

December 08, 2022^(Revised)

India Infradebt Limited: Ratings reaffirmed, Rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible debenture programme	0	11,000	[ICRA]AAA (Stable); assigned
Non-convertible debenture programme	15,261	15,261	[ICRA]AAA (Stable); reaffirmed
Non-convertible debenture programme [^]	1,830	0	[ICRA]AAA (Stable); reaffirmed and withdrawn
Subordinated debt programme	750	750	[ICRA]AAA (Stable); reaffirmed
Subordinated debt programme [^]	160	0	[ICRA]AAA (Stable); reaffirmed and withdrawn
Commercial paper programme	500	500	[ICRA]A1+; reaffirmed
Total	18,501	27,511	

*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 sponsors 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. 16,369 crore as on September 30, 2022 (as compared to Rs. 14,711 crore as on March 31, 2022), registering a healthy annualised growth of ~23% in H1FY2023, higher than the 3 year CAGR of ~15%. The growth in loan book was driven by diversified growth in solar renewable segment, airport, hotels and education. The share of renewable energy segment remained the highest at 69% in the portfolio as on September 30, 2022 followed by road projects (18%) and balance

being spread across other sectors (airport, telecom, storage and logistics, electricity transmission, hotels 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. The ability of the company to grow the loan book in a diversified manner to include segments other than renewables and maintain control over asset quality would remain a key monitorable.

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 September 30, 2022, reflected positive cumulative mismatches across buckets upto 6 months. Considering scheduled interest inflows from assets and interest outflows towards liabilities, buckets are positive up to 12 months. 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. 2,531 crore as on September 30, 2022 with capital adequacy ratio (CRAR) of 21.23% (Tier I – 16.94%) as against the regulatory requirement of 15% (Tier I – 7.5%) and gearing of 5.9 times as on September 30, 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 (2.2%-2.4%) over the past 4 years with a marginal upward bias in FY2022. 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). The decline of NIMs to 1.9% in H1FY2023 due to prepayment and repricing of loans in FY2022 was partially offset by the increase in other income/ATA to 0.2% in H1FY23, stable operating expenses/ATA (0.2%) and decline in credit costs to 0.1% in FY23 from 0.3% in FY22. Consequently, the company reported stable RoA and RoE of 2.0% and 13.6% respectively in H1FY23. While the NIMs could remain under some pressure over the short to medium term, ICRA expects the overall profitability to remain stable. 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 company has been maintaining the exposures at levels lower than the regulatory limits. Nonetheless, the concentration risk remains high, albeit declining for the company, with its share of top 10 borrowers in total portfolio declined to 29% as on September 30, 2022 from 31% as on March 31, 2022. The company has an exposure of ~Rs. 358 crore as on September 30, 2022 to three road project special purpose vehicles (SPVs) of Infrastructure & Leasing Financial Services (IL&FS). Overall asset quality remained comfortable with gross stage III and net stage III assets of 0.7% and 0.5% as on September 30, 2022 (0.8% and 0.6% as on March 31, 2022) with provision cover of 30% as on September 30, 2022. Going forward, the company's ability to maintain strict underwriting standards while growing the portfolio 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 September 30, 2022, reflected positive cumulative mismatches across buckets up to 6 months. As September 30, 2022, the company had available liquidity in the form of cash and liquid investments up to ~Rs. 1,022 crore, providing comfortable liquidity cover over the principal debt repayments of Rs. 750 crore which are due over the next 6 months. Liquidity position is comfortable including the expected inflows of ~Rs. 520 crore from advances over the same period. 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 167 crore on total asset base of Rs 17,523 crore In H1FY2023 vis-à-vis a PAT of Rs 152 crore on total asset base of Rs 15,586 crore In H1FY2022. Infradebt's portfolio stood at Rs. 16,369 crore as on September 30,

2022 (14,711 crore as on March 31, 2022), registering annualised growth of ~23% during H1FY2023. As on September 30, 2022, the company had a net worth of Rs 2,531 crore.

Key financial indicators (audited)

India Infradebt Limited (In Rs. Crore)	FY2021	FY2022	H1FY2023
Net Interest income	311	366	164
Operating expenses	31	36	20
Credit costs	32	54	6
Profit before tax	276	306	167
Profit after tax	276	306	167
Portfolio	12,810	14,711	16,369
Total assets	14,522	16,677	17,523
Net Worth	2,099	2,386	2,531
% Tier I	19.1%	18.3%	16.9%
% CRAR	22.3%	23.1%	21.2%
Debt/net worth (Times)	5.9	6.0	5.9
% Net profit/Average total assets	2.1%	2.0%	2.0%
% Return on net worth	14.0%	13.7%	13.6%
Gross Stage 3 (%)	0.9%	0.8%	0.7%
Net Stage 3 (%)	0.7%	0.6%	0.5%
Net Stage 3/Net worth (%)	4.3%	3.5%	3.3%

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 Oct-31-22 (Rs. crore)	Date and rating in FY2023		Date and rating in FY2022	Date and rating in FY2021	Date and rating in FY2020
					Dec-08-22	Jun-17-22			
1	Non-convertible debenture programme	Long Term	11,000	0	[ICRA]AAA (stable)	-	-	-	-
2	Non-convertible debenture programme	Long Term	15,261	14,513	[ICRA]AAA (stable)	[ICRA]AAA (stable)	[ICRA]AAA (stable)	[ICRA]AAA (stable)	[ICRA]AAA (stable)
3	Non-convertible debenture programme	Long Term	1,830	0	[ICRA]AAA (stable); reaffirmed and withdrawn	[ICRA]AAA (stable)	[ICRA]AAA (stable)	[ICRA]AAA (stable)	[ICRA]AAA (stable)
4	Subordinated debt programme	Long Term	750	550	[ICRA]AAA (stable)	[ICRA]AAA (stable)	[ICRA]AAA (stable)	[ICRA]AAA (stable)	[ICRA]AAA (stable)
5	Subordinated debt programme	Long Term	160	0	[ICRA]AAA (stable); reaffirmed and withdrawn	[ICRA]AAA (stable)	[ICRA]AAA (stable)	[ICRA]AAA (stable)	[ICRA]AAA (stable)
6	Commercial paper programme	Short Term	500	0	[ICRA]A1+	[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: [Click Here](#)

Annexure I: Instrument details as on October 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)
INE537P07216	Non-convertible programme	Jun-23-16	8.57%	Jun-23-26	50	[ICRA]AAA(stable)
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)
INE537P07273	Non-convertible programme	Dec-27-16	8.10%	Dec-25-26	15	[ICRA]AAA(stable)
INE537P07315	Non-convertible programme	Apr-26-17	8.00%	Jul-26-22	300	[ICRA]AAA(stable); reaffirmed and withdrawn
INE537P07331	Non-convertible programme	Jun-01-17	8.00%	Jul-01-22	130	[ICRA]AAA(stable); reaffirmed and withdrawn
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); reaffirmed and withdrawn
INE537P07372	Non-convertible programme	Jul-13-17	7.92%	Jul-20-22	150	[ICRA]AAA(stable); reaffirmed and withdrawn
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); reaffirmed and withdrawn
INE537P07398	Non-convertible programme	Oct-31-17	7.90%	Oct-31-22	450	[ICRA]AAA(stable); reaffirmed and withdrawn
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)
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)

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
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	700	[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)
INE537P07653	Non-convertible programme	Jun-28-22	8.00%	Jun-28-27	1,000	[ICRA]AAA(stable)
INE537P07661	Non-convertible programme	Aug-29-22	7.77%	Aug-29-27	1,300	[ICRA]AAA(stable)
INE537P07679	Non-convertible programme	Oct-31-22	8.07%	Oct-31-32	1,000	[ICRA]AAA(stable)
NA	Non-convertible programme*	NA	NA	NA	748	[ICRA]AAA(stable)
NA	Non-convertible programme*	NA	NA	NA	11,000	[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); reaffirmed and withdrawn
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 II: List of entities considered for consolidated analysis: Not applicable

Corrigendum

Document dated December 08, 2022 has been corrected with revisions as detailed below:

Page No.	Location on Page	Previous data	Revised data
3	Analytical approach	Incorrect Link for Withdrawal Policy	Updated the link for Withdrawal Policy

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