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# NIIF INFRASTRUCTURE FINANCE LTD. (NIIF IFL)

## INFRASTRUCTURE FINANCING – WAY FORWARD

October 16, 2019

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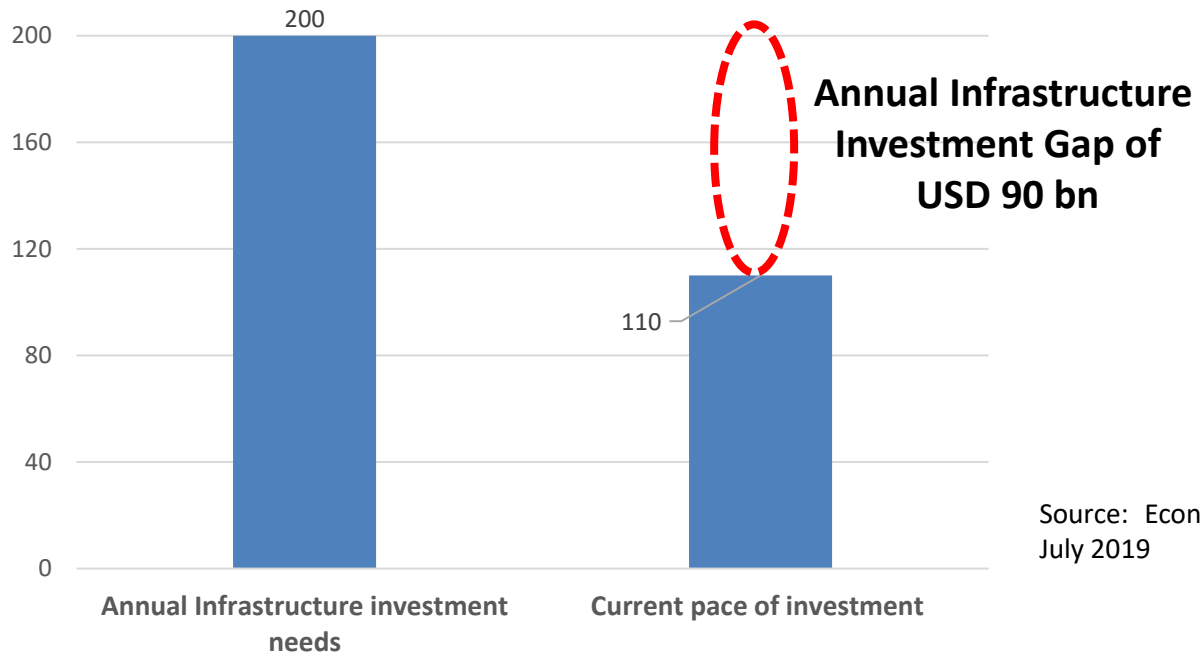
Way Forward

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# India Infrastructure Financing - Opportunity

# Infrastructure Financing in India - Opportunity

**USD 5 trillion economy by 2024-25**

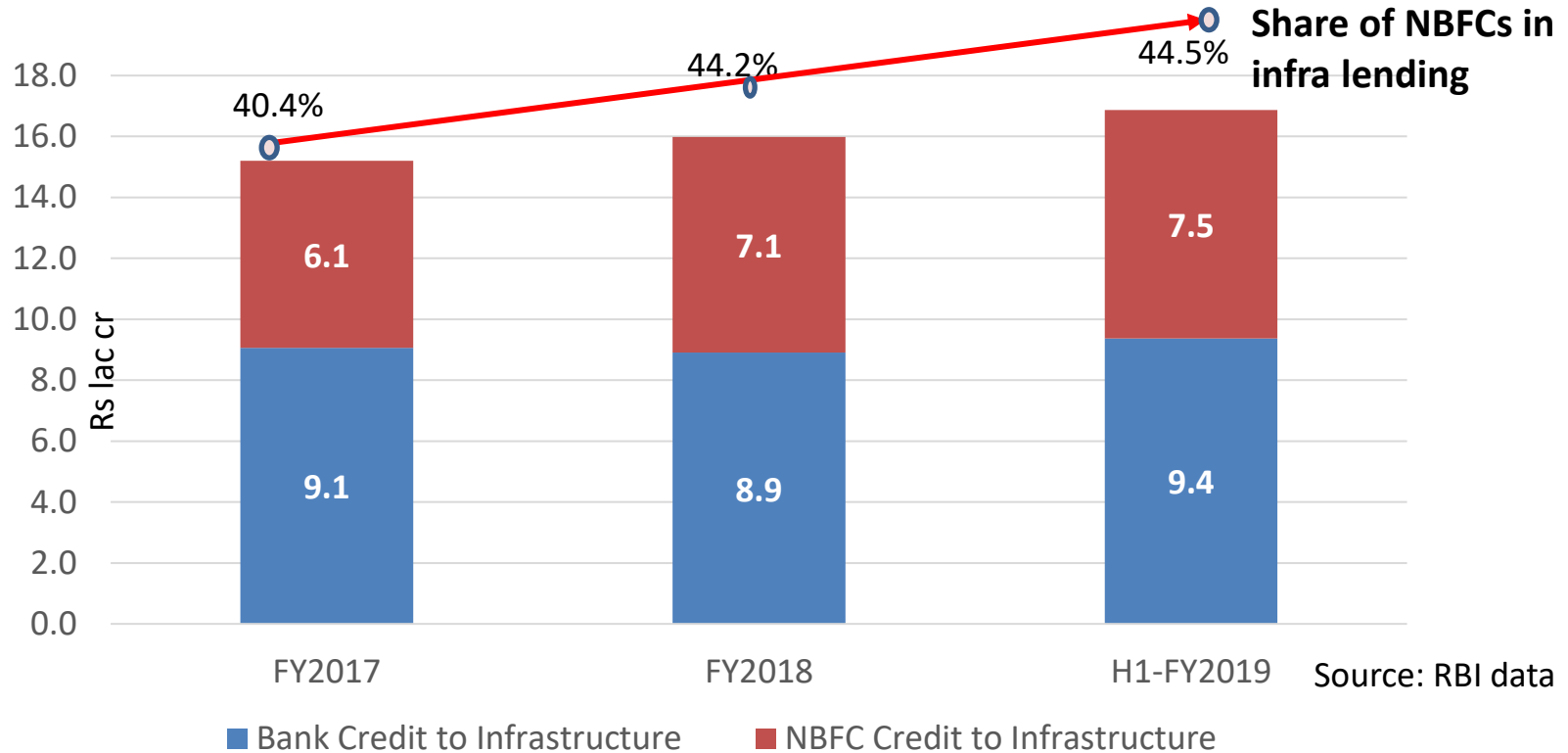


Source: Economic Survey – July 2019

- ~ USD 1 trillion of infrastructure spending in next 5 years, needs huge amount of debt.

***It is imperative that bank limits be freed to meet the growing credit demand from the infrastructure sector.***

# Infrastructure Lending



- Bank credit to infrastructure has plateaued.
- The slack has been picked up by the NBFCs – NBFC's share in total credit to infrastructure has increased from 40.4% to 44.5%

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## Journey of NIIF IFL

# Evolution of Infrastructure Debt Funds (IDFs)

*Finance Minister of India had announced setting up of IDFs in his budget speech of 2011-12*

**Nov 2011:**  
RBI issues regulations  
– IDFs allowed to lend only to PPP projects with project authority (typically roads).

**Feb 2013:**  
First IDF-NBFC license issued by RBI

**May 2015:**  
RBI broadens the norms - IDFs allowed to lend to all infrastructure projects.

**April 2016:**  
IDF NBFCs allowed to raise short term funds upto 10 % of total borrowings

## Objectives of IDFs:

- Provide long term financing
- Free up headroom of banks
- Reduce Asset-Liability mismatch of banks
- Channelize alternate funding sources
- 4 IDF-NBFCs and 2 IDF-MFs are in operations
- Income is tax exempt

# Evolution of Infrastructure Debt Funds (IDFs)

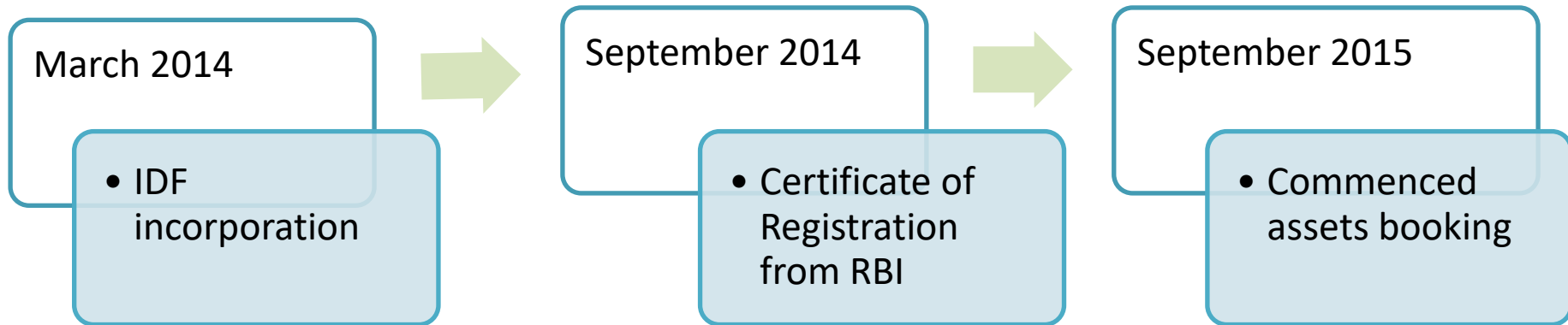
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- IDFs are in the business of refinancing of infrastructure projects with atleast one year of **satisfactory** performance post COD.
- IDFs are mandated to have atleast 90% of their borrowing with minimum maturity of 5 years.

*RBI / GOI, through these regulations, laid the foundation for a robust business model for IDFs.*

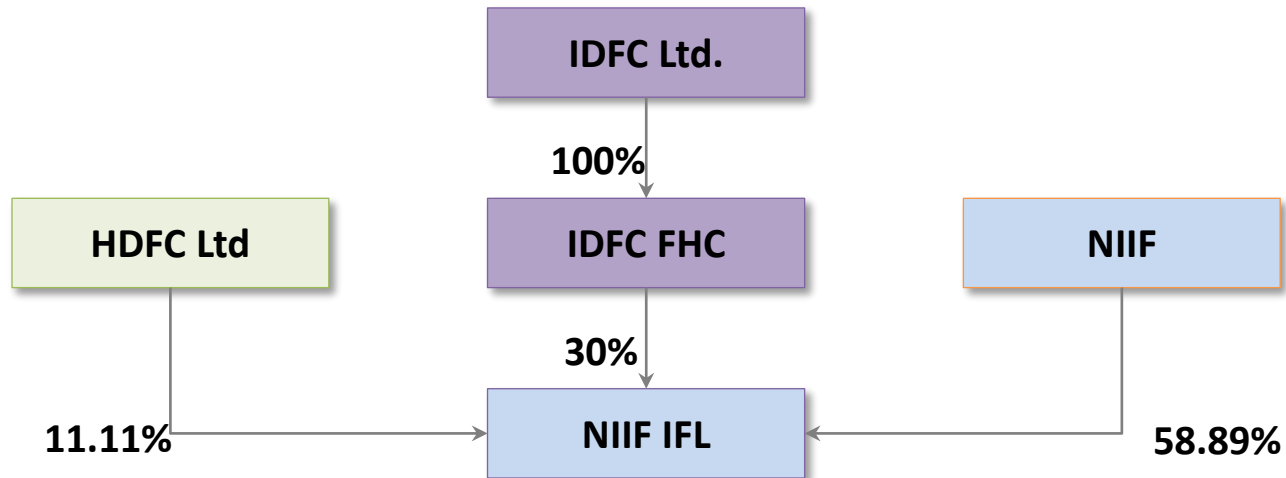


# NIIF IFL – Journey so Far



*While we received RBI registration in September 2014, we began booking assets only after the RBI broadened IDF regulations to allow lending to all infrastructure projects*

# NIIF IFL – Journey so Far



***NIIF acquired control of the company in March 2019.***

***Final shareholding proposed: NIIF (directly / indirectly) - 88.89%, HDFC Ltd- 11.11% .***

# NIIF IFL – Board of Directors



**Mr. Gautam Kaji**  
*Independent  
Director*

- In a career spanning almost 30 years in economic and development policy formulation and implementation with the World Bank, Mr. Kaji played a key role in helping the institution meet the development needs of its more than 180 member nations. In the process, he earned a worldwide reputation as a leading expert on global economic and financial issues.



**Ms. Ritu Anand**  
*Independent  
Director*

- 35+ years of extensive experience in working with financial institutions, multilateral development agencies and government and regulatory authorities in the areas of economics and public policy
- She was Group Head, Chief Economist and Principal Advisor at IDFC Limited
- She also served as Chief Economic Advisor and Deputy Managing Director of SBI. She also worked as the Lead Economist at World Bank, Washington DC, U.S.



**Mr. A K T Chari**  
*Nominee Director  
of NIIF*

- 35+ years of experience in Project Finance
- Prior to joining IDFC, Mr. Chari worked with IDBI for 25 years where he held the position of Chief General Manager/Adviser – Corporate Finance. In this role, his responsibilities included appraisal of projects – infrastructure and industrial, project monitoring and portfolio management in the SME and venture capital sectors



**Mr. Surya Prakash  
Rao Pendlaya**  
*Nominee Director  
of NIIF*

- Mr. Rao has over three decades of experience in the Indian financial system, in areas including corporate finance, project finance, infrastructure lending, infrastructure investments, and credit risk management.
- Mr. Rao is Executive Director at NIIF. Prior to joining NIIF, he was the Chief General Manager at State Bank of India. He was also the Deputy CEO of SBI Macquarie Infrastructure Fund



**Mr. Rajiv Dhar**  
*Nominee Director  
of NIIF*

- Mr. Dhar has over 30 years of experience in managing diverse business operations across multiple sectors
- Mr. Dhar is Chief Operating Officer at NIIF. Prior to joining NIIF, he was Executive Director with Omzest Group. He has also worked with Tata Group as Vice President at Tata Industries Limited

# NIIF IFL – Board of Directors .. contd



**Mr. Sunil Kakar**  
*Nominee Director  
of IDFC Ltd*

- Prior to joining IDFC, Mr Kakar worked with Bank of America for 18 years in various senior roles. After Bank of America, Mr. Kakar was the CFO at Max New York Life Insurance Company since 2001. He joined IDFC in 2011 as the Group Chief Financial Officer. After the demerger of IDFC Ltd and IDFC Bank, he moved to the bank as one of the founding members that led the transition of IDFC into a universal bank



**Mr. Suresh Menon**  
*Nominee Director  
of HDFC Ltd*

- Mr. Menon is the Member of Executive Management of HDFC Limited and is responsible for Policy Implementation and Process Monitoring, Internal Audit and Information Technology – User Support Group. He has been associated with HDFC Limited since 1984. He is a member of the Risk Management Committee of HDFC Limited and a Director on the Board of HDFC Property Ventures Limited. He was also deputed as the CEO of HDFC General Insurance Company in 2007-2008

# NIIF IFL – Management Team



**Mr. Sadashiv S Rao**  
Chief Executive  
Officer

- 32+ years of experience in project finance, investment banking and advisory services. In his previous roles at IDFC, he held the positions of Chief Risk Officer, Chief Credit Officer.
- In his previous experience, he also held key positions with ICICI Ltd., Hindustan Petroleum Corporation Ltd. and Procter & Gamble



**Mr. Debabrata Mukherjee**  
Head – Business

- 25+ years of experience in financial services with leading Indian and global institutions across corporate and project finance, special situation investments, advisory services and investment banking
- He is primarily responsible for business development and management of the asset portfolio
- Prior to joining IDFC, he worked in the areas of corporate finance and investment banking and held key positions in ASK Raymond James, BNP Paribas and SBI Capital Markets



**Mr. Dhananjay Yellurkar**  
CRO

- 30 years of experience in the financial services sector.
- He is primarily responsible for leading the credit risk function, developing and implementing NIIF IFL's risk management framework
- Prior to this, he was Head – Risk and Asset Monitoring Group at L&T Infrastructure Finance Company Ltd. He also held key positions with CRISIL, Ernst &Young, ICICI Ltd



**Srinivas Upadhyayula**  
Head – Legal  
& Compliance

- 25+ years of rich experience in the legal field. Prior to this role, he was Senior Director (Legal) in the Special Situations Management Group (SSMG) of IDFC Ltd.
- Prior to IDFC, He was working with Asset Reconstruction Company (India) Ltd (ARCIL) as Senior Vice -president & Group Head – Legal. He also worked with Sterling Tree Magnum(India) Ltd and as Law officer in Canara Bank & as DGM(Legal) IDBI Bank Ltd.



**Mr. Sanjay Ajsaonkar**  
CFO

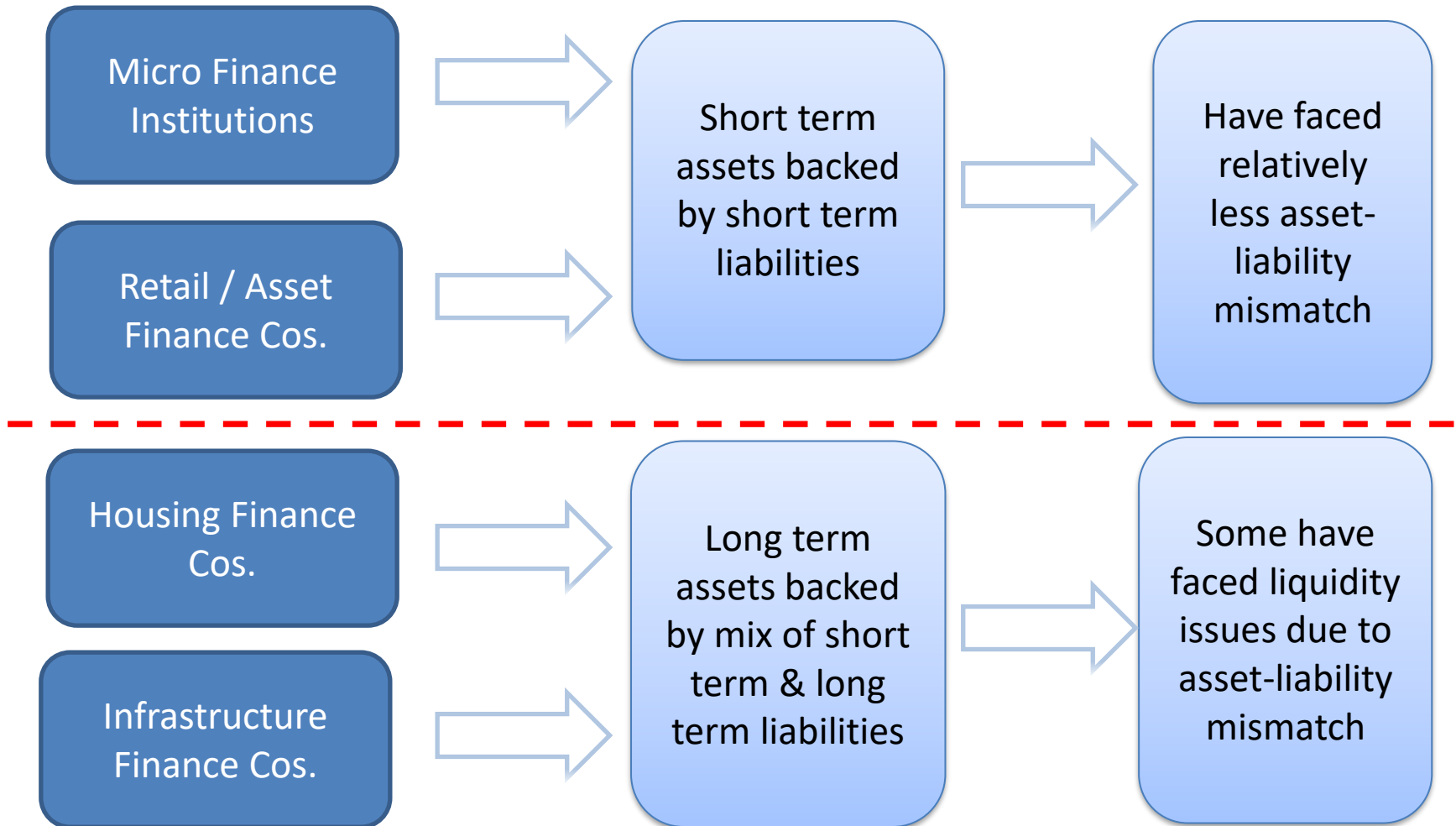
- 23+ years of experience in finance, accounting, taxation, management reporting and compliance
- Prior to this, He has worked with IDFC Alternatives, Blue River Capital, HBL Global (a group company of HDFC Bank Limited), Tata Finance Limited

**Senior management team with 125+ years of cumulative experience.**

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## Current NBFC Landscape

# Operating NBFCs – Current Landscape



# IDFs – A Unique Class of NBFCs (Liabilities)

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- Long tenor assets financed by long tenor liabilities.
  - IDFs are mandated to have atleast 90% of their borrowing with minimum maturity of 5 years.
  - IDFs raise resources mainly from long-term investors such as retirement benefit funds, insurance companies
- Minimal interest rate risk (Majority of assets are with fixed interest rates).
- IDFs provide amortizing loans that provide regular cash inflows.

***IDFs face minimal asset-liability mismatches***



# IDFs – A Unique Class of NBFCs (Assets)

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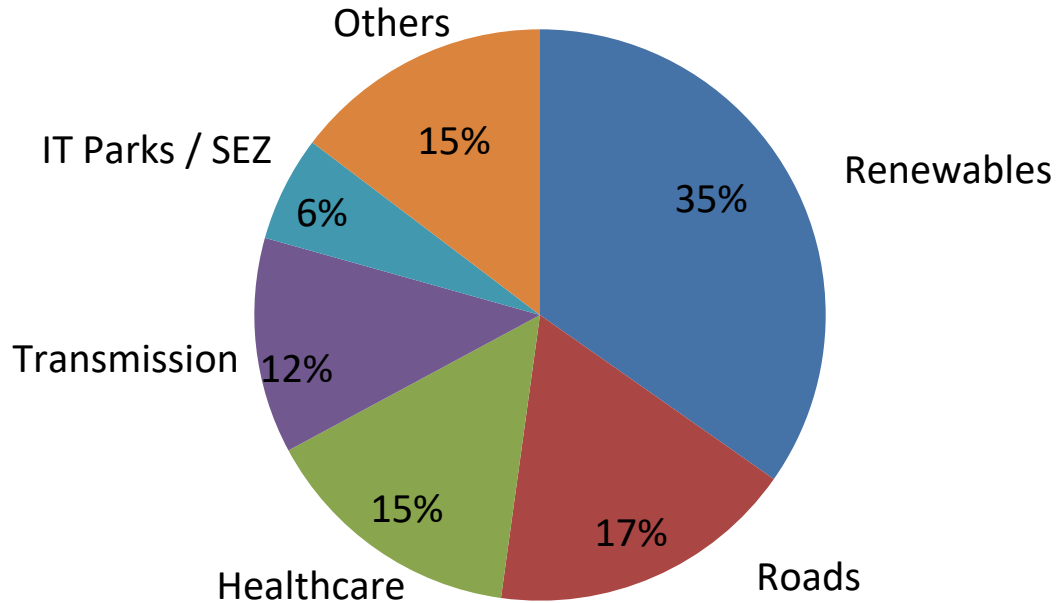
- IDF assets are relatively safer than those of any other class of NBFCs:
  - IDFs, by regulation, can only lend to operating infrastructure projects that have demonstrated at least one year of **satisfactory** performance.
  - Unlike HFCs / IFCs, IDFs cannot lend to under-construction projects (which have seen delays / or are stranded) or provide structured finance solutions (typically involving lumpy repayments).
  - IDFs provide amortising loans, with amortisation schedules matched with cashflows from projects that are already operational.

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## NIIF IFL - Portfolio

# NIIF IFL Portfolio

Loan book of Rs 4,685 crore as at March 31, 2019



- NIIF IFL's portfolio is well-diversified across various infrastructure sectors.
- Capital adequacy of 20.9%.

***Credit Rating of AAA from by ICRA and CARE***

# NIIF IFL – Stringent Underwriting Standards

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- Exposure restricted to marquee promoter groups.
- Renewable sector exposure restricted to projects with credit-worthy offtakers such as NTPC, SECI, group captive / open access, and select state utilities.
- Renewable sector exposure restricted to projects with relatively low tariffs.
- Road sector exposure protected by Tripartite agreement with NHAI.
- Transmission sector assets are natural monopolies with assured cashflows.
- Given India's high population, and relative under-penetration of healthcare services, the healthcare business is insulated from economic cycles and generates steady revenues.

***NIIF IFL, with its emphasis on asset quality, has nil delinquency in its portfolio.***

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# Way Forward

# Way Forward

- NIIF IFL is backed by NIIF, which is anchored by the Government of India and has large institutional investors.
- ~ USD 1 trillion of infrastructure spending in next 5 years, needs huge amount of debt funding.
- Increasingly, many banks, with their focus on retail lending, are shying away from providing long-term financing required for Infrastructure projects.
- NIIF IFL provides financing that is tailored to the needs of the infrastructure projects (competitive pricing / Fixed rate of interest / Structured long tenor loans)
- Approx. 90% of NIIF IFL's borrowings as of 30 September 2019 are from long-term investors. NIIF IFL does not have any CPs outstanding.
- NIIF IFL has built prudent / robust risk-management capabilities (minimal ALM risks, diversified portfolio mix, strong emphasis on asset quality).

***NIIF IFL is set to capitalise on this opportunity and be a key player in the infrastructure growth story of India.***

# Way Forward

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***NIIF IFL offers a unique and safe opportunity for investors to participate in the infrastructure growth story of India, through low-risk operational projects.***

# THANK YOU



# ANNEXURE

# NIIF IFL - Financials

| Particular (Rs. Crore)        | FY19         |
|-------------------------------|--------------|
| <b>NET OPERATING INCOME</b>   | <b>125.8</b> |
| <b>NII</b>                    | <b>125.8</b> |
| Loans                         | 125.4        |
| Liquid Investments            | 0.4          |
| <b>NON-INTEREST INCOME</b>    | -            |
| Other Income-FV of swap       | -            |
| <b>OPERATING EXPENSES</b>     | <b>20.7</b>  |
| HR-Fixed                      | 12.6         |
| Non-HR                        | 8.1          |
| Provisions on Standard Assets | <b>1.9</b>   |
| <b>PBT</b>                    | 103.1        |
| Provision for Tax             | -            |
| <b>PAT</b>                    | 103.1        |

| Particular (Rs. Crore)   | Mar-19       |
|--------------------------|--------------|
| Shareholders' Funds      | 829          |
| Borrowings               | 3,873        |
| Other Liabilities        | 160          |
| Std Asset Provision      | 19           |
| <b>Total Liabilities</b> | <b>4,881</b> |
| Loans                    | 4,685        |
| Liquid investments       | 95           |
| Other Assets             | 101          |
| <b>Total Assets</b>      | <b>4,881</b> |