

## Test

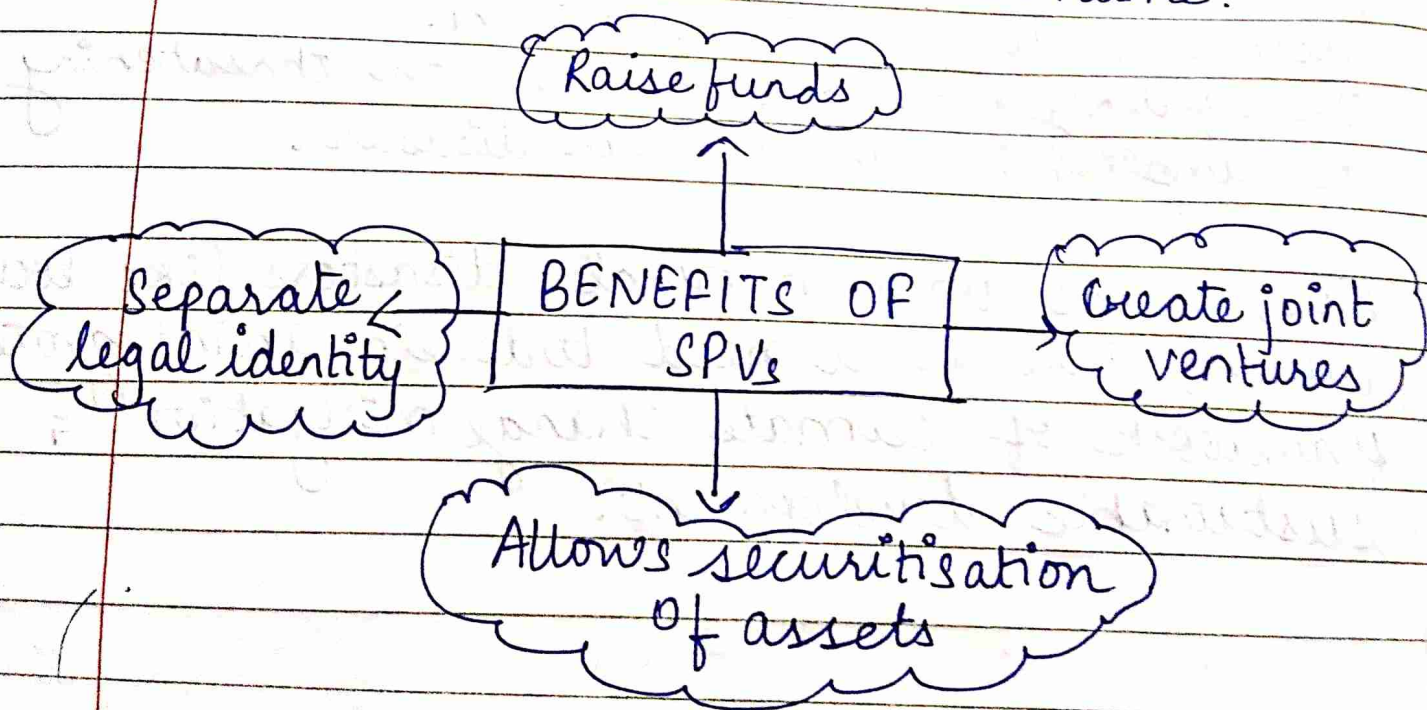
Q.1 What are Special Purpose Vehicles (SPVs)? Explain the significance in Indian context. [150w]

A.1 Special Purpose vehicles is an entity created to carry out a specific task or channel funds for projects like roads, ports, airports, etc.

↳ SPV can be formed either as a single legal entity or a joint venture.

↳ SPV has to follow the rules of formation of a company laid down in the Companies Act.

↳ It can sue and be sued in its name.



↳ Power Finance Corporation [PFC], Indian Rail Finance Corporation [IRFC] are special purpose vehicles engaged in raising funds for development of infrastructure.

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## \* SIGNIFICANCE OF SPVs IN INDIAN CONTEXT:-

- ↳ The established SPVs helps the parent company to legally isolate the risks involved in projects or operations.
- ↳ The assets of the company with the SPV remain safe and secure. It reduces credit risk for the investors and stakeholders.
- ↳ Normally, the credit rating of the SPV remains good therefore, the investors find it reliable to buy the bonds.

## CONCLUSION

Thus, Creation of SPVs by any company has benefits and risk as the same time. Therefore, SPV can be increased effectively with better governance and motivation.