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## **Build corporate bond market to fund infrastructure projects - ASSOCHAM**

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According to The Associated Chambers of Commerce and Industry of India, long term infrastructure projects call for urgent steps on part of government to develop corporate bond and debt market to enable high net worth investors to participate and provide funds, needed for infrastructure projects.

In addition, the ASSOCHAM has also urged the Finance Ministry to allow Private Equity players to access Provident and Pension funds to part finance projects in infrastructure sector as domestic PE's are finding it extremely difficult to raise its resources from their internal accruals to fully fund such projects with long gestation period.

Dr Swati Piramal president of ASSOCHAM stressed that the corporate bond and debt market need to be developed to help lowering of debt fund costs and make more debt raising options available for project developers for infrastructure sector for longer tenor.

The Chamber has emphasized the need for redefining role of NBFCs by RBI in the emerging scenario, in which infrastructure holding companies can successfully fund projects for building highways, bridges, ports etc.

According to estimates made by ASSOCHAM, infrastructure funding is estimated to an extent of USD 320 billion to USD 350 billion by 2012 in which share of private investment could be within the range of around 30%. If the government takes earlier initiatives to allow development of corporate bond and debt market with proper regulation, a large number of established corporates can float corporate bonds and raise debts to participate in infrastructure funding.

Dr Piramal however added that risk associated with raising of such bonds can be adequately taken care of with proper regulatory mechanism in place. This will ensure larger subscription to such debt raising facilities for corporates as well ensure sufficient safeguards to those that become subscriber to such bonds and debt instruments.

The ASSOCHAM has also stressed that the government should consider facilitating setting up of Infrastructure specific PE funds by domestic provident fund and insurance companies. Huge amount of money stays with public provident fund and if a part of it can be accessed by PE funds, it would facilitate infrastructure funding.

In the meanwhile, the ASSOCHAM President also emphasized that infrastructure companies be granted exemption from Minimum Alternate Tax so that their number mushroom to facilitate earlier execution of infrastructure projects on highways, roads, ports etc.

The Chamber has also pointed out stating that since infrastructure projects are of long gestation period and it is possible that the invested equity funds may look for exit ahead of listing of the project company as often these equity funds have lesser tenure.

At the same time, some of these funds could be interested to take the initial project development risk and exit by selling stake to another investor at a later period of time but before listing of the shares. Such investors should be encouraged to participate by extending long term capital gains tax exemption to pre-listing sale of shares at par with listed shares traded on stock exchange.

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