

June 17, 2022

India Infradebt Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible debenture programme	17,091	17,091	[ICRA]AAA (Stable); reaffirmed
Non-convertible debenture programme^	1,300	0	[ICRA]AAA (Stable); reaffirmed and withdrawn
Subordinated debt programme	910	910	[ICRA]AAA (Stable); reaffirmed
Commercial paper programme	500	500	[ICRA]A1+; reaffirmed
Total	19,801	18,501	

*Instrument details are provided in Annexure-1

^The withdrawal is at the request of the company since the rated instruments have matured and have been fully repaid

Rationale

The ratings reflect the strength of India Infradebt Limited's (Infradebt) sponsors, the relatively tighter regulatory framework necessitating investment/lending only in operational projects, strong liquidity and capital position, experienced management team, stringent underwriting norms reflected in good asset quality, good risk mitigants and healthy profitability indicators. The promoters of Infradebt are ICICI Bank Limited (rated [ICRA]AAA(Stable)/[ICRA]A1+) and Bank of Baroda (rated [ICRA]AAA(Stable)/[ICRA]A1+) while Citicorp Finance (India) Limited (rated [ICRA]AAA(Stable)/[ICRA]A1+) and Life Insurance Corporation of India Limited are the other key shareholders. Given the wholesale nature of loans, the concentration risk remains high for the company, however ICRA draws comfort from the company's good risk management systems and expects the company to continue to report good asset quality indicators while growing business volumes. Going forward, the company's ability to grow its loan book, in a competitive market, while maintaining prudent capitalisation levels and strict underwriting standards and hence asset quality indicators would be the key monitorables.

Key rating drivers and their description

Credit strengths

Strong sponsors and experienced management team - India Infradebt was set up by ICICI Bank Limited (rated [ICRA]AAA (stable) / [ICRA]A1+), Bank of Baroda (rated [ICRA]AAA (stable) / [ICRA]A1+), Citicorp Finance (India) Limited (rated [ICRA]AAA (stable) / [ICRA]A1+) and Life Insurance Corporation of India Limited in October 2012. ICRA takes comfort from strong sponsors and shareholders of the company and their demonstrated financial support. The company has a strong management team with good underwriting norms and risk mitigants in place.

Regulatory framework necessitates lending to operational projects supporting overall business risk profile - Infradebt's portfolio stood at Rs. 14,711 crore as on March 31, 2022 (as compared to Rs. 12,810 crore as on March 31, 2021), registering a healthy y-o-y growth of ~15% in FY2022, consistent with the 3 year CAGR of 15%. The growth in loan book was largely driven by growth in solar renewable segment over the past few years, while the share of road segment has gradually declined. Consequently, renewable energy segment had the highest share of 74% in the portfolio as on March 31, 2022 followed by road projects (21%) and balance being others (telecom, hospitals, oil and pipeline storage, electricity transmission and education). The regulatory framework for Infra Debt Funds (IDFs) necessitates lending/investment only in infrastructure projects with at least one year of satisfactory commercial operations. Hence, construction and execution risks are nil and low operating risk

given the track record of operations, though ICRA notes that the absence of tripartite agreements (post widening of scope in FY2016) would expose the IDFs to the risk associated with the project in the event of termination. Nevertheless, asset quality of these operational projects (including projects without tripartite agreements) is expected to be stable, given lower risks as compared to non-operational projects. Overall, ICRA expects the company to continue to grow at steady rate of 15%-20%, with renewables constituting the largest proportion given that incremental disbursements are largely to the renewable sector over the past few years.

Favourable liquidity profile – The liquidity profile is comfortable as IDFs can raise resources only through issue of bonds of minimum five-year maturity in line with the maturity profile of their assets; shorter tenure bonds and commercial papers are not allowed beyond 10% of the outstanding debt. Since IDF-NBFC can invest only in projects that have completed at least one year of commercial operations, loan repayments start immediately after disbursement, thereby supporting the Asset Liability Maturity (ALM) profile. The company's ALM as on as on March 31, 2022, reflected positive cumulative mismatches across buckets up to 1 year. As March 31, 2022, the company had available liquidity in the form of cash and liquid investments up to ~Rs. 1,914 crore, providing comfortable liquidity cover over the principal debt repayments of Rs. 2,290 crore which are due over the next one year. Liquidity position is comfortable including the expected average monthly principal inflows of ~Rs. 80 crore from advances in addition to prepayments. ICRA also derives comfort from the strong financial flexibility and demonstrated support of the sponsors. ICRA also derives comfort from the strong financial flexibility and demonstrated support of the sponsors.

Good capitalisation profile – The company's capitalisation remains comfortable with net worth of Rs. 2,386 crore as on March 31, 2022 with capital adequacy ratio (CRAR) of 23.15% (Tier I – 18.31%) as against the regulatory requirement of 15% (Tier I – 7.5%) and gearing of 6.0 times as on March 31, 2022. In the past, the capitalisation of the company has been supported by the capital support from the sponsors of Rs. 400 crore rights issue in FY2018 and second rights issue in October 2018 in which ICICI Bank and Bank of Baroda subscribed to the additional shares aggregating ~Rs. 539 crore. Given the healthy internal accruals and rangebound loan book growth, the requirement for external capital remains low and ICRA expects gearing to remain stable over the medium term. In ICRA's opinion, prudent capitalisation levels are one of the key risk mitigants and monitorable for a portfolio that has relatively high concentration risks. In this regard, ICRA expects Infradebt to maintain prudent capitalisation levels and believes support from investors/sponsors will be forthcoming, if required.

Profitability supported by the tax exemption status enjoyed by IDFs - The net interest margins for Infradebt have remained rangebound over the past 4 years. Further, due to the wholesale nature of operations, the company's operating expenses remain low at 0.2% of average total assets (ATA) in FY2022 (0.2% in FY2021); and the provisioning costs continue to be low at 0.3% of ATA in FY2022 (0.2% in FY2021) as the loan portfolio has witnessed limited slippages/downward asset classification in FY2022. Overall, the company reported profit after tax (PAT) of Rs. 306 crore in FY2022 (ROA and ROE of 2.0% and 13.7% respectively) compared to Rs. 276 crore in FY2021 (ROA and ROE of 2.1% and 14.0% respectively). Profitability indicators will be underscored by tax-free status enjoyed by IDFs, subject to compliance of conditions stipulated by the Central Board of Direct Taxes (CBDT), an IDF-NBFC's income is exempt from tax. ICRA takes note that any changes in these regulations could have an adverse impact on their profitability.

Credit challenges

Concentration risk - Regulations require all Infrastructure Debt Funds (IDFs) to take exposure only in operational infrastructure projects with at least one year of commercial operations, which mitigates the construction and execution risk. However, the inherent nature of business of infrastructure financing means that company is exposed to project risks and the exposures are concentrated and hence the portfolio of the company would remain vulnerable to asset quality shocks in case of slippages in few key exposures, which in turn may adversely affect its profitability. The concentration risk remains high for the company, with its share of top 10 borrowers in total portfolio increasing to 31% as on March 31, 2022 from 29% as on March 31, 2021. Going forward, the company's ability to maintain strict underwriting standards while growing the portfolio would be a key monitorable.

Exposure to vulnerable SPVs - The company has an exposure of ~Rs. 119 crore as on March 31, 2022 to a road project special purpose vehicle (SPV) of Infrastructure & Leasing Financial Services (IL&FS) which is classified under the amber category by Union of India in the resolution plan submitted to National Company Law Appellate Tribunal [NCLAT]. As a matter of prudence, the company has classified this borrower as gross stage III asset. Management expects full resolution of this stage III asset during FY2023. Overall asset quality remained comfortable with gross stage III and net stage III assets of 0.8% and 0.6% as on March 31, 2022 (0.9% and 0.7% as on March 31, 2021) with provision cover increased to 30% on Mar-22 from 25% on Mar-21. Infradebt had restructured another IL&FS SPV having an exposure of Rs. 139 crore under RBI's August 2020 resolution framework for Covid-19 related stress. Overall, the company's ability to profitably grow business volumes while maintaining asset quality would have a bearing on its overall financial profile and would be a key monitorable.

Liquidity position: Strong

Infradebt, in line with the regulations for IDF-NBFCs, can raise resources only through the issuance of bonds of minimum five years' maturity, in line with the maturity profile of the assets. Shorter-tenure bonds and commercial papers are not allowed beyond 10% of the outstanding debt. As on March 31, 2022 the commercial paper outstanding was Nil. Further, since IDF-NBFCs can only invest in infrastructure projects that have completed at least one year of commercial operations, loan repayments also start immediately after disbursement, thereby supporting the ALM profile. The company's ALM as on as on March 31, 2022, reflected positive cumulative mismatches across buckets up to 1 year. As March 31, 2022, the company had available liquidity in the form of cash and liquid investments up to ~Rs. 1,914 crore, providing comfortable liquidity cover over the principal debt repayments of Rs. 2,290 crore which are due over the next one year. Liquidity position is comfortable including the expected average monthly principal inflows of ~Rs. 80 crore from advances in addition to prepayments. ICRA also derives comfort from the strong financial flexibility and demonstrated support of the sponsors.

Rating sensitivities

Positive factors – Not applicable

Negative factors – Pressure on Infradebt's ratings could emerge on account of increase in leverage above 9 times on sustained basis and/or weakening of asset quality leading to deterioration in solvency on sustained basis. Any significant change in the regulatory framework leading to increase in portfolio vulnerability and/or change in likelihood of support from the sponsor or deterioration in credit profile of sponsor could warrant a rating revision for Infradebt.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA's Credit Rating Methodology for Non-Banking Finance Companies Rating Approach - Implicit parent or group support Policy on withdrawal of credit ratings
Parent/Group Support	Demonstrated support from the parents in the form of capital infusion through equity rights issue and investment in NCDs by ICICI Bank and Bank of Baroda. ICRA expects the company to maintain prudent capitalisation and expects support from the sponsors to be forthcoming as and when required.
Consolidation/Standalone	Standalone

About the company

India Infradebt Limited (Infradebt) is the first Infrastructure Debt Fund (IDF) floated in a non-banking finance company structure, set up by ICICI Bank Limited, Bank of Baroda, Citicorp Finance (India) Limited and Life Insurance Corporation of India Limited in October 2012. ICICI Bank is the largest shareholder with 42% stake as on March 31, 2022, followed by Bank of Baroda with 41%, Citicorp Finance India with 10% and Life Insurance Corporation of India with 7%.

Infradebt reported a profit after tax (PAT) of Rs 306 crore on total asset base of Rs 16,677 crore In FY2022 vis-à-vis a PAT of Rs 276 crore on total asset base of Rs 14,522 crore In FY2021. Infradebt's portfolio stood at Rs. 14,711 crore as on March 31, 2022 (as compared to Rs. 12,810 crore as on March 31, 2021), registering Y-o-Y growth of ~15% during FY2022 (3-year CAGR of 15%). As on March 31, 2022, the company had a net worth of Rs 2,386 crore.

Key financial indicators (audited)

India Infradebt Limited (In Rs. Crore)	FY2020	FY2021	FY2022
Net Interest income	271	311	366
Operating expenses	29	31	36
Credit costs	30	32	54
Profit before tax	244	276	306
Profit after tax	244	276	306
Portfolio	11,572	12,810	14,711
Total assets	12,148	14,522	16,677
Net Worth	1,844	2,099	2,386
% Tier I	19.1%	19.1%	18.3%
% CRAR	23.2%	22.3%	23.1%
Debt/net worth (Times)	5.6	5.9	6.0
% Net profit/Average total assets	2.2%	2.1%	2.0%
% Return on net worth	14.1%	14.0%	13.7%
Gross Stage 3 (%)	1.0%	0.9%	0.8%
Net Stage 3 (%)	0.9%	0.7%	0.6%
Net Stage 3/Net worth (%)	5.5%	4.3%	3.5%

Source: Company, ICRA Research; All ratios as per ICRA calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current ratings (FY2023)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding (Rs. crore)	Date and rating	Date and rating in FY2022	Date and rating in FY2021	Date and rating in FY2020
					Jun-17-22	Jun-22-21	Sep-17-20 Jul-03-20	Dec-9-19 Apr-4-19
1	Non-convertible debenture programme	Long Term	17,091	13,043	[ICRA]AAA (stable)	[ICRA]AAA (stable)	[ICRA]AAA (stable)	[ICRA]AAA (stable)
2	Non-convertible debenture programme	Long Term	1,300	0	[ICRA]AAA (stable); reaffirmed and withdrawn	[ICRA]AAA (stable)	[ICRA]AAA (stable)	[ICRA]AAA (stable)

3	Subordinated debt programme	Long Term	910	710	[ICRA]AAA (stable)	[ICRA]AAA (stable)	[ICRA]AAA (stable)	[ICRA]AAA (stable)
4	Commercial paper programme	Short Term	500	0	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

Source: Company, ICRA Research

Complexity level of the rated instrument

Instrument	Complexity Indicator
Non-Convertible Debenture Programme	Very Simple
Subordinated Debt Programme	Simple
Commercial Paper Programme	Very Simple

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 analyzing 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, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details as on March 31, 2022

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE537P07026	Non-convertible programme	May-28-14	9.70%	May-28-24	165	[ICRA]AAA(stable)
INE537P07042	Non-convertible programme	Feb-04-15	8.45%	Feb-04-25	50	[ICRA]AAA(stable)
INE537P07067	Non-convertible programme	Nov-19-15	8.50%	Nov-19-25	200	[ICRA]AAA(stable)
INE537P07083	Non-convertible programme	Jan-08-16	8.60%	Jan-08-26	94	[ICRA]AAA(stable)
INE537P07109	Non-convertible programme	Jan-28-16	8.70%	Jan-28-26	10	[ICRA]AAA(stable)
INE537P07125	Non-convertible programme	Mar-08-16	8.62%	Mar-07-26	155	[ICRA]AAA(stable)
INE537P07141	Non-convertible programme	Mar-21-16	8.65%	Mar-21-26	70	[ICRA]AAA(stable)
INE537P07166	Non-convertible programme	Mar-22-16	8.65%	Mar-21-26	82	[ICRA]AAA(stable)
INE537P07182	Non-convertible programme	May-05-16	8.51%	May-05-26	50	[ICRA]AAA(stable)
INE537P07208	Non-convertible programme	Jun-23-16	8.57%	Jun-23-21	120	[ICRA]AAA(stable); reaffirmed and withdrawn
INE537P07216	Non-convertible programme	Jun-23-16	8.57%	Jun-23-26	50	[ICRA]AAA(stable)
INE537P07224	Non-convertible programme	Jun-30-16	8.57%	Jun-30-21	115	[ICRA]AAA(stable); reaffirmed and withdrawn
INE537P07232	Non-convertible programme	Aug-30-16	8.24%	Aug-30-21	110	[ICRA]AAA(stable); reaffirmed and withdrawn
INE537P07240	Non-convertible programme	Aug-30-16	8.24%	Aug-29-26	95	[ICRA]AAA(stable)
INE537P07257	Non-convertible programme	Nov-30-16	8.24%	Nov-30-26	300	[ICRA]AAA(stable)
INE537P07265	Non-convertible programme	Dec-27-16	8.05%	Dec-27-21	135	[ICRA]AAA(stable); reaffirmed and withdrawn
INE537P07273	Non-convertible programme	Dec-27-16	8.10%	Dec-25-26	15	[ICRA]AAA(stable)
INE537P07281	Non-convertible programme	Jan-19-17	7.95%	Jan-19-22	215	[ICRA]AAA(stable); reaffirmed and withdrawn
INE537P07299	Non-convertible programme	Feb-23-17	8.05%	Feb-23-22	105	[ICRA]AAA(stable); reaffirmed and withdrawn
INE537P07307	Non-convertible programme	Mar-23-17	8.25%	Mar-23-22	500	[ICRA]AAA(stable); reaffirmed and withdrawn
INE537P07315	Non-convertible programme	Apr-26-17	8.00%	Jul-26-22	300	[ICRA]AAA(stable)

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE537P07331	Non-convertible programme	Jun-01-17	8.00%	Jul-01-22	130	[ICRA]AAA(stable)
INE537P07349	Non-convertible programme	Jun-01-17	8.02%	Jun-01-24	100	[ICRA]AAA(stable)
INE537P07356	Non-convertible programme	Jun-22-17	7.75%	Jul-22-22	300	[ICRA]AAA(stable)
INE537P07372	Non-convertible programme	Jul-13-17	7.92%	Jul-20-22	150	[ICRA]AAA(stable)
INE537P07364	Non-convertible programme	Jul-13-17	7.95%	Jul-12-24	215	[ICRA]AAA(stable)
INE537P07380	Non-convertible programme	Aug-30-17	7.75%	Aug-30-22	500	[ICRA]AAA(stable)
INE537P07398	Non-convertible programme	Oct-31-17	7.90%	Oct-31-22	450	[ICRA]AAA(stable)
INE537P07406	Non-convertible programme	Feb-22-18	8.37%	Feb-28-23	300	[ICRA]AAA(stable)
INE537P07414	Non-convertible programme	May-24-18	8.55%	May-24-23	200	[ICRA]AAA(stable)
INE537P07430	Non-convertible programme	Jun-19-18	9.25%	Jun-19-23	145	[ICRA]AAA(stable)
INE537P07422	Non-convertible programme	Jun-19-18	9.30%	Jun-19-24	360	[ICRA]AAA(stable)
INE537P07448	Non-convertible programme	Aug-30-18	8.95%	Aug-30-23	200	[ICRA]AAA(stable)
INE537P07455	Non-convertible programme	Dec-27-18	9.30%	Jan-05-24	357	[ICRA]AAA(stable)
INE537P07463	Non-convertible programme	Apr-23-19	9.00%	Apr-23-24	300	[ICRA]AAA(stable)
INE537P07471	Non-convertible programme	Sep-30-19	8.60%	Sep-30-24	500	[ICRA]AAA(stable)
INE537P07489	Non-convertible programme	Nov-20-19	8.40%	Nov-20-24	150	[ICRA]AAA(stable)
INE537P07497	Non-convertible programme	Dec-30-19	8.60%	Dec-30-24	450	[ICRA]AAA(stable)
INE537P07505	Non-convertible programme	Feb-13-20	8.50%	Aug-13-25	200	[ICRA]AAA(stable)
INE537P07513	Non-convertible programme	Feb-25-20	8.35%	Aug-25-25	300	[ICRA]AAA(stable)
INE537P07521	Non-convertible programme	Apr-20-20	8.10%	Apr-20-23	250	[ICRA]AAA(stable)
INE537P07539	Non-convertible programme	Apr-20-20	8.25%	Jun-20-25	300	[ICRA]AAA(stable)
INE537P07547	Non-convertible programme	May-19-20	8.00%	Nov-19-25	300	[ICRA]AAA(stable)
INE537P07554	Non-convertible programme	May-27-20	8.00%	May-27-25	165	[ICRA]AAA(stable)
INE537P07562	Non-convertible programme	Jun-30-20	7.50%	Jun-30-25	375	[ICRA]AAA(stable)
INE537P07570	Non-convertible programme	Jul-15-20	8.57%	Jul-15-30	750	[ICRA]AAA(stable)

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE537P07588	Non-convertible programme	Nov-12-20	7.00%	Nov-12-25	500	[ICRA]AAA(stable)
INE537P07596	Non-convertible programme	Mar-25-21	7.25%	Mar-25-26	425	[ICRA]AAA(stable)
INE537P07604	Non-convertible programme	May-10-21	5.75%	Sep-15-23	335	[ICRA]AAA(stable)
INE537P07646	Non-convertible programme	Feb-22-22	7.15%	Feb-22-27	1,100	[ICRA]AAA(stable)
INE537P07638	Non-convertible programme	Dec-13-21	6.75%	Jun-14-27	500	[ICRA]AAA(stable)
IN8537P07017	Non-convertible programme	Dec-13-21	6.75%	Jun-14-27	200	[ICRA]AAA(stable)
INE537P07620	Non-convertible programme	Sep-30-21	6.75%	Mar-30-27	400	[ICRA]AAA(stable)
INE537P07612	Non-convertible programme	Jun-30-21	7.15%	Jun-30-26	500	[ICRA]AAA(stable)
NA	Non-convertible programme*	NA	NA	NA	4,048	[ICRA]AAA(stable)
INE537P08032	Subordinated Debt	Aug-04-21	7.37%	Aug-04-31	300	[ICRA]AAA(stable)
INE537P08016	Subordinated Debt	Mar-20-15	9.10%	Jun-20-22	160	[ICRA]AAA(stable)
INE537P08024	Subordinated Debt	Jan-18-18	8.45%	May-18-28	250	[ICRA]AAA(stable)
NA	Subordinated Debt *	NA	NA	NA	200	[ICRA]AAA(stable)
NA	Commercial Paper*	NA	NA	NA	500	[ICRA]A1+

Source: Company; *Yet to be placed/unutilised

Annexure-2: List of entities considered for consolidated analysis: Not applicable

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