Renewable Energy Focused Infrastructure Debt Fund (RIDF) is structured as a next-generation financing instrument that will change the risk perception of domestic and foreign institutional investors, enable the availability of affordable finance for project developers, and aid clean energy development.

In India, Infrastructure Debt Funds (IDF’s) are regulated by the central bank i.e. Reserve Bank of India (RBI). IDF’s potential to leverage the equity and catalyze finance (by 3X to 8X of equity), makes it a unique refinancing instrument.

India’s first Renewable Energy Infrastructure Debt Fund (RIDF) aims to address the fundamental challenges in infrastructure financing and to catalyze investments in the Renewable Energy (RE) sector in India. The RIDF is designed as a perpetual financing instrument with an initial target to mobilize USD 300 million in green RE projects.

Key Highlights

- PTC India Financial Services will sponsor the RIDF with 30 to 49% equity share.
- RIDF with a start-up equity of USD 41 Million and debt mobilization of ~USD 260 Million.
- Diverse projects portfolio with 85% share from renewable energy.
- Refinancing of ~500 MW RE Projects with target credit rating of ‘AA’ or higher for the projects.
- Business plan offers healthy equity returns with investment IRR of 18%.

Rationale

India has set an ambitious target to reach 450 Gigawatts (GW) of installed renewable energy capacity by 2030.

Currently, ~94 GW of RE projects are installed in India and 84GW are in pipeline which would need USD 60 Billion capital infusion for their operationalization. The current bank lending norms for RE projects lead to an asset-liability mismatch for commercial banks. Hence, refinancing of operational RE projects would be critical to enable access to finance for such greenfield projects which are either planned or in the pipeline. Infrastructure Debt Funds are one of the preferred instruments for refinancing large-scale RE projects.

Objective

Addressing fundamental challenges in infrastructure financing and catalyzing investments through RIDF for accelerated deployment of operational RE to support India’s transition towards a low carbon economy.
Structure Of Transaction

Startup equity of USD 41 million will be raised from equity investors. PFS, the RIDF sponsor, will invest 30-49% of the startup equity. The RIDF will identify projects which have completed at least 1 year of satisfactory commercial operation and are in the low-risk phase. The raised fund, through RIDF, will then be invested into a diversified portfolio of projects with at least 75% share from RE projects.

Startup equity will be leveraged to raise ~USD 260 million in debt capital through various long-term (LT) and short-term (ST) debt instruments. The mobilized finance (both equity and debt), through RIDF, will be used for refinancing the long-term and low-risk infrastructure projects with a major focus on RE projects.

Equity Investment through

Sponsor 1  Investor 1  Investor 2

Equity leveraged up to 3X-8X to attract debt capital

LT- Green Bonds, Non-Convertible Debentures  ST- Commercial Paper  Other instruments

More leverage to attract debt capital

Renewable Energy Infrastructure Debt Fund

Interest (Fixed Rate) & Principle repayment

Returns to shareholders reinvested

Freed up debt capital is recycled back to RE projects

Diversified Project Portfolio

A portion of the net profit generated from the projects, post repayment of principal and fixed interest rate, will be used to pay the 15% RoE to the equity investors.

A portion of the net profit generated from the project will be used to repay the debt to the shareholders in the form of interest or coupons.

The remaining portion of the net profit will be returned to the shareholders which can be reinvested and leveraged to attract more debt capital for the RIDF.

Partners

PTC India Financial Services Ltd (PFS) registered as an NBFC provides financing solutions to companies with projects in the power sector.

Global Green Growth Institute (GGGI) has partnered with PTC Financial Services to establish RIDF in India.

About GGGI

Global Green Growth Institute, headquartered in Seoul, Republic of Korea, is a treaty-based international intergovernmental organization dedicated to supporting and promoting strong, inclusive, and sustainable economic growth in developing countries and emerging economies.

India Office Address:
M-6 Third Floor, Aurobindo Marg, Haus Khas, New Delhi - 110016, India

Contact
india@gggi.org | (+91) 1140501471