

Allow assured exit price to PE firms: Chamber

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Industry body Assocham has urged finance minister Arun Jaitley to allow assured exit price to private equity firms to attract more investments.

The chamber pitched for a one-time solution to the "vexed issue of assured return" on private equity investment in a letter addressed to Mr Jaitley, with copies marked to RBI Governor Urjit Patel and secretary in the department of economic affairs Subhash Chandra Garg.

It claimed that "investments worth several thousand crores of rupees stuck in litigation can be freed".

"... To send right signals to attract FDI (foreign direct investment) into the country, it is suggested that the ministry of finance and the Reserve Bank of India can invite the affected PE investors and discuss with them about the acceptable assured return as one-time solution to resolve the pending issues

which will help PE investors besides making India a much more attractive destination for future FDI," Assocham letter said.

It argued that in the last decade, India's growing economy has been significantly supported by foreign private equity investments in the country's firms, whereas pre-agreed price rights and fixed ROE (return on equity) clauses became an integral part of most private equity deals all over the world.

"Similarly, India witnessed an increasing trend where companies entered into such covenants and committed fixed ROE conversions either directly or indirectly. However, these agreements have run into regulatory hurdles.

"This has led to a precarious situation of uncertainty over the exit of PE investors from the deals and has affected the overall market sentiments which has directly affected the fund raising ability of Indian firms," Assocham said.

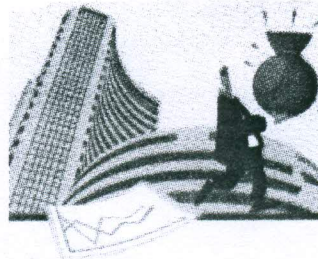
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It said while the government wants to earnestly address the issue of assured return for the PE investors for the future, it is equally important to address this issue with regard to earlier investments stuck up at various stages of litigation (like arbitration, courts etc.)

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