



NBFC-Infrastructure Finance Companies

Steady growth momentum and
earnings profile supported by sound
asset quality

March 2024





[Click to see full report](#)

Steady growth prospects, given Govt's focus on infrastructure creation

Healthy activity in infrastructure sector complementing recovery in balance sheet strength of NBFC-IFCs

Stable asset quality indicators and business growth augurs well for profitability trajectory



- The overall infrastructure credit growth (including banks and NBFCs) witnessed an uptick from Q3 FY2023, increasing by 8% in FY2023 and 9% (annualised) in 9M FY2024. Within this, NBFC-IFCs expanded by 11% (annualised) in 9M FY2024 while the banking sector's growth was modest at 5%.
- Consequently, the share of NBFC-IFCs increased to 55% of the total infrastructure credit as on December 31, 2023. ICRA expects NBFC-IFCs to grow by 10-12% in FY2025, supported by the Govt's thrust on the infrastructure sector.
- Healthy activity in the infrastructure sector has coincided with the recovery in the balance sheet strength of NBFC-IFCs and the availability of relatively long-term funding at competitive rates. The increase in capital expenditure (capex) on infrastructure to Rs. 11.1 lakh crore in the Interim Budget for FY2024-25, up 11% from the previous fiscal, augurs well for growth.
- The reported gross stage 3% of NBFC-IFCs moderated to 2.2% as on December 31, 2023 from 2.5% as of March 31, 2023, driven by limited slippages and a few stressed asset resolutions/recoveries and write-offs. The reported asset quality indicators could improve by another 10-20 basis points (bps) in FY2025, supported by controlled slippages and growth in the loan book.
- NBFC-IFCs have demonstrated a healthy profitability trajectory with the decline in the share of non-performing loans. Their post-tax return on managed assets (RoMA) is expected to be 2.1-2.3% in FY2025, supported by business growth and moderation in credit costs; notwithstanding some margin pressures.
- The capitalisation and solvency levels of IFCs are currently comfortable. Prudent capitalisation is a key mitigant against the risks in NBFC-IFCs' portfolios arising out of sectoral and credit concentration.
- Asset-liability maturity (ALM) profiles have improved as reliance on short-term borrowings reduced and longer-tenor borrowings were raised in the recent past.



ICRA Analytical Contact Details

Name	Designation	Email	Contact Number
Karthik Srinivasan	Senior Vice President	karthiks@icraindia.com	+91-22-61143444
A M Karthik	Vice President	a.karthik@icraindia.com	+91-44-4596308
Manushree Saggar	Vice President	manushrees@icraindia.com	+91-124-4545316
Sandeep Sharma	Senior Analyst	sandeep.sharma@icraindia.com	+91-22-61143419
Rajat Kher	Senior Analyst	rajat.kher@icraindia.com	+91-124-4545833





ICRA

Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Neha Agarwal	Head – Research Sales	neha.agarwal@icraindia.com	022-61693338
Rohit Gupta	Head Business Development - Infrastructure Sector	rohitg@icraindia.com	0124-4545340
Vivek Bhalla	Head Business Development - Financial Sector	vivek.bhalla@icraindia.com	022-61693372
Vipin Saboo	Head Business Development – Corporate Sector - West & East	vipin.saboo@icraindia.com	022-61693348
Shivam Bhatia	Head Business Development – Corporate Sector - North & South	shivam.bhatia@icraindia.com	0124-4545803
Naznin Prodhani	Head – Media & Communications	communications@icraindia.com	0124-4545860





© Copyright, 2024 ICRA Limited. All Rights Reserved.

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.



ICRA

Thank You!