ICRA

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

GoI: 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

Note: All data excluding National Bank for Financing Infrastructure and Development (NABFID), unless specifically mentioned

Agenda

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2 Portfolio trends

3 Asset quality trends

4 Capitalisation, funding and earnings profile

5 Update on key infrastructure sectors

6 ICRA ratings in the sector

Highlights

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

- The overall infrastructure credit growth (banks and NBFC-IFCs) moderated to 7% in FY2025 from 10% in FY2024, further declining to 4% (annualised) in Q1 FY2026. NBFC-IFCs recorded steady growth of 11% in FY2025 (in line with estimates) while the banking sector's growth was muted at 1%. Further, the NBFC-IFC book rose by 8% (annualised) in Q1 FY2026 compared to the banking sector's degrowth of 2% (annualised). ICRA expects NBFC-IFCs to expand by 10-12% in FY2026, supported by the GoI's thrust on the infrastructure sector to achieve objectives under the Viksit Bharat Vision 2047.

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

- 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.

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

- 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.

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Thank You!