'We are eyeing loan book of ₹93,000 crore by fiscal end'

With the Union government increasing its thrust on infrastructure by planning investments of around $1.4 trillion in FY25, the role of newly-minted institutions like the one-and-a-half-year-old National Bank of Financing Infrastructure and Development (NaBFID) has increased manifold. **Rajkiran Rai G**, *managing director, tells* **Sachin Kumar** *and* **Joydeep Ghosh** *that the institution has already hit the road running, and the draft guidelines on project finance, if implemented, would lead to a rise in funding cost and could deter lenders. Excerpts:*

As a new institution, how have things been in the first 18 months of operations?

In the first 15 months, we have already crossed ₹1 trillion in sanctions. We are trying to hit ₹1 trillion mark every year. We have already disbursed ₹45,000 crore as we speak, and we are expecting a loan book of ₹93,000 crore by March next year. We expect our loan book to touch ₹5 trillion and sanctions to cross ₹8 trillion by 2029. In terms of composition of our book, roads and energy projects, including renewables, have a share of around three-fourths in total outstanding loans.

How do you plan to grow your loan book annually?

This year, we have a sanction target of ₹1 trillion, and every year it will grow by 20-25%. Currently, one-third of my loan portfolio comprises greenfield projects and we plan to increase it to 50%.

As a banker, I have to look at risk also. I can't have 100% book in greenfield, that is very risky. We aim to keep the share of greenfield projects in the loan book at between 40% and 50%. So, out of ₹8 trillion sanctions, roughly ₹4 trillion will be greenfield projects by 2029.

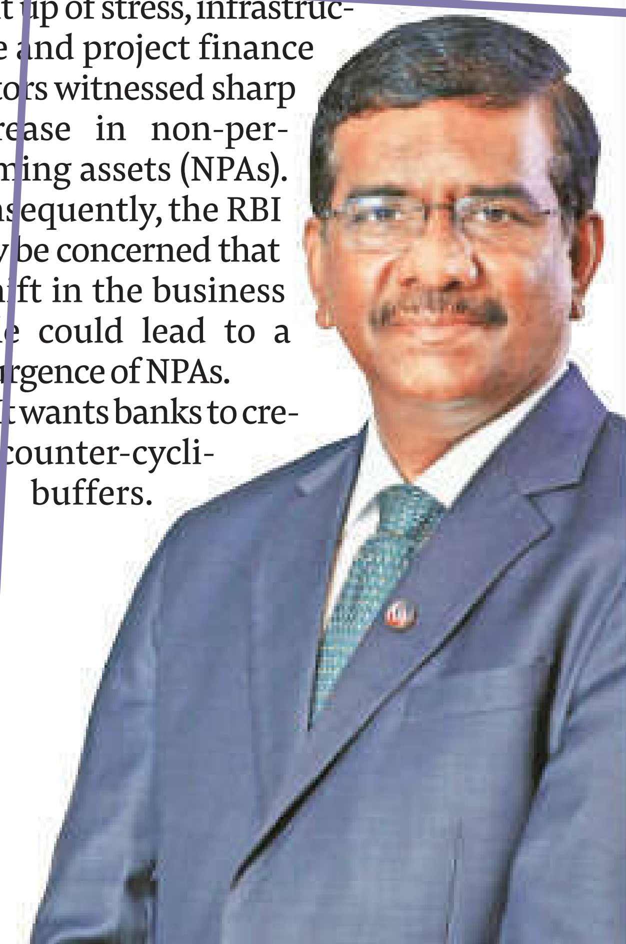
Which sectors will be in your priority list in the next five years?

It is very difficult to predict because the focus of the government may also change. There will be a lot of thrust on hydrogen and ammonia, which we have not factored in at this point of time. There will be a lot of focus on storage, like pumped hydro storage and battery storage. Battery and hydro pumped storage may have a share of 10% in the total book by 2029. Data centres are another emerging sector as India is emerging as a major hub for data centres. City gas distribution, thermal power, roads and renewable energy will also be in our focus. With the country witnessing rapid urbanisation, the demand for affordable housing will grow. So, we will also focus on affordable housing.

How do you see the increased provisioning proposal for project finance loans by the RBI?

With the country experiencing a robust growth, investment in infrastructure development is expected to increase. As investment rises, the banking regulator will be vigilant about potential stress in the system. A regulator always considers past experiences. Previously, when the financial system witnessed built up of stress, infrastructure and project finance sectors witnessed sharp increase in non-performing assets (NPAs). Consequently, the RBI may be concerned that a shift in the business cycle could lead to a resurgence of NPAs.

It wants banks to create counter-cyclical buffers.



> CURRENTLY, ONE-THIRD OF MY LOAN PORTFOLIO COMPRISES GREENFIELD PROJECTS AND WE PLAN TO INCREASE THE SAME TO 50%

Currently, we are in a growth phase and banks are reporting healthy profits. Therefore, the regulator might view this as an opportune moment for banks to maintain high provisions, ensuring they are prepared for any stress that may arise when the business cycle turns.

However, there is a need to appreciate that project finance is vital for raising growth potential of the economy. India needs infrastructure and industry to sustain higher growth for coming decades.

The proposals, if implemented, could lead to a rise in financing costs for borrowers as lenders pass on the costs on provisioning and locking of capital. It could make some projects not-so-attractive for borrowers as the internal rate of return comes down on increased funding cost. Since these are draft guidelines, after considering various representations made, I am confident that the RBI may revisit the guidelines.

How do you view your role beyond being a lending institution?

You should not look at us only as a lending institution. We are already looking at products like partial credit enhancement. Under partial credit, a company which is A rated today, we will make it AA by credit enhancement. We take the first-loss guarantee of 20% and give a guarantee that if this firm defaults, I am guaranteeing for 20% of the money which enhances its rating to AA. When it attains AA rating, the entity is able to raise money by issuing bonds.