

June 28, 2024

Aseem Infrastructure Finance Limited: Ratings reaffirmed and rated amount enhanced for bank lines

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term/Short-term fund-based/Non-fund based bank lines	11,350.0	14,000.0	[ICRA]AA+ (Stable)/[ICRA]A1+; reaffirmed/assigned
Non-convertible debenture	2,550.0	2,550.0	[ICRA]AA+ (Stable); outstanding
Market linked debenture	400.0	400.0	PP-MLD[ICRA]AA+ (Stable); outstanding
Total	14,300.0	16,950.00	

*Instrument details are provided in Annexure I

Rationale

The ratings reflect the strength of Aseem Infrastructure Finance Limited's (AIFL) parentage, particularly National Investment and Infrastructure Fund II (NIIF II; Strategic Opportunities Fund or SOF), which had a 59% stake in the company as on March 31, 2024, and the Government of India (GoI), which held a 31% stake through a direct investment. The remaining 10% is held by Sumitomo Mitsui Banking Corporation (SMBC).

ICRA believes that AIFL is important to the GoI as it is a part of the debt platform under NIIF for the development of long-term infrastructure in India. This is also reflected in the committed equity infusion of Rs. 6,000 crore (of which Rs. 1,700 crore has already been drawn down) by the GoI in the NIIF debt platform, comprising AIFL and NIIF Infrastructure Finance Limited (NIIF IFL). The GoI's support also aims to attract more investment in the infrastructure sector, as envisaged under the National Infrastructure Pipeline (NIP). The ratings also factor in AIFL's operational linkages with NIIF, the availability of commensurate capital for near-term growth, access to debt funds at competitive rates owing to its parentage, strong asset quality indicators (albeit on a limited seasoned book) and adequate liquidity.

ICRA notes that AIFL has a limited track record of operations (it received the registration certificate as a non-banking financial company - Infrastructure finance company (NBFC-IFC) in January 2020 and commenced lending operations in August 2020) in relation to the relatively higher tenure of its loan book. In this regard, ICRA notes favourably that the company has scaled up the business with sectoral diversification over the last four years. Its loan book stood at Rs. 13,284 crore as on March 31, 2024, with nil delinquencies since inception.

Also, as planned earlier, the company has gradually added greenfield projects to its portfolio (~21% of the total book as on March 31, 2024). While the addition of under-construction projects augments the portfolio vulnerability due to project execution risks, AIFL has mitigated the risk to an extent by being selective in its lending. It has given loans for projects, which have sponsors with relatively better credit profiles. ICRA also takes comfort from the management's stated intention to ensure that operational projects will continue to account for the majority share of the overall mix going forward.

Given the early stage of operations, the profitability indicators are not truly reflective of the business metrics. Going forward, the company's ability to grow its loan book profitably while maintaining prudent capitalisation levels and asset quality indicators would be a key monitoring factor. ICRA expects AIFL to raise funds in line with the maturity profile of its assets, thereby supporting its asset-liability maturity (ALM) profile.

The Stable outlook reflects ICRA's expectation that AIFL would continue to grow its portfolio with support from key investors, its experienced management team, operational synergies with NIIF and its demonstrated financial flexibility.

Key rating drivers and their description

Credit strengths

Strong parentage and strategic importance to GoI – AIFL’s ratings reflect its strong parentage, particularly NIIF II (SOF), holding a 59% stake as on March 31, 2024, and the GoI with a 31% stake through direct investments. The remaining 10% is held by SMBC. NIIF is an investor-owned fund manager, anchored by the GoI in collaboration with leading global and domestic institutional investors. It is a collaborative investment platform for international and Indian investors seeking investment opportunities in infrastructure and other high-growth sectors of the country. Given NIIF’s strong financial flexibility and quasi-sovereign ownership, ICRA expects timely growth capital support for AIFL.

ICRA believes that AIFL is important to the GoI, as it is a part of the debt platform under NIIF for the development of long-term infrastructure in India. This is also reflected in the committed equity infusion of Rs. 6,000 crore by the GoI in the NIIF debt platform, comprising AIFL and NIIF IFL, as well as efforts to attract more investments in the infrastructure sector as enumerated in the NIP. From the total infusion of Rs. 6,000 crore, ~Rs. 4,300 crore is still available for drawdown by both entities. This is over and above the GoI’s capital commitment of Rs. 20,000 crore to the NIIF platform across three funds, namely Master Fund, Fund of Funds and SOF. ICRA expects AIFL to continue playing an important role in furthering the GoI’s objective of infrastructure development in the near term.

Operational synergies with NIIF – NIIF is a fund manager anchored by the GoI, which invests in infrastructure and high-growth sectors in India. It has invested in the Infrastructure Debt Financing platform through SOF, which focuses on investing in sectors with significant growth potential. ICRA expects AIFL to leverage its synergies with NIIF IFL (part of the NIIF platform) through the joint underwriting of refinancing deals. AIFL is expected to follow the approach of project lifecycle financing by sharing risks and rewards with partner banks/institutions while maintaining a conservative liability profile and low credit costs. Also, as planned earlier, the company has gradually added greenfield projects to its portfolio (~21% of the total book as on March 31, 2024). While the addition of under-construction projects augments the portfolio vulnerability due to project execution risks, AIFL has mitigated the risk to an extent by being selective in its lending. It has given loans to projects, which have sponsors with relatively better credit profiles. ICRA also takes comfort from the management’s stated intention to ensure that operational projects will continue to account for the majority share of the overall mix going forward.

The target sectors identified by AIFL include green energy, roads, power transmission, along with ports, airports, education, telecom and data centres. The company’s board reflects NIIF’s substantial control on its operations and strategy. The company also has an experienced senior management team with considerable experience in the infrastructure financing space.

Capital profile healthy for near-term growth; access to debt funds at competitive rates, supported by parentage – AIFL raised Rs. 1,287 crore through two rounds of capital infusions by NIIF in January 2020 and May 2020, followed by ~Rs. 947 crore from NIIF (Rs. 132 crore), the GoI (Rs. 815 crore) in March 2021 and Rs. 317 crore from SMBC in March 2022. This led to a reported net worth of Rs. 2,800 crore as on March 31, 2023. Subsequently, the company’s net worth increased to Rs. 3,005 crore as on March 31, 2024 on account of internal capital generation. Committed capital support from the GoI and expected support from NIIF are likely to keep AIFL comfortably capitalised going forward. Further, it plans to raise fresh capital from other strategic investors, in addition to the GoI/NIIF, as its capital requirement would remain high, given its growth plans.

In terms of leverage, ICRA expects AIFL to operate at a managed gearing¹ of less than 5 times on a steady-state basis over the medium term. The company enjoys good financial flexibility, with the ability to raise funds at competitive rates of interest from a diverse set of lenders, owing to its strong parentage and linkages with the GoI. As on March 31, 2024, AIFL had total borrowings of Rs. 11,574 crore, which included term loans (81.9%), non-convertible debentures (NCDs; 18.0%) and others

¹ *Managed gearing = (Total on-balance sheet borrowings + Off-book portfolio)/Net worth. Since AIFL does not have an off-book portfolio, the managed gearing would be the same as the reported gearing*

including lease liability (0.1%). The company’s ability to build and diversify its funding profile over the medium to long term would remain a key monitorable.

Credit challenges

Limited track record of operations in relation to asset tenure; evolving profitability metrics – AIFL commenced lending operations in August 2020 and built a portfolio of Rs. 13,284 crore as on March 31, 2024 (Rs. 11,281 crore as on March 31, 2023), although the overall scale in the infrastructure financing sector remains moderate. ICRA notes the company’s limited track of operations in the infrastructure finance business in relation to the tenure of its assets. However, the assets have a vintage of ~5 years with satisfactory performances. As on March 31, 2024, 79% of the projects funded by AIFL were operational. However, the nature of infrastructure financing exposes the company to project risks and the exposures are concentrated. Hence, the portfolio could remain vulnerable to asset quality shocks in case of slippages in a few exposures, which could adversely affect the profitability, although the company has managed these risks well so far.

With 3.5 years of lending operations, AIFL reported a moderate return on managed assets (RoMA) and return on net worth (RoNW) of 1.5% and 7.1%, respectively, in FY2024 (1.4% and 5.4%, respectively, in FY2023), not reflecting its complete business potential. Over the long term, the company’s ability to grow its portfolio profitably while maintaining control over credit underwriting and achieving profitability would remain a key monitorable. Also, the recently proposed draft regulatory changes could have some impact on underlying projects and future demand if implemented in their current form, making regulatory developments in this regard another monitorable aspect.

Liquidity position: Strong

As on April 30, 2024, AIFL had available liquidity in the form of a cash and liquid investments of ~Rs. 362 crore and unutilised bank lines of Rs. 2,605 crore, providing comfortable liquidity cover over the debt repayments of ~Rs. 2,542 crore due over the next one year. Further, liquidity is supported by the expected cash inflow of ~Rs. 3,445 crore from advances during the above-mentioned period. AIFL has raised long-term funds in line with the long-term maturity profile of the assets it funds, which supports its liquidity profile. Its ALM profile, as on April 30, 2024, reflected positive cumulative mismatches across all buckets up to one year.

Rating sensitivities

Positive factors – Significant scale of operations across diversified sectors, while maintaining strong asset quality and improving profitability, would be a credit positive.

Negative factors – Any significant change in the likelihood of support from the sponsors or key shareholders could warrant a rating downgrade. Pressure on AIFL’s ratings could emerge on a significant deterioration in its capitalisation profile and/or weakening of the asset quality, leading to a deterioration in its solvency on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	ICRA’s Credit Rating Methodology for Non-banking Finance Companies
Parent/Group support	The ratings derive significant strength from AIFL’s parentage with 59% of the shares held by NIIF, 31% held by the Gol and 10% held by SMBC as on March 31, 2024. With the sovereign ownership of NIIF, an investor-owned fund manager anchored by the Gol in collaboration with global and domestic institutional investors, ICRA expects timely growth capital and liquidity support to AIFL.
Consolidation/Standalone	Standalone

About the company

AIFL, a subsidiary of NIIF II (SOF) managed by NIIF (a Gol-anchored fund), is registered as a non-banking financial company - Infrastructure finance company (NBFC-IFC). It received its IFC licence from the RBI in January 2020 and commenced business in August 2020. It funds infrastructure projects across various phases with a mix of operating, brownfield and greenfield assets

within the regulatory guidelines. As on March 31, 2024, the company had a diversified sectoral portfolio of Rs. 13,284 crore compared to Rs. 11,281 crore as on March 31, 2023.

AIFL reported a profit after tax (PAT) of Rs. 205 crore in FY2024 on a total managed asset size of Rs. 14,709 crore as on March 31, 2024 compared to a PAT of Rs. 146 crore in FY2023 on a total managed asset size of Rs. 12,968 crore as on March 31, 2023. The company's net worth stood at Rs. 3,005 crore with a managed gearing of 3.9 times as on March 31, 2024 compared to Rs. 2,800 crore and 3.6 times, respectively, as on March 31, 2023. Gross non-performing advances (NPAs) remained nil as on March 31, 2024 (nil as on March 31, 2023).

National Investment and Infrastructure Fund

NIIF is sponsored by the GoI to catalyse funding in the country's infrastructure sector. It has three funds, each of which is registered with the Securities and Exchange Board of India (SEBI) as Category II Alternative Investment Funds (AIFs). NIIF's investment objective is to generate attractive long-term risk-adjusted returns for its investors on a sustainable basis. The GoI's aggregate contribution to NIIF is Rs. 20,000 crore and it is proposed that a similar amount will be raised from third-party investors such that the GoI's contribution will be 49% of NIIF. It has also received a commitment from certain domestic and international institutions, including the Abu Dhabi Investment Authority (ADIA) and Temasek. Moreover, the Governing Council of NIIF is chaired by the Finance Minister of India and includes the Secretary - Department of Economic Affairs and the Secretary - Department of Financial Services among representatives from its other investors. More details about NIIF are available at <https://niifindia.in/>.

Key financial indicators

Aseem Infrastructure Finance Limited	FY2021	FY2022	FY2023	FY2024
	Audited	Audited	Audited	Audited
Total income	47	314	789	1,196
Profit after tax	21	85	146	205
Total managed assets	2,713	8,521	12,968	14,709
Return on managed assets	1.3%	1.5%	1.4%	1.5%
Managed gearing ² (times)	0.2	2.2	3.6	3.9
Gross stage 3	0.0%	0.0%	0.0%	0.0%
CRAR	150.9%	35.2%	21.2%	20.6%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore;

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

² Managed gearing = (Total on-balance sheet borrowings + Off-book portfolio)/Net worth. Since AIFL does not have an off-book portfolio, the managed gearing would be the same as the reported gearing

Rating history for past three years

Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years							
	Type	Amount rated (Rs. crore)	Amount outstanding* (Rs. crore)	Date and rating in FY2025		Date and rating in FY2024		Date and rating in FY2023		Date and rating in FY2022	
				Jun 28, 2024	May 29, 2024	May 30, 2023	Dec 16, 2022	Apr 14, 2022	Dec 30, 2021 Dec 14, 2021	Sep 21, 2021	Aug 26, 2021
1 Long-term/Short-term fund-based/Non-fund based bank lines	LT/ ST	14,000.0	11,972.1	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+
2 Long-term/Short-term fund-based/Non-fund based term loan	LT/ ST	-	-	-	-	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+
3 Non-convertible debenture	LT	2,550.0	1,050.0	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	-	-	-	-	-
4 Non-convertible debenture	LT	-	-	-	[ICRA]AA+ (Stable); withdrawn	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)
5 Market linked debenture	LT	400.0	400.0	PP- MLD[ICRA]AA+ (Stable)	PP-MLD[ICRA]AA+ (Stable)	PP-MLD[ICRA]AA+ (Stable)	PP-MLD[ICRA]AA+ (Stable)	PP-MLD[ICRA]AA+ (Stable)	PP-MLD[ICRA]AA+ (Stable)	-	-
6 Market linked debenture	LT	-	-	-	PP-MLD[ICRA]AA+ (Stable); withdrawn	PP-MLD[ICRA]AA+ (Stable)	PP-MLD[ICRA]AA+ (Stable)	PP-MLD[ICRA]AA+ (Stable)	PP-MLD[ICRA]AA+ (Stable)	-	-

Source: ICRA Research; Note: LT – Long term, ST – Short term; *As on May 23, 2024

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long-term/Short-term fund based/Non-fund based bank lines	Very simple
Non-convertible debenture	Very simple
Market linked debenture	Moderately complex

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details[^]

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate (%)	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE0AD507044	Non-convertible debenture	Dec-01-2021	6.50%	Nov-29-2024	200.0	[ICRA]AA+ (Stable)
INE0AD507028	Non-convertible debenture	May-10-2021	7.35%	May-09-2025	100.0	[ICRA]AA+ (Stable)
INE0AD507036	Non-convertible debenture	May-10-2021	7.70%	May-08-2026	100.0	[ICRA]AA+ (Stable)
INE0AD507093	Non-convertible debenture	Sep-05-2022	8.25%	Sep-03-2027	650.0	[ICRA]AA+ (Stable)
NA*	Non-convertible debenture	NA	NA	NA	1,500.0	[ICRA]AA+ (Stable)
INE0AD507069	Market linked debenture	Dec-17-2021	6.00%	Oct-17-2024	275.0	PP-MLD[ICRA]AA+ (Stable)
INE0AD507101	Market linked debenture	Jan-23-2023	8.00%	Jul-23-2025	125.0	PP-MLD[ICRA]AA+ (Stable)
NA	Long-term/Short-term fund-based/Non-fund based bank lines	FY2021	NA	FY2030	14,000.0	[ICRA]AA+ (Stable)/ [ICRA]A1+

Source: Company; *Yet to be placed; ^ As on May 23, 2024

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

ANALYST CONTACTS

Karthik Srinivasan
+91 22 6114 3444
karthiks@icraindia.com

A M Karthik
+91 44 4596 4308
a.karthik@icraindia.com

Manushree Saggur
+91 124 4545 316
manushrees@icraindia.com

Rajat Kher
+91 124 4545 833
rajat.kher@icraindia.com

Sandeep Sharma
+91 22 6114 3419
sandeep.sharma@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)
info@icraindia.com

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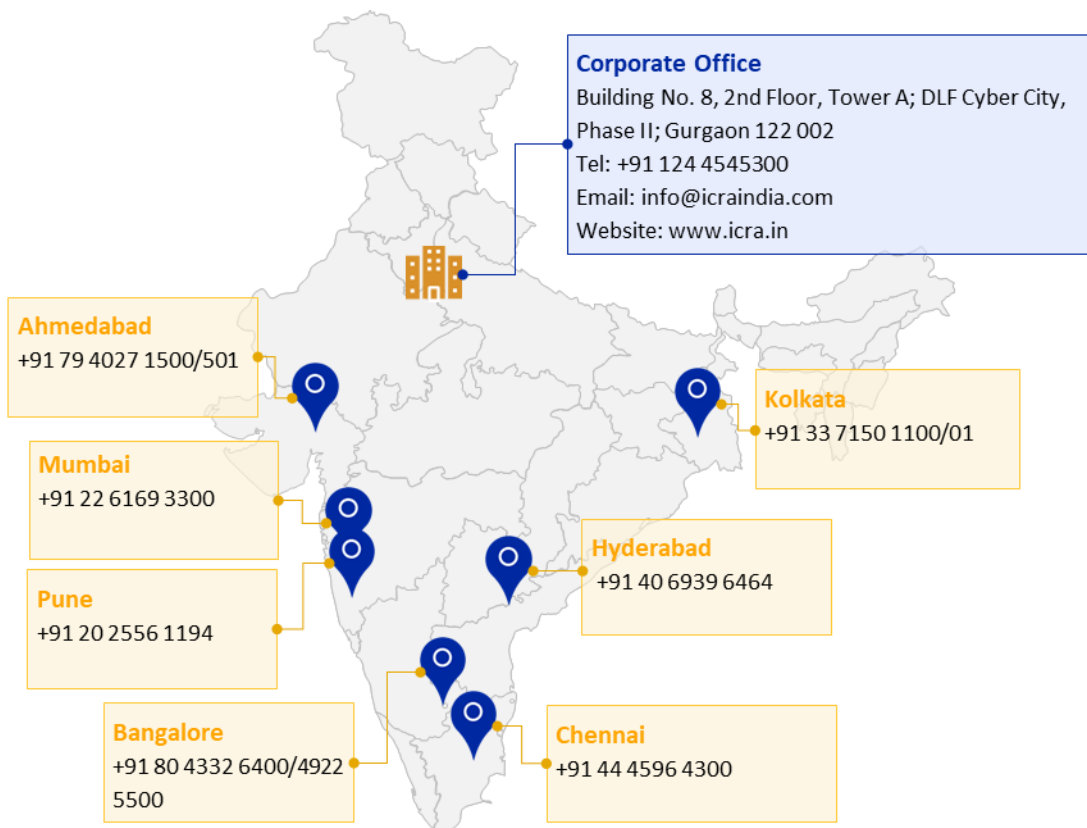
Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



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