

**PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA**

**MOU SIGNED BETWEEN IIFCL, LIC AND IDFC WITH RESPECT
TO TAKE OUT FINANCE SCHEME**

**New Delhi: Bhadrapada 26, 1933
September 17, 2011**

An MoU was signed today in Mumbai between IIFCL, LIC and IDFC in the presence of the Union Finance Minister Shri Pranab Mukherjee and the Chief Minister of Maharashtra Shri Prithviraj Chauhan today in Mumbai.

Speaking on the occasion, the Union Finance Minister Shri Pranab Mukherjee said that Takeout Finance Scheme was launched last year on 12th October 2010, when MoU between IIFCL and PNB, Allahabad Bank, Union Bank, Indian Bank & UCO Bank was signed. This Scheme is aimed at removing the bottlenecks in infrastructure financing by addressing ALM, Group Exposure issues, he added. The Union Finance Minister Shri Mukherjee said that in this Scheme, IIFCL can take out debt up to 20% of the Total Project Cost after the COD of the project with certain limitations. He said that there was felt need for higher take out. MoU between IIFCL and LIC & IDFC will provide for takeout upto 50% of the Total Project Cost in the ratio of 20:20:10 by these institutions respectively. Shri Mukherjee said that he expects this mechanism will help financing to the tune of ` 30,000 crore under the Scheme. This will facilitate banks to take more exposure in new projects, which in turn will help in bridging the gap in infrastructure financing to a great extent the Finance Minister added.

Details about the MoU between IIFCL, LIC and IDFC are

1. Identified project Lender(s) will offer eligible infrastructure projects for availing takeout financing to IIFCL in respect of mutually agreed accounts in accordance with IIFCL's Takeout Finance Scheme.
2. In respect of aforesaid mutually agreed accounts of infrastructure financing LIC, IDFC and IIFCL will agree to give takeout finance
 - i) enter into a quadripartite agreement, which will be the Takeout Agreement as mutually agreed between the Parties,
 - ii) LIC, IIFCL and IDFC will take out/ buy-out in the ratio of 20:20:10 respectively and take out debt upto 50% of the project cost.
3. Earlier IIFCL could take out debt upto 20% of the Total Project Cost. With this MoU in place, the take out of debt upto 50% of the Total Project Cost will be possible. This will facilitate banks to take more exposure in new projects, which in turn will help in bridging the gap in infrastructure financing to a great extent.

Take out finance is essentially a mechanism designed to enable Banks/ Lenders to avoid asset liability mismatch that may arise out of extending long tenor loans to infrastructure projects. Under this arrangement, Banks that extend credit facility to infrastructure projects enter into an arrangement with a financial institution for transferring the loan outstanding in the Banks books to the books of the financial institution who take out the loan.

Subsequent to the announcement in the FY 2010-11 general budget, Government of India (GoI) entrusted India Infrastructure Finance Company Ltd. (IIFCL) with the task of introducing the Takeout Finance Scheme (TFS). Accordingly TFS was launched on 12th October 2010 by the Union Finance Minister wherein MoU between IIFCL and PNB, Allahabad Bank, Union Bank, Indian Bank & UCO Bank was signed.

Broad features and advantages of TFS :

1. Enhances the availability of long tenor debt finance for infrastructure projects
2. It enables availability of cheaper cost of finance available for the borrower

3. Addresses sectoral / group / single party exposure issues of Banks/ Lenders who are providing long term debt financing to infrastructure projects.
4. Addresses Asset-Liability mismatch (ALM) of Banks arising out of financing infrastructure projects and also to free up capital for financing new projects.

DSM