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Uttar Pradesh's top cities to tap capital markets with infrastructure bonds



Looking to fund infra projects by tapping the capital markets, the development authorities of UP's top urban centres are planning to float infra bonds.

The authorities of five big cities — Lucknow, Ghaziabad, Kanpur, Varanasi and Agra — have been asked to do the preliminary groundwork, including credit rating.

“We have told the development authorities to get themselves credit rated and then explore the bonds market for projects with good financial base in terms of returns, and ability to return the money, including interest,” UP additional chief secretary, housing, Nitin Ramesh Gokarn told Business Standard.

However, the state government would not provide any sovereign guarantee on these bonds, he added.

The development authorities, for example Lucknow Development Authority (LDA), would be mandated to float bonds based on its own strong fundamentals and balance sheets.

In UP, Lucknow and Ghaziabad municipal corporations had earlier floated municipal bonds, which were later listed on the BSE.

Bond is a debt security issued by a government agency or municipality to finance capital expenditure. The investors get payments or returns on a predetermined rate of interest over a stipulated time period.

Meanwhile, the state development authorities would utilise the funds raised from the proposed infra bonds on different housing and commercial projects falling under their jurisdiction.

Depending on the success, other development authorities would be nudged to join the bonds bandwagon.

Interestingly, this comes after global financial advisory firm JPMorgan included India in its market debt index. This is expected to boost capital inflows into the country.