

IL&FS raises Rs340 cr from Canada's EDC

IL&FS also planning to raise about \$700 mn by floating an InvIT of its road assets

BY SWARAJ SINGH DHANJAL
swaraj.d@livemint.com

MUMBAI

Infrastucture Leasing and Financial Services (IL&FS) Ltd has raised a Rs340 crore rupee-denominated loan, or masala loan, from international financial institution Export Development Canada (EDC).

EDC is the export credit agency of Canada, which helps its exporters enter new markets. The agency provides Canadian firms with insurance products, financing products, connections to international markets and knowledge of doing business in those markets.

"India is a priority country for the government of Canada. We would like to increase our relationships and our transactions in India. The importance of India shows given that we are the first international financial institution to be able to do a rupee loan," said Mairead Lavery, senior vice-president (business development) at EDC.

IL&FS will use the rupee financing from EDC for its roads business, IL&FS Transportation Networks Ltd (ITNL).

"We are using these funds for refinancing the existing debt of some of our infrastructure projects, as well as to support fresh infrastructure projects. This loan has been taken in ITNL, which is the roads vertical, so it will be used only for road projects," said Ramesh C. Bawa, managing director and chief executive at IL&FS Financial Services Ltd.

According to Bawa, raising the rupee-denominated debt from



IL&FS will use the rupee financing from EDC for its roads business, IL&FS Transportation Networks Ltd (ITNL).

REUTERS

EDC is part of the group's plans to diversify the financing sources for its various infrastructure projects.

"We have significantly diversified our sources of financing. Today, almost 40% of our financing is in the form of overseas funds. The focus is to reduce funding from banks. We have also started raising funds from non-banking sources such as pension funds and insurance companies," he said.

EDC has been in India for more than 30 years, and has had a permanent presence in the country since 2005. It has two offices in India—in Delhi and Mumbai. It plans to significantly increase its lending relationships in India. The Canadian agency currently has a loan book of \$4 billion in India.

"We would like to grow that to \$10 billion by 2020. EDC sets up offices in countries where we see that there is opportunity for Cana-

dian companies to increase trade with that particular country. We believe that is very true for India," said Lavery.

So far this year, EDC has lent to over 30 clients in India and expects to close 2016 with total lending of \$1.2 billion. "The ability to have rupee loans as against US dollar loans is very important as it removes the exchange rate risk for Indian companies. We will see a lot of interest going ahead. As of now, a lot of people either haven't heard too much about it or don't understand it fully yet. As the understanding about the product grows, there will definitely be more demand," Lavery said.

Separately, IL&FS is planning to raise around \$700 million (approximately Rs4,500 crore) by floating an infrastructure investment trust (InvIT) of its road assets, Bawa said. "We will possibly be the first InvIT.

We are likely to hit the market sometime in end of December," he said. The group plans to raise the funds through a trust that will house four mature road assets, he added. In March, *Mint* reported that ITNL had initiated the process of listing its road assets as an InvIT.

InvITs are trusts that manage income-generating infrastructure assets, typically offering investors regular yields and a liquid method of investing in infrastructure projects. Developers can use the long-term funds raised to unlock value in completed projects or repay debt associated with them.

InvITs received a much-needed push from the finance minister during this year's Union budget when he announced that any distribution made out of the income of such trusts having a specified shareholding will not be subjected to the dividend distribution tax.

ITNL has 30 road projects, of which 13 are operational and another five to six projects are likely to be operationalized in the next fiscal year. The operational build-operate-transfer projects are a mix of annuity and toll-based ones implemented through special purpose vehicles controlled by the firm.

In 2014, the Securities and Exchange Board of India (Sebi) allowed Indian firms to launch real estate investment trusts and InvITs to help cash-strapped developers get easier access to funds, while creating a new investment avenue for institutional investors and high-net-worth individuals.

In May, Sebi released norms for the public issue of units of InvITs—the final set of major rules that were awaited before firms could start marketing their issues.