

IL&FS Financial raises India's first masala loan



ANUP ROY
Mumbai, 17 November

IL&FS Financial Services became the first Indian company to raise money through a masala loan, the term for a rupee-denominated loan from overseas investors, by securing the equivalent of \$50 million from Export Development Canada (EDC).

In a masala loan the borrower saves on the hedging cost because the repayment is in rupees.

The IL&FS Financial Services fund, raised a few weeks ago, was the first tranche and the company was looking to raise more if needed, said Ramesh Bawa, the company's managing director and chief executive officer.

EDC, as the trade financier to Canadian companies, is in talks with other companies to disburse more masala loans, according to Mairead Lavery, EDC's senior vice-president for business development, and Nathan Nelson, chief representative for India.

IL&FS Financial Services will use the proceeds to refinance its debt and support fresh funding of infrastructure proposals in renewable energy and transportation.

The company would also raise masala bonds worth \$300 million by mid-December and another \$700 million by the end of the year in its infrastructure investment trust, Bawa said.

"We are acquiring our international rating. We should be able to hit the market for the masala bonds by mid-December," he said. IL&FS Financial Services' bonds secure the highest rating at home but in the overseas market these will be limited by India's sovereign rating, which is just a

- These are rupee-denominated loans given by a foreign investor
- Export Development Canada (EDC) extended the loan and is willing to give more
- EDC in talks with other Indian borrowers for such loans
- IL&FS to raise masala bond worth \$300 mn in mid-December
- IL&FS's infrastructure investment arm raising \$700 million rupee-equivalent in end-December
- EDC says bullish on India and its companies, including the Tata Group

notch higher than speculative grade.

EDC worked with an agent bank, the Bank of Nova Scotia, to structure the loan. The fund came from Canada, but the swap was done overseas and IL&FS Financial Services, through the bank, received the rupees. EDC has hedged the currency risk.

Lavery said Canadian companies were excited about India, considering the growth opportunity and initiatives like green energy and smart cities. "They see lots of potential, but the challenge is understanding how to do business in India. If we identify partners, the chance to work with a company like IL&FS is a huge opportunity," he said.

Lavery said EDC planned to ramp up its India book to \$10 billion by 2020 from \$4 billion now. EDC has disbursed \$1 billion in 2016.