

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF EXPENDITURE
LOK SABHA

UNSTARRED QUESTION NO. 2401

TO BE ANSWERED ON MONDAY, 4th AUGUST, 2025

13 SRAVANA, 1947 (SAKA)

RESTRUCTURING OF DEBT OF VARIOUS CORPORATIONS/SPVS

2401. Shri Chamala Kiran Kumar Reddy

Will the Minister of **Finance** be pleased to state:

- (a) the current status of the request from the State Government of Telangana for restructuring of debt of various Corporations/SPVs owned by the State Government;
- (b) whether the Government has issued or is considering to issue appropriate instructions to the relevant financial institutions for the restructuring of these loans;
- (c) if so, the details thereof and if not, the reasons therefor; and
- (d) the steps taken/being taken by the Government to support States facing debt servicing challenges?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI PANKAJ CHAUDHARY)

(a) to (c) A request was received from the State Government of Telangana regarding restructuring of loans raised by the Special Purpose Vehicles (SPVs) that are serviced from the State Consolidated Fund under Kaleshwaram Lift Irrigation Scheme. As per the information received from Ministry of Power, the State Government of Telangana has been informed that Kaleshwaram Irrigation Project Corporation Limited (KIPCL), a special purpose vehicle (SPV) established to construct the Kaleshwaram Lift Irrigation Project in Telangana, was financed by Power Finance Corporation Limited (PFC Ltd.) and Rural Electrification Corporation (REC) Limited.

These Non-Banking Financial Companies (NBFCs) raise funds from various sources in the domestic and offshore markets. Based on their cost of borrowing, they determine the lending rates, which also depend on the grading of borrower. The REC Limited has already granted a time extension for the completion of works until December, 2024 at the request of KIPCL. Further, it was also informed to the State Government that rebate on interest rate may be considered upon the completion/closure of these projects. However, any change in loan amortization schedule would result in the downgrade of KIPCL's account classification (from standard to Sub-standard) in the books of PFC/REC Ltd.in accordance with the guidelines issued by the Reserve Bank of India.

(d) All States including State Government of Telangana have enacted their Fiscal Responsibility and Budget Management (FRBM) Act, which makes the State Government responsible to ensure prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit, reduction in fiscal deficit, prudent debt management consistent with fiscal sustainability, greater transparency in fiscal operations of the government. Compliance to the Fiscal Responsibility and Budget Management (FRBM) Act is monitored by the State Legislature. The Government of India provides substantial financial support to States through devolution of taxes & duties, grant in aid for Centrally Sponsored Schemes, supports various projects under Central Sector Schemes and provided financial assistance for capital works under the scheme for Special Assistance to States for Capital Investment.
