

NBFC-Infrastructure Finance Companies

Consistent growth and resilient earnings profile underpinned by robust asset quality

September 2025



List of abbreviations



CAGR: Compound annual growth rate

FY: Financial year; refers to the 12-month period starting on Apr 1 and ending on Mar 31

GNPAs/GS3: Gross non-performing assets/Gross stage 3

NBFC: Non-banking financial company

NBFC-IDF: NBFC-infrastructure debt fund

NBFC-IFC: NBFC-infrastructure finance company, including IDF

Gol: Government of India

NIM: Net interest margin

NNPAs/NS3: Net non-performing assets/Net stage 3

Q1/Q2/Q3/Q4: Quarter of a year (calendar or financial)

RoMA: Return on managed assets

RE: Renewable energy

YoY: Year-on-year

AUM: Assets under management

For the analysis in this note, ICRA has classified IFCs into the following categories:

Classification	
Public-IFCs	Housing and Urban Development Corporation Ltd (HUDCO), India Infrastructure Finance Company Ltd (IIFCL), Indian Railway Finance Corporation Ltd (IRFC), Indian Renewable Energy Development Agency Ltd (IREDA), Power Finance Corporation Limited (PFC), REC Limited (REC)
IDFs	NIIF Infrastructure Finance Limited (NIIF IFL), India Infradebt Limited (Infradebt), Kotak Infrastructure Debt Fund Limited (KIDF)
Private-IFCs	IDFs + Aseem Infrastructure Finance Limited (AIFL), PTC India Financial Services Limited (PFS)
NBFC-IFCs	Public-IFCs + Private-IFCs

Agenda















Highlights





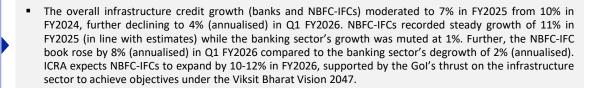
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Steady growth prospects, given the Gol's focus on infrastructure creation

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

Resilient earnings profile, supported by improvement in margins and robust asset quality due to controlled slippages and resolution of legacy stressed accounts







Healthy activity in the infrastructure sector, especially power and urban infrastructure, has coincided with the recovery in the balance sheet strength of NBFC-IFCs and the availability of relatively long-term funding at competitive rates for these entities. The healthy infrastructure capital expenditure (capex) of Rs. 11.2 lakh crore in the Budget for 2026 augers well for growth.



■ The reported GS3% of NBFC-IFCs moderated to 1.2% as on June 30, 2025 from 2.0% as on June 30, 2024 (1.2% as on March 31, 2025), driven by loan book growth, limited slippages and the resolution/recovery of some stressed assets and write-offs. The reported gross stage 3 % (GS3%) could improve by another 10-20 basis points (bps) in FY2026, supported by controlled slippages and loan book growth.



NBFC-IFCs have demonstrated a healthy and resilient earnings trajectory. Their post-tax RoMA is expected to remain stable at 2.2-2.4% in FY2026, supported by business growth and low credit and operating costs, despite some pressure on margins over the near term.



The impact of the final directions on project financing, as per the Reserve Bank of India's (RBI) circular dated June 19, 2025, would be limited to 10-40 bps for NBFC-IFCs. Nonetheless, the prospective applicability of directives facilitates seamless implementation.



The capitalisation and solvency levels of IFCs are currently comfortable. Prudent capitalisation is a key mitigant against the risks arising from sectoral and credit concentration. Asset-liability maturity (ALM) profiles have improved considerably with reduced reliance on short-term borrowings and increased share of renewable power projects, which have relatively lower repayment tenures.



Name	Designation	Email	Contact Number
Karthik Srinivasan	Senior Vice-President and Group Head	karthiks@icraindia.com	+91-22-61143444
A M Karthik	Senior Vice-President and Co-Group Head	a.karthik@icraindia.com	+91-44-4596308
Sandeep Sharma	Assistant Vice President and Sector Head	sandeep.sharma@icraindia.com	+91-22-61143444
Rajat Kher	Assistant Vice President	rajat.kher@icraindia.com	+91-124-4545833
Mishi Yadav	Senior Associate Analyst	mishi.yadav@icraindia.com	+91-124-4545320

















ICRA Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Sai Krishna	Head - Research Sales and Investor Connect	sai.krishna1@icraindia.com	9840774883
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
Vinita Baid	Head Business Development – East	vinita.baid@icraindia.com	033-65216801
Shivam Bhatia	Head Business Development – Corporate Sector – North & South	shivam.bhatia@icraindia.com	0124-4545803
Sanket Kulkarni	Head Business Development – Corporate Sector – West	sanket.kulkarni@icraindia.com	022-6169 3365
Naznin Prodhani	Head - Group Corporate Communications & Media Relations	communications@icraindia.com	0124-4545860



















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