

Money for Sethusamudram Canal project "drying up"

"I don't think this project will ever see the light of day because there is no money," Ashish Kumar Singh, vice-president of capital markets at Axis Bank Ltd told newspapers in India

Several news sources in India report that the Sethusamudram Canal project in India may be running into potentially terminal problems.

A bank in charge of securing loans for the project says that, in the absence of required money, the project "may never happen."

"I don't think this project will ever see the light of day because there is no money," Ashish Kumar Singh, vice-president of capital markets at Axis Bank Ltd told newspapers in India. Axis was appointed 'loan arranger' for the project in 2005.

Reports note that, since the inception of the project in 2004, costs have "skyrocketed," interest rates have edged higher, and old loan terms have lapsed.

Mr Singh said another problem is that no company will dredge the channel for the kind of fees being touted currently, and Indian dredging companies don't have the required equipment.

To secure more money, Singh said Sethusamudram Corp Ltd will have to return to the drawing board, draw up new reports, sit with parliamentary committees and receive fresh approval.

In recent months, Hindu groups have staged protests against the project, forcing the Supreme Court to halt it until a hearing in January.

Despite the problems, India's Shipping minister T R Baalu has said he plans to carry on, regardless of public opinion.