

IL&FS, LIC Plan to Set Up ₹ 10,711-Crore Debt Fund

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Infrastructure Leasing and Financial Services (IL&FS) and Life Insurance Corporation will set up a debt fund with a corpus of ₹ 10,711 crore (\$2 billion) to lend to infrastructure projects in the country.

State-run LIC, the country's largest portfolio investor, will bring in 10% in the fund while the balance will be raised by IL&FS. The fund, to be controlled and operated by IL&FS, will be launched in October.

"We have approvals from the

government and the Reserve Bank of India. We hope to get Sebi approval by June to set up an asset management company for the infrastructure debt fund so that we can start operations in October," said Ramesh Bawa, managing director and chief executive officer of IL&FS Financial Services.

The debt fund will raise long-term money from investors to lend to infrastructure projects that have long gestation periods. Other financial institutions such as IDFC, ICICI Bank and IIFCL, too, plan to set up infrastructure debt and equity

funds. In September 2011, RBI allowed banks, non-banking finance companies and mutual funds to set up infrastructure debt funds. Finance Minister Pranab Mukherjee had announced in the 2011-12 Budget the setting up of such funds to accelerate and enhance funds flow into infrastructure projects.

"The sentiment in the sector is very low, but we see a lot of business potential. There are good projects that need funding," Bawa said. IL&FS hopes to raise 51% of the corpus from foreign investors.