

Guest Lecture by Mr A Khandual, Ex GM, IDBI Bank

on August 04, 2014 for the course Commercial Bank Management

Topic : Project Appraisal & Financing

On August 04, 2014 second year students of IMT Nagpur had the privilege of attending a Guest Lecture by Mr. A. Khandual, Former General Manager of IDBI Bank Ltd., as a part of the Commercial Bank Management course. The topic of the session was Project Appraisal and Financing emphasising majorly on Infrastructure Project Financing.

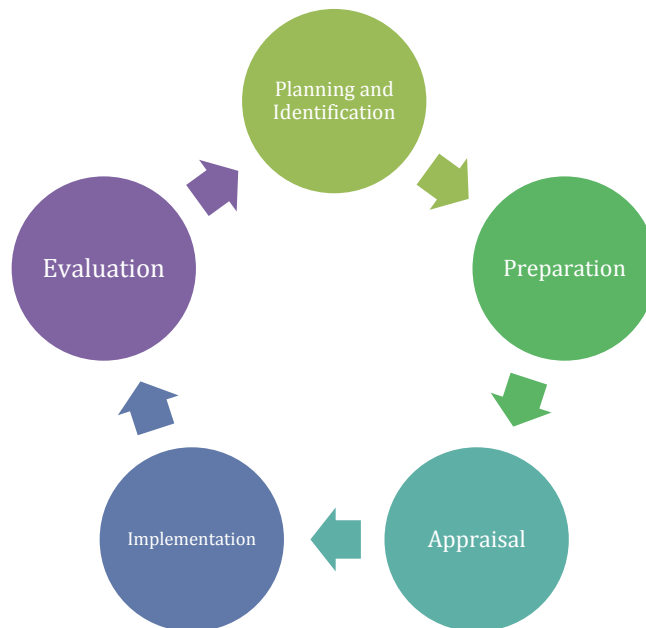
Mr. Khadual provided us insights on what basically projects are and why they are financed by banks. Concepts like asset transformation and financial intermediation by banks were also covered.

Project

It is a unique and dynamic activity normally with well-defined time and financial commitments and techniques or performance objectives.

Greenfield – New Project; Brownfield – Diversification of already existing projects

Project Lifecycle



A project is conceived to **solve a problem** (or) seize an **opportunity** for the for the business and/or economy.

Project Appraisal

Process of assessing the credibility of a project

Aspects

1. **Management Efficiency:** Assessing the company/ man behind the project
2. **Technical Feasibility:** All the physical necessities of the project. For example, Location, Technological aspects, sourcing of raw material and labour
3. **Commercial Viability:** Assessing whether the products or services produced by the project can find a market. Size of the market, existing players in the market, capacity utilization, break even point and profitability are considered.
4. **Financial Soundness:** Ensuring that the project is financially robust i.e., the cash inflows from the project should be sufficient enough to
 - Cover day to day operating expenses
 - Debt repayment
 - Return on owner's equity

Sensitivity analysis is done to determine the financial robustness of the project.

5. **Environment Impact Assessment:** The effluents generated from the project should not be harmful to the environment.
6. **Economic Metric:** Project should contribute to the economic development like employment, eradication of poverty, financial inclusion etc.
7. **Contractual Aspects:** Entering into contracts with all the parties with respect to the project to mitigate the risks associated. It is concerned with risk diversification.

Group Borrower Prudential Credit Exposure Limit

If the project is a infrastructure project, the loan sanctioned can be upto 50% of the bank's capital fund. If the project is a non infrastructure project, the loan sanctioned can be upto 40% of the bank's capital

Overall we would like to thank him for taking time out and sharing with us his valuable insights. As a result of his huge experience and expertise in the domain, it was a very interactive, enriching and fulfilling experience for the students. We also thank our Professor D.N. Panigrahi for giving us this opportunity. We look forward to more such opportunities of interaction in the future.