PNB may pick stake in Rs 500-cr credit enhancement fund

By: PTI | New Delhi | Published: October 2, 2016 11:37 AM

THE FINANCIAL EXPRESS

The exemption has been sought because Irdai guidelines allow an insurer not to have more than 15 per cent stake in any company as it leads to conflict of interest. (Representative Image)

Government is considering roping in two-three banks, including SBI and PNB, to pick up stake in IIFCL-anchored Rs 500-crore Credit Enhancement Fund announced by Finance Minister Arun Jaitley in the budget this year.

Besides, the Finance Ministry has requested insurance regulator Irdai to provide an exemption to allow LIC to hold beyond 15 per cent stake in the proposed venture, which is expected to be registered as the Alternate Investment Fund (AIF).

The exemption has been sought because Irdai guidelines allow an insurer not to have more than 15 per cent stake in any company as it leads to conflict of interest.

To address regulatory concerns, the government has asked India Infrastructure Finance Company (IIFCL) to spearhead the setting up of the fund since the wholly-owned government infra funding company has the requisite expertise and runs its credit enhancement scheme.

Talks are also on with 3-4 large banks, including SBI and PNB, to pick stake in the venture, sources said.

At the same time, some multilateral funding agencies like ADB and the private sector funding arm of the World Bank, IFC, has been approached for partnership in the initiative, the sources said, adding that the intention is to have a broader shareholding

provide credit enhancement to infrastructure projects.

The fund would help in raising credit rating of bonds floated by infrastructure companies and facilitate investment from long-term investors.

The move assumes significance as infrastructure firms find it difficult to raise adequate funds at competitive rates which are needed for projects with long gestation.

Companies issued Rs 4.13 lakh crore of bonds in 2014-15, according to a report by the Reserve Bank. The central bank is in favour of a separate regulatory framework for providing credit enhancement by non-banking finance companies to bolster bond ratings.