

# **INDIA INFRASTRUCTURE FINANCE COMPANY LTD. (IIFCL)**

**(A Govt. of India Enterprise)**

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# MISSION AND VISION

## Mission Statement

*"To adopt best practices in financing infrastructure and develop core competencies in facilitating infrastructure development. Develop a team of highly engaged employees to deliver services in a professional manner and to the satisfaction of all stakeholders."*

## Vision Statement

*"Provide innovative financing solutions to promote and develop world class infrastructure in India."*

# Establishment of IIFCL & IIFCL's Mandate

## IIFCL – Incorporated in 2006

Governed by  
a Scheme  
called **SIFTI**  
*(Scheme for  
Financing  
Viable  
Infrastructure  
Projects)*  
approved by  
the  
Government

Gives  
overriding  
priority to  
Public Private  
Partnership  
(PPP)  
projects

Supplements  
available long  
term Debt  
resources

## IIFCL

(A Govt. of India Enterprise)

Provides long term financial support to infrastructure projects in India through Direct Lending, Subordinate Debt, Takeout Finance and Credit Enhancement

### 100% subsidiaries

**2008**

IIFC (UK) Ltd.

Provides Foreign Currency Loans to Infra projects in India for import of Capital Goods

**2012**

IIFCL Projects Ltd (IPL)

Provides advisory & development services for the Infra Projects

**2012**

IIFCL Asset Management Co. Ltd. –Infrastructure Debt Fund (IDF)

To provide cost effective, long term alternative source of finance to Infrastructure projects in India, through mutual fund route.

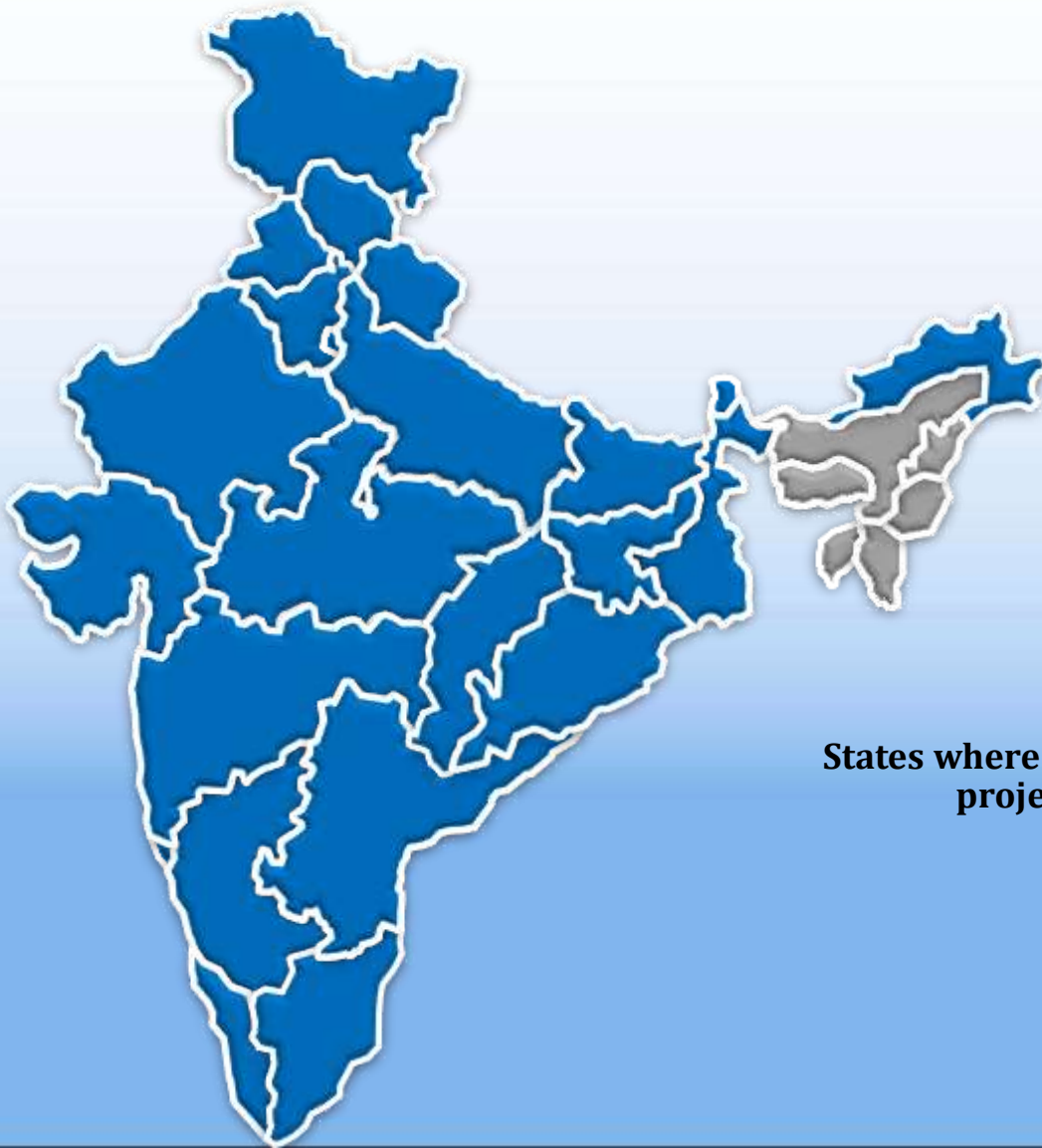
### Associate Companies

Irrigation & Water Resources Finance Company Limited (IWRFC)

Provides financial support to Water and Irrigation projects in India.

GoI has approved IWRFC to become subsidiary of IIFCL and subsequent merger of IWRFC in IIFCL

# IIFCL's Footprint in India



States where IIFCL financed  
projects are located



# Sectors Eligible Under SIFTI

## Harmonized List of Infrastructure Sub Sectors

### ***Transport***

Roads and bridges, Ports, Inland Waterways, Airport,  
Railway Track, tunnels, viaducts, bridges  
Urban Public Transport (except rolling stock in case of urban road transport)

### ***Energy***

Electricity Generation, Transmission, Distribution, Oil pipelines,  
Oil/Gas/Liquefied Natural Gas (LNG) storage facility, Gas pipelines

### ***Water Sanitation***

Solid Waste Management, Water supply pipelines, Water treatment plants,  
Sewage collection, treatment and disposal system, Irrigation (dams,  
channels, embankments etc.)  
Storm Water Drainage System

### ***Communication***

Telecommunication (fixed network)  
Telecommunication towers

### ***Social and Commercial Infrastructure***

Education Institutions (capital stock), Hospitals (capital stock)  
Three-star or higher category classified hotels located outside cities with  
population of more than one million  
Common infrastructure for industrial parks, SEZ, tourism facilities and  
agriculture markets, Fertilizer (Capital investment), Post-harvest storage  
infrastructure for agriculture and horticultural produce including cold  
storage  
Terminal markets, Soil-testing laboratories, Cold Chain

# Present Offerings

## Direct Lending

For Infrastructure Projects (priority to PPP Projects)

Lending as part of the consortium

IIFCL exposure limited to 20% of Total Project cost

## Takeout Finance

For Banks & FIs to free their capital & transfer risk to IIFCL

For post COD projects

limited to 30% of Project Cost (incl. Direct Lending)

## Subordinate Debt

For infrastructure projects in the form of quasi equity

For projects bid through competitive bidding process

IIFCL exposure not to exceed 10% of the total project cost and shall form part of the maximum limit of 20%

## Credit Enhancement (Pilot Phase)

For Infrastructure projects to tap the bond markets

Presently in pilot phase

IIFCL exposure limited to min. of:  
1.40% of Total Project cost (20% without backstop guarantor)  
2.50% of Bond Issue Size  
3. Extent of PCG required to raise the rating to AA

## Refinance Scheme

For Banks & Financial Institutions against their lending to infrastructure projects

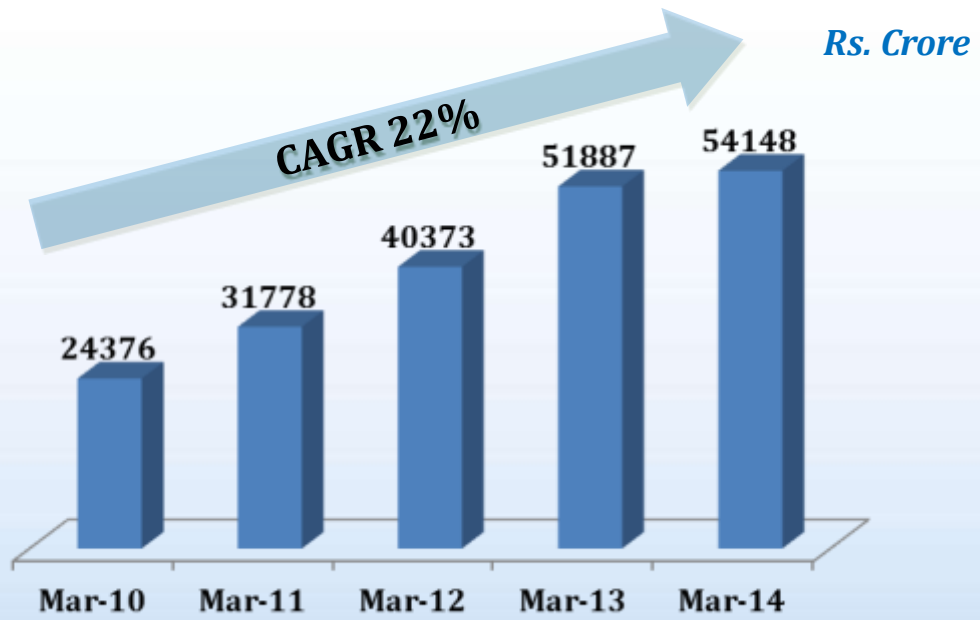
IIFCL exposure limited to 80% of the loans provided by the Banks to infrastructure projects

**IIFCL is mandated to give priority to PPP Projects**

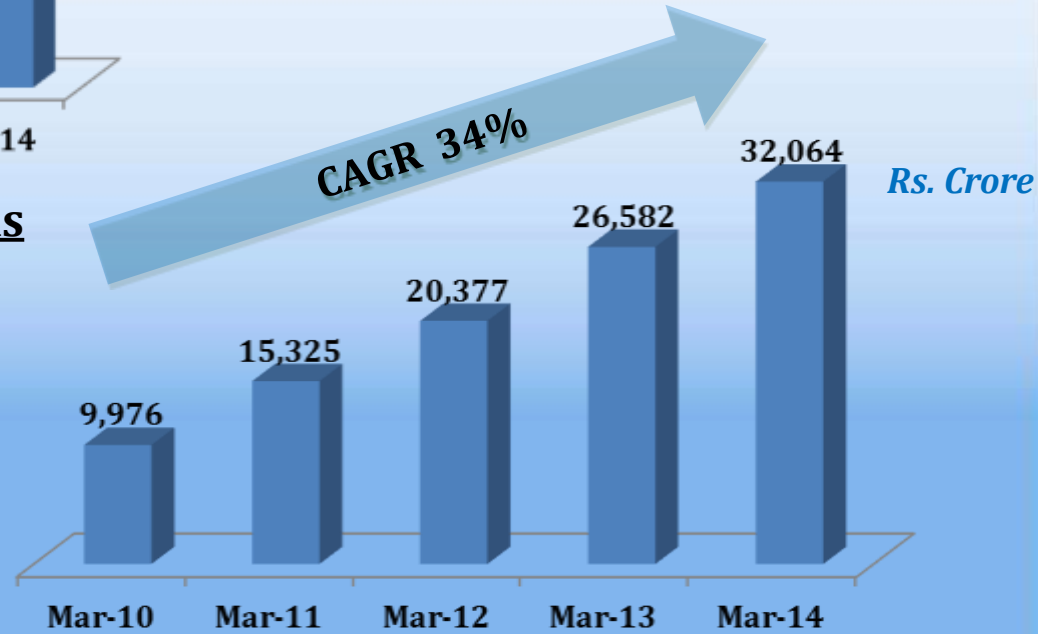


# Business Performance Highlights

(Standalone)



**Cumulative Gross Sanctions**



**Cumulative Disbursements**

# Business Performance Highlights

(Standalone)

<b>PARTICULAR(S)</b>	<b>HASLF YEAR ENEDED  30<sup>TH</sup> SEPTEMBER 2014</b>	<b>YEAR ENDED  31<sup>ST</sup> MARCH 2014</b>	<b>YEAR ENDED  FY 31<sup>ST</sup> MARCH 2013</b>
<b>Item Name</b>	<b>(Rs. In Cr.)</b>	<b>(Rs. In Cr.)</b>	<b>(Rs. In Cr.)</b>
<b>Profit After Tax (PAT)</b>	388.96	521.42	1046.99
<b>Debt Equity Ratio</b>	4.82	5.46	6.07
<b>Return on Assets (ROA)</b>	1.01% (Not annualised)	1.41%	3.32%
<b>Net Interest Margin (NIM)</b>	2.11%	3.53%	4.45%
<b>Debt Service Coverage Ratio (DSCR)</b>	1.52	1.36	1.81
<b>Capital to Risk Adjusted Ratio (CRAR)</b>	24.49%	24.82%	19.04%

- **Environmental and Social Safeguard Framework (ESSF)**
  - ESSF was developed in 2007 with ADB's assistance. ESSF was updated in 2010 to reflect ADB's Safeguard Policy Statement 2009 and again in 2013 in line with ADB's requirements.
- **Environment & Social Safeguards Management Unit (ESMU)**
  - To meet ADB's requirement, IIFCL has set up a full fledged ESMU since 2009, which prepares Due Diligence Reports and annual safeguards audit reports on environmental & social safeguards compliances.
  - 49 Environmental and Social Due Diligence Reports, submitted by IIFCL, have been approved and appreciated by ADB.
- In addition to the above, IIFCL has a **Procurement Cell** to evaluate the procurement process of infrastructure projects.

## IIFCL - ADB relationship

- IIFCL – ADB relationship began in 2006 since the inception of IIFCL's operation. The first MFF, India Infrastructure Project Financing Facility (IIPFF I) of \$500 million, was approved by ADB in 2007.
- Further, ADB approved \$700 million in 2009 under the Second India Infrastructure Project Financing Facility (IIPFF II).
  - IIFCL has fully utilized the total facility of \$1.2 billion, under IIPFF I & II for 50 projects **much before the scheduled closing date of Dec 2014**.

- Further, ADB approved loan of \$700 million under new MFF facility for Accelerating Infrastructure Investment Facility in India (AIIFI), the first tranche amounting to \$400 million has been signed on 22 Jan. 2014. **Against the same, as on date IIFCL has drawn USD 108 mn and expected cumulative disbursement by Dec 14 is likely to be USD 150 mn.**

Further, keeping in view IIFCL's past performance, ADB has for the first time allowed a free limit of USD 30 million.

Under this facility the projects funded by IIFCL under its Direct Lending Scheme, **Sub-Debt Scheme and Takeout Finance Scheme** will be eligible for ADB funding.

## Utilization under– IIPFF I & II

	Tranche	Amount (\$ mn)	Amount Used (\$ mn)	No of Projects (COD achieved)	Project Cost (USD mn)	IIFCL's Exposure (USD mn)	Sectors
<b><u>IIPFF - I</u></b> <b><u>(\$ 500 mn)</u></b>	<b>I</b>	<b>300</b>	<b>500</b>	<b>30 (28)</b>	<b>4,783</b>	<b>494</b>	<b>Airport, Highway</b>
	<b>II</b>	<b>200</b>					
<b><u>IIPFF – II</u></b> <b><u>(\$ 700 mn)</u></b>	<b>I</b>	<b>210</b>	<b>210</b>	<b>5 (5)</b>	<b>4,765</b>	<b>430</b>	<b>UMPP, Highways, Power Transmission</b>
	<b>II</b>	<b>250</b>	<b>250</b>	<b>9 (3)</b>	<b>7,330</b>	<b>714</b>	
	<b>III</b>	<b>240</b>	<b>240</b>	<b>6 (1)</b>	<b>7,150</b>	<b>730</b>	
<b>AIIFI</b> <b>(\$700mn)</b>	<b>I</b>	<b>400</b>	<b>108</b>	<b>6</b>	<b>1,896</b>	<b>289</b>	<b>Highway</b>
		<b>1600</b>	<b>1308</b>	<b>56</b>	<b>25924</b>	<b>2,657</b>	

ADB line of credit of \$1.2 billion has been utilized to support 50 PPP project with aggregate cost of USD 24.03 billion, thereby **leveraging almost 20 times**.

Out of the 56 projects supported through ADB line of Credit, 37 projects have already achieved commercial operation.

## Credit Enhancement (Pilot Phase)

The ADB relationship with IIFCL encompasses the following products:

- Direct Lending
- Take Out Finance
- Subordinate Debt

### **-Partial Credit Guarantee**

ADB has approved a guarantee facility to issue partial credit guarantees without a government counter guarantee for an amount upto USD 128 million.

ADB has agreed for the first transaction on pilot basis.  
Discussion for 2 other proposals are underway.

## IIFCL - ADB Relationship

The relationship with ADB has brought several long term benefits to IIFCL, like:

- ADB Line of Credit is a long term source of fund to IIFCL at a reasonable cost
- Helped in reducing the weighted average cost of funds of IIFCL
- Enabled IIFCL to provide funding to Infrastructure Projects at a very competitive rate and for longer tenure.
- Helped in capacity development in the fields of Environmental, Social Safeguards, monitoring, procurement, risk evaluation.

So far, we have enjoyed mutually beneficial relationship over the years made possible by the team work between IIFCL and ADB and we are hopeful that this relationship will further mature and proper in times to come.



# ADB & IIFCL – A Success Story

- Setting up of an Environmental & Social Management Unit (ESMU) at IIFCL
- Regular training of IIFCL's operational staff including ESMU to various training programs conducted by ADB in the areas of procurement, safeguards management, project finance, selection of consultants, etc.
- Preparation of ESDDR with inputs based on observations during site visits, available documents, discussions with the stakeholders, etc.
- Practical and logical approach adopted by ADB

- IIFC (UK) was incorporated in February 2008
  - Main objective to provide Foreign Currency Loan for Import of Capital Equipment by Infrastructure Projects in India;
  - Reserve Bank of India has extended up to US \$ 5 billion to IIFC (UK) for subscription to Sovereign Guaranteed Bonds;
  - So far, it has sanctioned around US \$ 5 billion and has disbursed around US \$ 1 billion

# IIFCL MUTUAL FUND - IDF



- **IIFCL set-up IDF under the Mutual Fund route – IIFCL Mutual Fund (IDF) in August 2012.**
- **Established IIFCL Asset Management Company Ltd. (IAMCL) as the Asset Management Company of IIFCL MF (a 100% subsidiary of IIFCL, registered under Companies Act and accorded approval by SEBI in January 2013)**
- **Board of Director consists of 6 members with 3 independent directors (IIFCL's Chairman being the Chairman of the Board)**
- **IIFCL MF and IAMCL - first government owned IDF to be granted approval by SEBI.**
- **IIFCL is the “Sponsor” of IIFCL MF**
- **Regulated by SEBI (Mutual Funds) Regulations, 1996**
- **Administered by a Board of Trustees, with CGM, IIFCL; GM, OBC; DGM, PNB and Field GM, Central Bank of India as its 4 members**

## Scheme:

- First IDF Scheme of IIFCL Mutual Fund (of Rs 300 cr) launched in June 2013 by Hon'ble FM
- 10 Year Close ended Scheme rated **AAA**
- IIFCL as the Strategic Investor and other 4 investors (HUDCO, OBC, Canara Bank, Corporation Bank) contributed Rs 300 Cr through private placement
- The Scheme was closed on 6<sup>th</sup> February 2014
- **First IDF scheme to be listed on BSE**
- Proposed to raise further **Rs. 750 to Rs. 2000 Crore** in the current fiscal under new IDF schemes
- Discussions initiated with World Bank/IFC, Luxembourg Funds, Korean Exim Bank, Foreign Banks, Domestic Insurance Companies, other domestic investors.

- 100% subsidiary of IIFCL set up in 2012, to provide Project development and advisory services
- Currently engaged in providing Project Appraisal; Debt Syndication (PAD) and Transaction Advisory (TA) services to infrastructure projects across sectors. Increased focus to be given to working with both centre and state governments in an advisory role
- Completed appraisal of 20 projects in various sectors such as Roads, Power Generation (renewable as well as non-renewable), Warehousing, Airport, Water, Tourism, SEZ etc.
- Supporting IIFC (UK) in handling the credit processes for 24 projects for which IIFC (UK) is one of the consortium lenders.

## *The way forward: PPP financing*

## -Indian Scenario

- The road infrastructure services sector witnessed announcement of 83 new projects worth Rs.11,700 crore during the year ended 2013-14.
- The target for capacity addition during 2013-14 was 18,432 MW against which a Capacity of 19,685.35 MW was installed till 31st March, 2014.
- The Ministry of Shipping targeted the award of 30 projects in 2013-14, involving a capacity of over 250 million tonnes. Of these, 23 projects have already been awarded involving a capacity addition of 116 million tonnes.
- The passenger traffic has crossed 169 million mark and has achieved 169.03 million (46.62 million International and 122.41 million Domestic) during 2013-14. During the year the total freight traffic has increased to 2,279.12 thousand tonnes from 2,190.55 thousand tonnes, registering an increase of 4.0 percent.
- Large scope for states and ULBs to scale up PPPs
- AP, Karnataka, MP & Gujarat leading practitioners of PPP
- Railways likely to be largest Concessioning Authority in future

# PPPs In India

Sector	No of Projects	Value (Rs Cr)
Airports	05	19,111
Education	17	1,850
Energy	56	67,245
Healthcare	08	1,833
Ports	61	81,038
Railways	04	1,570
Roads	405	176,425
Tourism	50	4,486
Urban Dev	152	29,475



# Factors Contributing to Success of PPP Model in India

- Political Will & Bureaucratic support
- Demonstration effect of Gujarat – GID Act 1999
- Setting up of VGF & IIPDF by GOI
- ADB s TA – 4890: Mainstreaming PPPs & TA -7625 : Deepening PPPs
- Strategy to do PPPs first in sectors amenable to user charges
- Development of SBDs for various sectors
- Empanelment of Transaction Advisors by DEA

# Challenges faced by PPPs in India

Five major areas need urgent attention:

- A stronger policy and ***regulatory framework*** both at the centre and states
- Appropriate market instruments and the capacity to raise long term equity and debt
- Shelf of bankable PPP projects has to be expanded
- Govt has to strengthen its capacity to manage PPP projects
- Private sector capacities to do PPPs also need to be augmented
- Greater Emphasis on development of Models for Social Sectors

GOI actively promoting PPPs in key infra sectors of transport, power, urban infrastructure, tourism, ports, airports & railways

## **Initiatives by Govt. of India:**

- Financial Support to PPPs in Infrastructure: VGF Scheme
- Financing Viable Infrastructure Projects through a SPV: IIFCL
- India Infrastructure Project Development Fund
- Transaction Advisers for PPP Projects
- Standardization of Model bidding documents
- Development of Model Concession Agreements

## To conclude

- India's recent progress in developing PPPs has been very impressive and has generated a lot of private sector interest;
- Sustaining and accelerating the present progress will need strengthening of policy and regulatory frameworks and substantial improvement in government capacity to manage PPP transactions and overseeing them when they are in operation;
- At present the principal challenge is to develop a shelf of bankable projects; especially in Social Sectors
- Finance is perhaps not the binding constraint right now, but could increasingly become an issue as the program is scaled up.

**THANK YOU**