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WORLD BANK

# INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

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Bank Press Release No. 62/11  
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SUBJECT: \$20 million loan for  
private industry in India

The World Bank today made a loan equivalent to \$20 million to the Industrial Credit and Investment Corporation of India Limited (ICICI), a privately owned and managed development bank established to promote the growth of private industry in India. Like three earlier Bank loans to ICICI aggregating \$40 million, this loan will be used to meet the foreign exchange requirements of projects financed by the Corporation.

ICICI was organized with the advice and assistance of the Bank, and began its operations in 1955. It makes long and medium-term loans and equity investments and engages in underwriting activities. In addition, it provides technical advice and assistance in the establishment of new enterprises.

In its seven years of operation, ICICI has approved financial assistance of 427 million rupees (\$90 million equivalent) to 133 industrial concerns, over half of which are new enterprises. Loans have accounted for Rs. 296 million (\$62 million), of which 60% have been in foreign exchange; direct share subscriptions, all of which have been in rupees, have accounted for Rs. 28.6 million (\$6 million); and underwritings have amounted to Rs. 102 million (\$21 million). Funds from the earlier World Bank loans of \$40 million have been allocated by ICICI to 73 companies for a number of different industries including electrical, chemical, mechanical, shipping, textile, fertilizer, food-processing, paper, glass, and building materials.

The expansion of private industry is essential to the success of the Third Five-Year Plan. While ICICI's financial contribution represents only a small part of the total investment in the private sector, it is important as a source of foreign exchange for the private sector, as an agency for introducing new forms of term financing and underwriting techniques, and as an intermediary for arranging participation by other Indian and foreign investors in the financing of Indian industrial enterprises.

ICICI's foreign exchange lending has increased to an annual rate of about \$20 million. Most of its foreign exchange resources have now been committed, and the new loan will provide the additional foreign exchange the Corporation is expected to need over the next year.

Including the new loan and the \$40 million lent earlier by the Bank, ICICI's total resources amount to Rs. 545 million (\$115 million equivalent). These resources include Rs. 50 million of paid-in share capital, 70% of which is held by Indian shareholders and the balance by British, American and German private interests; Rs. 175 million of advances and credits from the Government of India; a \$5 million loan from the former United States Development Loan Fund (now AID); and Rs. 12 million of retained earnings.

Interest will be applied to each part of the loan at the Bank's current rate when that part is committed for one of ICICI's projects. At that time, the Bank and ICICI will agree on an amortization schedule for repayment of that part of the loan. These amortization schedules will provide for semi-annual repayments on April 15 and October 15 and for final repayment of the entire \$20 million loan not later than April 15, 1977. The loan is guaranteed by the Government of India.

This is the Bank's 30th loan in India and brings the gross total of Bank lending there to \$846 million. Taking into account cancellations, sales of parts of loans and repayments, the net amount held by the Bank is \$690 million.