

Pension funds to invest \$500m in Indian infrastructure

Australian and Canadian deal boosts Modi plan to advance economic development



Prime minister Narendra Modi aims to build motorways, high-speed railways and efficient ports © Bloomberg

Benjamin Parkin in Mumbai 10 HOURS AGO

Two of the world's largest retirement funds are to invest at least \$500m in Indian infrastructure, in a boost for Narendra Modi's efforts to attract foreign investment even as India's economy faces a slowdown.

AustralianSuper, Australia's largest pension fund, and leading Canadian fund the Ontario Teachers' Pension Plan, announced on Tuesday that they had agreed to invest \$250m apiece in India's infrastructure-focused sovereign wealth fund, the National Investment and Infrastructure Fund, with the potential of increasing that to up to \$1bn each in the future.

The NIIF was launched in 2015 to attract foreign investment into Indian infrastructure as part of a plan by [Mr Modi](#), the prime minister, to power the country's economic development by building motorways, high-speed railways and efficient ports.

But the fund has struggled to attract investors to a sector that is notorious for legal challenges, bureaucratic delays and graft.

India's largest infrastructure-focused shadow bank, [IL&FS](#), last year defaulted on debt, sparking panic across the country's financial sector, causing new funding to dry up and bringing projects to a halt. A subsequent liquidity squeeze has since [rippled through India's economy](#), hurting everything from car sales to economic growth.

Getting investment flowing again has emerged as one of Mr Modi's main challenges since his re-election in May. The government introduced a series of stimulus measures in its budget last

month, but some economic indicators suggest the [outlook is worsening](#).

Analysts said that Tuesday's investment marked a statement of intent from the pension funds at a time when India's ability to finance long-term projects has been jeopardised by a crisis in the country's shadow banking sector.

"They've determined that emerging economies in general, India in particular, are a good place to park some of their money," said Vivek Dehejia, an economist at Carleton University in Canada. "This is where the opportunities to invest should be."

Financial distress has created a number of buying opportunities for the NIIF, analysts say, which has already bought up stakes in port and road projects.

"The NIIF is looking at the ability to swoop in and buy some of these projects at a discount or an extremely competitive price," said Amit Tandon, founder of Mumbai-based Institutional Investor Advisory Services.

Global pension funds have emerged as an important source of foreign investment in India. The Canada Pension Plan Investment Board, which has already invested hundreds of millions of dollars in Indian infrastructure, told the Financial Times it was [planning to open a credit business](#) in India to seize on the post-IL&FS upheaval.

The Australian and Canadian deal brings assets managed by NIIF's main infrastructure fund, the largest in India, to \$1.8bn. In total the NIIF has committed to spend \$4bn on Indian infrastructure projects across three separate funds that he manages.

Mark Delaney, AustralianSuper's chief investment officer, said the fund was attracted to India by the size of its market. AustralianSuper plans to shift [most of its portfolio](#) overseas and double its value by 2024 to A\$300bn (\$203bn).

Ben Chan, Asia-Pacific head of the C\$190bn (\$143bn) Ontario Teachers' Pension Plan, said the tie-up with NIIF would help the fund "be well-positioned in a large market with significant expected growth".