

# SMEs to tap funds through CP

**New Delhi:** A CONSORTIUM of small and medium enterprises (SME) that consists of Kanohar Electricals, Chakradhar Chemicals, Technospark Industries and Sashi Cables has decided to raise \$20 million through a commercial paper (CP) from the US market.

Commercial paper is a short-term money market instrument issued by banks and corporations at a discount on the face value. This is probably the first such initiative in which a few SMEs have come together to tap foreign capital.

According to sources, Standard Chartered bank is likely to fund the consortium. As banks and corporations do not grant small amounts in

the form of commercial paper, these SMEs have joined hands to meet their capital requirement.

With rising interest rates in Indian banks, CP is a viable option for SMEs. "Smaller businesses are gradually shifting their focus from conventional banking sources to CPs which are cheaper options to raise funds," an executive with Federation of Indian Micro, Small & Medium Enterprises (FISME) told ET.

Says Kanohar Electricals chairman Dinesh Singhal: "A commercial paper is a cheaper option to raise funds. After the US bank grants the loan, the four companies will share the amount." —

**Our Bureau**