

**Question:** India's largest power generator NTPC Ltd has raised 'largest ever' Samurai loan by any Asian corporate. In the light of this statements explain what is a Samurai loan and where will the funds raised under it be used? (150 words)

**Answer:**

### **Samurai loans**

- Samurai loans allow non-Japanese firms to tap into the investment capital available in Japan and borrow funds in yen, which is among the currencies with the lowest interest rates.
- The cross border syndicated loan provides the borrower with capital to either enter the Japanese market or the ability to convert the proceeds into the firm's local currency for use in existing operations.
- The loan was raised under the automatic route of RBI's External Commercial Borrowing regulations and has been fully underwritten by the State Bank of India in Tokyo, Sumimoto Mitsui Banking Corporation in Singapore and Bank of India, Tokyo.
- The facility has a door-to-door maturity of 11 years — the period within which the amount would have to be paid back — under two tranches.

### **Utility of the loan**

- The funds raised would be used towards implementing systems that would help the state-owned power giant fund capex for installation of Flue Gas Desulphurization (FGD) system that helps in substantial reduction of toxic sulphur oxide (SOx) emissions.
- It would also be invested in NTPC's new hydro projects as well as projects using ultra-supercritical technology, which are plants that require less coal per megawatt-hour and, therefore, lead to lower carbon emissions.

- Finance Minister said in her Budget speech that utilities running thermal power plants with high carbon emission levels are advised to close those plants with emissions above pre-set norms.