

# National Investment and Infrastructure Fund & its Infrastructure debt financing platform

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In news

The Union Cabinet approves Capital infusion into NIIF Infrastructure Debt Financing Platform

## NIIFs Infrastructure Debt Financing Platform

- Union Cabinet has given its approval to the proposal for equity infusion by Government of Rs 6000 crores in **NIIF Debt Platform sponsored by National Investment and Infrastructure Fund (NIIF), comprising of Aseem Infrastructure Finance Limited (AIFL) and NIIF Infrastructure Finance Limited (NIIF-IFL)**, subject to the following conditions:
  - That only Rs.2,000 crore would be allocated during the current year 2020-21. However, in view of the unprecedented financial situation and availability of limited fiscal space due to the prevailing COVID-19, the proposed amount may be disbursed only if there is readiness and demand for debt raising.
  - NIIF will take all necessary steps to use the equity investments from Domestic and Global pension funds and sovereign wealth funds expeditiously.
- The NIIF Strategic Opportunities Fund has set up a Debt Platform comprising an NBFC Infra Debt Fund and an NBFC Infra Finance Company.

- NIIF through its Strategic Opportunities Fund ('NIIF SOF') owns a majority position in both the companies and has already invested ~ Rs.1,899 crore across the Platform.
- The Strategic Opportunities Fund (SOF fund) through which the NIIF investment has been made will continue to support the two companies apart from investing in other suitable investment opportunities.
- The current proposal seeks GOI investment directly to further scale the potential and impact of the two entities in the infrastructure debt financing space. This will also support the efforts of the platform to raise international equity.

#### Implementation strategy and targets:

- The strategy is AIFL will predominantly focus on under construction/greenfield / brownfield assets with less than one year of operations. NIIF Infrastructure Debt Financing Platform will have its own in-house appraisal system, which will enable faster deployment of funds.
- NIIF IFL (NBFC-IDF) will operate as a take-out vehicle for mature operating assets. It will help infrastructure investors in replacing high cost bank finance with cheaper IDF finance post-commissioning.
- Over the next 5 years (NIP Plan Period), NIIF Infrastructure Debt Financing Platform can potentially support the construction of infrastructure projects worth ~ Rs.100,000 crore.
- The Platform will also need to raise external long-term equity capital as well as debt from both domestic and international markets over the next few years which could result in a multiplier of 14 -18 times of the proposed capital infusion of up to Rs. 6,000 crore from GOI.
- NIIF will make strong efforts to use the equity investments by Government to catalyse equity investments

by Domestic and Global Pension, Insurance and Sovereign Wealth Funds in the NIIF Infrastructure Debt Financing Platform

### **About National Investment and Infrastructure Fund(NIIF)**

- It is a collaborative investment platform **focused on Indian infrastructure.**
- It invests in **operating assets, greenfield projects and anchor third-party managed funds** in core infrastructure and related segments.
- The **Governing Council of NIIF is chaired by the Finance Minister** of India. It also comprises eminent members from the business, investment and policy sectors.
- The Council meets annually and provides overall guidance on overall NIIF strategy.
- Invest in operating assets, greenfield projects and anchor third party managed funds in core infrastructure and related segments.

### **Funds under NIIF**

#### **Master Fund**

- Primarily investing in operating assets in core infrastructure sectors such as roads, ports, airports, power etc.
- Invests in mature businesses with long-term track record, often operating in regulated environments or under concession or long-term agreements.
- These businesses are expected to provide predictable inflation-hedged and stable cash flows.

#### **Fund of Funds**

- Invests through India-focused private equity fund managers who have a strong track record of managing investments successfully.
- May also selectively form joint ventures with fund

managers.

- Invests in social infrastructure sectors services such as healthcare, education, digital as well as financial services, logistics and consumer services.

### **Strategic Fund**

- Aimed at growth and development stage investments in projects/ companies in a broad range of sectors that are of economic and commercial importance.
- Primarily investing in operating assets in core infrastructure sectors such as roads, ports, airports, power etc.