M/s Kivar Holdings Pvt Ltd and the Authority, Raipur Municipal Corporation, to pay the sum of Rs 17,98,51,762.10/- with applicable interest as against the loan amount of Rs. 13.71 Crore to IIFCL.

Further, RO on 15.12.2021 vide Demand Notice (DN) directed, the parties i.e. borrower, M/s Raipur Waste Management private Limited Project, promoter, M/s Kivar Holdings Pvt Ltd and the Authority, Raipur Municipal Corporation, to pay the sum of Rs 17,98,51,762.10/- within 15 days of receipt of the notice, failing which the recovery shall be made in accordance with the Recovery of Debt Due to banks and financial institution Act 1993.

The parties were further ordered by the RO to declare on an affidavit the particulars of their assets on or before the next date of hearing.

Further, the parties were ordered to appear before the RO on 21.02.2022 and 12.04.2022. Since the borrower/ parties failed to appear in proceedings before the Ld. Presiding officer, DRT Bangalore on 12.04.2022 and the Recovery Certificate was issued Ex-Parte. As per process, IIFCL has further requested the court for reissuance of the updated Demand Notice (DN) for recovery against defendants to which the RO directed IIFCL to file its application for serving of DN through alternative modes including Dasti and paper publications by the next date of hearing which is 13.05.2022. This was complied by IIFCL.

During the hearing before the RO on 13.05.2022, the parties did not appear. In view of this IIFCL's LLC pleaded before the RO on the conduct of the Defendants. Taking note of the same, the RO adjourned the case till 15.09.2022 and gave IIFCL liberty to move application for substituted service before the next date and get notice issued and delivered to the Defendants. On the basis of the liberty granted by the RO, IIFCL has filed the application within the timelines. The RO adjourned the case till 12.12.2022. In the hearing on 12.12.2022, the defendants did not appear before the RO and the RO took note of the previous hearings and granted a last opportunity to the defendants and observed that if they do not appear on the next hearing, the case may be closed by passing the final order. IIFCL has informed that the next date of hearing/ listing by the Hon'ble DRT Court is 02.08.2023. and IIFCL is expecting that the Hon'ble DRT Court will issue the final order to enforce the DRT court order for recovery of entire IIFCL dues as detailed above (vide RC No. 434/2020 on 23.11.2021 has issued Demand Notice to the parties for recovery of Rs 17,98,51,762.10/- ) in accordance with the Recovery of Debt Due to banks and financial institution Act 1993.

#### **b) Bhilai Durg Waste Management Pvt Ltd (BDWMPL)**

There are standardised process & procedures followed across DRT Courts in India. In view of the favourable order passed by DRT, Bengaluru, in the case of RWMPL, IIFCL expects similar favourable order from DRT, Delhifor recovery of its entire dues. The case is under pleading stage at the Registrar Court No. 1.

The next date of hearing/ listing by the Hon'ble DRT Delhi Court is 18.05.2023.

2. It may also be noted that this Department vide its letter dated 07.02.2022 had advised IIFCL to re-examine IIFCL's finding of no deficiency in its systems and procedures, while considering any gaps in control measures that may have enabled such non-adherence, the responsibility for the non-adherence or/and enabling gaps and staff accountability.

3. In compliance of the above direction, IIFCL vide email dated 22.06.2022 informed that re-examination of the staff accountability in the said two accounts was conducted by team of external expert Fact Finding Team, Internal Fact-Finding Team () and Central Review Committee. All the three committees on re-examination have reported that the said two cases do not involve issues related to staff accountability. Keeping in view the same, the Competent Authority (CA), on 14.06.2022, has approved closing the re-examination of staff accountability in the said two cases as it does not involve issues related to staff accountability. Copy of the IIFCL's email, Committee reports in respect Raipur Waste Management Private Limited (RSWPL) and Bhilai Durg Waste Management Private Limited (BDWPL) are attached as Annexure- II& III."

**11. The Committee while examining C&AG Audit Para 5.2 of Report No.18 of 2020 based on 'Avoidable Loss due to extension of loan in terminated projects relating to India Infrastructure Finance Company Limited (IIFCL), had observed in their Report that loans were given to two concessionaires viz. Raipur Waste Management Private Limited (RWMP) and Bhilai Durg Waste Management Private Limited (BDWMP) in September 2014 by IIFCL under 'Take Out Finance Scheme' after issue of notices of termination by the Concessions Authority and without obtaining NOC from Concessions Authority and also without ensuring the stipulated Debt Service Coverage Ratio (DSCR) of the borrowers as per their audited annual accounts. Consequently, these loan accounts turned into NPAs. The Committee had, therefore, suggested amendments in its Credit Policy-2012 to include clauses in Concession Agreements for obtaining of 'NOC' from Concessions Authorities, inclusion of IIFCL as new or additional lender, drafting of a model Concession Agreement/Tripartite Agreement as per global norms, relying on audited figures for**

considering DSCR and remaining more vigilant in drafting financial agreements, etc.

12. The Committee are happy to note that IIFCL acting upon the recommendations of the Committee, has appointed a committee of external experts to suggest modifications in its credit policy and Credit manual and hope that above suggestion will be incorporated in Credit Policy and Credit Manual of IIFCL soon. Further, the Committee would like to have a copy of this document and model Concession/Tri-partite Agreement.

The Committee further expect that DFS and IIFCL shall take up the matter with all the stakeholders such as NHAI, Municipal Corporation and others to have a foolproof Tripartite Agreement to be signed in future.

13. The Committee also note that IIFCL has taken legal action, through the respective Debt Recovery Tribunal (DRT) Courts, against the Concessioneing Authorities (Municipal Corporations) for violation of 6.1 (g) of the Concession Agreement. The Debt Recovery Tribunal (DRT), Bengaluru through its Recovery Officer for RC No. 434/2020 on 23.11.2021 and 15.12.2021 has directed, the parties to pay a sum of Rs. 17,98,51,762.10/- with applicable interest as against the loan amount of Rs. 13.71 crore to IIFCL. Further, a case on similar line is pending before DRT against Bhilai Durg Waste Management Private Limited (BDWMPL). The Committee, while appreciating the steps taken by IIFCL, would like to be informed about the status of recovery of loan on biannual basis till the amount is fully recovered.

## **CHAPTER II**

### **OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT**

#### **OBTAINING OF NO OBJECTION CERTIFICATE (NOC) BEFORE EXTENDING TAKE OUT FINANCE; NEED FOR TRIPARTITE AGREEMENT; AND THE MODEL CONCESSION AGREEMENT.**

##### **Recommendation (Sl. No. 3)**

The Audit had observed that as per IIFCL's Credit Policy 2012, the Company, for affecting Take Out finance, 'The No Objection Certificate (NOC) from the lender(s), the Concessionaire Authority (CA) (if applicable) and the Consortium, is to be provided to IIFCL for extending the Take Out finance under the Scheme. This NOC is to be arranged by the Borrower Company/ Lender(s) before Scheduled Date of Occurrence of Take Out". Though the company has obtained NOC from the existing lenders and the consortium, yet it could not do so from the CAs (in this case Raipur and Bhilai- Durg Municipal Corporations) as

-

- (i) there was no clause /provision/ requirement in the Concession Agreement stipulating requirement for taking NOC from the CAs by any lender or borrower prior to extending Take Out facility by the lenders ,
- (ii) even if IIFCL had applied for NOC, the CA had no 'locus standi' to issue NOC to IIFCL. IIFCL being a third party, had no direct linkage with the CAs under any agreement. Even extant lending banks also had no directlinkage with the CA under any agreement.
- (iii) there has not been industry practice where lenders in India seek any NOC from Concession Authority for any change in financing in terms of Take Out Finance, Refinance, or down selling in respect of InfrastructureProjects the Company could not obtain CA's NOC.

##### **Reply of the Government**

As apprised by IIFCL, in light of the above recommendations of the Committee, an external expert committee has been constituted w.e.f 03.08.2022 to suggest modifications to IIFCL's credit policy and credit manual. The members of the external expert committee include:

- a) Sh. Sujit Kumar Varma, Ex Deputy Managing Director (DMD), State Bank of India (SBI)
  - b) Sh. C M Khurana, Ex CGM Oriental Bank of Commerce (OBC) and Ex CGM, IIFCL
2. The committee since then had the following meetings:
- a) Meeting with Chief Credit officer and officers of Credit Department on 05.08.2022
  - b) Meeting with MD, DMD, Chief Credit officer and officers of Credit Department on 09.09.2022
  - c) Meeting with Chief Credit officer and officers of Credit Department on 17.11.2022
3. IIFCL has further informed that the committee is in the process of finalising its detailed recommendations for incorporation in credit policy/ credit manual and the same will be completed by 30<sup>th</sup> June 2023 through approval by Board of Directors of IIFCL. Once approved, IIFCL will submit the relevant extracts of the updated credit policy/ credit manual to DFS/CoPU.
4. With regard to the recommendation on drafting/preparing a Model Concession Agreement (MCA) wherein the provision for Tri-partite Agreement involving Concessioneing Authorities, Concessionaire and the lenders / Take Out financiers be inserted. It is stated that this Department alongwith IIFCL has taken up the matter with various Department/Ministries (administering the concessioneing authorities) on various occasions:
- a) OM dated 20.01.2020 on Draft Model Concession Agreement (MCA) for BOT (Toll) Model for Highway Sector
  - b) OM dated 27.12.2021 forwarding the recommendations of C&AG on Road Sector.
  - c) Background note submitted to Parliamentary Standing Committee on Transport, Tourism and Culture in January, 2021.
  - d) IIFCL *vide* email dated 10.06.2020 forwarding the suggestions to MoRTH.
  - e) IIFCL *vide* email dated 08.03.2022 forwarding a note structural issues pertaining Infrastructure lending to Department of Economic Affairs.
  - f) IIFCL *vide* email dated 14.04.2022 forwarding a note issues pertaining Infrastructure Sector to Indian Bank's Association.

Copy of the above-mentioned OM and email alongwith Notes is enclosed at Annexure-I.

**[Ministry of Finance (Dept. of Financial Services)]**  
(O.M. No. 6/15/2021 – IF-I Dated 20.3.2023)

**Comments of the Committee**

(Please see Paras 11 and 12 of Chapter I of the Report)

**Recommendation (Sl. No. 4)**

2. The IIFCL had disbursed the Take Out amount only to the existing banks of the consortium of lenders, as per the applicable credit policy, the NOC was required to be arranged and obtained from the lenders before scheduled date of occurrence of Take Out. The applicability was to the extent of lenders providing the NOC since the Take Out was directly between IIFCL and the lending banks. Accordingly, in compliance with the provisions of IIFCL's Credit Policy 2012, IIFCL had obtained No Objection Certificates (NOCs) from the consortium of lenders i.e. Dhanlaxmi Bank and Catholic Syrian Bank in case of RWMPL and Dhanlaxmi Bank and South Indian Bank in case of BDWMPL before effecting Take Out in the instant case as per the requirements. Further, all the lenders have confirmed the asset classification as "Standard" before the disbursement of loan in both the accounts, as per the norms.

The Committee find this a serious shortcoming in the concession agreement and also find it rather surprising for IIFCL not realizing the need to include a clause for obtaining NOC from the respective Concessioneing Authorities before affecting the Take Out although IIFCL's own Credit Policy 2012 has a provision for it. It should have realized this gap in the concession agreements and sought to plug the same before effecting Take Out to protect its own financial interest. Instead, it relied more on the presumption that NOC would be refused by the Concessioneing Authorities as it was not covered under any clause in the Agreement.

The Committee, therefore, recommend that IIFCL should make necessary amendments in its Credit policy to include clauses in concession agreements for making 'obtaining of NOC from Concessioneing Authorities, lender(s) as well as the consortium of lenders' a pre-requisite before extending any Take Out finance to the borrowers in the Credit Policy/ Take Out scheme. The Committee also strongly recommend that need for a modified Take Out Finance scheme with suitable conditions pertaining to Tripartite Agreement be incorporated in the

Credit Policy. IIFCL should ensure that the proposed Take Out finance projects having existing Tripartite Agreement should have provision for inclusion of IIFCL as new or additional lender in all other lendings viz. direct lending, credit enhancement, etc. In cases involving Concessioneing Authorities, IIFCL should finance only those projects where a Tripartite agreement will be entered.

### **Reply of the Government**

As apprised by IIFCL, in light of the above recommendations of the Committee, an external expert committee has been constituted w.e.f 03.08.2022 to suggest modifications to IIFCL's credit policy and credit manual. The members of the external expert committee include:

- a) Sh. Sujit Kumar Varma, Ex Deputy Managing Director (DMD), State Bank of India (SBI)
- b) Sh. C M Khurana, Ex CGM Oriental Bank of Commerce (OBC) and Ex CGM, IIFCL

2. The committee since then had the following meetings:

- a) Meeting with Chief Credit officer and officers of Credit Department on 05.08.2022
- b) Meeting with MD, DMD, Chief Credit officer and officers of Credit Department on 09.09.2022
- c) Meeting with Chief Credit officer and officers of Credit Department on 17.11.2022

3. IIFCL has further informed that the committee is in the process of finalising its detailed recommendations for incorporation in credit policy/ credit manual and the same will be completed by 30<sup>th</sup> June 2023 through approval by Board of Directors of IIFCL. Once approved, IIFCL will submit the relevant extracts of the updated credit policy/ credit manual to DFS/CoPU.

4. With regard to the recommendation on drafting/preparing a Model Concession Agreement (MCA) wherein the provision for Tri-partite Agreement involving Concessioneing Authorities, Concessionaire and the lenders / Take Out financiers be inserted. It is stated that this Department alongwith IIFCL has taken up the matter with various Department/Ministries (administering the concessioneing authorities) on various occasions:

- a) OM dated 20.01.2020 on Draft Model Concession Agreement (MCA) for BOT (Toll) Model for Highway Sector



b) OM dated 27.12.2021 forwarding the recommendations of C&AG on Road Sector.

c) Background note submitted to Parliamentary Standing Committee on Transport, Tourism and Culture in January, 2021.

d) IIFCL *vide* email dated 10.06.2020 forwarding the suggestions to MoRTH

e) IIFCL *vide* email dated 08.03.2022 forwarding a note structural issues pertaining Infrastructure lending to Department of Economic Affairs.

f) IIFCL *vide* email dated 14.04.2022 forwarding a note issues pertaining Infrastructure Sector to Indian Bank's Association.

Copy of the above-mentioned OM and email alongwith Notes is enclosed at Annexure-I.

**[Ministry of Finance (Dept. of Financial Services)]**

(O.M. No. 6/15/2021 – IF-I Dated 20.3.2023)

**Comments of the Committee**

(Please see Paras 11 and 12 of Chapter I of the Report)

**Recommendation (Sl. No. 5)**

3. In view of the important role played by Take Out Financing in development of Infrastructure sector and to protect the interest of the lenders and Take Out financiers, a model concession agreement may be drafted/ prepared where in a provision for Tri-partite Agreement, as is the norm globally, involving Concessioning Authorities, Concessionaire and the lenders / Take Out financiers be inserted to enable furnishing of NOC to the lenders and Take Out financiers by the Concessioning Authorities.

**Reply of the Government**

As apprised by IIFCL, in light of the above recommendations of the Committee, an external expert committee has been constituted w.e.f 03.08.2022 to suggest modifications to IIFCL's credit policy and credit manual. The members of the external expert committee include:

a) Sh. Sujit Kumar Varma, Ex Deputy Managing Director (DMD), State Bank of India (SBI)

b) Sh. C M Khurana, Ex CGM Oriental Bank of Commerce (OBC) and Ex CGM, IIFCL

2. The committee since then had the following meetings:

a) Meeting with Chief Credit officer and officers of Credit Department on 05.08.2022

b) Meeting with MD, DMD, Chief Credit officer and officers of Credit Department on 09.09.2022

c) Meeting with Chief Credit officer and officers of Credit Department on 17.11.2022

3. IIFCL has further informed that the committee is in the process of finalising its detailed recommendations for incorporation in credit policy/ credit manual and the same will be completed by 30<sup>th</sup> June 2023 through approval by Board of Directors of IIFCL. Once approved, IIFCL will submit the relevant extracts of the updated credit policy/ credit manual to DFS/CoPU.

4. With regard to the recommendation on drafting/preparing a Model Concession Agreement (MCA) wherein the provision for Tri-partite Agreement involving Concessioneing Authorities, Concessionaire and the lenders / Take Out financiers be inserted. It is stated that this Department alongwith IIFCL has taken up the matter with various Department/Ministries (administering the concessioneing authorities) on various occasions:

a) OM dated 20.01.2020 on Draft Model Concession Agreement (MCA) for BOT (Toll) Model for Highway Sector

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Copy of the above-mentioned OM and email alongwith Notes is enclosed at Annexure-I.

**[Ministry of Finance (Dept. of Financial Services)]**  
(O.M. No. 6/15/2021 – IF-I Dated 20.3.2023)

#### **Comments of the Committee**

(Please see Paras 11 and 12 of Chapter I of the Report)

## **CLARITY ON STIPULATED DEBT SERVICE COVERAGE RATIO (DSCR)**

### **Recommendation (Sl. No. 6)**

4. Audit had observed that as per IIFCL's Credit Policy 2012 the Company is empowered to consider the proposals of those projects only which have Debt Service Coverage Ratio (DSCR) of at least 1.00. There was, however no clarity on the period of DSCR - a financial year or immediate 12 months period prior to effecting the Take Out. IIFCL has informed that a Statutory Auditor Certificate duly certifying DSCR of 1.16 and 1.20 in case of RWMPL and BDWPL respectively for the period of one year from July 2013 to June 2014 was obtained while processing the disbursements in the account. The Committee tend to agree with the views and suggestions of C&AG that quarterly figures are generally unaudited ones which may not have authenticity, acceptability and may not give as much confidence as that of audited figures to the lenders and accordingly recommend that in future, IIFCL should rely on audited figures and should also consider the available balance sheet figures for considering DSCR in the projects.

### **Reply of the Government**

1. The Department agree with the recommendation of the Committee that IIFCL shall rely on the Audited figures and Balance Sheet figures while computing Debt Service Coverage ratio (DSCR) of the projects under Take Out Finance Scheme. Taking note of the observation, IIFCL has appointed a committee of external experts to suggest relevant modifications in its credit policy and credit manual. This committee have had 3 meetings with the officials of the IIFCL.
2. IIFCL has informed that the committee is in the process of finalising its detailed recommendations for incorporation in credit policy/ credit manual and the same will be completed by 30<sup>th</sup> June 2023 through approval by Board of Directors of IIFCL. Once approved, IIFCL will submit the relevant extracts of the updated credit policy/ credit manual to DFS/CoPU.

**[Ministry of Finance (Dept. of Financial Services)]**  
(O.M. No. 6/15/2021 – IF-I Dated 20.3.2023)

## **Comments of the Committee**

(Please see Paras 11 and 12 of Chapter I of the Report)

### **PRUDENT APPROACH BEFORE DISBURSAL OF FUNDS AND ACTION ON ERRING OFFICIALS**

#### **Recommendation (Sl. No. 7)**

5. The Committee when asked about sanction of loan to RWMPL and BDWPL without obtaining of NOC from the Concessioneing Authority, IIFCL had stated that there was no provision or requirement in the concession agreement stipulating that NOC is to be obtained from respective Concessioneing Authorities by any lender(s). In another issue regarding sanction and disbursement of loan after termination of the project of RWMPL and BDWPL, IIFCL informed the Committee that until August 2015 there was no information available to IIFCL about the termination of the projects of RWMPL and BDWPL. This was despite the fact that as per clause no. 6.1 (g) under Article 6 of the concession agreements of the project, the respective Concessioneing Authorities (Municipal Corporations) were under obligation to intimate the lenders regarding any termination or event of default that was initiated by the Concessioneing Authorities or any breach on part of the concessionaire in the said projects. The details of issue of termination notices and termination of the said project, were not provided to the Lead Lender and hence not provided to the IIFCL during the appraisal stage nor during the disbursement state (before the date of Take Out) by the Concessioneing Authority which is in contravention of the clause 6.1(g) of the Concession Agreement. Requirement of NOC not being part of Concession Agreement and Take Out Finance Scheme approved by the Government of India, IIFCL had disbursed the Take Out amount to the existing banks of the consortium of lenders, the NOC was required to be arranged and obtained only from the lenders before scheduled date of occurrence of Take Out. Accordingly, in compliance with the provisions of IIFCL's Credit Policy 2012, it has obtained No Objection Certificates (NOCs) from the consortium of lenders of both the projects before effecting Take Out in the instant case as per the requirements.

The Committee noted that IIFCL is well in agreement that the Concession Authority should inform the existing set of lenders in the projects regarding

Termination Notices, which is in contravention to clause 6.1(g) of the Concession Agreement. This is the reason, IIFCL has been professing the need to have a Tri-partite Concession Agreement and a Model Concession Agreement for all infrastructure sectors to safeguard lenders' interest (having majority financial stake in Infrastructure projects), for building the confidence of lenders and to address the issues as highlighted by C&AG in the instant cases and to give impetus to financing the Sunrise sectors including such Social Infrastructure sectors.

The Committee feel that IIFCL should have been more careful and vigilant in drafting financial agreements to address the issue of termination of projects by the Concessionaire Authorities.

### **Reply of the Government**

1. IIFCL has informed that it has taken legal action in both the cases against the borrowers and Concessioneing Authorities (Municipal Corporations) for violation of 6.1 (g) of the concession agreement through the Debt Recovery Tribunal (DRT) Court, Bengaluru & Delhi. The details of the legal proceedings in each case is given below:

#### **a) Raipur Waste Management Pvt. Ltd (RWMP)**

The DRT, Bengaluru has awarded its order in favor of IIFCL. The DRT through its Recovery Officer (RO) for RC No. 434/2020 on 23.11.2021 directed, the parties i.e borrower, M/s Raipur Waste Management private Limited Project, promoter, M/s Kivar Holdings Pvt Ltd and the Authority, Raipur Municipal Corporation, to pay the sum of Rs 17,98,51,762.10/- with applicable interest as against the loan amount of Rs. 13.71 Crore to IIFCL.

Further, RO on 15.12.2021 vide Demand Notice (DN) directed, the parties i.e. borrower, M/s Raipur Waste Management private Limited Project, promoter, M/s Kivar Holdings Pvt Ltd and the Authority, Raipur Municipal Corporation, to pay the sum of Rs 17,98,51,762.10/- within 15 days of receipt of the notice, failing which the recovery shall be made in accordance with the Recovery of Debt Due to banks and financial institution Act 1993.

The parties were further ordered by the RO to declare on an affidavit the particulars of their assets on or before the next date of hearing.

Further, the parties were ordered to appear before the RO on 21.02.2022 and 12.04.2022. Since the borrower/ parties failed to appear in proceedings before the Ld. Presiding officer, DRT Bangalore on 12.04.2022 and the Recovery Certificate was issued Ex-Parte. As per process, IIFCL has further requested the

court for reissuance of the updated Demand Notice (DN) for recovery against defendants to which the RO directed IIFCL to file its application for serving of DN through alternative modes including Dasti and paper publications by the next date of hearing which is 13.05.2022. This was complied by IIFCL.

During the hearing before the RO on 13.05.2022, the parties did not appear. In view of this IIFCL's LLC pleaded before the RO on the conduct of the Defendants. Taking note of the same, the RO adjourned the case till 15.09.2022 and gave IIFCL liberty to move application for substituted service before the next date and get notice issued and delivered to the Defendants. On the basis of the liberty granted by the RO, IIFCL has filed the application within the timelines. The RO adjourned the case till 12.12.2022. In the hearing on 12.12.2022, the defendants did not appear before the RO and the RO took note of the previous hearings and granted a last opportunity to the defendants and observed that if they do not appear on the next hearing, the case may be closed by passing the final order. IIFCL has informed that the next date of hearing/ listing by the Hon'ble DRT Court is 02.08.2023. and IIFCL is expecting that the Hon'ble DRT Court will issue the final order to enforce the DRT court order for recovery of entire IIFCL dues as detailed above (vide RC No. 434/2020 on 23.11.2021 has issued Demand Notice to the parties for recovery of Rs 17,98,51,762.10/-) in accordance with the Recovery of Debt Due to banks and financial institution Act 1993.

#### **b) Bhilai Durg Waste Management Pvt Ltd (BDWMPL)**

There are standardised process & procedures followed across DRT Courts in India. In view of the favourable order passed by DRT, Bengaluru, in the case of RWMPL, IIFCL expects similar favourable order from DRT, Delhi for recovery of its entire dues. The case is under pleading stage at the Registrar Court No. 1. The next date of hearing/ listing by the Hon'ble DRT Delhi Court is 18.05.2023.

2. It may also be noted that this Department vide its letter dated 07.02.2022 had advised IIFCL to re-examine IIFCL's finding of no deficiency in its systems and procedures, while considering any gaps in control measures that may have enabled such non-adherence, the responsibility for the non-adherence or/and enabling gaps and staff accountability.

3. In compliance of the above direction, IIFCL vide email dated 22.06.2022 informed that re-examination of the staff accountability in the said two accounts was conducted by team of external expert Fact Finding Team, Internal Fact-Finding Team () and Central Review Committee. All the three committees on re-examination have reported that the said two cases do not involve issues related to staff accountability. Keeping in view the same, the Competent Authority (CA), on 14.06.2022, has approved closing the re-examination of staff accountability in the said two cases as it does not involve issues related to staff accountability.

Copy of the IIFCL's email, Committee reports in respect Raipur Waste Management Private Limited (RSWPL) and Bhilai Durg Waste Management Private Limited (BDWPL) are attached as Annexure- II& III.

**[Ministry of Finance (Dept. of Financial Services)]**  
(O.M. No. 6/15/2021 – IF-I Dated 20.3.2023)

**Comments of the Committee**

(Please see Para 13 of Chapter I of the Report)

**Recommendation (Sl. No. 8)**

6. Further, the pre-disbursement site inspection in both the cases was done by IIFCL on 17 October 2014, which was after the notice of termination of concession agreement (which IIFCL stated was unaware) was served and the loan sanctioned. The Committee further observe that the report of two Committees that conducted the staff accountability & fact finding exercise and concluded that there was no lapse on any of the officials of IIFCL was not made available to C&AG for further analysis giving the impression that the fact finding exercise was more like a cover-up exercise as the reports were considered by IIFCL's own Managing Director and the fact finding closed at his instance. The Committee without casting any aspersions on the conduct of the officials involved or without questioning the wisdom of the Board, feel that the IIFCL should have taken prudent approach by taking legal action against the Concessioneing Authorities (Municipal Corporations) for violation of 6.1 (g) of the concession agreement to come out clean on their part.

**Reply of the Government**

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During the hearing before the RO on 13.05.2022, the parties did not appear. In view of this IIFCL's LLC pleaded before the RO on the conduct of the Defendants. Taking note of the same, the RO adjourned the case till 15.09.2022 and gave IIFCL liberty to move application for substituted service before the next date and get notice issued and delivered to the Defendants. On the basis of the liberty granted by the RO, IIFCL has filed the application within the timelines. The RO adjourned the case till 12.12.2022. In the hearing on 12.12.2022, the defendants did not appear before the RO and the RO took note of the previous hearings and granted a last opportunity to the defendants and observed that if they do not appear on the next hearing, the case may be closed by passing the final order. IIFCL has informed that the next date of hearing/ listing by the Hon'ble DRT Court is 02.08.2023. and IIFCL is expecting that the Hon'ble DRT Court will issue the final order to enforce the DRT court order for recovery of entire IIFCL dues as detailed above (vide RC No. 434/2020 on 23.11.2021 has issued Demand Notice to the parties for recovery of Rs 17,98,51,762.10/-) in accordance with the Recovery of Debt Due to banks and financial institution Act 1993.

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2. It may also be noted that this Department vide its letter dated 07.02.2022 had advised IIFCL to re-examine IIFCL's finding of no deficiency in its systems and procedures, while considering any gaps in control measures that may have enabled such non-adherence, the responsibility for the non-adherence or/and enabling gaps and staff accountability.

3. In compliance of the above direction, IIFCL vide email dated 22.06.2022 informed that re-examination of the staff accountability in the said two accounts was conducted by team of external expert Fact Finding Team, Internal Fact-Finding Team () and Central Review Committee. All the three committees on re-examination have reported that the said two cases do not involve issues related to staff accountability. Keeping in view the same, the Competent Authority (CA), on 14.06.2022, has approved closing the re-examination of staff accountability in the said two cases as it does not involve issues related to staff accountability. Copy of the IIFCL's email, Committee reports in respect Raipur Waste Management Private Limited (RSWPL) and BhilaiDurg Waste Management Private Limited (BDWPL) are attached as Annexure- II& III.

**[Ministry of Finance (Dept. of Financial Services)]**  
(O.M. No. 6/15/2021 – IF-I Dated 20.3.2023)

#### **Comments of the Committee**

(Please see Para 13 of Chapter I of the Report)

## **CHAPTER III**

### **OBSERVATIONS/RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES**

#### **OVERVIEW**

##### **Recommendation (Sl. No. 1)**

7. To stimulate public investment in infrastructure sector, the Government of India set up the India Infrastructure Finance Company Limited (IIFCL) as a Special Purpose Vehicle (SPV) in January 2006 for providing long term financial assistance to infrastructure projects. IIFCL in consultation with banks and other key stakeholders pioneered and evolved a 'Take Out' financing scheme. The scheme was launched on 16 April 2010 and it operates under the aegis of 'SIFTI'. The main objective of the Take Out finance scheme is to ensure long-term lending and lower the risk in the banking sector because, at that particular point of time, when the Take Out finance scheme was launched, the concept of public-private partnership was emerging. Banking sector was the main lending source for infrastructure projects and they needed to lessen the risk because infrastructure projects needed long term money, whereas the majority of the liability profile of the banks upto 80 percent was for a short- term lending.

##### **Reply of the Government**

No Comments received from the Ministry

##### **Recommendation (Sl. No. 2)**

8. The present Audit Para no. 5.2 of C&AG Report No. 18 of 2020, examined by the Committee, relates to extending loans under 'Take Out Finance Scheme' to two concessionaires viz. Raipur Waste Management Private Limited (RWMPL) and Bhilai Durg Waste Management Private Limited (BDWPL) in September 2014 by IIFCL. In both the cases the notices of termination were issued by the Concessioneing Authority before sanctioning of loan/ signing of the documents. C&AG observed that loans to these two concessionaires under the Take Out Finance Scheme were disbursed without ensuring compliance of critical requirement of obtaining 'No Objection Certificate' from the Concessionaire Authorities and without ensuring the stipulated Debt Service

Coverage Ratio (DSCR) of the borrowers as per their audited annual accounts. These loan accounts consequently turned NPAs. The two internal Committees set up by IIFCL on staff accountability have not found any lapses on any of the officials of IIFCL. The reports of the two Committees, C&AG pointed out, were not made available to them for further analysis leading to doubts about the credibility of such reports. The Committee, before finalizing their observations in their report heard the views of the officers from C&AG that conducted the Audit, and also the views of the representatives of IIFCL and Department of Financial Services, Ministry of Finance. The evidence of the stakeholders, the information and clarifications submitted by them, and after internal deliberations led the Committee to arrive at the conclusions and make suggestions as mentioned in the succeeding paragraphs.

#### **Reply of the Government**

No Comments received from the Ministry

### **IMPROVEMENT MEASURES**

#### **Recommendation (Sl. No. 9)**

9. The Committee are happy to note the improvement measures taken by IIFCL in the Take Out Take Out Financing Scheme viz. (i) internal due diligence and credit appraisal department, (ii) strengthening of its Risk Management Function, (iii) empanelment of independent experts and reputed legal firms, (iv) imparting of adequate & continuous technical training and capacity building in operational areas, (v) digitization of services and real-time online project monitoring system, etc. The Committee hope that these measures will go a long way in improving and strengthening the functioning of IIFCL.

#### **Reply of the Government**

The observations of the committee are factual in nature based on the submissions made by IIFCL. This Department has no comment to offer on the same.

**[Ministry of Finance (Dept. of Financial Services)]**  
(O.M. No. 6/15/2021 – IF-I Dated 20.3.2023)

## **CHAPTER IV**

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

-NIL-

## **CHAPTER V**

OBSERVATIONS/RECOMMENDATIONS TO WHICH THE GOVERNMENT HAVE  
FURNISHED INTERIM REPLIES AND FINAL REPLIES

-NIL-

**New Delhi:**  
**26 July, 2023**  
**04 Sravana, 1945 (S)**

**SANTOSH KUMAR GANGWAR**  
**Chairperson**  
**Committee on Public Undertakings**

**F. No. 1/11/2018-IF-I  
Government of India  
Ministry of Finance  
Department of Financial Services**

3<sup>rd</sup> Floor, Jeevan Deep Building  
Parliament Street, New Delhi  
Dated: 20<sup>th</sup> January, 2020

**OFFICE MEMORANDUM**

**Subject: Draft Model Concession Agreement (MCA) for BOT (Toll) Model for Highway Sector.**

The undersigned is directed to refer to DO Letter No. NH-35014/25/2017-H dated 26.11.2019 received from Ministry of Road Transport & Highways (MoRTH) seeking comments of this Department on certain amendments proposed in the Model Concession Agreement (MCA) for BOT (Toll) Model.

2. The proposal has been examined and the comments of this Department on the proposed amendments are furnished at Annexure-I. In addition to these comments, the following are also suggested for incorporation in the revised MCA:-
  - a. The overall concession period may specify separately the construction period and the operation period in line with provisions in Hybrid Annuity model to ensure project viability.
  - b. Any change of scope including that arising out of policy changes, geo specific requirements such as changes in traffic pattern, etc. may be borne by the Authority. Further, any change of Scope should be reimbursed as per actual expenses *i.e.* entire debt outstanding including Preliminary and Pre-operative costs.
  - c. National Highway Authority of India (NHAI) may consider release of Grant with the achievement of project milestones linked to physical progress of the project as provided in Hybrid Annuity model. This will also incentivize the concessionaire for timely completion of work and timely cash flows to the project during the construction period.
  - d. Various policies and guidelines issued by MoRTH from time to time such as guidelines issued by MoRTH for stuck projects (not achieved COD and compensation payable to the lenders), One Time Fund Infusion (OTFI) Scheme, Scheme for Rationalized Compensation, Restoration of Lapsed Annuities, Transfer of Equity, Refinancing etc. may be suitably incorporated in the proposed revision of MCA.

- e. A suitable mechanism may be put in place by way of Tripartite Agreement wherein the three important stakeholders viz. the Authority, Concessionaire and the Lenders are brought on the same platform with well-defined roles and responsibilities to address the issues in a time bound manner so as to avoid bottlenecks. The tripartite agreement may be executed at time of completion of financial closure along with Financing Documents. Accordingly, a suitable schedule providing the draft of tripartite agreement may be incorporated in the Concession Agreement.
- f. A suitable covenant may be incorporated prohibiting ante dating of the orders issued by Authority as well as by the Concessionaire.
- g. Time bound approvals and decision making are essential for speedy implementation of infrastructure projects and to avoid cost and time overruns. Approval for important events such as cost overrun, time overrun, granting of PCOD/COD and approval for toll collection should be time bound and specific timelines for such approvals are required to be adhered to. Timelines may accordingly be suitably incorporated for each decision making process failing which interests / damages shall be payable by the Authority and the Concessionaire, as the case may be.

Encl: As above



(Soumyajit Ghosh)  
Under Secretary to Govt of India  
Tel. 23748767

To

Ministry of Road Transport & Highways  
(Kind Attn: Shri Amit Kumar Ghosh, JS)  
Transport Bhawan  
New Delhi

Annexure - I

Comments on the changes proposed in Model Concession Agreement for BOT (Toll)

Sr No.	Particulars	DFS Comments
1.	<p><b>Clause 4.1.1</b> - Conditions Precedent and</p> <p><b>Clause 4.1.3-</b> Conditions Precedent</p>	<p>Waiver of Condition Precedent before Appointed Date is not practically feasible as providing 100% RoW and 100% utility shifting will require huge efforts and preparations. Delay in obtaining condition precedent may cause delay in commencement of the project. Thus, powers to waive off condition precedent may be retained provided Appointed Date is declared on availability of 90% of RoW with the clear sight of making available balance RoW within 120 days, without affecting the viability of the project. The balance RoW, if not made available within 120 days, the same may be de-scoped without affecting the ability to commence the tolling on completion of the work. RoW of the Land acquired may be declared at in terms of 3H stage as per National Highways Act, 1956.</p>
2.	<p><b>Clause 5.2.4-</b> Obligations relating to Project Agreements</p>	<p>Agreed. However, the last line is required to be suitably modified so as to protect lenders interest to receive any termination payment made as per the extant provision of instant MCA as well as guidelines issued by MORTH from time to time.</p>
3.	<p><b>Clause 6.2</b> - Maintenance obligations prior to Appointed Date</p>	<p>This Department agree with the proposed change which inter-alia provides that concessionaire has made necessary provision for inclusion of maintenance cost during development period in its bid.</p>
4.	<p><b>Clause 6.4</b> - Obligations relating to refinancing</p>	<p>The changes are agreed to. However, clarity may be provided in the MCA to state that in case of tenor extension, the Debt Due shall also be extended as per revised repayment schedule of the refinancing facility and the Debt Due Schedule should also be approved by NHA1 as per practice followed in refinancing transactions where Infrastructure Debt Fund is involved.</p>
5.	<p><b>Clause 7.1 (k)</b> - Representations and Warranties of the Concessionaire</p>	<p>The changes are agreed to as the proposed changes are necessary in view of the changes proposed at 5.2.4.</p>
6.	<p><b>Clause 9.4</b> - Additional</p>	<p>The stipulations may be revisited as such an arrangement is appropriate where the bid parameter is Construction Cost or Life Cycle cost as applicable in EPC contracts or Hybrid Annuity Model. It</p>



	Performance Security	is instead suggested that in case difference in L1 or L2 / L3 (for grant based project) and H1 or H2 / H3 (for premium based project) is higher than the threshold limit (say 10%), the Authority shall examine the bid carefully and if found suitable, proceed with the project award or else reject the unreasonable bid. A suitable provision to this extent may be incorporated in RFP / Bid Documents.  In addition to above, the premium shall be paid to NHAI after debt servicing (as against prior to debt servicing proposed in MCA) to avoid: <ul style="list-style-type: none"> <li>• Stress in the project.</li> <li>• Ensure continuity of contracts and avoid termination due to Financial Default.</li> <li>• Rescheduling of premium.</li> </ul>
7.	<b>Clause 9.5-</b> Appropriation and Release of Additional Performance Security	Agreed as it is required in view of changes proposed at Clause 9.4.
8.	<b>Clause 10.3.1-</b> Procurement of Site	The Lenders Independent Engineer (LIE) may also be a signatory for availability of RoW as this will provide additional comfort to the lenders.
9.	<b>Clause 10.3.2-</b> Procurement of Site	Agreed. However, un-encumbered land as defined under Section 3E and not under section 3D or 3H of the NHAI Act should be made available for project construction as it would then be more likely that Right of Way is available for actual construction purpose.
10.	<b>Clause 10.3.4-</b> Procurement of Site	Keeping in view our comments on clause 4.1.1, the said clause may be retained with suitable modification.
11.	<b>Clause 12.5 -</b> Six Laning of Project highway	No comments
13.	<b>Clause 12.6-</b> Termination due to failure to complete [Six-Laning]	No comments
14.	<b>Clause 13.3.2 –</b> Tests	No comments
15.	<b>Clause 14.3-</b> Provisional Certificate	May not be agreed and the existing provision may continue as 100% completion of the project may be held up for various reasons. Under the circumstances, deletion of the PCOD provisions would adversely impact concessionaire's ability to service debt, which may in turn lead to higher NPAs
16.	<b>Clause 14.4-</b>	

	Completion of Punch List Items	for the lenders. In view of the comments at clause 4.1.1, PCOD with Punch List appended thereto, may be issued on completion of at least 80% of the total length of the project highway. Further, if the scheduled Project Completion Date is extended for any reasons, a clarification may be appropriately added in the MCA that the Debt Due shall also be extended as per revised repayment schedule of the loan facility.
17.	Clause 14.5 - Withholding of Provisional Certificate	
18.	Clause 16.6.1 - Reduction in Scope of the Project	Reasons for failure on part of the concessionaire may be certified by Independent Engineer (IE) and Lender's Independent Engineer (LIE). The methodology for determining the revenue losses may be specified. Further reimbursement for revenue loss may be considered on quarterly or half-yearly basis, so that the concessionaire does not experience shortfall in cash flow which may adversely impact servicing of debt, on its part.
19.	Article 16 A - Capacity Augmentation	There is an apparent inconsistency insofar as the proposed Clause 16.a.1.1 defines designed capacity as 40,000 PCU whereas designed capacity is defined as 60,000 PCU in case of a 4-lane highway and 1,20,000 PCU for a 6-lane highway as per clause 29.2.3. This is required to be reconciled. There is a high likelihood of capacity augmentation getting triggered during concession period if the designed capacity is reduced to 40,000 PCUs. Thus, during the capacity augmentation phase, the revenues will be affected, which will have to be factored by the Concessionaire / Lenders for structuring of repayment schedule. Further, in case of termination in the event of default committed by the Concessionaire to carry out the augmentation, the Authority shall protect the lenders' dues by making appropriate payments. The dues payable to lenders should include preliminary and pre-operative costs incurred, if any.
20.	Clause 35.2 - Compensation for default by the Authority	Computation of Compensation payable should also specifically include preliminary and pre-operative costs incurred, if any.
21.	Clause 35.5 - Compensation to be in addition	No Comments
22.	Clause 37.5 - Survival of rights	The termination payment should cover the entire debt outstanding during construction period as well as the operation period and should also include for preliminary and pre-operative costs incurred, if any. Further, the claims of both the Authority and Concessionaire may subsist beyond termination payment also in case of disputes.
23.	Clause 37.6 - Limitation of Liability	Liabilities shall be calculated at actual and shall not be capped at 100% of project cost. Liabilities should be paid at actual including Financial Cost covering Preliminary and Pre-operative costs incurred also.

24.	Clause 37.7 - Foreclosure with mutual consent	-	At the time of mutual foreclosure, the lender's dues shall be reckoned and the same may be settled before such foreclosure. For type B foreclosures, computation of compensation should include Preliminary and Pre-operative costs incurred, if any.
25.	Clause 37.8- Stuck Projects	-	<p>i) Proceedings initiated under IBC against the sponsor and not the concessionaire may only be considered for the purpose of this clause.</p> <p>ii) Further, if proceedings have been started under IBC, mutual foreclosure may not be possible as existing management of the concessionaire would cease to exist and the management will be taken over by Resolution Professional.</p> <p>iii) Value of work done may be jointly assessed by Independent Engineer (IE) and Lenders Independent Engineer (LIE).</p> <p>iv) In case of termination, payment should cover the entire debt outstanding and include preliminary and pre-operative costs incurred, if any.</p>
26.	Clause 37.9- Continuity upon Termination	-	No comments
27.	Clause 44.2 a - Dispute Adjudication Board	-	No Comments
28.	Clause 44.3 - Arbitration	-	No Comments
29.	Clause 44.5 - Settlement of Disputes through Court	-	No Comments
30.	Clause 44.6 - List of Excepted Matters	-	No Comments
31.	Article 48 - Definitions Appointed date	-	The definition requires to be suitably modified in view of the changes proposed by DFS in clause 4.1.1.
32.	Article 48 -	-	No Comments

	Definitions Nominated Company	-	
33.	Scheduled S Escrow Agreement Clause 4 withdrawal from Escrow accounts		The waterfall mechanism in the proposed revision in the Escrow Agreement may be harmonized in line with the waterfall mechanism proposed as per the Insolvency and Bankruptcy Code (IBC) enacted by the Parliament.
34.	Schedule Substitution Agreement - Clauses 3A on Harmonious Substitutions	V	Claims against old concessionaire cannot be raised on new concessionaire except in the event of harmonious substitution. A provision to this effect maybe suitably incorporated in the MCA.  In the event of no bids being received or no substitute Concessionaire being found for the Project, the Authority may take-over the project or pay termination payment covering the entire debt outstanding and including Preliminary and Pre-operative costs incurred, if any.
35.	Schedule Model adjudication Agreement	- X -	No comments



F No. 6/14/2021-IF-I  
Government of India  
Ministry of Finance  
Department of Financial Services

\*\*\*\*\*

3rd Floor, Jeevan Deep Building,  
Parliament Street, New Delhi  
Dated 27<sup>th</sup> December, 2021

OFFICE MEMORANDUM

**Subject: Para 5.1 of the C&AG report No.18 of 2020 regarding 'Review of Loans to Road Projects' by India Infrastructure Finance Company limited (IIFCL)**

The undersigned is directed to refer to subject and to say that o/o Comptroller & Auditor General of India (C&AG) has conducted an audit of the selected sample of loans disbursed by IIFCL to Road Sector during the period 2016-17 to 2018-19. Based on the findings of the said study, it has been *inter-alia* recommended as follows:

- a) Timely issuance of the Provisional Certificate of Operational Date (PCOD) by the NHAI/Concessioneing Authorities and amicably resolving any disputes in this regard.
- b) A separate Tripartite agreement among the Concessioneing Authority, the Concessioneaire and the consortium of lenders may also be entered into with a view to ensure improved communication in the interest of successful completion of the projects under execution and also to safeguard the financial interest of all the stakeholders including lenders.
- c) A mechanism may be developed to restrict the Concessioneaire from allowing any advance, other than mobilisation advance, to the EPC contractor, that too backed by sufficient encashable security, in the possession of the lenders and such advances should be recovered in a time bound manner.

2. The successful financing and completion of the Road Projects are guided by provisions of Model Concessional Agreement, availability of RoW (Right of Way), timely communication of compulsory approvals including environment and forest, realistic traffic projections, compliance of the pre-disbursement conditions, change in shareholding pattern or substitution of the concessioneaire and proper monitoring of the physical progress of the project *vis-à-vis* financial progress, which falls under the purview of Ministry of Road Transport and Highways (MoRTH).

3. MoRTH is accordingly requested to consider the above recommendations of C&AG favourably.



(Soumyajit Ghosh)  
Under Secretary to Government of India  
Tel. No.011-23748767

To,  
The Secretary  
Ministry of Roads, Transport and Highways  
Transport Bhawan, New Delhi

## Background Note

### ROLE OF HIGHWAYS IN NATION BUILDING

#### **I. Background**

As per Banks and Financial Institutions (FIs), over the past two decades, financing of road sector has seen a shift in infrastructure financing from traditional public procurement to a public-private partnership (PPP) model. Prior to 2005, the Engineering, Procurement and Construction (EPC) was the preferred and default model of award. However, the government has prioritized PPPs for highway development, which has led to the creation of different PPP models such as Built-Operate-Transfer (BOT)-Toll, BOT Annuity and Hybrid Annuity Model (HAM).

#### **II. Credit Advances to Roads & Bridges sector**

Outstanding (O/S) advances to Roads and Bridges of Scheduled Commercial banks (SCBs) are summarized below:

*(Amount in Rs Croret)*

	<b>31-03-2018</b>	<b>31-03-2019</b>	<b>31-03-2020</b>	<b>31-09-2020</b>
<b>Particulars</b>	Total Advances (o/s-Funded)	Total Advances (o/s-Funded)	Total Advances (o/s-Funded)	Total Advances (o/s-Funded)
SCBs	1,71,735	1,98,121	195,032	193,840

Source: RBI

b) Total Outstanding of advances to Road Sector as on 30.09.2020 of IIFCL is Rs.13,657 crore

#### **III. Various Challenges being faced by Banks/FIs in lending to the Road Sector are:**

As informed by Banks and FIs, the following challenges are faced by them in the Road Sector particularly in BOT: -

##### **1. Land Acquisition Issues:**

**Non-Availability of Land** – The detailed status of land acquisition is not made available to all bidders at tendering stage, to enable it to assess construction risk and factor in the same in the Bidding Cost. In several instances, project construction gets delayed due to non-availability of land for actual construction purpose.

- **Right of Way (RoW)** – Right of Way is the total land area acquired for the construction of the roadway. Delays in land acquisition have led to non- availability of contiguous stretch for construction and thereby resulting in time and cost overruns in the project. All stakeholders suffer due to lack of preparedness with respect to 100% contiguous encroachment free and required clearances, before initiating the bidding process.
- **Land de-scoping in a project-** Appointed Date (ADs) in projects, has in the past been given when a significant part of the land was not available. In case, balance land is not made available to the concessionaire (developers), concession agreement provides for descope (removing from

the scope of work) of the same from Project. However, banks have informed that the process of getting balance land descope is cumbersome owing to delays in approval from project authority, disputes between the developer and project authority, which hampers the viability of the project.

- **Delay in receipt of approval** - Concessionaire is required to seek separate approvals for mining and installation of Plant & Machinery from respective state governments. Delay in receipt of approval restriction on sand mining, soil excavation affects project completion timelines.

2. Developers / Lenders remain wary of investing in toll projects, given the high-risk factors associated with estimating toll collection and changing traffic flows on account of new roads / expressways coming-up nearby. Prospective Revenue generation estimate are not in line with estimates based on Actual status (Traffic Vertical Study Estimate) which effects the toll collection and puts the project under stressed condition. There have been instances wherein there was over 30% gap in actual toll collection and assumed toll collection at the time of bid, leading to loan defaults.

3. **period:** In BoT Projects, any delay in construction period reduces operation / tolling period by same duration thereby impacting the Project viability vis-à-vis., increased project cost and increases the debt burden leaving the project totally unviable for all the stakeholders. Hence in line with HAM, in case of BOT projects also, the operation period should start on the project becoming operational.

4. **Payment** Project Report (DPR) prepared by project authority does form not part of the tender documents and at times, it is 12 months older. The project authority recognizes the project cost based on the DPR which does not factor in the latest cost of construction, traffic estimates etc. The lenders fund the project based on the project cost assessed by them based on actual cost of construction, which leads to variation in NHAI project Cost and Lender's Project cost. In case of termination, as the payments are linked to NHAI assessed Project costs which are generally substantially lower than the actual project costs, it leads to a high under-recovery for debt and equity during termination.

5. **Termination Payment for refinancing cases**

refinanced/ restructured, which involves extension of repayment period based on revised cash flows projections, NHAI does not consider termination payment as per revised repayment schedule. No termination payment is available to lenders beyond maturity date of original loan. This result in shortfall in termination payment and classification of loan as unsecured exposure.

6. **Arbitration:** In case of arbitration, even after award of arbitration in favor of concessionaire, it is observed that NHAI invariably appeals against the arbitration award in high court, which leads to delay in payment of lender's dues.

7. **Projects:** In case of stuck projects e. project termination prior to achieving COD, MoRTH has policy to pay value of work or 90% of debt due whichever is lower. However,

payment is made until arbitration matter is settled with SPV. Thus, lenders do not benefit from the policy. Hence, payment to lender should be linked to settlement of arbitration claims with lenders.

- 8. Bank Guarantees (BGs) issued by Banks** – It is observed that in case of stalled projects, authorities encash the BGs or seek extension of BG beyond Defects Liability Period (DLP) due to non-settlement / approval of final bills. As BGs, also form part of the exposure of the lenders, any encashment or extension of BG affects the cash flows of the already stressed projects, thereby increasing lender's stressed debt.

#### Model

- 1. Interest rate on annuities in HAM projects:** Model Concession agreement of HAM project has been amended to change the interest rate on annuities from the erstwhile Bank rate + 3% to Average MCLR + 1.25%. However, the same has been effected only for new HAM projects, whereas the steep decline in Bank rate over last 2-3 years, has resulted in many existing projects becoming unviable. Further, the Interest Rate on annuities linked to MCLR may be fixed for a period of say 5 yrs, to enable the Lender's factor in the same while assessing the project cost.
- 2. Land Acquisition & De-scoping of Land** – Project Authority declare the appointed date even when the 80% of the land is not fully acquired. It may be ensured that 80% of the land is fully acquired with clear title and free from any encumbrances before declaring Appointed Date. Further, even though there is a provision that allows for descoping of the unavailable land from the overall project and issuing a partial completion date if the developer completes the project on the available land, disputes between the developer and the government often hinder a quick resolution. Quick reassessment and approval of revised bid project cost post descoping of the unavailable land poses a challenge from a credit perspective as delays in the former can result in deferral in term debt disbursement by lenders and in turn impede project progress.

#### C.

- 1. Lack of alternative funding sources:** Long tenor financing from non-conventional funding sources are subject to various limitations including several regulatory requirements, like IRDAI (Investment) Regulations, Investment guidelines for EPFO and other PF trusts, rating requirements like minimum "AA" credit rating on a standalone basis or with Government support for raising bonds, higher interest rates and high carry cost during project implementation stage etc. Thus, MoRTH may consider having a Scheme for Credit Guarantee in this regard to facilitate bond issuing companies/ PE investors to participate in road sector financing.
- 2. Introduction of Insurance Product for Termination Payments** in Infrastructure Projects may be considered to address issue of payment in stuck projects in consultation with IRDA.
- 3.** –



authority and the private sector developer. Therefore, lenders are unable to pre-empt any unilateral action adversely affecting them. Thus, there is a need for Tripartite Agreements between Lenders, Concessionaire and the Concessional Authority. Such a system is followed in countries like the UK and Australia. This would provide comfort to domestic lenders. This would also act as fulfilment of a basic condition for enabling the overseas lenders to participate.

4. **Lenders to be a part of Project Monitoring Group (PMG)** - The Project Monitoring Group (PMG) is an institutional mechanism set up for the expedited resolution of issues and regulatory bottlenecks in projects with investments upwards Rs.500 crores in India. It seeks to enlist the unresolved project issues in respect of all mid and large sized Public, Private and PPP Projects and takes up fast-tracking of approvals, sectoral policy issues and removal of bottlenecks in expeditious commissioning. Lenders are not part of said group. Inclusion of Lenders, which are the largest financial stakeholders in any project, in the PMG would go a long way in enhancing the confidence of lenders in supporting such projects.

#### IV. \_\_\_\_\_

As informed by Banks and FIs, the following measures have been undertaken to boost lending to Road Projects: -

##### A. \_\_\_\_\_

i.

- ii. In addition to above, RBI on 06.08.2020 has also provided a window under the “Prudential Framework on Resolution of Stressed Assets dated June 7, 2019” to enable lenders to

iii.

- iv. Under ECLGS Scheme, as informed by NCGTC, for Roads Sector, 2811 guarantees towards a loan amount of Rs.1097.98 crore has been executed as on 10.01.2021.

**B.**

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**i. Modification in Model Concession Agreement (MCA)**

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- Interest on annuities under HAM has been linked to average of 1-yr Marginal Cost Lending Rate (MCLR) of top 5 Banks+1.25% (and) Interest on mobilization advance linked to MCLR as against Interest on annuities paid at [bank rate +3%] (and) Interest on mobilization advance linked to bank rate.
  - During the construction phase, NHAI's share in the construction cost is to be paid out in 8 installments of 4% each instead of 4 installments of 8% each.
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- ii. Bidder eligibility criteria has been reduced for HAM project (minimum net worth of 15% of Project Cost as against 25% earlier) and EPC projects (1x of project cost as against 2x of project cost earlier) which would promote entry of smaller players.
- iii. NHAI has issued Standard Operating Procedure (SOP) to de-scope the pending Right of Way (RoW) for HAM Projects, wherein immediately after the expiry of the period of Appointed Date plus 20% of construction period, the pending RoW will be removed from scope of work and bid project cost (BPC) will be revised based on the independent engineer's assessment.
- iv. Other measures undertaken under the AtmaNirbhar Bharat package to mitigate the impact of COVID-19 on the sector:-

a) – HAM/BOT

- b) Retention money to be released (for contractors)/performance guarantee to be released (for HAM/BOT concessionaires) on proportionate basis for the work already executed.
- c) Further, retention money on bills from the period from 03 months to upto 06 months may not be deducted from the bills raised by the contractor.

- d)** Relaxation in contract terms (specifically, Schedule H, providing proportionate payments for different stages of construction of the project), wherein condition has been relaxed to enable payments at monthly intervals.
- e)** guarantee for new contracts



## Gaurav Kumar

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**From:** S Siva Kumar <s.sivakumar@iifcl.org>  
**Sent:** Wednesday, June 10, 2020 12:55 PM  
**To:** js-highways@nic.in  
**Cc:** md@iifcl.org; krishnan@iifcl.org; ps.md@iifcl.org; mayank@iifcl.org; s.sivakumar@iifcl.org  
**Subject:** FW: Suggestions to MoRTH - Meeting on 10-06-2020  
**Attachments:** IIFCL-comments-BOT-090620.docx; IIFCL-comments-MCA.docx; IIFCL-TP-note-to MORTH-09  
Calculation-BFTL.xlsx

Dear Sir,

We thank you very much for the kind courtesies extended when we called on the Secretary, MoRTH and your goodse

As advised, we forward herewith the files of suggestions of IIFCL on termination payment, Model Concession Agreement  
kind perusal.

Regards

S.Siva Kumar  
GM, IIFCL

## INDIA INFRASTRUCTURE FINANCE COMPANY LTD

### Summary of Key Modifications to MCA-Comments

#### **1. Withdrawal of Provisions for waiver of Conditions precedent and ensuring availability of 100% RoW before declaration of Appointed Date (AD):**

**Comments** – It is a welcome move to provide 100% RoW *ab-initio* before declaration of Appointed Date. However, the proposal might require huge efforts and preparations to receive all the approvals before declaration of appointed date and might hamper delay in launching the projects. It would not be practical to ensure 100% utility shifting before declaration of AD. Procuring 100% RoW and utility shifting would delay the project commencement.

It is, therefore suggested that powers to waive off condition precedent may be retained provided Appointed Date is declared on availability of 90% of RoW with the clear sight of making available balance RoW within say 3/6 months and without affecting the viability of the project. The balance RoW, if not made available within 3/6 months, the same shall be de-scoped without affecting the ability to commence the tolling on completion of the work. RoW of the Land acquired shall be declared at in terms of 3H stage as per National Highways Act, 1956.

#### **2. Removal of PCOD**

**Comments** - The proposal for deleting the PCOD is not agreeable. Given the past track record, completion of 100% would face many difficulties and might be held up for various reasons such as delay in receiving approvals, delays in completion of punch list items, etc. The projects, especially infrastructure projects shall commence commercial operations at the earliest so as to ensure viability of the project. Considering the practical difficulties in achieving 100% completion and with a view to ensure commercial viability of the project and to improve the bankability of MCA, the covenants regarding Provisional Commercial Operation Date (PCOD) shall be retained and shall not be deleted..

#### **3. Termination / Mutual Foreclosure:**

**Comments** – As regards mutual foreclosure without any liabilities on both the Concessionaire and the Authority (Type A Foreclosure), the lenders' dues shall be reckoned and the same may be duly settled by the Authority before such foreclosure.



In case of stuck projects being terminated during the implementation phase, the debt due payable shall be reckoned as actual debt due outstanding in the books of lenders or the completed part of physical work as per SORs of concerned states together with interest during constructions (IDC) in case of BOT projects.

The qualifying criteria for the stuck projects ie proceedings initiated against the Sponsors may be modified as proceedings initiated against sponsor instead of the Concessionaire. (Section 37.7)

As regards the termination payment, the debt due payable to lenders shall be determined by considering the DPR cost + grant + IDC or DPR Cost + IDC – Premium payable, as the case may be.

In case of termination in the event of defaults committed by the Concessionaire to carry out the augmentation, the Authority shall protect the lenders' dues by making appropriate payments.

The waterfall mechanism in the proposed revision in the Escrow Agreement shall be harmonized in line with the waterfall mechanism prescribed in the Insolvency and Bankruptcy Code (IBC) duly enacted by the Parliament.

#### **4. Substitution - Harmonious / Induced**

**Comments** - In case of replacing Concessionaire with new incoming Concessionaire, the claims of Authority against old Concessionaire cannot be raised against the new Concessionaire except in the event of harmonious substitution. Similarly, the claims of Authority, if any, would subsist in case of harmonious substitution.

Further, the Authority shall not stake its claims in case a new Company is inducted in the Substitution process.

#### **5. Integration of Policies**

**Comments** – Various policies and guidelines issued by MoRTH from time to time shall be integrated into the MCA being revised.

Guidelines issued by MoRTH for stuck projects (not achieved COD and compensation payable to the lenders), One Time Fund Infusion (OTFI) Scheme, Scheme for Rationalized Compensation, Restoration of Lapsed Annuities, Transfer of Equity, Refinancing etc. shall be suitably incorporated in the proposed revision.

## **6. Avoidance of Ante - Dating**

**Comments** – A suitable covenant shall be incorporated prohibiting Ante-dating of the orders issued by Authority as well as by Concessionaire.

## **7. Tripartite Agreement**

**Comments** – Presently, the Concession Agreement is being executed between the Concessionaire and the Authority. Finance documents are entered into between the Concessionaire and Lenders. The Escrow Agreement and Substitution Agreement are entered into by the Lenders with the Concessions Authority for limited scope.

It is pertinent to mention that in infrastructure projects such as Road Sectors, the Lenders carry substantial risks. A suitable mechanism shall be put in place wherein the three important stakeholders viz. the Authority, Concessionaire and the Lenders are brought on a platform with a well-defined roles and responsibilities to address the issues timely and avoid bottlenecks timely.

In this connection, a tripartite agreement defining the roles and responsibilities of all the stakeholders may be executed at time of completion of financial closure along with Financing Documents. This would go a long way in smoothening the execution and expeditious removal of grievance and bottlenecks in implementation of infrastructure projects of national importance. Accordingly, a suitable schedule providing the draft of tri-partite agreement shall be incorporated in the Concession Agreement.

## **8. TimeLine – Ensuring Timelines**

**Comments** – It is needless to point out that time bound approvals and decision makings are essential for speedy implementation of infrastructure projects and to avoid cost and time overruns. Approval for important events such as cost overrun, time overrun, granting of PCOD/COD, approval for toll collection shall be very time bound and specific timelines for such approvals shall be adhered to.

It is therefore imperative to suitably incorporate such timelines for each decision making process failing which interests / damages shall be payable by the Authorities and Concessionaire.



## Chanchal Raheja

---

**From:** Chanchal Raheja <chanchal.raheja@iifcl.in>  
**Sent:** Tuesday, March 8, 2022 9:59 AM  
**To:** kumar.peeyush@nic.in  
**Cc:** md@iifcl.in; jaishankar@iifcl.in  
**Subject:** Note on Addressing Structural Issues pertaining to Infrastructure Lending.  
**Attachments:** Note On Addressing Structural Issues Pertaining To Infrastructure Lending.pdf

Dear Sir,

As required, please find attached a note on Addressing Structural Issues pertaining to Infrastructure Lending.



हम हिन्दी में पत्राचार का स्वागत करते हैं।

धन्यवाद एवं सादर,  
Thanks & Regards,

चंचल रहेजा/ Chanchal Raheja  
सहायक महाप्रबंधक/Assistant General Manager  
प्रबंध निदेशक की कार्यकारी सहायक /EA to MD  
ईमेल /E-mail id : [chanchal.raheja@iifcl.in](mailto:chanchal.raheja@iifcl.in)  
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इण्डिया इन्फ्रास्ट्रक्चर फ़ाइनेंस कम्पनी लिमिटेड/India Infrastructure Finance Company Limited  
(भारत सरकार का उद्यम) / (A Govt. of India Enterprise)  
5वां तल / 5<sup>th</sup> floor, ब्लॉक 2, प्लेट ए एवं बी/ Block 2, Plate A & B,  
एनबीसीसी टावर/ NBCC Tower, ईस्ट किदवई नगर / East Kidwai Nagar,  
नई दिल्ली / New Delhi -110023  
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## NOTE ON ADDRESSING STRUCTURAL ISSUES PERTAINING TO INFRASTRUCTURE LENDING

India has huge infrastructure requirement and the government has made building of infrastructure sector a top priority. In the near term, under the National Infrastructure Pipeline (NIP), the Government has envisaged an investment of Rs 111 lakh crore over FY20-25. Over a long term horizon, the Economic Survey 2018-19 mentions of India needing around US\$4.5 trillion (Rs. 334 lakh crore) worth of investments till 2040 to develop infrastructure and improve economic growth.

However, in order to meet these investment targets, there are some structural issues in the sector that needs to be addressed. Some of such issues which can be resolved are as under:

### ISSUES THAT NEED TO BE ADDRESSED IN NEAR TERM

#### a) Review of regulations for enabling long term financing of infrastructure projects

- **Banks**, with their liability profile of 5 – 7 years, face **asset-liability mismatch issues** with respect to funding infrastructure projects which have long gestation period running into 20-30 years of economic life and some even longer.
- Further, given their risk appetite, appraisal and risk mitigation capacities, **banks and financial institutions are best suited in the country to fund greenfield assets**. Post achieving Commercial Operation Date (COD), such infrastructure project assets can be offloaded to the **Bond Market and/or other banks and financial institutions with long term lending profile**.
- With a view to overcome the issues of asset-liability mismatch and enable longer-term financing for infrastructure projects, Reserve Bank of India (RBI), vide notification no. DBOD.No.BP.BC.24/21.04.132/2014-15 dated July 15, 2014 titled **“Flexible Structuring of Long Term Project Loans to Infrastructure and Core Industries”** notified the norms for the **5/25 Scheme** for new loans to infrastructure projects and core industries projects. RBI clarified that Banks are already allowed to refinance loans provided such loans are 'standard' in the books of the existing banks, and should have not been restructured in the past. It was further clarified that even if there is no pre-determined agreement, a standard account in the books of a bank can still be taken over by other banks/FIs. In view of the above, these instructions do not come in the way of banks' structuring long term project financing products.
- The **norms were further extended to existing projects** as well by RBI vide notification no. DBR.No.BP.BC.53/21.04.048/2014-15 dated December 15, 2014. Under the said circular, existing lenders were also allowed to elongate the tenor of the loans upon take out refinancing, subject to certain conditions.
- Subsequently, RBI, vide circular no. DBR.No.BP.BC.101/21.04.048/2017-18 dated February 12, 2018 titled **“Resolution of Stressed Assets – Revised Framework”** withdrew its **extant instructions** on resolution of stressed assets, including the 5/25 Scheme, with immediate effect.
- RBI, vide notification no. DBR.No.BP.BC.45/21.04.048/2018-19 dated June 7, 2019 titled **“Prudential Framework for Resolution of Stressed Assets”** defined **“restructuring”** as **an act that may “involve modification of terms of the advances / securities, which would generally include, among others, alteration of payment period.”** The same circular further says that in **case of restructuring, the accounts classified as 'standard' shall be immediately downgraded** as non-performing assets (NPAs) and attract provisioning as per the asset classification category as laid out in the Master Circular on Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015, as amended from time to time.
- This **acts as a deterrent in refinancing of genuine infrastructure loans** as any refinancing with elongation of repayment tenor shall be construed as 'restructuring' and therefore the loan shall be classified as sub-standard. This creates synthetic barriers for infrastructure companies



in changing the lenders, thereby shifting the infrastructure lending market further away from a perfectly competitive market and hence increasing the dead-weight loss for the economy.

- Accordingly, instead of not allowing any standard infrastructure loan to avail refinancing, there needs to be a differentiation between good and bad infrastructure loans by defining a suitable and just criteria. **Refinancing of standard infrastructure loans coupled with elongation in the repayment schedule must be allowed without the same being considered as 'restructuring'.**
- **Nowhere in the world is refinancing treated as restructuring.** Infact, restructuring is seen as a way to reduce average cost of debt.
  - ✓ *For instance, in the UK, under the prevalent IFRS guidelines, if the terms of a loan are changed (eg. In case of elongation of repayment period), the asset is not required to be classified as restructured standard and there is no additional provisioning requirement as long as the project is viable.*
  - ✓ *The assets are classified as Stage 1 (regular servicing), Stage 2 (servicing with delay of less than 90 days) and Stage 3 (servicing with delay of more than 90 days) and provisioning for assets in each stage is determined based on discussions with the Statutory Auditor after taking into account the risk profile of the asset. The same is not standardised as it is in India (i.e. 0.4% for standard assets, 10-100% for substandard assets based on the duration for which it has been NPA)*
- **Restructuring is to be looked at from a fresh perspective** and existing regulations governing restructuring in India need to be reviewed so that lenders are able to ensure efficient utilization of capital.
- **The following also needs to be seen in perspective:**
  - The 5/25 Scheme was announced in the Union Budget 2014-15 & approved in the Parliament to encourage bank lending for longer tenures.
  - It is a tool of Prudent Risk Management for banks/FIs to better manage their Assets and Liabilities, improve financial viability of infrastructure projects and benefit all parties – Lenders, Project Companies and the overall Economy.
  - Therefore, 5/25 scheme must be reintroduced for standard infrastructure projects without any change in asset classification.

#### **b) Implementation of MoRTH Circular on stuck projects**

- i. MoRTH, vide its OM dated March 09, 2019 has come up with Guideline Principles for resolution of the stuck Highway projects. Under the guidelines, the Authority shall pay, as full & final settlement, an amount limited to the lower of (a) the value of work done; or (b) 90% of Debt Due, for stuck projects which have been awarded under BOT mode and have not attained PCOD/COD.
- ii. However, it has been observed that resolution of projects under the said circular has been abysmally low. The circular needs to be implemented in its true spirit so that lenders and developers are able to recover their dues/investments and churn the released capital into newer projects.

#### **c) Need for Tripartite PPP Concession Agreements by inclusion of lenders**

- i. Lenders are generally the largest stakeholders in an infrastructure project with about 70% financial stake, but are not a party to concession agreements. This leaves lenders out of important decisions such as confirmation of compliance of the conditions precedent by the project company and the concessioning authority, verification of the handover memorandum in case of road projects etc.
- ii. This leads to several issues in the project and lenders, despite having the largest share, get no say in the matter.



- iii. Hence, in order to make the project more bankable and to boost lenders' confidence, they need to be made party to the concession agreement. This can be done after the financial closure and while issuing the Appointed Date which marks the start of the concession period.

## **ISSUES THAT NEEDS TO BE ADDRESSED OVER MEDIUM TERM**

### **a) Time bound release of Termination Payments**

- i. Over the course of time, a greater clarity has been brought in the calculation of termination payment in case of road projects. However, there is no timeframe defined within which the payments have to be released by the Concessioneing Authorities.
- ii. Termination payment is a key component while a project's credit appraisal is being carried out by the lenders and its timely release of Termination Payment is very important to protect the interest of lenders and developers. It would pave the way for the lenders to effectively mitigate the NPA issues and enhance recovery, further enabling fresh lending.
- iii. Hence, the concession agreements should have clear timelines for the release of termination payment by the concessioneing authorities.

### **b) Improving the quality of project monitoring**

- i. Infrastructure development digital platform: Infrastructure development authorities/ agencies/ departments/ companies may be brought together on a unified "Infrastructure development digital platform" to digitally tag each project and update status from conception to operationalization for information to various stakeholders. This will help Banks/ financial institutions measure and mitigate risks in financing project(s) by improving management and monitoring of projects.
- ii. Convergence of LIE reports with Online Project Monitoring: Presently, LIE reports are used by lenders to gauge the progress of the project against which disbursements are made. However, in view of advancement in technologies that allow real-time or near-real time monitoring of projects, it is imperative to leverage the services of LIE that physically tracks project performance along with an Online Project Monitoring Tool that uses Artificial Intelligence, Drone technologies etc. to monitor projects. Recently, IIFCL has introduced its Online Project Monitoring System (OPMS) as an effective tool for ensuring progress-linked disbursement in infra projects. This will lead to better monitoring and tracking of th project finance activities in various stages of a project's life cycle. IBA may take this up with other lenders for its adoption.

xxxx

## Chanchal Raheja

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**To:** Chanchal Raheja  
**Subject:** RE: Note for IBA meeting

**From:** MD IIFCL <[md@iifcl.in](mailto:md@iifcl.in)>  
**Sent:** Wednesday, April 13, 2022 4:55 PM  
**To:** [mgr.mcsec@iba.org.in](mailto:mgr.mcsec@iba.org.in); [svp.cib@iba.org.in](mailto:svp.cib@iba.org.in)  
**Cc:** [chanchal.raheja@iifcl.in](mailto:chanchal.raheja@iifcl.in); [pstomd@iifcl.in](mailto:pstomd@iifcl.in)  
**Subject:** Note for IBA meeting

Dear Sir,

Please refer to our discussion during the Special Managing Committee Meeting held on 5<sup>th</sup> March 2022 in New Delhi.

In this regard, please find attached a note on issues to be addressed in Infrastructure sector by various stakeholders. These issues may be discussed at the next IBA meeting so as to address them with a consensus-based approach.



धन्यवाद एवं सादर /Thanks and Regards,  
पी आर जयशंकर / P R Jaishankar

प्रबंध निदेशक/ Managing Director

इण्डिया इन्फ्रास्ट्रक्चर फ़ाईनैन्स कम्पनी लिमिटेड /India Infrastructure Finance Company Limited

पाँचवीं मंज़िल/ 5<sup>th</sup> floor, ब्लॉक 2, प्लेट ए एवं बी/ Block 2, Plate A & B,

एनबीसीसी टावर/NBCC Tower, ईस्ट किदवई नगर/East Kidwai Nagar,

नई दिल्ली /New Delhi - 110 023

CIN : U67190DL2006GOI144520

वेबसाइट/Website: [www.iifcl.in](http://www.iifcl.in)



## NOTE ON ADDRESSING STRUCTURAL ISSUES PERTAINING TO INFRASTRUCTURE LENDING

India has huge infrastructure requirement and the government has made building of infrastructure sector a top priority. In the near term, under the National Infrastructure Pipeline (NIP), the Government has envisaged an investment of Rs 111 lakh crore over FY20-25. Over a long term horizon, the Economic Survey 2018-19 mentions of India needing around US\$4.5 trillion (Rs. 334 lakh crore) worth of investments till 2040 to develop infrastructure and improve economic growth.

However, in order to meet these investment targets, there are some structural issues in the sector that needs to be addressed. **These issues if taken up by the IBA with the appropriate authorities can have a meaningful impact and benefit the lending community at large.** Some of such issues which can be resolved are as under:

### ISSUES THAT NEED TO BE ADDRESSED IN NEAR TERM

#### a) Review of restructuring regulations to enable long term financing of infrastructure projects

##### Concerned Authority: Reserve Bank of India

- **Banks**, with their liability profile of 5 – 7 years, face **asset-liability mismatch issues** with respect to funding infrastructure projects which have long gestation period running into 20-30 years of economic life and some even longer.
- Further, given their risk appetite, appraisal and risk mitigation capacities, **banks and financial institutions are best suited in the country to fund greenfield assets**. Post achieving Commercial Operation Date (COD), such infrastructure project assets can be offloaded to the **Bond Market and/or other banks and financial institutions with long term lending profile**.
- With a view to overcome the issues of asset-liability mismatch and enable longer-term financing for infrastructure projects, Reserve Bank of India (RBI), vide notification no. DBOD.No.BP.BC.24/21.04.132/2014-15 dated July 15, 2014 titled "**Flexible Structuring of Long Term Project Loans to Infrastructure and Core Industries**" notified the norms for the **5/25 Scheme** for new loans to infrastructure projects and core industries projects. RBI clarified that Banks are already allowed to refinance loans provided such loans are 'standard' in the books of the existing banks, and should have not been restructured in the past. It was further clarified that even if there is no pre-determined agreement, a standard account in the books of a bank can still be taken over by other banks/FIs. In view of the above, these instructions do not come in the way of banks' structuring long term project financing products.
- The **norms were further extended to existing projects** as well by RBI vide notification no. DBR.No.BP.BC.53/21.04.048/2014-15 dated December 15, 2014. Under the said circular, existing lenders were also allowed to elongate the tenor of the loans upon take out refinancing, subject to certain conditions.
- Subsequently, RBI, vide circular no. DBR.No.BP.BC.101/21.04.048/2017-18 dated February 12, 2018 titled "**Resolution of Stressed Assets – Revised Framework**" **withdrew its extant instructions** on resolution of stressed assets, including the 5/25 Scheme, with immediate effect.
- RBI, vide notification no DBR.No.BP.BC.45/21.04.048/2018-19 dated June 7, 2019 titled "**Prudential Framework for Resolution of Stressed Assets**" defined "**restructuring**" as an act that may "**involve modification of terms of the advances / securities, which would generally include, among others, alteration of payment period.**" The same circular further says that in **case of restructuring, the accounts classified as 'standard' shall be immediately downgraded** as non-performing assets (NPAs) and attract provisioning as per the asset classification category as laid out in the Master Circular on Prudential Norms on





Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015, as amended from time to time.

- This **acts as a deterrent in refinancing of genuine infrastructure loans** as any refinancing with elongation of repayment tenor shall be construed as 'restructuring' and therefore the loan shall be classified as sub-standard. This creates synthetic barriers for infrastructure companies in changing the lenders, thereby shifting the infrastructure lending market further away from a perfectly competitive market and hence increasing the dead-weight loss for the economy.
- Accordingly, instead of not allowing any standard infrastructure loan to avail refinancing, there needs to be a differentiation between good and bad infrastructure loans by defining a suitable and just criteria. **Refinancing of standard infrastructure loans coupled with elongation in the repayment schedule must be allowed without the same being considered as 'restructuring'.**
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- **Restructuring is to be looked at from a fresh perspective** and existing regulations governing restructuring in India need to be reviewed so that lenders are able to ensure efficient utilization of capital.
- **The following also needs to be seen in perspective:**
  - The 5/25 Scheme was announced in the Union Budget 2014-15 & approved in the Parliament to encourage bank lending for longer tenures.
  - It is a tool of Prudent Risk Management for banks/FIs to better manage their Assets and Liabilities, improve financial viability of infrastructure projects and benefit all parties – Lenders, Project Companies and the overall Economy.
  - Therefore, 5/25 scheme must be reintroduced for standard infrastructure projects without any change in asset classification.

#### **b) Review of regulations defining Technical NPAs**

##### **Concerned Authority: Reserve Bank of India**

- RBI Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances state that an infrastructure project may be treated as Standard if the shift in Date of Commencement of Commercial Operations (DCCO) is up to 2 years from the original DCCO. Another 2 years shift (i.e. a total of 4 years) is allowed in case the extension of DCCO is due to arbitration proceedings or a court case. For other reasons beyond the control of promoters, up to another 1 year (i.e. a total of 3 years) is allowed. In case a change in ownership, another 2 years' extension is allowed.
- It may be noted that many infrastructure projects have been delayed beyond the limits allowed by the RBI on account of reasons beyond the control of developers such as delay in land acquisition, delay in receipt of approvals etc. which has resulted in such projects getting classified as NPA, which results in increased provisioning cost for lenders.
- It is suggested that projects which have made substantial physical progress (let us say 80% and above) and those that are regular in servicing critical dues may be allowed to remain



standard, even if the projects' COD stretches beyond the timelines stipulated by RBI in the point above.

- This would save genuine projects from being downgraded to NPA category, thereby enabling them to avoid the pitfalls of NPA classification. It would also help the lenders in saving on higher provisioning costs as required for NPA accounts, which can be utilised in funding newer projects.

#### **c) Implementation of MoRTH Circular on stuck projects**

##### **Concerned Authority: Ministry of Road Transport and Highways**

- MoRTH, vide its OM dated March 09, 2019 has come up with Guideline Principles for resolution of the stuck Highway projects. Under the guidelines, the Authority shall pay, as full & final settlement, an amount limited to the lower of (a) the value of work done; or (b) 90% of Debt Due, for stuck projects which have been awarded under BOT mode and have not attained PCOD/COD.
- However, it has been observed that resolution of projects under the said circular has been abysmally low. The circular needs to be implemented in its true spirit so that lenders and developers are able to recover their dues/investments and churn the released capital into newer projects.

#### **d) Need for Tripartite PPP Concession Agreements by inclusion of lenders**

##### **Concerned Authority: Respective Concessioneing Authority**

- Lenders are generally the largest stakeholders in an infrastructure project with about 70% financial stake, but are not a party to concession agreements. This leaves lenders out of important decisions such as confirmation of compliance of the conditions precedent by the project company and the concessioneing authority, verification of the handover memorandum in case of road projects etc.
- This leads to several issues in the project and lenders, despite having the largest share, get no say in the matter.
- Hence, in order to make the project more bankable and to boost lenders' confidence, they need to be made party to the concession agreement. This can be done after the financial closure and while issuing the Appointed Date which marks the start of the concession period.

#### **e) Time bound release of Termination Payments**

##### **Concerned Authority: Respective Concessioneing Authority**

- Over the course of time, a greater clarity has been brought in the calculation of termination payment in case of road projects. However, there is no timeframe defined within which the payments have to be released by the Concessioneing Authorities.
- Termination payment is a key component while a project's credit appraisal is being carried out by the lenders and its timely release of Termination Payment is very important to protect the interest of lenders and developers. It would pave the way for the lenders to effectively mitigate the NPA issues and enhance recovery, further enabling fresh lending.
- Hence, the concession agreements should have clear timelines for the release of termination payment by the concessioneing authorities.





## ISSUES THAT NEEDS TO BE ADDRESSED OVER MEDIUM TERM

### a) Improving the quality of project monitoring

#### Concerned Stakeholders: All lenders

- Monitoring during project implementation is a critical requirement for Project Finance lenders. Inadequate monitoring often leads to delay in implementation of the project, cost overruns and delinquencies in loan accounts. Monitoring becomes more complex especially for Infrastructure projects like Roads, Bridges, Railways, Pipelines etc, as the area covered by the project is large and structures are often complex and vast.
- Traditionally, lenders have been monitoring such projects through Lenders' Independent Engineers (LIE), who physically visit the project and give reports, or by joint visits of all lenders. This process often gets adversely affected by high turnaround time with multiple stakeholders making the process cumbersome, subjectivity in analysis, high dependence on onsite engineer, lack of on demand data etc.
- In view of advancement in technologies that allow real-time or near-real time monitoring of projects, it is imperative to leverage the services of LIE that physically tracks project performance along with an Online Project Monitoring Tool that uses Artificial Intelligence, Drone technologies etc. to monitor projects.
- IIFCL has introduced its Online Project Monitoring System (OPMS) as an effective tool for ensuring progress-linked disbursement in infra projects. The intention is to monitor the physical progress of funded projects on a single screen, remotely, by the means of reports and interactive dashboards, supported by Drone Based Videos, Geo-Satellite Images and On-Site Photographs of actual construction site. The system intends to obtain project site information 'on-demand' and on 'real-time' basis. This will tend to mitigate the limitations faced by the extant traditional monitoring process and bring about a paradigm shift in the way Project Monitoring is being done by lenders presently.

#### Key Benefits of the New Monitoring System are as follows:

- i. Realistic monitoring of fund utilization
  - ii. Optimization of data compilation process in terms of quality and soundness of the information vis-a-vis actual progress in the project in the long run.
  - iii. Reduction in cost and turnaround time that is presently involved in physical monitoring of projects
  - iv. 'On-demand' data collection, helping lenders by providing early warning signals based on captured data, which is presently delayed due to dependency on periodical reports that fail to highlight such information
  - v. Near 'real-time' monitoring using collected data would help in identifying outliers, which can be used for policy updation and risk mitigation etc, by lenders as well as other stakeholders of infrastructure projects.
  - vi. Control of project portfolio stress, leading to reduced provisioning, better fundamentals, viability resulting in Healthy profitability
- IBA may take this up with other lenders for its adoption.

XXXX

**From:** "Lalit Kumar" <lkumar@nic.in>

**To:** "Anindita Sinharay" <anindita@nic.in>, "SOUMYAJIT GHOSH" <soumyajit.ghosh@nic.in>

**Sent:** Thursday, June 23, 2022 9:40:34 AM

**Subject:** Fwd: Audit Observation on audit Para 5.2 of Audit Report No.18 of 2020 regarding 'Avoidable loss due to exclusion of Loan in terminated projects

---

**From:** gauravkumar@iifcl.in

**To:** "Mantosh Kumar Ojha" <soif1-dfs@nic.in>

**Cc:** "MD IIFCL" <md@iifcl.in>, dmd@iifcl.in, "Lalit Kumar" <lkumar@nic.in>, "Anindita Sinharay" <anindita@nic.in>, "SOUMYAJIT GHOSH" <soumyajit.ghosh@nic.in>, jwnglary@iifcl.in

**Sent:** Wednesday, June 22, 2022 6:43:42 PM

**Subject:** FW: Audit Observation on audit Para 5.2 of Audit Report No.18 of 2020 regarding 'Avoidable loss due to exclusion of Loan in terminated projects

Dear Sir,

As discussed, pl find attached copies of following in case of **M/s Bhilai - Durg Waste Management Pvt Ltd:**

- External expert member Fact finding report of two member committee
- Internal FFT report of committee consisting of two members
- Central Review Committee report of committee consisting of two members
- Competent Authority approval note dated 14.06.2022 for closure of the re-examination of staff accountability in the said two cases as it does not involve issues related to staff accountability

Regards,

Gaurav Kumar  
GM/ IIFCL

**From:** Gaurav Kumar [mailto:gauravkumar@iifcl.in]

**Sent:** Wednesday, June 22, 2022 6:40 PM

**To:** 'Mantosh Kumar Ojha' <soif1-dfs@nic.in>

**Cc:** 'MD IIFCL' <md@iifcl.in>, 'dmd@iifcl.in' <dmd@iifcl.in>, 'Lalit Kumar' <lkumar@nic.in>, 'Anindita Sinharay' <anindita@nic.in>, 'SOUMYAJIT GHOSH' <soumyajit.ghosh@nic.in>, 'jwnglary@iifcl.in' <jwnglary@iifcl.in>

**Subject:** RE: Audit Observation on audit Para 5.2 of Audit Report No.18 of 2020 regarding 'Avoidable loss due to exclusion of Loan in terminated projects

Dear Sir,

As discussed, pl find attached copies of following in case of **M/s Raipur Waste Management Pvt Ltd:**

- External expert member Fact finding report of two member committee
- Internal FFT report of committee consisting of two members
- Central Review Committee report of committee consisting of two members
- Competent Authority approval note dated 14.06.2022 for closure of the re-examination of staff accountability in the said two cases as it does not involve issues related to staff accountability

Regards,

Gaurav Kumar  
GM/ IIFCL

**From:** Gaurav Kumar [<mailto:gauravkumar@iifcl.in>]

**Sent:** Wednesday, June 22, 2022 5:26 PM

**To:** 'Mantosh Kumar Ojha' <[soif1-dfs@nic.in](mailto:soif1-dfs@nic.in)>

**Cc:** 'MD IIFCL' <[md@iifcl.in](mailto:md@iifcl.in)>; 'dmd@iifcl.in' <[dmd@iifcl.in](mailto:dmd@iifcl.in)>; 'Lalit Kumar' <[lkumar@nic.in](mailto:lkumar@nic.in)>; 'Anindita Sinharay' <[anindita@nic.in](mailto:anindita@nic.in)>; 'SOUMYAJIT GHOSH' <[soumyajit.ghosh@nic.in](mailto:soumyajit.ghosh@nic.in)>; 'jwnglary@iifcl.in' <[jwnglary@iifcl.in](mailto:jwnglary@iifcl.in)>

**Subject:** RE: Audit Observation on audit Para 5.2 of Audit Report No.18 of 2020 regarding 'Avoidable loss due to exclusion of Loan in terminated projects

Dear Sir,

In reference to trail email on the subject matter, DFS vide its letter No. 6/15/2021-IF-I dated 07.02.2022 (copy enclosed) had advised IIFCL to re-examine the staff accountability in the said two cases and communicate the action taken in this regards.

Accordingly, the re-examination of staff accountability in the said two accounts were conducted on 27.04.2022 by a team of external expert fact finding team (FFT), internal FFT consisting of two members and Central Review Committee consisting of two members, all the three committees on re-examination have reported that the said two cases does not involve issues related to staff accountability. On 15.06.2022, the CA, in view of the same, has approved closing the re-examination of staff accountability in the said two cases as it does not involve issues related to staff accountability.

The above is with the approval of the Competent Authority

Regards,

Gaurav Kumar  
GM/ IIFCL

**From:** Mantosh Kumar Ojha [<mailto:soif1-dfs@nic.in>]

**Sent:** Tuesday, February 8, 2022 1:54 PM

**To:** [gauravkumar@iifcl.in](mailto:gauravkumar@iifcl.in)

**Cc:** P R Jaishankar <[jaishankar@iifcl.in](mailto:jaishankar@iifcl.in)>; [dmd@iifcl.in](mailto:dmd@iifcl.in); [rameshwari@iifcl.in](mailto:rameshwari@iifcl.in); [abhishek.verma@iifcl.in](mailto:abhishek.verma@iifcl.in); Lalit Kumar <[lkumar@nic.in](mailto:lkumar@nic.in)>; Anindita Sinharay <[anindita@nic.in](mailto:anindita@nic.in)>; SOUMYAJIT GHOSH <[soumyajit.ghosh@nic.in](mailto:soumyajit.ghosh@nic.in)>

**Subject:** Audit Observation on audit Para 5.2 of Audit Report No.18 of 2020 regarding 'Avoidable loss due to exclusion of Loan in terminated projects

Sir/Madam,

Kindly see the attachment.

सादर/ Regards

IF-1 Section

वित्तीय सेवाएं विभाग/ Department of Financial Services

वित्त मंत्रालय/ Ministry Of Finance

जीवनदीप भवन/ Jeevan Deep Building

संसद मार्ग/ Sansad Marg

नईदिल्ली/ New Delhi

Tel: 011-23748716

[www.financialservices.gov.in](http://www.financialservices.gov.in)

हम हिंदी में पत्राचार का स्वागत करते हैं



**Report to be submitted by the Fact Finding Team relating to examination of  
Staff Accountability Aspects – Credit Cases**

**I. Introduction:**

S. No.	Particulars	Remarks
1	Name and Designation of the official(s) of the Fact Finding team	HARISH KUMAR AWASTHI (EXTERNAL) PANKAJ SINGH (MANAGER IIFCL)
2	Date of Assignment of Exercise	14.03.2022
3	Date of carrying out the Exercise	27.04.2022
4	Date of Submission of the Report	10.05.2022
5	In case of delay in carrying out Staff Accountability exercise / submission of report, beyond the stipulated time, (i) Reason for delay, if any	NA

**II. Report about the case:**

S. No.	Particulars	Remarks														
1	Name of the Loan Account	<b>M/S. RAIPUR WASTE MANAGEMENT PVT LTD</b> <b>M/s. Bhilai Durg Waste Management Pvt Ltd (BDWMPL)</b> It is a special purpose vehicle. Incorporated in March 2012 under Ms Kivar Urban Infra Pvt. Ltd. – a Bangalore based Kivar group company for solid Waste management of the Raipur Municipal Corporation of Chhattisgarh state. The SPV was to undertake solid waste management of Raipur Municipal Corporation in two phases.														
2	Scheme- Direct Lending (DL) /Takeout Finance Scheme (TFS) /Refinance /Credit Enhancement (CE), etc.	Takeout Finance Scheme (TFS).														
4	Sector	Solid Waste Management – MSW Financial assistance of solid waste management of the Raipur Municipal Corporation of Chhattisgarh state														
5	Name & address of the Promoter / Sponsor	<b>Kivar Group-</b> Kivar group promoted by Mr. Subhash Menon. Investment & operations are channelized through a holding company Ms Kivar Holdings Private Limited. Ms Kivar Infra Pvt. Ltd. Operates in Solid waste management & water & water waste management  Regd office: 1st Floor, Infantry Techno Park, No 104, Infantry Road, Bangalore 560 001 Tel - 91 80 4081 4242														
6	a. Date and Amount of Sanction	<table border="1"> <thead> <tr> <th colspan="2">Sanction</th> <th rowspan="2">Sanctioning Authority</th> <th colspan="2">LOI Details</th> </tr> <tr> <th>Date</th> <th>Amount Rs cr</th> <th>Date</th> <th>Issued by</th> </tr> </thead> <tbody> <tr> <td>22/09/14</td> <td>13.71</td> <td>MIC</td> <td>09/10/14</td> <td>DGM (GK)</td> </tr> </tbody> </table>	Sanction		Sanctioning Authority	LOI Details		Date	Amount Rs cr	Date	Issued by	22/09/14	13.71	MIC	09/10/14	DGM (GK)
Sanction		Sanctioning Authority	LOI Details													
Date	Amount Rs cr		Date	Issued by												
22/09/14	13.71	MIC	09/10/14	DGM (GK)												
	b. Name(s) of the officer(s) in the Appraisal and Sanction process (as per official records)	Sourcing Department(s) Of IIFCL:- <b>New Business Committee cleared the proposal on 26.05.2014 (NBC)</b> <b>Members:-</b> AGM Credit –PKS DGM –GK														

Shri B.L. Gupta, CGM  
Shri P.R. Jaishankar, CGM  
Dr. E. S. Rao, CGM  
Shri S.B. Nayar, CMD

**Risk Rating Department ON 19.06.2014:-**

Shri Raghav Aggarwal, AM  
Smt. Rekha Shukla, GM  
Dr. E.S. Rao, CGM

**Credit Department:-**

Shri Jwangler Basumatary, AM,  
Shri Gaurav Kumar, DGM;  
Shri. S Sivakumar, GM,  
Shri B L Gupta, CGM  
Shri S.B. Nayar, CMD

**Credit Committee Members (CAG) Cleared on 11.09.2014:-**

Shri B.L. Gupta, CGM  
Dr. E.S. Rao, CGM  
Shri Rajeev Mukhija, CGM  
Shri P.R. Jaishankar, CGM  
Shri S. Siva Kumar, GM

**Checklist of Takeout Finance**

verified by DGM/GM &  
approved by CGM.

**Credit Committee Members:-**

Shri B.L. Gupta, CGM  
Dr. E.S. Rao, CGM  
Shri Rajeev Mukhija, CGM  
Shri P.R. Jaishankar, CGM  
Shri S. Siva Kumar, GM

**Competent Authority for Sanction/Approval:-**

**Management Investment Committee of the Board (MIC)**

**Members:-**

Shri S. B. Nayar, CMD  
Shri G. S. Sandhu, IAS,  
Government Nominee Director.  
Prof. V. Venkata Ramana,  
Part Time Non official Director,  
Shri Hari Santosh Kumar,  
Part Time Non official Director,

Minutes of MIC issued by Shri Rajeev Mukhija, CGM-CS &CFA  
Board of Directors (if referred for approval):- NA

1<sup>st</sup> External rating carried out by India Research & Rating on  
**27.08.2014 – “IND BBB”**

2<sup>nd</sup> external rating was carried out by Brickworks ratings on  
**21.10.2014 -BBB**

c. i) Whether any lapses  
observed in Sanction  
process

No such case. However, few observations are as under-  
a. Final **COD** of the project was achieved in Dec.13 as per  
proposal note to MIC dated 11.09.2014 however operation in



- few wards (partial operation) had started from Aug. 2013.
- b. Revenue generation of the company was started from the municipal corporations since Aug. 2013, COD was established by the lenders on the basis of letter from Nagar Palik Nigam Raipur dated 21.03.2013 for approval of work plan, which is kept on record.
  - c. The borrower company submitted letter dated 27.11.2014 to IIFCL confirming that no litigation pending against the company, which shall have adverse effect
  - d. **DSCR** for the year ending March 2014 was 0.14 as per proposal. CA (M/s GNANOBA & BHAT) certified DSCR calculation was also taken for the period from July 2013 to Jun 2014 on 30.10.2014 before disbursement as per policy (which was 1.16) but the period of 'one year' whether financial year or Y-O-Y from last quarter, is not clarified in the policy. Hence IIFCL has complied to its conditions as per their interpretations.
  - e. It appears that IIFCL have never approached the Concessioneing authority at the time of sanction & disbursement. **NOC** was obtained from the existing lenders only. As per Credit policy 2012, it is mentioned that it should also be obtained from Concessioneing Authority (if applicable). The term "if applicable" is not defined in the policy hence it was interpreted that this clause is applicable only if it is mentioned in Concession Agreement. However as per **SIFTI policy** approved by GOI for TFS, which IIFCL is mandated to follow, there is no requirement for obtaining the **NOC** from the Concessioneing Authority.
  - f. Further, **NOC** dated.28.10.2014, 29.10.2014 & 26.11.2014, were obtained from all the existing lenders. They have also confirmed the asset classification as '**Standard**'.
  - g. The borrower company was well aware about the facts of the issues, prevailing with the concessioneing Authority as per record available. But not disclosed the facts. Hence, more market related due diligence was required at the time of final take out.
  - h. Hence it is suggested that IIFCL may gather more market information in future about the concessioneaire company, analyze the operations in Escrow account with the Lead bank & also to have all updates about the status of the project plus communicate with Concessioneing Authority before final take out.
  - i. Disbursements were made directly to the banks only and no amount was paid to the promoter company of the said project,

NA

ii) if Yes, please specify

7 a. Details of Disbursements:

Date	Amount(' in cr.)	Purpose and Mode of disbursement
03/12/2014	<b>4.82</b>	For disbursement towards takeout of Catholic Syrian Bank/ RTGS
03/12/2014	<b>8.89</b>	For disbursement towards takeout of Dhanlaxmi Bank/ RTGS
Total	<b>13.71</b>	

a. In case of TFS, whether disbursement made to Target Takeout

		<p>Bank/Financial Institution/Lender:  <b>Yes - as detailed above</b></p> <p>b. If No, reasons:  (supporting documents on record to be enclosed)</p> <p><b>Status of the account at the time of take over-</b>  Letter dated 26.11.2014/28.10.2014/29.10.2014 received from consortium lenders confirming that the loan is “<b>Standard</b>” asset in the books. And these were obtained before disbursement of the loan, as per record available.</p> <p>Disbursement took place on 03.12.2014 but no information of notices etc. was available with the IIFCL at the time of disbursement neither from the Municipal Corporation/borrower company nor from the lead lenders</p>
	<p>b. Name of the Officer(s) who were involved in the disbursements.  <i>(Disbursement-wise names of all Department(s) and Officer(s) viz. Credit, Legal, Credit Support Division (CSD), Risk Management, Accounts and R&amp;T, Competent Authority/ies, etc. to be given)</i></p> <p>C. Whether any deviation of terms contained in SIFTI have been observed as per records which have not been approved/ratified by Board of Directors and / or Managing Director and/or Whole-time Director.</p>	<p>Officers/ position at the time of disbursements:</p> <p><b>Disbursement note dated Dec 01, 2014</b>  Shri J.Basumatary, AM  Shri Gaurav Kumar, DGM  Shri S. Siva Kuma, GM (on leave)  Shri B.L. Gupta, CGM  Shri S.B. Nayyar, CMD</p> <p><b>From Legal Dept.</b>  Shri A. Mukund, Manager  Dr. S.D. Nanda, GM</p> <p><b>From R&amp;T Dept.</b>  Shri Shailesh Yadav, AM  Shri Sanjeev Kumar, DGM  Shri Rajeev Mukhija, CGM, CFA</p> <p>No such case-  Deviations were approved by the competent authorities (Proposal was cleared by Management Investment (MIC) Committee of the Board and take out SIFTI Guidelines were adhered as per proposal placed for approval.)</p>
8	<p>Efforts taken after identification of early warning signals.  <i>(including Names of all Department(S) and Officers including Credit, Legal, CSD, Risk Management, Accounts and R&amp;T, Internal Audit, Default Review Committee, NPA &amp; Recovery Department, Information/status to Competent authority,</i></p>	<p>Since IIFCL was dealing with the members of existing consortium (lenders) and the conduct of account maintained with Lead Bank hence they could not carry out proper market diligence of the borrower company. The borrower company did not disclose the facts to the lenders which were raised with the Authority and hence lead Bank could not provide the current status of the project to IIFCL.</p> <p>Since it came to the notice of lenders only when the agreement was terminated hence there were no early warning signals on the part of lenders. Further borrower company confirmed through letter dated 27.11.2014 before disbursement that no litigation pending which is likely to have a material adverse effect.</p> <p>Immediately after knowing the facts of termination of the contract,</p>



Review of Account by MIC/Board, etc. involved in the process to be given)

IIFCL CMD written letter to Principal secretary, Chhattisgarh govt. on 26.05.2015 with a request that lenders be allowed to substitute the current concessionaire in compliance with the provisions of Concession Agreement, with a suitable developer. Also written to various Government officials in Chhattisgarh Government such as Special secretary to CM & Chief Secretary, requesting the Authorities to allow the lenders to substitute the concessionaire with a suitable developer to carry forward the project. However, the Authority did not any permission to IIFCL/lenders to substitute the borrower in the project which was the best possible solution.

IIFCL had also requested the concerned state ministries and departments like SUDA, Chhattisgarh for allowing for substituting the existing concessionaire with a new suitable developer to carry forward the project and there by protect the interest of the Lenders. However, the lenders were not given any permission by the concessioning authority to substitute the borrower in the project.

As per clause of concession Agreement of the project, the concessioning Authority (RMC) were under obligation to intimate the lenders regarding any termination or event of default that was initiated by the concessioning Authority or any breach on the part of concessionaire in the said project. The details of issue of Termination notices and termination of the said project were not available in the files neither at the time of processing the proposal nor at the time of disbursement.

There are no papers/documents regarding termination of the project are available in the record which were marked to lenders including IIFCL.

Hence it is suggested to make it a mandatory clause in concession agreement that any communication which affects the lender's right, should be marked to lenders invariably.

What was observed from the record that the disbursement was made on 03.12.2014 after confirmation/compliances from-

- a. The borrower company confirmed through letter dated 27.11.2014 before disbursement that no litigation pending which is likely to have a material adverse effect.
- b. The Lenders Legal Counsel (LLC) Ms B&B Legal Syndicate's vetting of documents report dated 28.11.2014 certified that the security documents in the aforesaid account has been done. Keeping in view all the aspects as required. Further certified that the documents are in accordance with law having regards to the terms & condition of the sanction of IIFCL.
- c. **NOC** dated.28.10.2014, 29.10.2014 & 26.11.2014, were obtained from all the existing lenders. They have also confirmed the asset classification as Standard.
- d. There was no information of the Agreement termination with the IIFCL as the communication like serving of show cause notice & notice of termination were not marked to the lenders. Borrower company had also not passed this information to lenders.

9 Present Outstanding  
As on 31.03.2022  
[Loan-wise details to be given]

Sl. No.	Details of principal o/s	Amount o/s (Crore)
1	Principal Outstanding	13.59
<b>Total</b>		<b>13.59</b>



10	Present Overdue (as on 31.03.2022).  [Loan-wise details to be given]	<table border="1"> <thead> <tr> <th data-bbox="609 129 762 165">Sl. No.</th> <th data-bbox="762 129 1110 165">Details</th> <th data-bbox="1110 129 1465 165">Amount o/s (lakh)</th> </tr> </thead> <tbody> <tr> <td data-bbox="609 165 762 201">1</td> <td data-bbox="762 165 1110 201">Principal</td> <td data-bbox="1110 165 1465 201">13.59</td> </tr> <tr> <td data-bbox="609 201 762 237">2</td> <td data-bbox="762 201 1110 237">Interest</td> <td data-bbox="1110 201 1465 237">11.32</td> </tr> <tr> <td data-bbox="609 237 762 273" style="text-align: center;"><b>Total</b></td> <td data-bbox="762 237 1110 273"></td> <td data-bbox="1110 237 1465 273" style="text-align: center;"><b>24.91</b></td> </tr> </tbody> </table>	Sl. No.	Details	Amount o/s (lakh)	1	Principal	13.59	2	Interest	11.32	<b>Total</b>		<b>24.91</b>
Sl. No.	Details	Amount o/s (lakh)												
1	Principal	13.59												
2	Interest	11.32												
<b>Total</b>		<b>24.91</b>												
11	Date of NPA	June 30, 2015												
12	<p>a. Whether Security is as per Approved Sanction Terms.</p> <p>b. Name of the Officer(s) who were involved in the Legal vetting, Security Documentation and the Officers who had executed the documents.</p> <p>c. In case of any discrepancy observed in the documentation with respect to sanctioned terms by IIFCL MIC/Board and approval(s) by Competent Authority/ies in respect of any modifications or revisions, specific discrepancies and names of Officers who were involved in its execution.</p> <p>d. If any deliberate/intentional lapses found in the obtention of Security vis-à-vis terms of executed Loan Agreements. (Deliberate / intentional lapses should be supported by documents on record)</p> <p>e. Whether security has been created</p>	<p>Yes, as advised by the LLC, M/S B&amp;B Legal Syndicate vide its opinion dated 28.11.2014, stated that all security/loan documents (including the concession agreement from the Authorities) have been scrutinized and certified that the documents are in accordance with the law.</p> <p><b>From Legal Dept.</b> Shri A. Mukund, Manager Dr. S.D. Nanda, GM</p> <p><b>Credit Department:</b> Shri J.Basumatary, AM Shri Gaurav Kumar, DGM Shri S. Siva Kuma, GM Shri B.L. Gupta, CGM</p> <p>Documents Executed by Shri J.Basumatary, AM</p> <p>No, as per LLC's report</p> <p>No such case observed</p> <p>Yes, as advised by the LLC M/S B&amp;B Legal Syndicate vide its opinion dated 28.11.2014, stated that all security/loan documents (including the concession agreement from the Authorities) have been scrutinized</p>												
13	Names of the officers who were involved in the follow-	Officers involved in the follow-up/ monitoring of the account (along with designation at the time of the process):												

	<p>up/ monitoring of the account. (Names of all Department(s) and Officers including Credit, Legal, CSD, Accounts and R&amp;T, Internal Audit, Default Review Committee, NPA &amp; Recovery Department, etc. to be given)</p>	<p>i. Shri S.B. Nayyar, CMD, ii. Shri. Sanjeev Kaushik, IAS, DMD, <b>From Credit Dept.:</b> iii. Shri B. L. Gupta , CGM, iv. Shri C. M. Khurana, CGM, v. Shri S. Siva Kumar, GM, vi. Shri Ashwani Aggarwal, GM, vii . Shri Gaurav Kumar, DGM, viii. Shri J.Basumatary., AM <b>From NPA Dept.:</b> i. Shri Sanjeev Ghai, CGM, ii. Shri S. Siva Kumar, GM, iii. Shri T. Harikrishnan, DGM, iv. Ms. C Shyla, Manager, v. Ms. Neha Sharma, Manager, <b>From Accounts Dept.:</b> xiv. Shri Rajceev Mu.khija, CGM , CFO xv. Shri Sanjeev Kumar, DGM, xvi. Ms. Vinita Srivastava, AGM, xvii. Mr. Vivek Singh, AM, <b>from Legal Dept. :</b> 1. Dr. S.D . Nanda, GM, 2. Mr. Amitabh Mukund, Manager. <b>From Internal Audit</b> Smt. Rekha Shukla, GM and HOD of internal audit.</p>
14	Reason(s) for Default / Account turning NPA and the efforts made for recovery may be mentioned	<p><b>Reasons for default/ account turning NPA:</b></p> <p><b>Raipur Municipal Corporation</b> had issued notice dated 17.11.2014 to show cause &amp; for explaining the reason for closure of the work, addressed to promoters of MS. Kiwar Environ pvt. Ltd. <b>and not cc to lenders. (copy not marked to lenders.)</b></p> <p>RWMPL also written letter dated 10.11.2014 -notice to release the payments hold by RMC. Also referred several other letters in this letter <b>but not marked to lenders.</b></p> <p><b>Raipur Municipal Corporation</b> had terminated the agreement on 25.11.2014, addressed to promoters of MS. Kiwar Environ pvt. Ltd. <b>But neither marked to lenders nor cc to lenders</b></p> <p>As per the minutes of the Consortium of lenders meeting held on August 24<sup>th</sup>, 2015, held on record, the promoter, informed that the termination notice has been received from Raipur Municipal Corporation. Catholic Syrian Bank (Lenders Agent) and IIFCL informed that they both did not receive written communication from the Municipal Corporation in this regard and requested the promoters to furnish the copies to the lenders.</p> <p>As per record copies, Raipur Municipal Corporation had vide its notice letter issued only to the project company and promoter, <b>(copy not marked to lenders)</b> terminated the Concession Agreement with the project company citing that the Concessionaire had failed to adhere to some of the compliance under the concession Agreement.</p> <p>In view of the termination of project, the promoter informed that the company has no funds with it to service the dues of lenders.</p>



**Recovery Efforts:**

CGM of IIFCL had written letter to Mayor RMC ON 12.05.2015.  
MD of IIFCL had written letter to Principal Secretary on 26.05.2015 & 01.07.2015

MD of IIFCL had also written letter to special secretary Govt. of Chhattisgarh on 02.07.2015.

MD of IIFCL had written letter to MD CSB ON 25.08.2015 for stay order against the termination.

IIFCL had also written letter dated 03.11.2015 to lead bank Catholic Syrian Bank (CSB) for filing case against RMC for quashing the termination.

IIFCL had also written letter dated 24.11.2015 to lead bank Catholic Syrian Bank (CSB) for proceedings under SARFAESI & filing suit under DRT.

IIFCL had also written letters to Director & CEO SUDA on 18.03.2016 & 12.07.2016 & to Commissioner RMC on 02.08.2016.

IIFCL had written letter to Commissioner, Municipal Corporation, Raipur on 24.08.2016

MD of IIFCL had written letter to MD & CEO SUDA on 28.09.2016

IIFCL had written letter to Director & CEO SUDA ON 05.10.2016

IIFCL had written letter to ED SUDA on 22.12.2016

IIFCL had written various letters to various Government officials in Chhattisgarh Government requesting the Authorities to allow the lenders to substitute the concessionaire with a suitable developer to carry forward the project in compliance with the provisions of Concession Agreement.

IIFCL had also requested the concerned state ministries and departments like SUDA, Chhattisgarh, for allowing for substituting the existing concessionaire with a new suitable developer to carry forward the project and there by protect the interest of the Lenders. However, the concession authority did not allow IIFCL to substitute the existing concessionaire.

In JLM dated 13.08.2015, promoter informed that the company has no funds with it and was agreed that a petition may be filed in the Competent Court for quashing the termination of the project and for providing the lenders an opportunity to substitute the management.

Meeting was also held among Director & CEO State Urban Development Agency (SUDA), all -03- commissioner of Municipal Corporation & DMD IIFCL on 21.04.2016 at SUDA Office regarding possibility of proposing a substitute for bidder.

DGM IIFCL again visited SUDA on 05.08.2016 for taking follow up of meeting held on 21.04.2016.

IIFCL vide its letter dated 07.09.2016 to SUDA with a copy to Raipur Municipal Corporation- requested to advise the Raipur Nagar Palik Nigam to decide on the configuration of the project, if any & inform the lenders to enable further steps to be taken on the substitution process.

JLM was held on 03.10.2016 in which IIFCL proposed to represent the lenders before SUDA/Municipal corporation for working out modalities & finalizing the draft documents for proposed



substitution. It was also decided that legal action to be initiated by Lead Bank CSB under SARFAESI Act & DRT Act to continue.

IIFCL vide letter dated 05.10.2016 had conveyed the stand of the lenders/concessionaire for the proposed substitution process & once again requested SUDA to confirm line of action. IIFCL sent reminder on 22.12.2016 due to no response received. IIFCL note dated 06.02.2017 decided to initiate legal action & DRT.

Recall notice served on 09.03.2017./21.03.2017. Also invoked the corporate guarantee. IIFCL vide letter dated 24.04.2017 requested to CSB to include as co-applicant in the original application.

IIFCL filed individual recovery suit before DRT Bengaluru 939/2017 filed on 09.08.2017 IIFCL vs RWMPL. Case listed on 07.01.2020 for hearing & adjourned to 01.02.2020 for final orders.

As per the DRT Court order dated 01.02.2020- M/s Raipur Waste Management Pvt. Ltd. (Borrower) and its promoter M/s Kivar Holdings Pvt. Ltd. resp. are to pay entire outstanding amount of Rs. 17.985 Crore with applicable interest i.e at an interest rate of 9.50% p.a. and penal interest of 2% from the date of application till the final realization of the entire outstanding loan of IIFCL as against IIFCL loan amount of Rs. 13.71 Crore. DRT Court order, RC No. 434/2020, is held on record.

A Recovery officer has been appointed by DRT Court and IIFCL is under process of asset aggregation of Kivar Holdings to take further actions for actual realization.

RC No. 434/2020- in case no. OA 939/2017 dated 27.10.2020 issued by DRT-II Bangaluru. IIFCL appointed MS Link Legal India Law Services as legal Counsel in recovery proceedings.

The Recovery Officer dated 23.11.2021 has issued Demand Notice to the parties for recovery of Rs 17,98,51,762.10/- and directed the parties for appearing before the Recovery Officer on 15.12.2021. Copy of RC No. 434/2020 for demand notice (DN) issued from DRT on 23.11.2021 are held on records.

Further, Recovery Officer on 15.12.2021 vide Demand Notice has directed, the parties i.e borrower, M/s Raipur Waste Management Private Limited Project, promoter, M/s Kivar Holdings Pvt Ltd and the Concessioning Authority, Raipur Municipal Corporation, to pay the sum of Rs 17,98,51,762.10/- within 15 days of receipt of the notice, failing which the recovery shall be made in accordance with the Recovery of Debt Due to banks and financial institution Act 1993. Further, the parties were ordered to appear before the Recovery officer on 21.02.2022

IIFCLs legal Counsel (LLC) has further informed vide its email dated 25.01.2022 that in view of the above Demand notice issued on 15.12.2021 by the Recovery officer, as said parties could not appear before the Recovery officer on 21.02.2022, the parties have now been ordered to appear before the Recovery Officer on 12.04.2022.

Further, LLC vide its email dated 12.04.2022, held on record, has informed that the borrower/ parties has failed to appear in proceedings before the Ld. Presiding officer, DRT Bangalore and the Recovery Certificate was issued Ex-Partee. IIFCL has further

		<p>requested the court for issue of DN for recovery against defendants to which the RO directed IIFCL to file its application for serving of DN through alternative modes including Dasti and paper publications.</p> <p>Next date for hearing is 13.05.2022</p>
15	Whether SIFTI Complied	<p>Yes (Annexure in respect of compliances for applicable versions of SIFTI is enclosed)</p> <p>Also detailed on point no.6 c (1) (in our observations on sanction process.)</p>
16	<p>Conclusion: Based on the records provided, the Fact-Finding Team is of the following opinion:</p>	
	<p>(i) Whether there was any deliberate / intentional suppression and /or misrepresentation of vital information which primarily resulted in the account turning NPA. <i>(Deliberate / intentional suppressions / misrepresentations should be supported by documents on record)</i></p> <p>(ii) Whether there is any documentary evidence on record of any gross dereliction of duty or gross negligence which primarily resulted in the account turning NPA. <i>(If Yes, Supporting documents on record to be enclosed).</i></p> <p>(iii) Whether there was any violation of Delegation of Power (DoP) as per applicable Policy or Delegations approved by Whole Time Director/ Managing Director. <i>(If Yes, Supporting documents on record to be enclosed).</i></p> <p>(iv) Whether the deliberate/ intentional lapses/ omissions were responsible for/ instrumental in perpetration of fraud in the account.</p>	<p>No such case observed</p> <p>No such case observed</p> <p>No such case observed</p> <p>Nothing such deliberate/ intentional lapses/ omissions were observed. No fraud detected/reported</p>



	<p>(If Yes, Supporting documents on record to be enclosed).</p> <p>(v) The staff that could be held responsible for the lapses/negligence.</p> <p>(If Yes, Supporting documents on record to be enclosed).</p>	<p>Not Applicable</p>
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Site visit was carried out on 17.10.2014 by IIFCL by Mr. Basumatary.

Report is based on the papers/documents attached in -02- Box files. File no 02 is having papers up to page no.771 plus 03 papers (page no. not marked.) only

Observations made in the FFT report have been restricted and limited to ascertain Staff accountability as per scope of the work provided.

"It is hereby confirmed that the case stated herein above was sanctioned or directly handled at any stage by any member of the FFT Team."

(पंकज सिंह  
(PANKAJ SINGH)

Manager, IIFCL & Internal FFT member

Date:10.05.2022

  
(H.K AWASTHI)

External FFT Member

-X-X-X-

S. No.	SIFTI Clause	Whether Complied with
5.1	<p>The IIFCL shall finance only commercially viable projects. Viable projects may also include those projects that will become viable after receiving viability gap funding under a government scheme.</p>	<p>Yes</p> <p>Remarks: IIFCL sanction was based on sanction Letter of Lead Lender and Information Memorandum.</p> <p>The project had achieved its Commercial Operations Date (COD) one year prior to disbursement by IIFCL and was earning revenues from operations for more than 1 year.</p> <p>Project had been externally rated as Investment grade (BBB) by Two RBI approved External Rating agencies i.e India Rating &amp; research (Fitch Group) and Brickworks rating agencies. (Copies of external ratings held on record).</p> <p>As per Statutory Auditor (CA) certificate held on records, Debt Service Coverage Ratio (DSCR) of the project for last available 12 months at time of disbursement was 1.16.</p>
5.2	<p>In order to be eligible for funding under this Scheme , a project shall meet the following criteria:</p> <p>[A.] The project shall b implemented (i.e. developed, financed and operated for the Project Term) by:</p> <p>(i) A Public Sector Company;</p> <p>(ii) A Private Sector Company selected under a PPP initiative;</p> <p>or</p> <p>(ii) A Private Sector Company</p> <p>(a) Provided that IIFCL shall accord overriding priority for lending under this Scheme to Private Public Partnership projects that are implemented by Private Sector Companies selected through a competitive bidding process.</p> <p>(b) Provided further that IIFCL can lend directly to projects set up by private companies subject to the following conditions:</p> <p>(i) The service to be provided by the Infrastructure project is regulated or the project is being set up under an MOU arrangement with the Central Government, any State</p>	<p>Yes</p> <p>Remarks: A Private Sector Company selected under a PPP initiative.</p> <p>Concession Agreement with Raipur Municipal Corporations.</p>

	<p>Government or a PSU</p> <p>(ii) The tenor of IIFCL lending should be larger than that of the longest tenor commercial debt by at least two years.</p> <p>(iii) Direct lending (including Subordinate Debt) plus the refinance business, if any, on account of this category of borrowers (private sector companies not selected through a competitive bidding process) should not exceed 20% of the total lending by IIFCL in any accounting year. In case of IIFC(UK) Ltd, direct lending plus refinance business, if any, on account of this category of borrowers (private sector companies not selected through a competitive bidding process) should not exceed 50% of total lending in any accounting year.</p>													
	<p>[B] Provided that in case of Railway projects that are not amendable to operation by a Private Sector Company, the Empowered Committee may relax the eligibility criterion relating to operation by such company.</p>	<p>NA</p>												
	<p>[C] The project should be from one of the following sectors:</p> <table border="1" data-bbox="322 936 1008 1986"> <thead> <tr> <th data-bbox="322 936 395 1003">S. No.</th> <th data-bbox="395 936 635 1003">Category</th> <th data-bbox="635 936 1008 1003">Infrastructure sub-sectors</th> </tr> </thead> <tbody> <tr> <td data-bbox="322 1003 395 1281">1</td> <td data-bbox="395 1003 635 1281">Transport</td> <td data-bbox="635 1003 1008 1281">           Roads and bridges            Ports<sup>1</sup>            Inland Waterways            Airport            Railway Track, tunnels, viaducts, bridges,<sup>2</sup>            Urban Public Transport (except rolling stock in case of urban road transport)         </td> </tr> <tr> <td data-bbox="322 1281 395 1608">2</td> <td data-bbox="395 1281 635 1608">Energy</td> <td data-bbox="635 1281 1008 1608">           Electricity Generation            Electricity Transmission            Electricity Distribution            Oil pipelines            Oil/Gas/Liquefied Natural Gas (LNG) facility<sup>3</sup>            Gas pipelines<sup>4</sup> </td> </tr> <tr> <td data-bbox="322 1608 395 1986">3</td> <td data-bbox="395 1608 635 1986">Water Sanitation</td> <td data-bbox="635 1608 1008 1986">           Solid Waste Management            Water supply pipelines            Water treatment plants            Sewage collection, treatment and disposal system            Irrigation (dams, channels, embankments etc.)            Storm Water Drainage System         </td> </tr> </tbody> </table>	S. No.	Category	Infrastructure sub-sectors	1	Transport	Roads and bridges Ports <sup>1</sup> Inland Waterways Airport Railway Track, tunnels, viaducts, bridges, <sup>2</sup> Urban Public Transport (except rolling stock in case of urban road transport)	2	Energy	Electricity Generation Electricity Transmission Electricity Distribution Oil pipelines Oil/Gas/Liquefied Natural Gas (LNG) facility <sup>3</sup> Gas pipelines <sup>4</sup>	3	Water Sanitation	Solid Waste Management Water supply pipelines Water treatment plants Sewage collection, treatment and disposal system Irrigation (dams, channels, embankments etc.) Storm Water Drainage System	<p>Yes</p> <p>Remarks: S. No. 3 - Solid Waste Management</p>
S. No.	Category	Infrastructure sub-sectors												
1	Transport	Roads and bridges Ports <sup>1</sup> Inland Waterways Airport Railway Track, tunnels, viaducts, bridges, <sup>2</sup> Urban Public Transport (except rolling stock in case of urban road transport)												
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3	Water Sanitation	Solid Waste Management Water supply pipelines Water treatment plants Sewage collection, treatment and disposal system Irrigation (dams, channels, embankments etc.) Storm Water Drainage System												



		Slurry Pipe Lines	
4	Communication	Telecommunication (fixed network) <sup>5</sup> Telecommunication towers Telecommunication and Telecom Services	
5	Social and Commercial Infrastructure	Education Institutions (capital stock) Hospitals (capital stock) <sup>6</sup> Three-star or higher category classified hotels located outside cities with population of more than one million Common infrastructure for industrial parks, SEZ, tourism facilities and agriculture markets Fertilizer (Capital investment) Post-harvest storage infrastructure for agriculture and horticultural produce including cold storage Hotels with project cost of more than Rs 200 crore each in any place in India and of any star rating <sup>8</sup> Terminal markets Soil-testing laboratories; Cold Chain <sup>7</sup> Convention Centres with project cost of more than Rs 300 crore each <sup>8</sup>	
<p>1. Includes Capital Dredging</p> <p>2. Includes supporting terminal infrastructure such as loading / unloading terminals, stations and buildings</p> <p>3. Includes strategic storage of crude oil</p> <p>4. Includes city gas distribution network</p> <p>5. Includes optic fibre / cable networks which provide broadband / internet</p> <p>6. Includes Medical Colleges, Para Medical Training Institutes and Diagnostics Centres</p> <p>7. Includes cold room facility for farm level pre-cooling, for preservation or storage of agriculture and allied produce, marine products and meat.</p> <p>8. Applicable with prospective effect from 29.11.2013; available for eligible projects for a period of 3 years; Eligible costs exclude cost of land and lease charges but include interest during construction.</p> <p>Further, updating of the list of infrastructure subsectors in the SIFTI under this clause may be automatic as and when the list is updated by the Government of India and RBI.</p> <p>The following sectors are added as applicable in case of IIFC(UK) Ltd.</p> <ul style="list-style-type: none"> <li>• Mobile Telephony Services / companies providing</li> </ul>			

	<p>cellular services;</p> <ul style="list-style-type: none"> <li>• Mining;</li> <li>• Exploration; and</li> <li>• Refining</li> </ul> <p>Further, modifications relating to infrastructure subsectors in the clause may be automatic as and when changes are made by the Government of India and RBI (ECB Guidelines).</p>	
5.3	<p>Only such projects which are implemented by the borrower company directly, or through a special purpose vehicle, on a non-recourse basis, and where an escrow account is maintained by any one of the banks financing the project, shall be eligible for financing by IIFCL.</p>	<p>Yes</p> <p>Remarks: Loan was sanctioned to the project Special Purpose Vehicle (SPV) on non-recourse basis. Escrow Account was maintained with Lead Bank.</p>
5.4	<p>In the event that the IIFCL needs any clarification regarding eligibility of a project, it may refer the case to the Empowered Committee for appropriate directions.</p>	<p>NA</p> <p>Remarks: project was under the category of Solid Waste Management.</p>
5.5	<p>In case of PPP projects approved by PPPAC/EC/EI which have provision of compulsory buyback by the authority on termination, IIFCL may offer loan with tenor longer than other lenders and remain sole lender, if necessary, after other lenders are paid out.</p>	<p>Yes</p> <p>Remarks: proposed repayment was longer than other lenders repayment.</p>
6.1	<p>IIFCL shall consider sanction of loan to a project based on the appraisal of Lead Bank or of reputed appraising institutions/banks/ international financial institutions. In case of appraisal other than by Lead Bank, the disbursement of loans by IIFCL will be subject to its acceptance and sanction of loan by the Lead Bank.</p> <p>Based on such appraisal, the IIFCL may consider and approve funding to the extent indicated in Article 7 below.</p>	<p>Yes</p> <p>Remarks: IIFCL sanction was based on sanction letter of Lead Bank and Information Memorandum.</p>
6.2	<p>The Lead Bank shall be responsible for regular monitoring and periodic evaluation of compliance of the project with agreed milestones and performance levels, particularly for purpose of disbursement of IIFCL funds. It shall send periodic progress reports in such form and at such times, as may be prescribed by IIFCL.</p>	<p>Yes</p> <p>Remarks: Lenders' Agent Agreement and Common Loan agreement were executed which detailed the roles and responsibility of Lead Bank including responsible for regular monitoring and periodic evaluation of performance.</p>
7.1	<p>The IIFCL may fund viable infrastructure projects through the following modes:</p> <ul style="list-style-type: none"> <li>[a]. Long Term Debt;</li> <li>[b]. Refinance to Banks and Public Financial Institutions for loans, granted by them.</li> <li>[c] Takeout Financing</li> <li>[d] Subordinate Debt</li> <li>[e] Credit enhancement (on pilot basis)</li> </ul>	<p>Yes</p> <p>Remarks: The loan was sanctioned under Takeout Finance.</p>



	[f]. Any other mode approved by the ministry of Finance from time to time.	
7.2	The total lending by the IIFCL to any Project Company shall not exceed 20% of the Total Project Cost. In case of takeout financing, direct lending to the project shall not exceed 10% of the project cost and total lending including takeout financing by IIFCL shall not exceed 30% of the total project cost. Loans will be disbursed in proportion to debt disbursements from banks/financial institutions. The above exposure shall further be subject to applicable regulatory norms.	Yes  Remarks: Sanctioned amount was within 30% of project cost.
7.3	The rate of interest charged by IIFCL shall be determined on the basis of its Base Rate plus which will be arrived at on the basis of average cost of funds including administrative costs, average return on networth and cost of guarantee fee etc.	NA  Remarks: IIFCL Rate of interest was as per applicable rate matrix under IIFCL Takeout Scheme based on two (02) external rating of the project and spread was linked to IIFCL Base rate.
7.4	The charge on project assets shall be pari passu with project debt (other than subordinate debt) and will continue beyond the tenure of project debt (other than subordinate debt) till such time the amounts lent by IIFCL, together with interest and other charges thereon remain outstanding.	Yes  Remarks: Pari-passu with consortium lenders.
7.5	<p><b>Subordinate Debt</b> Provided that IIFCL can provide subordinate debt subject to the following conditions:</p> <ul style="list-style-type: none"> <li>a) The project should have been awarded through open competitive bidding;</li> <li>b) It should have been approved by the PPPAC (Public-Private-Partnership Approval Committee) under the Guidelines for Formulation, Appraisal and Approval of PPP projects or by the Empowered Institution under the Guidelines for Financial Support to PPP in infrastructure;</li> <li>c) The Concession Agreement should provide for an Escrow Account that would secure the annual repayment of subordinate debt before returns on equity are paid;</li> <li>d) In case of termination of concession agreement, the Concessioning authority will pay in terms of termination payment at least 80% of the subordinate debt on account of a concessionaire default or Concessioning Authority default, during operation period of the concession in the escrow account as mentioned in the Model Concession Agreement (MCA). Where MCA is not available, a similar provision should be incorporated;</li> <li>e) Subordinate debt shall not exceed 10% of the total project cost and shall form part of the maximum limit of 20% as specified in para 7.2 of the SIFTI;</li> <li>f) Subordinate debt to be borrowed by the project company from any or all sources shall not exceed one half of its paid up and subscribed equity;</li> </ul>	NA  Remarks: the loan sanctioned is Senior Loan under Takeout Finance.

	<p>g) Subordinate debt lenders shall have second charge on all assets (including receivables) of the borrower, both present and future, to secure the subordinate debt as mentioned in the loan agreement. The said second charge to secure subordinate debt shall rank pari passu with all lenders for their subordinate debts. The above mentioned second charge of subordinate debt lenders shall be subordinate to the first pari passu charge of the senior lenders for their senior debts; and</p> <p>h) Subordinate debt shall not be converted into equity.”</p>	
7.6	IIFCL may extend sub-debt facility to non-PPP projects in the power sector only in extenuating circumstances on a case by case basis and in compliance with clauses 7.5 (e-h).	NA
8.1	In case of PPP projects, the Private Sector Company shall be selected through a transparent and open competitive bidding process.	Yes  Remarks: Concession Agreement with Municipal Corporation.
8.2	PPP projects based on standardized/model documents duly approved by the respective government would be preferred. Stand-alone documents may be subjected to detailed scrutiny by the IIFCL.	Yes  Remarks: Concession Agreement with Municipal Corporation.
8.3	Prior to inviting offers through an open competitive bid, the concerned government or statutory entity may seek “in principle” approval of the IIFCL for financial assistance under the Scheme. Any indication given by IIFCL at the pre-bid stage shall not be treated as a final commitment. Actual lending by IIFCL shall be governed by the appraisal by the Lead Bank carried out before financial closure of the project.	NA  Remarks: Loan sanctioned under takeout after project already achieved financial closure and the project had achieved its Commercial Operations Date (COD) and was earning revenues from operations.

Report to be submitted by the Internal Fact Finding Team

**1. Name of Project : Raipur Waste Management (P) Limited**

S. No.	Particulars	
1	Member	(i) Uday Singh Nagpal - AGM
		(ii) Saloni Malhotra – Manager
2	Date of Constitution	18.05.2022
3	Review of Fact Finding by External Fact Finding Team (FFT) has been carried out and found factually correct and agree with the fact finding by the external committee	<input checked="" type="checkbox"/> <b>Yes/No</b> The FFT report mentions COD and MIC Date as Dec'13 and 11.09.2014 respectively. However, the correct COD and MIC date, as mentioned in the MIC note, is July'13 and 03.09.2014 respectively.
4	If no, Please specify the clause of FFT along the factual position	Not Applicable.

*Saloni*

Signature with Name

Member FFT

Date 25/5/2022

*Uday Singh*

Signature with Name

Member FFT

Date 26/5/2022.

# India Infrastructure Finance Company Limited

Reference: Office Order No. 56 – IIFCL/HR/2021/56 dated 26<sup>th</sup> M  
Review Report of Central Review Committee [CRC]  
Account: - M/s Raipur Waste Management Pvt. Ltd.

Name of the borrower	Scheme	Date of sanction	Sanction Amount [Rs. Cr.]	Sanctioning authority	Disbursed Amount [Rs. Cr.]	Principal outstanding (as on 31.03.2022) [Rs. Crore]	Date of NPA	Date of submission of report by FFT	Date of CRC meeting
Raipur Waste Management Pvt. Ltd.	Takeout Finance Scheme (TFS).	03.09.2014	13.71	Board	13.71	13.59	30.06.2015	10.05.2022	06.06.2022



## India Infrastructure Finance Company Limited

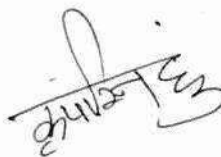
Reference: Office Order No. 56 – IIFCL/HR/2022/56 dated 26<sup>th</sup> May 2022

It is hereby confirmed that none of the cases stated herein above were sanctioned or directly by member or Chairman of the Central Review Committee (CRC).



(Sanjay Pandey–Manager)

Member



(K Guru – DGM)

Member Chairman CRC

Forwarded to: HR Department IIFCL on 06<sup>th</sup> June 2022

Chief Vigilance Officer (CVO)



इण्डिया इन्फ्रास्ट्रक्चर फ़ाइनेन्स कम्पनी लिमिटेड

India Infrastructure Finance Company Limited

IIFCL/HR Department

6<sup>th</sup> June, 2022

**Subject: Staff Accountability Policy- M/s. Raipur Waste Management Pvt. Ltd. (Re-examination)**

1. In terms of Board approved Staff accountability policy, presently Staff Accountability exercise of 1 project is at different stage.
2. The Exercise in respect of **M/s. Raipur Waste Management Pvt. Ltd. (Re-examination)** project has been completed. The outstanding of this project is below Rs. 200 Crore.
3. As regard to findings of Fact Finding Team (FFT) (**FFT Report at Flag 'A'**), the teams has found that as per record, no staff could be held responsible for the lapses. The team in their report has stated the following reason for the project turning NPA:-
  - Raipur Municipal Corporation had issued notice dated 17.11.2014 to show cause & for explaining the reason for closure of the work, addressed to promoters of MS. Kiwar Environ pvt. Ltd. and not cc to lenders (copy not marked to lenders).
  - RWMPL also written letter dated 10.11.2014- notice to release the payments hold by RMC. Also referred several other letters in this letter but not marked to lenders.
  - Raipur municipal Corporation had terminated the agreement on 25.11.2014, addressed to promoters of MS. Kiwar Environ pvt. Ltd. but neither marked to lenders nor cc to lenders.
  - As per minutes of the Consortium of lenders meeting held on August 24<sup>th</sup>, 2015, held on record, the promoter, informed that the termination notice has been received from Raipur Municipal Corporation. Catholic Syrian Bank (Lenders Agent) and IIFCL informed that they both did not receive written communication from the Municipal Corporation in this regard and requested the promoters to furnish the copies to the lenders.
  - As per record copies, Raipur municipal Corporation had vide its notice letter issued only to the project company and promoter, (copy not marked the lenders) terminated the Concession Agreement with the project company citing that the Concessionaire had failed to adhere to some of the compliance under the concession Agreement. In view of the termination of project, the promoter informed that the company has no funds with it to service the dues of lenders.
4. Further, the Fact Finding Team has also ascertained that the provisions of the SIFTI have been complied with.
5. On review of the FFT and applicable SIFTI scheme, Central Review Committee (CRC), being the final agency to decide on staff accountability has indicated that the CRC concurs with the findings & observations of FFT and noted that the case does not involve issues related to staff accountability. (**CRC Report at Flag 'B'**).





## Report to be submitted by the Internal Fact Finding Team (FFT)

1. Name of Project: M/s Bhilai Durg Waste Management (P) Ltd.

S. No.	Particulars	
1	Member:	(i) Uday Singh Nagpal - ABM (ii) SALONI MALHOTRA - Managa
2	Date of Constitution	11 <sup>th</sup> May '2022
3	Review of Fact Finding by external Fact Finding Team (FFT) has been carried out and found factually correct and agree with the fact finding by the external committee.	Yes/No
4	If No, Please specify the clause of FFT along the factual position.	

Saloni

Signature with Name

Member FFT

Date 20/5/22

394 AIE

Signature with Name

Member FFT

Date 20/5/22.

-X-X-X-

**Report to be submitted by the Fact Finding Team relating to examination of  
Staff Accountability Aspects – Credit Cases**

**I. Introduction:**

S. No.	Particulars	Remarks
1	Name and Designation of the official(s) of the Fact Finding team	HARISH KUMAR AWASTHI (EXTERNAL) PANKAJ SINGH –MANAGER-IIFCL
2	Date of Assignment of Exercise	14.03.2022
3	Date of carrying out the Exercise	18.04.2022
4	Date of Submission of the Report	03.05.2022
5	In case of delay in carrying out Staff Accountability exercise / submission of report, beyond the stipulated time, (i) Reason for delay, if any	NA

**II. Report about the case:**

S. No.	Particulars	Remarks														
1	Name of the Loan Account	<b>M/s. Bhilai Durg Waste Management Pvt Ltd (BDWMPL)</b> It is a special purpose vehicle. Incorporated in March 2012 under Ms Kivar Urban Infra Pvt. Ltd. – a Bangalore based Kivar group company for solid Waste management of the Bhilai & Durg Municipal Corporation. The SPV was to undertake solid waste management of Bhilai & Durg Municipal Corporation of Chhatisgarh State in two phases.														
2	Scheme- Direct Lending (DL) /Takeout Finance Scheme (TFS) /Refinance /Credit Enhancement (CE), etc.	Takeout Finance Scheme (TFS).														
4	Sector	Solid Waste Management – MSW														
5	Name & address of the Promoter / Sponsor	Kivar Urban Infra Pvt Ltd Regd office: 1st Floor, Infantry Techno Park, No 104, Infantry Road, Bangalore 560 001 Tel - 91 80 4081 4242														
6	a. Date and Amount of Sanction	<table border="1"> <thead> <tr> <th colspan="2">Sanction</th> <th rowspan="2">Sanctioning Authority</th> <th colspan="2">LOI Details</th> </tr> <tr> <th>Date</th> <th>Amount Rs cr.</th> <th>Date</th> <th>Issued by</th> </tr> </thead> <tbody> <tr> <td>22/09/14</td> <td>12.74</td> <td>MIC</td> <td>09/10/14</td> <td>DGM (GK)</td> </tr> </tbody> </table>	Sanction		Sanctioning Authority	LOI Details		Date	Amount Rs cr.	Date	Issued by	22/09/14	12.74	MIC	09/10/14	DGM (GK)
Sanction		Sanctioning Authority	LOI Details													
Date	Amount Rs cr.		Date	Issued by												
22/09/14	12.74	MIC	09/10/14	DGM (GK)												
	b. Name(s) of the officer(s) in the Appraisal and Sanction process (as per official records)	<p>Sourcing Department(s) Of IIFCL: - <b>New Business Committee cleared the proposal on 26.05.2014 (NBC)</b> <b>Members:-</b> AGM Credit –RKG AGM Credit –PKS DGM Credit Shri B.L. Gupta, CGM Shri P.R. Jaishankar, CGM Dr. E. S. Rao, CGM Shri S.B. Nayar, CMD</p> <p><b>Risk Rating Department ON 19.06.2014:-</b> Shri Raghav Aggarwal, AM Smt. Rekha Shukla, GM Dr. E.S. Rao, CGM</p>														



		<p><b>Credit Department: -</b>  Shri Jwanglary Basumatary, AM,  Shri Gaurav Kumar, DGM;  Shri. S Sivakumar, GM,  Shri B L Gupta, CGM  Shri S.B. Nayar, CMD</p> <p><b>Credit Committee Members (CAG) Cleared on 11.09.2014:-</b>  Shri B.L. Gupta, CGM  Dr. E.S. Rao, CGM  Shri Rajeev Mukhija, CGM  Shri P.R. Jaishankar, CGM  Shri S. Siva Kumar, GM</p> <p><b>Checklist of Takeout Finance</b>  Verified by DGM/GM &amp; approved by CGM.</p> <p><b>Competent Authority for Sanction/Approval: -</b>  Management Investment Committee of the Board (MIC) <b>Members on 22.09.2014: -</b>  Shri S. B. Nayar, CMD  Shri G. S. Sandhu, IAS, Government Nominee Director,  Prof. V. Venkata Ramana, Part Time Non official Director,  Shri Hari Santosh Kumar, Part Time Non official Director,  Minutes of MIC issued by Shri Rajeev Mukhija, CGM-CS &amp; CFA  Board of Directors (if referred for approval):- NA  1<sup>st</sup> External rating carried out by India Research &amp; Rating on <b>27.08.2014 – “IND BBB”</b>  2<sup>nd</sup> external rating was carried out by Brickworks ratings on <b>21.10.2014 -BBB</b></p>
	<p>c. i) Whether any lapses observed in Sanction process</p>	<p>No such case however, few observations are as under-</p> <ol style="list-style-type: none"> <li>Final <b>COD</b> of the project was achieved in Dec.13 as per proposal note to MIC dated 11.09.2014 however operation in few wards (partial) operation had started from May 2013.</li> <li>Revenue generation of the company was started from both the municipal corporations since May 2013 There were nil payment receivables. COD ascertained on the basis of letter from Bhilai MC dated 12.02.2013 &amp; letter from Durg MC dated 15.02.2013 for approval of work plan, which are kept on record.</li> <li>The borrower company had issued preliminary notice to concessioning Authority dated 21.10.2014 &amp; also notice of termination of the concession Agreement on 24.11.2014 under concession Agreement. Whereas, the borrower company submitted letter dated 27.11.2014 to IIFCL confirming that no litigation pending against the company, which shall have adverse effect</li> <li><b>DSCR</b> for the year ending March 2014 was 1.02 as per proposal. And CA (M/s GNANOBA &amp; BHAT) certified DSCR calculation was also taken for the period from July 2013 to Jun 2014 on 30.10.2014 before disbursement as per policy (which was 1.20) but the period of one year whether financial year or Y-O-Y from last quarter, is not clarified in the policy. Hence IIFCL has complied to its conditions.</li> <li>It appears that IIFCL have never approached the Concessionaire authority at the time of sanction &amp; disbursement. <b>NOC</b> was obtained from the existing lenders only. As per Credit policy 2012, it is mentioned that it should also be obtained from Concessioning Authority (if</li> </ol>

	ii) if Yes, please specify	<p>applicable). The term "if applicable" is not defined in the policy hence it appears, it was interpreted as this clause is applicable only if it is mentioned in Concession Agreement. However as per SIFTI policy approved by GOI for TFS, which IIFCL is mandated to follow, there is no requirement for obtaining the NOC from the Concessing Authority.</p> <p>f. It appears that borrower Company was well aware about the facts of the issues, prevailing with the Concessing Authority. It requires more market related due diligence at the time of final take out. Hence it is suggested that IIFCL may gather market information in future about the concessionaire company, analyze the operations in Escrow account with the Lead bank &amp; also to have all updates about the status of the project plus communicate with Authority before final take out going forward.</p> <p>NA</p>												
7	a. Details of Disbursements:	<table border="1" data-bbox="566 593 1524 810"> <thead> <tr> <th>Date</th> <th>Amount (in crs.)</th> <th>Purpose and Mode of disbursement</th> </tr> </thead> <tbody> <tr> <td>03/12/2014</td> <td>6.22</td> <td>For disbursement towards takeout of South Indian Bank/ RTGS</td> </tr> <tr> <td>03/12/2014</td> <td>6.52</td> <td>For disbursement towards takeout of Dhanlaxmi Bank/ RTGS</td> </tr> <tr> <td><b>Total</b></td> <td><b>12.74</b></td> <td></td> </tr> </tbody> </table> <p>a. In case of TFS, whether disbursement made to Target Takeout Bank/Financial Institution/Lender: <b>Yes - as detailed above</b></p> <p>b. If No, reasons:</p> <p><b>Status of the account at the time of take over-</b> Letter dated 26.11.2014/28.10.2014/29.10.2014 received from consortium lenders confirming that the loan is "Standard" asset in the books. And these were obtained before disbursement of the loan, as per record available. Disbursement took place on 03.12.2014 but no information of notices etc. was available with the IIFCL at the time of disbursement neither from the Municipal Corporation nor from the lead lenders. As per proposal- COD achieved on 29.05.2013.</p>	Date	Amount (in crs.)	Purpose and Mode of disbursement	03/12/2014	6.22	For disbursement towards takeout of South Indian Bank/ RTGS	03/12/2014	6.52	For disbursement towards takeout of Dhanlaxmi Bank/ RTGS	<b>Total</b>	<b>12.74</b>	
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<b>Total</b>	<b>12.74</b>													
	b. Name of the Officer(s) who were involved in the disbursements. <i>(Disbursement-wise names of all Department(s) and Officer(s) viz. Credit, Legal, Credit Support Division (CSD), Risk Management, Accounts and R&amp;T, Competent Authority/ies, etc. to be given)</i>	<p><b>Disbursement note dated Dec 01, 2014</b> Shri J.Basumatary, AM Shri Gaurav Kumar, DGM Shri S. Siva Kuma, GM (on leave) Shri B.L. Gupta, CGM Shri S.B. Nayyar, CMD</p> <p><b>From Legal Dept.</b> Shri A. Mukund, Manager Dr. S.D. Nanda, GM</p> <p><b>From R&amp;T Dept.</b> Shri Shailesh Yadav, AM Shri Sanjeev Kumar, DGM Shri Rajeev Mukhija, CGM, CFA</p>												



	c. Whether any deviation of terms contained in SIFTI have been observed as per records which have not been approved/ ratified by Board of Directors and / or Managing Director and/or Whole-time Director.	No such deviation (Proposal was cleared by Management Investment (MIC) Committee of the Board and take out SIFTI Guidelines were adhered as per proposal placed for approval.)														
8	Efforts taken after identification of early warning signals. <i>(including Names of all Department(S) and Officers including Credit, Legal, CSD, Risk Management, Accounts and R&amp;T, Internal Audit, Default Review Committee, NPA &amp; Recovery Department, Information/status to Competent authority, Review of Account by MIC/Board, etc. involved in the process to be given)</i>	<p>Since IIFCL was dealing with the members of existing consortium (lenders) and the conduct of account maintained with Lead Bank hence they could not carry out proper market diligence of the borrower company. The borrower company did not disclose the facts to the lenders which were raised with the Authority and hence lead Bank could not provide the current status of the project to IIFCL.</p> <p>Since it came to the notice of lenders only when the agreement was terminated hence there were no early warning signals on the part of lenders. However, immediately after knowing the facts of termination of the contract, IIFCL CMD written letter to Principal secretary, Chhattisgarh govt. on 26.05.2015 with a request that lenders be allowed to substitute the current concessionaire in compliance with the provisions of Concession Agreement, with a suitable developer. Also written to various Government officials in Chhattisgarh Government such as Special secretary to CM &amp; Chief Secretary, requesting the Authorities to allow the lenders to substitute the concessionaire with a suitable developer to carry forward the project. However, the Authority did not any permission to IIFCL/lenders to substitute the borrower in the project which was the best possible solution.</p> <p>It appears that borrower company was well aware about the facts of the issues, prevailing with the Authority As the borrower had issued notice to the concessioning Authority on 24.11.2014. but the notice was not marked to the lenders. Hence lenders were not aware of it. It was also observed from the show cause notice dated 19.12.2014 from Durg Nagar Palika and termination dated 04.04.2015 from Bhilai Nagar Palika that the work at site was closed by the borrower since 18.12.2014. But both the notices were not marked to the lenders. Hence it is suggested to make it a mandatory clause in concession agreement that any communication which affects the lender's right, should be marked to lenders invariably. The project was terminated by only one of the Authorities in April 2015 while IIFCL disbursed the account in Dec.2014.</p>														
9	Present Outstanding Date 30.04.2022 [Loan-wise details to be given]	<table border="1" data-bbox="528 1529 1509 1675"> <thead> <tr> <th>Sl. No.</th> <th>Details of principal o/s</th> <th>Amount o/s ( lakh)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Principal Outstanding</td> <td>1260.73</td> </tr> <tr> <td><b>Total</b></td> <td></td> <td><b>1260.73</b></td> </tr> </tbody> </table>			Sl. No.	Details of principal o/s	Amount o/s ( lakh)	1	Principal Outstanding	1260.73	<b>Total</b>		<b>1260.73</b>			
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1	Principal Outstanding	1260.73														
<b>Total</b>		<b>1260.73</b>														
10	Present Overdue (as on 30/04/2022). [Loan-wise details to be given]	<table border="1" data-bbox="528 1675 1509 1845"> <thead> <tr> <th>Sl. No.</th> <th>Details</th> <th>Amount o/s ( lakh)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Principal</td> <td>1260.73</td> </tr> <tr> <td>2</td> <td>Interest</td> <td>1441.63</td> </tr> <tr> <td><b>Total</b></td> <td></td> <td><b>2702.36</b></td> </tr> </tbody> </table>			Sl. No.	Details	Amount o/s ( lakh)	1	Principal	1260.73	2	Interest	1441.63	<b>Total</b>		<b>2702.36</b>
Sl. No.	Details	Amount o/s ( lakh)														
1	Principal	1260.73														
2	Interest	1441.63														
<b>Total</b>		<b>2702.36</b>														
11	Date of NPA	June 30, 2015														
12	a. Whether Security is as per Approved	Yes as advised by the LLC, M/S B&B Legal Syndicate vide its opinion dated														

	<p>Sanction Terms.</p> <p>b. Name of the Officer(s) who were involved in the Legal vetting, Security Documentation and the Officers who had executed the documents.</p> <p>c. In case of any discrepancy observed in the documentation with respect to sanctioned terms by IIFCL MIC/Board and approval(s) by Competent Authority/ies in respect of any modifications or revisions, specific discrepancies and names of Officers who were involved in its execution.</p> <p>d. If any deliberate/intentional lapses found in the obtention of Security vis-à-vis terms of executed Loan Agreements.</p> <p><i>(Deliberate / intentional lapses should be supported by documents on record)</i></p> <p>e. Whether security has been created</p>	<p>28.11.2014, stated that all security/loan documents (including the concession agreement from the Authorities) have been scrutinized and certified that the documents are in accordance with the law.</p> <p><b>From Legal Dept.</b>  Shri A. Mukund, Manager  Dr. S.D. Nanda, GM  Credit Department:  Shri J.Basumatary, AM  Shri Gaurav Kumar, DGM  Shri S. Siva Kuma, GM  Shri B.L. Gupta, CGM</p> <p>Documents Executed by  Shri J.Basumatary, AM</p> <p>No, as per LLC's report</p> <p>No such case observed.</p> <p>Yes,  as advised by the LLC M/S B&amp;B Legal Syndicate vide its opinion dated 28.11.2014, stated that all security/loan documents (including the concession agreement from the Authorities) have been scrutinized</p>
13	<p>Names of the officers who were involved in the follow-up/ monitoring of the account.</p> <p><i>(Names of all Department(s) and Officers including Credit,</i></p>	<p>Officers involved in the follow-up/ monitoring of the account (along with designation at the time of the process):</p> <p>i. Shri S.B. Nayyar, CMD,  ii. Shri. Sanjeev Kaushik, IAS, DMD,</p> <p><b>From Credit Dept.:</b>  i. Shri B. L. Gupta , CGM,</p>



	<p><i>Legal, CSD, Accounts and R&amp;T, Internal Audit, Default Review Committee, NPA &amp; Recovery Department, etc. to be given)</i></p>	<p>ii. Shri C. M. Khurana, CGM,  iii. Shri S. Siva Kumar, GM,  iv. Shri Ashwani Aggarwal, GM,  v. Shri Gaurav Kumar, DGM,  vi. Shri J.Basumatary., AM</p> <p><b>From NPA Dept.:</b>  i. Shri Sanjeev Ghai, CGM,  ii. Shri S. Siva Kumar, GM,  iii. Shri T. Harikrishnan, DGM,  iv. Ms. C Shyla, Manager,  v. Ms. Neha Sharma, Manager.</p> <p><b>From Accounts Dept.:</b>  i. Shri Rajceev Mu.khija, CGM , CFO  ii. Shri Sanjeev Kumar, DGM,  iii. Ms. Vinita Srivastava, AGM,  iv. Mr. Vivek Singh, AM,</p> <p><b>from Legal Dept. :</b>  i. Dr. S.D. Nanda, GM,  ii. Mr. Amitabh Mukund, Manager.</p> <p><b>From Internal Audit</b>  i. Smt. Rekha Shukla, GM and HOD of internal audit.</p>
14	<p>Reason(s) for Default / Account turning NPA and the efforts made for recovery may be mentioned</p>	<p><b>Reasons for default/ account turning NPA:</b>  As per copy of letters available in record –  <b>Bhilai Municipal Corporation</b> had issued notice dated 19.12.2014 to show cause &amp; for explaining the reason for closure of the work, addressed to the Mr. Subhas Menon, (promoter)of MS. Kiwar Environ pvt. Ltd. <b>and not cc to lenders.</b></p> <p>BDWMPL has issued letter dated 20.12.2014 notice to Bhilai/Durg Municipal corporations for payment of pending dues. Letter not marked to any lenders. Replies of this letter from the Municipal Corporations are not on record. Hence project company has closed the work in Dec 2014.</p> <p><b>Bhilai Municipal Corporation</b> had, vide notice letter dated April 04<sup>th</sup>, 2015, addressed to the project company and promoter only, terminated the Concession Agreement with the project company citing reasons that the Company had not undertaken any activity since Dec 18, 2014 and closed it local office without prior information. Further work did not resume for another three months despite regular follow up by the Corporation. No such letter was marked to lenders including IIFCL.</p> <p>Further as per the provisions of Concession agreement, Bhilai Municipal Corporation was under obligation intimate the lenders regarding ant termination or event of default that was initiated by the Concessioneing Authorities or any breach on part of the concessionaire in the project</p> <p>BDWMPL replied the on 17.04.2015 providing references of their several letters alleging that BMC has illegally imposed the penalty and unlawfully deduction &amp; withholding due monies resulting insignificant reductions in the payments made to every month</p> <p>However, no letter for intention to terminate or termination letter from <b>Durg Municipal Corporation</b> was issued as per records.</p> <p><b>Recovery Efforts:</b></p>



Immediately after knowing the facts of termination of the contract, IIFCL CMD written letter to Principal secretary, Chhattisgarh govt. on 26.05.2015 with a request that lenders be allowed to substitute the current concessionaire in compliance with the provisions of Concession Agreement, with a suitable developer. Also written to various Government officials in Chhattisgarh Government such as Special secretary to CM & Chief Secretary on 02.07.2015 requesting the Authorities to allow the lenders to substitute the concessionaire with a suitable developer to carry forward the project.

As per the minutes of the Consortium of lenders meeting held on August 13<sup>th</sup>, 2015, held on record, the promoter, informed that the termination notice has been received from Bhilai Municipal Corporation and no notice has been received from Durg Municipal Corporation. **South Indian Bank (Lenders Agent) and IIFCL informed that they both did not receive written communication from the Municipal Corporations in this regard** and requested the promoters to furnish the copies to the lenders.

In same meeting, promoter informed that the company has no funds with it and was agreed that a petition may be filed in the Competent Court for quashing the termination of the project and for providing the lenders an opportunity to substitute the management.

SARFAESI notice issued by the South Indian Bank on 23.05.2015

Continuous follow up with the Borrower for payment of dues and filing of application in DRT II DELHI.

The promoter had, vide letter dated 31.08.2015 addressed to SIB, offered 50% of balance outstanding loan amount (as on 31.12.2014) as financial settlement of the project with moratorium period of 8 quarters subject to ceasing of all actions under the SARFAESI ACT with immediate effect. In response, vide letter dated 18.09.2015, SIB declined the promoter's settlement Proposal.

IIFCL had also requested the concerned state ministries and departments like SUDA, Chhattisgarh for allowing for substituting the existing concessionaire with a new suitable developer to carry forward the project and there by protect the interest of the Lenders. However, the concession authority did not allow IIFCL to substitute the existing concessionaire.

In JLM dated 15.06 2016, IIFCL informed that a meeting with officials of Chhattisgarh was held with DMD of IIFCL on April 2016 for way forward in the matter. The promoter informed about no existing pla for clearing dues & offered co-operation for steps taken by lenders for resolution of the account.

In JLM dated 03.10.2016, it was discussed that DRT proceedings to be continued and allowed IIFCL to represent before SUDA for substitution.

IIFCL vide its email dated 08.03.2017 requested the South Indian Bank (Lead Bank) to issue joint recall notice, invoke guarantee & proceed for filing recovery suit in DRT **on behalf of the Consortium**. In response, South Indian Bank (Lead Bank) informed on dated 21.03.2017 That he has assigned their debt to Phoenix ARC Pvt Ltd.

IIFCL contacted the Phoenix for assigning their share bu Phoenix has not shown interest in buying the assets of IIFCL- as per IIFCL note dated 22.05.2017.

IIFCL email dated 28.06.2017 addressed to Phoenix to issue joint recall notice, invoke guarantee & proceed for filing recovery suit in DRT.

Loan Recall Notice was issued by IIFCL vide letter dated 18/07/2017.

		<p>Phoenix letter dated 07.01.2020 informed that no immovable property has been charged to IIFCL. All the -03- immovable properties were exclusively charged to SIB.</p> <p>IIFCL had issued recall notice/ invoked guarantee and filed recovery suit in DRT II New Delhi. OA No.32/2018  DRT dates- 27.06.2019/09.08.2019 for rejoinder  for rejoinder 11.02.2020  DRT on 28.04.2020– Exhibition of documents in DRT II New Delhi. Adjourned to 24.08.2020.  No other detail is available in the file ... File no 02 is having papers up to page no.608 only (IIFCL letter dated 25.09.2020 addressed to promoters of the BDWMPL).  DRT order is awaited.</p>
15	Whether SIFTI Complied	<p>Yes (Annexure in respect of compliances for applicable versions of SIFTI is enclosed)  Already detailed in our observations on sanction process.</p>
16	<p><b>Conclusion:</b>  Based on the records provided, the Fact-Finding Team is of the following opinion:</p>	
	<p>(i) Whether there was any deliberate / intentional suppression and /or misrepresentation of vital information which primarily resulted in the account turning NPA.  <i>(Deliberate / intentional suppressions / misrepresentations should be supported by documents on record)</i></p> <p>(ii) Whether there is any documentary evidence on record of any gross dereliction of duty or gross negligence which primarily resulted in the account turning NPA.  <i>(If Yes, Supporting documents on record to be enclosed).</i></p> <p>(iii) Whether there was any violation of Delegation of Power (DoP) as per applicable Policy or Delegations approved by Whole Time Director/ Managing Director.  <i>(If Yes, Supporting documents on record to be enclosed).</i></p>	<p>No such incident observed.</p> <p>No such case observed</p> <p>No such case observed.</p>






<p>(iv) Whether the deliberate/ intentional lapses/ omissions were responsible for/ instrumental in perpetration of fraud in the account. <i>(If Yes, Supporting documents on record to be enclosed).</i></p>	<p>Nothing such deliberate/ intentional lapses/ omissions were observed. No fraud detected/reported</p>
<p>(v) The staff that could be held responsible for the lapses/negligence. <i>(If Yes, Supporting documents on record to be enclosed).</i></p>	<p>No such case.</p>

Site visit was carried out on 17.10.2014 by IIFCL by Mr. Basumatary.

Report is based on the papers/documents attached in -02- Box files. File no 02 is having papers up to page no.608 only (IIFCL letter dated 25.09.2020 addressed to promoters of the BDWMPL)

Observation made in the FFT report have been restricted and limited to ascertain Staff accountability as per scope of the work provided.

"It is hereby confirmed that the case stated herein above was sanctioned or directly handled at any stage by any member of the FFT Team."

पंकज सिंह

(PANKAJ SINGH)

Manager, IIFCL & Internal FFT member

Date:03.05.2022

  
(H.K. AWASTHI)

External FFT Member

-X-X-X-

SIFTI effective from 7<sup>th</sup> August 2014 to 25<sup>th</sup> November 2014 (Format applicable for sanctions during this period)

S. No.	SIFTI Clause	Whether Complied with
5.1	<p>The IIFCL shall finance only commercially viable projects. Viable projects may also include those projects that will become viable after receiving viability gap funding under a government scheme.</p>	<p>Yes</p> <p>Remarks: IIFCL sanction was based on sanction Letter of Lead Lender and Information Memorandum.</p> <p>The project had achieved its Commercial Operations Date (COD) one year prior to disbursement by IIFCL and was earning revenues from operations for more than 1 year.</p> <p>Project had been externally rated as Investment grade (BBB) by Two RBL approved External Rating agencies i.e India Rating &amp; research (Fitch Group) and Brickworks rating agencies. (Copies of external ratings held on record).</p> <p>As per Statutory Auditor (CA) certificate held on records, Debt Service Coverage Ratio (DSCR) of the project for last available 12 months at time of disbursement was 1.20.</p>
5.2	<p>In order to be eligible for funding under this Scheme , a project shall meet the following criteria:            [A.] The project shall b implemented (i.e. developed, financed and operated for the Project Term) by:            (i) A Public Sector Company;            (ii) A Private Sector Company selected under a PPP initiative; or</p>	<p>Yes</p> <p>Remarks: A Private Sector Company selected under a PPP initiative.</p> <p>Concession Agreement was with Bhilai and Durg Municipal Corporations.</p>

*Handwritten signature/initials*

	<p>(ii) A Private Sector Company</p> <p>(a) Provided that IIFCL shall accord overriding priority for lending under this Scheme to Private Public Partnership projects that are implemented by Private Sector Companies selected through a competitive bidding process.</p> <p>(b) Provided further that IIFCL can lend directly to projects set up by private companies subject to the following conditions:</p> <p>(i) The service to be provided by the Infrastructure project is regulated or the project is being set up under an MOU arrangement with the Central Government, any State Government or a PSU</p> <p>(ii) The tenor of IIFCL lending should be larger than that of the longest tenor commercial debt by at least two years.</p> <p>(iii) Direct lending (including Subordinate Debt) plus the refinance business, if any, on account of this category of borrowers (private sector companies not selected through a competitive bidding process) should not exceed 20% of the total lending by IIFCL in any accounting year. In case of IIFC(UK) Ltd, direct lending plus refinance business, if any, on account of this category of borrowers (private sector companies not selected through a competitive bidding process) should not exceed 50% of total lending in any accounting year.</p>	
	<p>[B] Provided that in case of Railway projects that are not amendable to operation by a Private Sector Company, the Empowered Committee may relax the eligibility criterion relating to operation by such company.</p>	NA
	<p>[C] The project should be from one of the following sectors:</p>	Yes

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S. No.	Category	Infrastructure sub-sectors	Remarks: S.No. 3 - Solid Waste Management
1	Transport	Roads and bridges Ports <sup>1</sup> Inland Waterways Airport Railway Track, tunnels, viaducts, bridges, <sup>2</sup> Urban Public Transport (except rolling stock in case of urban road transport)	
2	Energy	Electricity Generation Electricity Transmission Electricity Distribution Oil pipelines Oil/Gas/Liquefied Natural Gas (LNG) facility <sup>3</sup> Gas pipelines <sup>4</sup>	
3	Water Sanitation	Solid Waste Management Water supply pipelines Water treatment plants Sewage collection, treatment and disposal system Irrigation (dams, channels, embankments etc.) Storm Water Drainage System Slurry Pipe Lines	
4	Communication	Telecommunication (fixed network) <sup>5</sup> Telecommunication towers Telecommunication and Telecom Services	
5	Social and Commercial	Education Institutions (capital stock)	

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	<p>Infrastructure</p>	<p>Hospitals (capital stock)<sup>6</sup>  Three-star or higher category classified hotels located outside cities with population of more than one million  Common infrastructure for industrial parks, SEZ, tourism facilities and agriculture markets  Fertilizer (Capital investment)  Post harvest storage infrastructure for agriculture and horticultural produce including cold storage  Hotels with project cost of more than Rs 200 crore each in any place in India and of any star rating<sup>8</sup>  Terminal markets  Soil-testing laboratories;  Cold Chain<sup>7</sup>    Convention Centres with project cost of more than Rs 300 crore each<sup>8</sup></p>	
<p>1. <i>Includes Capital Dredging</i>  2. <i>Includes supporting terminal infrastructure such as loading / unloading terminals, stations and buildings</i>  3. <i>Includes strategic storage of crude oil</i>  4. <i>Includes city gas distribution network</i>  5. <i>Includes optic fibre / cable networks which provide broadband / internet</i>  6. <i>Includes Medical Colleges, Para Medical Training Institutes and Diagnostics Centres</i>  7. <i>Includes cold room facility for farm level pre-cooling, for preservation or storage of agriculture and allied produce, marine products and meat.</i>  8. <i>Applicable with prospective effect from 29.11.2013; available for eligible projects for a period of 3 years; Eligible costs exclude cost of land and lease charges but include interest during construction.</i></p> <p>Further, updating of the list of infrastructure subsectors in the SIFTI under this clause may be automatic as and when the list is updated by the Government of India and RBI.</p> <p>The following sectors are added as applicable in</p>			

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	<p>case of IIFC(UK) Ltd.</p> <ul style="list-style-type: none"> <li>• Mobile Telephony Services / companies providing cellular services;</li> <li>• Mining;</li> <li>• Exploration; and</li> <li>• Refining</li> </ul> <p>Further, modifications relating to infrastructure subsectors in the clause may be automatic as and when changes are made by the Government of India and RBI (ECB Guidelines).</p>	
5.3	<p>Only such projects which are implemented by the borrower company directly, or through a special purpose vehicle, on a non-recourse basis, and where an escrow account is maintained by any one of the banks financing the project, shall be eligible for financing by IIFCL.</p>	<p>Yes</p> <p>Remarks: Loan was sanctioned to the project Special Purpose Vehicle (SPV) on non-recourse basis. Escrow Account was maintained with Lead Bank.</p>
5.4	<p>In the event that the IIFCL needs any clarification regarding eligibility of a project, it may refer the case to the Empowered Committee for appropriate directions.</p>	<p>NA</p> <p>Remarks: project was under the category of Solid Waste Management.</p>
5.5	<p>In case of PPP projects approved by PPPAC/EC/EI which have provision of compulsory buyback by the authority on termination, IIFCL may offer loan with tenor longer than other lenders and remain sole lender, if necessary, after other lenders are paid out.</p>	<p>Yes</p> <p>Remarks: proposed repayment was longer than other lenders repayment.</p>
6.1	<p>IIFCL shall consider sanction of loan to a project based on the appraisal of Lead Bank or of reputed appraising institutions/ banks/ international financial institutions. In case of appraisal other than by Lead Bank, the disbursement of loans by IIFCL will be subject to its acceptance and sanction of loan by the Lead Bank.</p> <p>Based on such appraisal, the IIFCL may consider and approve funding to the extent indicated in Article 7</p>	<p>Yes</p> <p>Remarks: IIFCL sanction was based on sanction letter of Lead Bank and Information Memorandum.</p>

	below.	
6.2	The Lead Bank shall be responsible for regular monitoring and periodic evaluation of compliance of the project with agreed milestones and performance levels, particularly for purpose of disbursement of IIFCL funds. It shall send periodic progress reports in such form and at such times, as may be prescribed by IIFCL.	Yes  Remarks: Lenders' Agent Agreement and Common Loan agreement were executed which detailed the roles and responsibility of Lead Bank including responsible for regular monitoring and periodic evaluation of performance.
7.1	The IIFCL may fund viable infrastructure projects through the following modes: [a]. Long Term Debt; [b]. Refinance to Banks and Public Financial Institutions for loans, granted by them. [c] Takeout Financing [d] Subordinate Debt [e] Credit enhancement (on pilot basis) [f]. Any other mode approved by the ministry of Finance from time to time.	Yes  Remarks: The loan was sanctioned under Takeout Finance.
7.2	The total lending by the IIFCL to any Project Company shall not exceed 20% of the Total Project Cost. In case of takeout financing, direct lending to the project shall not exceed 10% of the project cost and total lending including takeout financing by IIFCL shall not exceed 30% of the total project cost. Loans will be disbursed in proportion to debt disbursements from banks/financial institutions. The above exposure shall further be subject to applicable regulatory norms.	Yes  Remarks: Sanctioned amount was within 30% of project cost.
7.3	The rate of interest charged by IIFCL shall be determined on the basis of its Base Rate plus which will be arrived at on the basis of average cost of funds including administrative costs, average return on networth and cost of guarantee fee etc.	Yes  Remarks: IIFCL Rate of interest was as per applicable rate matrix under IIFCL Takeout Scheme based on two (02) external rating of the project and spread was linked to IIFCL Base rate.
7.4	The charge on project assets shall be pari passu with project debt (other than subordinate debt) and will continue beyond the tenure of project debt (other than subordinate debt) till such time the amounts lent by	Yes  Remarks: Pari-passu with consortium lenders.



	IIFCL, together with interest and other charges thereon remain outstanding.	
7.5	<p><b>Subordinate Debt</b></p> <p>Provided that IIFCL can provide subordinate debt subject to the following conditions:</p> <ul style="list-style-type: none"> <li>a) The project should have been awarded through open competitive bidding;</li> <li>b) It should have been approved by the PPPAC (Public-Private-Partnership Approval Committee) under the Guidelines for Formulation, Appraisal and Approval of PPP projects or by the Empowered Institution under the Guidelines for Financial Support to PPP in infrastructure;</li> <li>c) The Concession Agreement should provide for an Escrow Account that would secure the annual repayment of subordinate debt before returns on equity are paid;</li> <li>d) In case of termination of concession agreement, the Concessioning authority will pay in terms of termination payment at least 80% of the subordinate debt on account of a concessionaire default or Concessioning Authority default, during operation period of the concession in the escrow account as mentioned in the Model Concession Agreement (MCA). Where MCA is not available, a similar provision should be incorporated;</li> <li>e) Subordinate debt shall not exceed 10% of the total project cost and shall form part of the maximum limit of 20% as specified in para 7.2 of the SIFTI;</li> <li>f) Subordinate debt to be borrowed by the project company from any or all sources shall not exceed one half of its paid up and subscribed equity;</li> <li>g) Subordinate debt lenders shall have second charge on all assets (including receivables) of the borrower, both present and future, to secure the subordinate debt as mentioned in the loan agreement. The said second charge to secure subordinate debt shall rank pari passu with all lenders for their subordinate debts. The above mentioned second charge of subordinate debt lenders shall be subordinate to the first pari passu charge of the senior lenders for their senior debts;</li> </ul>	<p>NA</p> <p>Remarks: the loan sanctioned is Senior Loan under Takeout Finance.</p>

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	and h) Subordinate debt shall not be converted into equity."	
7.6	IIFCL may extend sub-debt facility to non-PPP projects in the power sector only in extenuating circumstances on a case by case basis and in compliance with clauses 7.5 (e-h).	NA
8.1	In case of PPP projects, the Private Sector Company shall be selected through a transparent and open competitive bidding process.	Yes  Remarks: Concession Agreement with Municipal Corporation.
8.2	PPP projects based on standardized/model documents duly approved by the respective government would be preferred. Stand-alone documents may be subjected to detailed scrutiny by the IIFCL.	Yes  Remarks: Concession Agreement with Municipal Corporation.
8.3	Prior to inviting offers through an open competitive bid, the concerned government or statutory entity may seek "in principle" approval of the IIFCL for financial assistance under the Scheme. Any indication given by IIFCL at the pre-bid stage shall not be treated as a final commitment. Actual lending by IIFCL shall be governed by the appraisal by the Lead Bank carried out before financial closure of the project.	NA  Remarks: Loan sanctioned under takeout after project already achieved financial closure and the project had achieved its Commercial Operations Date (COD) and was earning revenues from operations.

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Business Partner Name	Loan Number	Balance Outstanding	Principal Outstanding	Disbursement	Total Overdue (Int+Penal+Char ges)
BHILAI-DURG WASTE MANAGEMENT PRIVATE LIMITE 0100130000014		270,236,092.68	126,072,917.00	253,472,916.00	144,163,175.68
		270,236,092.68	126,072,917.00	253,472,916.00	144,163,175.68

Repayment overdue	Overall Overdue	Repayment Requested	Repayment IP	Repayment IP be	Interest overdue
	10,616,674.00	138,016,673.00	127,399,999.00	127,399,999.00	144,163,175.68
	10,616,674.00	138,016,673.00	127,399,999.00	127,399,999.00	144,163,175.68

Interest Requested	Interest Accrued	Closing balance	NPA Create Date	Asset Classification	Facility Loan
	144,163,175.68	270,236,092.68	4/1/2017 98		
	144,163,175.68	270,236,092.68			

Term End Date	Status	Borrower Name	Customer Name	Penal Interest Reque	Closing balance (
	1/1/2030 60	Bhilai Durg Waste Manag	BHILAI-DURG WASTE MAN	9,035,943.17	9,035,943.17
				9,035,943.17	9,035,943.17

Write off Balance	126,072,916.00
	126,072,916.00

# India Infrastructure Finance Company Limited

Reference: Office Order No. 55 – IIFCL/HR/2022/55 dated 26<sup>th</sup> M  
Review Report of Central Review Committee [CRC]  
Account: - M/s Bhilai Durg Waste Management Pvt Ltd.

Name of the borrower	Scheme	Date of sanction	Sanction Amount [Rs. Cr.]	Sanctioning authority	Disbursed Amount [Rs. Cr.]	Principal outstanding (as on 31.04.2022) [Rs. Crore]	Date of NPA	Date of submission of report by FFT	Date of CRC meeting
Bhilai Durg Waste Management Pvt Ltd.	Takeout Finance Scheme (TFS).	22.09.2014	12.74	Board	12.74	12.60	30.06.2015	03.05.2022	06.06.2022


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**It is hereby confirmed that none of the cases stated herein above were sanctioned or directly h member or Chairman of the Central Review Committee (CRC).**



**(Sanjay Pandey–Manager)  
Member**



**(K Guru – DGM)  
Member Chairman CRC**

**Forwarded to: HR Department IIFCL on 06<sup>th</sup> June 2022**

**Chief Vigilance Officer (CVO)**





इण्डिया इन्फ्रास्ट्रक्चर फ़ाईनैन्स कम्पनी लिमिटेड  
**India Infrastructure Finance Company Limited**

IIFCL/HR Department  
6<sup>th</sup> June, 2022

**Subject: Staff Accountability Policy- Bhilai Durg Waste Management Pvt. Ltd. (Re-examination)**

1. In terms of Board approved Staff accountability policy, presently Staff Accountability exercise of 1 project is at different stage.
2. The Exercise in respect of **Bhilai Durg Waste Management Pvt. Ltd. (Re-examination)** project has been completed. The outstanding of this project is below Rs. 200 Crore.
3. As regard to findings of Fact Finding Team (FFT) (**FFT Report at Flag 'A'**), the teams has found that as per record, no staff could be held responsible for the lapses. The team in their report has stated the following reason for the project turning NPA:-
  - Bhilai Municipal Corporation had issued notice dated 19.12.2014 to show cause & for explaining the reason for closure of the work, addressed to Mr. Subash Menon, (promoter) of MS. Kiwar Environ Pvt. Ltd. and not cc to lenders.
  - BDWMPL has issued letter dated 20.12.2014 notice to Bhilai/ Durg Municipal Corporations for payment of pending dues. Letter not marked to any lenders. Replies of this letter from the Municipal Corporations are not on record. Hence project company has closed the work in Dec 2014.
  - Bhilai Municipal Corporation had, vide notice letter dated April 4<sup>th</sup>, 2015, addressed to the project company and promoter only, terminated the Concession Agreement with the project company citing reasons that the company had not undertaken any activity since Dec 18, 2014 and closed its local office without prior information. Further work did not resume for another three months despite regular follow up by the Corporation. No such letter was marked to lenders including IIFCL.
  - Further as per the provisions of Concession Agreement, Bhilai Municipal Corporation was under obligation intimate the lenders regarding any termination or event of default that was initiated by the Concessioning Authorities or any breach on part of the concessionaire in the project.
  - BDWMPL replied on 17.04.2015 providing references of their several letters alleging that BMC has illegally imposed the penalty and unlawfully deduction & withholding due monies resulting insignificant reductions in the payments made to every month.
  - However, no letter for intention to terminate or termination letter from Durg Municipal Corporation was issued as per records.
4. Further, the Fact Finding Team has also ascertained that the provisions of the SIFTI have been complied with.
5. On review of the FFT and applicable SIFTI scheme, Central Review Committee (CRC), being the final agency to decide on staff accountability has indicated that the CRC concurs with the findings & observations of FFT and noted that the case does not involve issues related to staff accountability. (**CRC Report at Flag 'B'**).

6. As contained in the Staff Accountability policy:-

"Irrespective of cases, in case the conclusion of the Committee is that the case does not involve issues related to staff accountability, the examination will be treated as closed at the level of CRC itself. The status of closure report may be place before the managing Director in a comprehensive manner and the overall status of Staff Accountability Exercise may be reported to Board of IIFCL, periodically, for information, and thereafter be sent to CVO for record."

APPENDIX-I

**MINUTES OF THE ..... SITTING OF THE COMMITTEE ON PUBLIC UNDERTAKINGS (2022-**

**7. Accordingly, the exercise (2023) be treated as closed related to Bhilai Durg Waste Management Pvt. Ltd.**

प्रस्तुत कृपया/Submitted Please

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*अनिमेष*

(अनिमेष श्रीवस्तव/Animesh Srivastava)  
सहायक प्रबंधक/Assistant Manager

महाप्रबंधक (गौरव कुमार) - Res-examination done by external member FFT, Internal FFT Committee & CRC as detailed above.

*H. K. J.*  
13/6/22

*DMD Sir pl.:*

*4. 6/6*

*MD*  
*प. प्रबंधक 14/6*

*(उप प्रबंध निदेशक)*  
*म.प्र. (गौ.क.)*

भारत सिमेंट्स लिमिटेड  
India Infrastructure Finance Company Limited  
14 JUN 2022  
6393

भारत सिमेंट्स लिमिटेड  
India Infrastructure Finance Company Limited  
14 JUN 2022  
3932

## APPENDIX I

### COMMITTEE ON PUBLIC UNDERTAKINGS

(2023-24)

#### MINUTES OF THE NINTH SITTING OF THE COMMITTEE

The Committee sat on Wednesday, the 26<sup>th</sup> July, 2023 from 1530 Hrs. to 1620 Hrs. in Committee Room C, Parliament House Annexe (PHA), New Delhi.

#### PRESENT

**Shri Santosh Kumar Gangwar - Chairperson**

#### MEMBERS

##### Lok Sabha

2. Dr. Heena Vijay Kumar Gavit
3. Smt. K. Kanimozhi
4. Shri Lavu Sri Krishna Devarayalu
5. Smt. Poonamben Hematbhai Maadam
6. Shri Janardan Mishra
7. Shri Arvind Kumar Sharma
8. Shri Uday Pratap Singh
9. Shri Ramdas Chandrabhanji Tadas
10. Shri Nama Nageswara Rao
11. Shri Sushil Kumar Singh

##### Rajya Sabha

12. Dr. Radha Mohan Das Agrawal
13. Shri Syed Nassir Hussain
14. Dr. Anil Jain
15. Shri Prakash Javadekar
16. Dr. Amar Patnaik
17. Shri V. Vijaysai Reddy
18. Shri Binoy Biswam



## **SECRETARIAT**

1. Shri Neeraj Semwal - Joint Secretary
2. Shri Santosh Kumar - Director
3. Shri G.C. Dobhal - Additional Director
4. Smt. Mriganka Achal - Deputy Secretary

## **OFFICE OF C&AG**

1. Shri Raj Ganesh Viswanathan - Dy. C&AG (Commercial) & Chairman, Audit Board
2. Shri Sanjay Kumar Jha - Director General of Audit (Energy)
3. Shri Deepak Kapoor - Director General (Commercial - II)

2. At the outset, the Chairperson welcomed the Members of the Committee and apprised them about the agenda for the sitting. The Committee then considered and adopted the draft Report on Action Taken by the Government on the Observations/ Recommendations of the Committee contained in the Seventeenth Report (Seventeenth Lok Sabha) titled 'Avoidable Loss due to extension of loan in terminated projects relating to India Infrastructure Finance Company Limited (IIFCL) (Based on C&AG Audit Para No. 5.2 of Report No. 18 of 2020)' without any changes/modifications. The Committee also authorised the Chairperson to finalise the Report for presenting the Report to Parliament during the current Monsoon Session.

*[The representatives of C&AG were, then, called in]*

- |    |     |     |     |
|----|-----|-----|-----|
| 3. | XXX | XXX | XXX |
| 4. | XXX | XXX | XXX |
| 5. | XXX | XXX | XXX |
| 6. | XXX | XXX | XXX |

***The Committee, then, adjourned.***

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## APPENDIX II

*(Vide para 4 of the Introduction)*

### ANALYSIS OF THE ACTION TAKEN BY GOVERNMENT ON THE OBSERVATIONS/ RECOMMENDATIONS CONTAINED IN THE SEVENTEENTH REPORT OF THE COMMITTEE ON PUBLIC UNDERTAKINGS ON INDIA INFRASTRUCTURE FINANCE COMPANY LIMITED (IIFCL).

I	Total number of recommendations	09
II	Observations/Recommendations that have been accepted by the Government	06
	[Para Sl. Nos. 3, 4, 5, 6, 7 & 8]	
	Percentage to total:	66.66%
III	Observations/Recommendation which the Committee do not desire to pursue in view of Government's replies	
	[Para Sl.No. 1, 2 & 9]	03
	Percentage to total:	33.33%
IV	Observation/Recommendation in respect of which replies of the Government had not been accepted by the Committee and require reiteration	Nil
	Percentage to total:	N.A. 0%
V	Observations/Recommendations in respect of which Government have furnished interim replies	Nil
	Percentage to total:	N.A. 0%