

CABINET APPROVES CAPITAL INFUSION INTO NIIF INFRASTRUCTURE DEBT FINANCING PLATFORM COMPRISING ASEEM INFRASTRUCTURE FINANCE LIMITED AND NIIF INFRASTRUCTURE FINANCE LIMITED

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Banking, NPAs and RBI

The Union Cabinet, chaired by the Prime Minister, Shri Narendra Modi 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:

This was one of the twelve key measures made by Union Minister for Finance & Corporate Affairs Smt. Nirmala Sitharaman, as part of Government of India's stimulus to the economy, under AatmaNirbhar Bharat 3.0 on 12th November, 2020.

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. With the fresh infusion of equity by the government, besides the equity already infused by NIIF SOF and potential equity participation from the private sector, the debt platform is expected to raise enough resources to extend debt support of Rs.1,10,000 crore to projects by 2025.

Implementation strategy and targets:

Expenditure involved:

Rs 6,000 crores will be invested as equity in the NIIF Debt Platform over two financial years, i.e., 2020-21 and 2021-22.

Impact:

NIIF Infrastructure Debt Financing Platform is expected to contribute nearly Rs 1 lakh crores in debt to the infrastructure sector over the next 5 years. This will act as a catalyst in attracting more investments into the infrastructure sector as envisaged in National Infrastructure Pipeline.

This process will also help relieve exposure of banks to infrastructure projects and free up space for new green-field projects. Strengthening the IDF / take-out financing space in the infrastructure sector will support enhance liquidity of infrastructure assets and lower the risks.

In India, infrastructure projects are executed through SPVs. Typically, the SPVs on a standalone basis would find it challenging to get investment grade rating, even after the completion of construction. It is also expected that the Debt platform will raise debt from the Bond market and serve as a trusted intermediary. AIFL is rated AA by Care ratings and NIF-IFL is rated AAA by Care Ratings and ICRA. Bond investors seek lower margins than banks, but prefer to invest in debt of AAA / AA rated entities, to meet their own risk management guidelines. Long term bond investors including Pension and Insurance Funds typically invest in bonds rated AAA.

It is expected that well-capitalized, well-funded and well-governed NIIF debt Platform can play a major role in infrastructure financing and development of Bond Market in India by acting as a AAA/AA-rated intermediary between the bond markets and infrastructure projects and companies.

Background:

As per the National Infrastructure Platform (NIP), investment in infrastructure sector is targeted at Rs.111 lakh crore over the next 5 years across various sub-sectors, creating substantial need for debt financing. This would require at least Rs 60 to 70 lakh crores in debt financing. This current environment requires well-capitalized specialized infrastructure focused financial institutions, such as the ones being developed by National Investment and Infrastructure Fund (NIIF), which can focus on lending across the project life cycle with a strong capital base and expertise driven approach.

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