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MFs line up for infra debt fund launch

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Mumbai, Nov 19: Quite a few fund houses have filed their offer documents with Sebi to launch infrastructure debt funds (IDFs) in the past few months. The creation of IDFs was announced in the Budget this year to boost the long-term financing of the infrastructure sector.

Since June this year, at least six fund houses have filed their offer documents with Sebi to launch IDFs. These include Birla Sun Life AMC, ICICI Prudential AMC, Reliance MF, SBI MF, L&T MF and Axis MF.

Until now, only IDFC Mutual Fund has got Sebi's approval to set up its IDF. According to sources, Sebi is reworking guidelines for these funds, such as extending the subscription period during the IDF NFOs. They said

HNI segments," said Pandya.

The typical lock-in period for such funds is five years and the minimum ticket size is ₹1 crore. Market watchers believe that investors willing to take some amount of risk can expect to earn more than what they would expect to earn in other five-year debt products — possibly in low double digits. The returns would vary depending on the portfolio

FACTFILE

■ Creation of IDFs was announced in Budget this year to boost long-term financing of infra sector

■ Birla Sun Life AMC, ICICI Prudential AMC, Reliance MF, SBI MF, L&T MF and Axis MF have filed offer document with Sebi to launch IDFs

■ Funds promise high returns

the final guidelines could take as much as three months to crystallise. "There is a gap in the way the infra projects are funded in this country and we believe there is a lot of appetite for this kind of a product," said Himanshu Pandya, VP & head, products, ICICI Prudential Asset Management.

He added that currently investors' money has to go through a large amount of intermediation before it reaches the infra projects. IDFs launched through the mutual fund route can simplify this process for potential investors, he said. The product will be sold to super high networth individuals and even foreign investors. "It is not a retail product and, on receiving the necessary approvals, will be sold through niche channels such as private banks and IFAs operating in the

■ Low liquidity and project risk main concerns

structure and the projects involved, said market participants. Indexation benefits could also boost returns. Despite the bait of high returns, a long lock-in period could make these products unattractive to investors. The funds will be closed-ended or interval funds and investors can redeem their units through stock exchanges.

"There is a higher risk with infra projects, which could get inordinately delayed, thus putting a question mark over the kind of returns investors would make," said Dwijendra Srivastava, head, fixed income, Sundaram MF. Experts also say the current guidelines permit a high amount of risk taking, which could discomfit many investors.