IL&FS-LIC joint venture fund raises ₹750 cr

fe Bureau

Mumbai, Dec 16: Infrastructure development and finance company IL&FS Infra Asset Management has managed to raise ₹750 crore for its IL&FS Infrastructure Debt Fund.

The company, which is promoted by IL&FS Financial Services, has raised the money for its first set of close-ended schemes, IIDF-Series 1A, 1B and 1C having maturities of five, seven and 10 years, respectively.

The fund is a joint venture between IL&FS Asset Management and Life Insurance Corporation of India (LIC), with the former owning a 90% stake.

"Our initial fund raising is just the beginning — we eventually intend to scale up the asset under management to $5 billion through launch of various other schemes targeting fund raising from domestic and offshore long term investors," IL&FS Financial Services managing director and CEO Ramesh Bawa said.

Manish Chourasia will be heading the fund as the CEO. The fund has received highest rating of 'AAA' by Care and India Ratings and Research. "The Pension Fund Regulatory and Development Authority has notified pension funds

and mutual funds about us and we are approaching them for raising fund," Bawa said.

"A large financial institution in Japan will invest $25-30 million and will help mobilise $500 million from the Japanese market. Similarly, Hong Kong-based Hamon Group will invest $25 million in few weeks. They will help mobilise $200 million from their market," Bawa told *FE*.

The fund plans to raise ₹2,000 crore by March next year. The amount so far was raised by IL&FS, LIC, Canara Bank, Oriental Bank of Commerce, Bank of India, Allahabad Bank, Indian Overseas Bank and Union Bank. The fund is looking to give a return of 12% to its investors. The fund will invest in operational roads, renewable power and energy sector.

Experts see the need for investments into infrastructure besides in the conventional ones like private equity. "There was a need for new financial instrument for funding. And the aim was to get in a category of financiers who are willing to invest in infrastructure," says Arvind Mahajan, head-energy & natural resources and infrastructure at KPMG.

"It is not the best time to get into the market to raise funds. It has taken about a year to get access to the funds for the companies and one has to see how such a scheme evolves over time," he adds. "The market environment is not very good partly because of the policy bottlenecks and rising costs. Also, sentiment of the sector has been impacted."

Other large firms to enter the infrastructure debt fund route include L&T and IDFC.