

December 16, 2022

Aseem Infrastructure Finance Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term/ short-term Fund based/non-fund-based bank lines	7,000	8,000	[ICRA]AA+(Stable)/[ICRA]A1+; assigned and reaffirmed
Market linked debenture	500	500	PP-MLD[ICRA]AA+(Stable); reaffirmed
Non-convertible debenture	1,500	1,500	[ICRA]AA+(Stable); reaffirmed
Total	9,000	10,000	

*Instrument details are provided in Annexure-I.

Rationale

The ratings reflect the strength of Aseem Infrastructure Finance Limited's (AIFL) parentage in the form of National Investment and Infrastructure Fund II (NIIF II; Strategic Opportunities Fund) which holds 59% stake in AIFL as on September 30, 2022 and the demonstrated support from the Government of India (GOI), which holds 31% stake through its direct investment in AIFL and 10% held by Sumitomo Mitsui Banking Corporation (SMBC) as on September 30, 2022.

ICRA believes that AIFL is of strategic importance for the GoI, being a part of the debt platform under NIIF for development of long-term infrastructure in India. The same is also reflected in the committed equity infusion to the tune of Rs. 6,000 crore by the GoI in the NIIF debt platform comprising AIFL and NIIF Infrastructure Finance Limited (NIIF IFL) and to support in attracting more investments into the infrastructure sector, as envisaged in the National Infrastructure Pipeline. The rating also factors in the healthy capitalisation profile, comfortable liquidity, and AIFL's ability to raise funds at competitive rates, despite limited vintage, supported by its parentage.

ICRA notes that AIFL is in its early stages of operation (as the company received certificate of registration as an NBFC - Infrastructure Finance Company (NBFC-IFC) in January 2020 and commenced its lending operations in August 2020) and AIFL has a limited track record in relation to the relatively higher tenure of its loan book. In this regard, ICRA takes comfort that in its initial years of operations, the company intends to fund more of relatively low risk operational projects and gradually add greenfield projects to its portfolio, which is likely to keep the construction risk low in the initial years.

Also, AIFL intends to leverage on the experience of the management team and NIIF in the infrastructure space to build a good credit quality book. Given the early stages of operations, the profitability indicators are not truly reflective of the business metrics. Going forward, the company's ability to profitably grow its loan book while maintaining prudent capitalisation levels and underwriting standards and hence asset quality indicators would be the key monitorable. ICRA expects the company to raise funds in line with the maturity profile of their assets, thereby supporting the ALM profile.

Key rating drivers and their description

Credit strengths

Strong parentage - AIFL's ratings reflect strong parentage in the form of National Investment and Infrastructure Fund II (NIIF II; Strategic Opportunities Fund) which holds 59% stake in AIFL and the demonstrated support from the GoI, which holds 31% stake through its direct investment in AIFL and 10% held by SMBC as on September 30, 2022. NIIF is an investor-owned fund manager, anchored by the GoI in collaboration with leading global and domestic institutional investors. It is a collaborative

investment platform for International and Indian investors who are looking for investment opportunities in infrastructure and other high-growth sectors of the country. NIIF has received around ~Rs.20,000 crore of capital commitments from the GoI across three funds encompassing the Master Fund, Fund of Funds and Strategic Opportunities Fund (SOF), and a similar amount is expected to be raised from external long term strategic investors. Given the strong financial flexibility and quasi sovereign ownership of NIIF, ICRA expects timely growth capital support for AIFL.

Strategic importance to GoI - ICRA believes that AIFL is of strategic importance to the GoI, being part of the debt platform under NIIF for development of long-term infrastructure in India. The same is also reflected in the committed equity infusion to the tune of Rs. 6,000 crore by the GoI in the NIIF debt platform, comprising AIFL and NIIF IFL, and the effort to attract more investments into the infrastructure sector as enumerated in the National Infrastructure Pipeline. Of this Rs. 6,000 crore, ~Rs. 4,300 crore is still available for drawdown for the two entities. This is over and above the GoI's capital commitment of Rs. 20,000 crore to the NIIF platform across three funds namely, Master Fund, Fund of Funds and SOF. ICRA expects AIFL to continue to play a strategic role in furthering the GoI's objective of infrastructure development in the near term.

Operational synergies with NIIF and experienced management team - NIIF is a fund manager anchored by the GoI that invests in infrastructure and high growth sectors in India. NIIF has invested into the Infrastructure Debt Financing platform through its Strategic Opportunities Fund, which focuses on investing in sectors with significant growth potential. ICRA expects AIFL to leverage its synergies with NIIF IFL (part of NIIF platform) through joint underwriting of refinancing deals. AIFL is expected to follow an approach of project lifecycle financing through sharing risk and rewards with partner banks/institutions while maintaining a conservative liabilities profile and low credit costs. In its initial few years of operations, ICRA expects the company to lend more to low risk operational projects and gradually add greenfield projects to its portfolio. The target sectors identified by AIFL include roads, power transmission, green energy along with healthcare, ports, airports and education. AIFL's board reflects substantial control of NIIF on AIFL's operations and strategy. Also, the governing council of the parent company, NIIF, is chaired by the Finance Minister of India and includes Secretary - Department of Economic Affairs, Secretary - Department of Financial Services amongst representatives from its other investors. AIFL also has an experienced senior management team with considerable experience in the infrastructure financing space.

Healthy capitalisation profile and ability to raise funds at competitive rates supported by parentage - AIFL had raised total Rs. 1,287 crore in two rounds of capital infusion by NIIF in January 2020 and May 2020 and further raised ~Rs. 947 crore from NIIF (Rs. 132 crore) and the GoI (Rs. 815 crore) in March 2021 and Rs. 317 crore from SMBC in March 2022, leading to a reported net worth of Rs. 2,717 crore as on September 30, 2022. Committed capital support from the GoI and expectations of support from NIIF is likely to keep AIFL comfortably capitalised. Further, the company would also keep looking at raising fresh capital from other strategic investors, in addition to the GoI/NIIF as need for capital would remain high, given the growth plans. The same has been demonstrated through raising fresh capital of Rs. 317 crore from SMBC in March 2022. In terms of leverage, ICRA expects AIFL to operate at a gearing level under 5 times on a steady state, basis in the medium term. AIFL also enjoys good financial flexibility with ability to raise funds at competitive rates of interest from a diverse set of lenders, given the strong parentage and linkages with the GoI. As on September 30, 2022, AIFL had secured sanctions of ~Rs. 9,425 crore from banks and raised funding of ~Rs. 2,280 crore in H1 FY2023. AIFL's ability to build and diversify its funding profile over the medium to long term would remain a key monitorable.

Credit challenges

Early stage of operations; evolving profitability metrics - The company commenced its lending operations in August 2020 and has built a book of Rs. ~9,580 crore as on September 30, 2022 (Rs. 7,002 crore as on March 31, 2022). ICRA notes the company's early stage of operations in the infrastructure finance business, in relation to the tenure of assets. In its initial few years of operations, low risk operational projects and projects in advanced stages of construction are expected to dominate the portfolio mix and gradually greenfield projects are likely to be added to its portfolio. As on September 30, 2022, 86% of the projects funded by AIFL were operational. However, the inherent nature of the business of infrastructure financing means that company is exposed to project risks and the exposures are concentrated and hence the portfolio would remain vulnerable to asset quality shocks in case of slippages in a few key exposures, which in turn may adversely affect its profitability. Given

the early stage of operations the RoE remained relatively moderate of 4.7% in H1 FY2023 (3.5% in FY2022). Overall, over the long-term, the company's ability to profitably grow its portfolio while maintaining control over credit underwriting and achieve profitability, would remain the key rating factors.

Liquidity position: Strong

The liquidity profile is comfortable as the company has raised only long-term funds in line with the long-term maturity profile of assets funded by AIFL. The company's ALM profile as on September 30, 2022 reflects positive cumulative mismatches across all buckets up to one year. As of September 30, 2022, the company had available liquidity in the form of cash and bank balances of ~Rs. 293 crore and unutilised bank lines of Rs. 1,385 crore, providing comfortable liquidity cover over the debt repayments of Rs. 624 crore, which are due over the next one year. Further, liquidity is supported by an expected cash inflow of ~Rs. 402 crore from the advances in the above-mentioned period. The company's strong financial flexibility, given its strong parentage and strategic importance to the GoI provides additional comfort.

Rating sensitivities

Positive factors - Significant scale of operations across diversified sectors while maintaining strong asset quality and improving profitability would be a credit positive.

Negative factors - Any significant change in the likelihood of support from the sponsors or key shareholders could warrant a rating downgrade for AIFL. Pressure on AIFL's ratings could emerge on account of a significant deterioration in capitalisation profile and/or weakening of the asset quality leading to a deterioration in solvency on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA's Credit Rating Methodology for Non-Banking Finance Companies Rating approach - Implicit support from parent or group
Parent/Group Support	The ratings derive significant strength from AIFL's parentage with 59% of the shares held by NIIF, 31.0% held by Government of India and 10% held by SMBC as on September 30, 2022. With the sovereign ownership of NIIF, which is an investor-owned fund manager anchored by the GoI in collaboration with global and domestic institutional investors, ICRA expects timely growth capital and liquidity support to AIFL.
Consolidation/Standalone	Standalone

About the company

AIFL, subsidiary of NIIF Fund II (SOF) managed by NIIF (a GoI-anchored fund) is registered as NBFC-IFC (Infrastructure Finance Company). AIFL received an IFC licence from the RBI in January 2020 and commenced business in August 2020. It plans to fund infrastructure projects across various phases with a mix of operating, brownfield and greenfield assets within the regulatory guidelines. As on September 30, 2022 the company has a book size of Rs. 9,580 crore and a net worth of Rs. 2,717 crore against a book size of Rs. 7,002 crore and a net worth of Rs. 2,654 crore as on March 31, 2022.

National Investment Infrastructure Fund

The NIIF is sponsored by the GoI to catalyse funding into the country's infrastructure sector. NIIF has three funds, each of which are registered with SEBI as Category II AIFs. NIIF's investment objective is to generate attractive long-term risk-adjusted returns for its investors on a sustainable basis. The GoI's aggregate contribution to NIIF is Rs. 20,000 crore and it is proposed that a similar amount will be raised from third party investors such that the GoI's contribution will be 49% of NIIF, which has also received a commitment from certain domestic and international institutions, including the Abu Dhabi Investment Authority (ADIA) and Temasek. More details about NIIF are available at <https://niifindia.in/>

Key financial indicators

Aseem Infrastructure Finance Limited (in Rs. crore)	FY2020	FY2021	FY2022	H1FY2023
	Audited	Audited	Audited	Audited
Net interest income	5	45	168	107
Profit after tax	0	21	85	63
Net worth	577	2,253	2,654	2,717
Asset under management (AUM)*	-	1,708	7,264	10,000
Total assets	582	2,705	8,472	10,692
Return on assets	NA	1.3%	1.5%	1.3%
Return on net worth	NA	1.5%	3.5%	4.7%
Gearing ¹ (times)	0.00	0.20	2.19	2.92
Gross stage 3	0%	0%	0%	0%
Net stage 3	0%	0%	0%	0%
Solvency (Net stage 3/Net worth)	NA	NA	NA	NA
CRAR	638.9%	150.9%	35.2%	25.5%

Source: Company, ICRA Research; All ratios as per ICRA calculations; *including NFB exposure

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

¹ Debt equity ratio

Rating history for past three years

Instrument	Type	Amount rated (Rs. crore)	FY2023 Amount outstanding as on December 12, 2022 (Rs. crore)	Rating History for the Past 3 Years						
				Date and rating		Date and rating in FY2022			Date and rating in FY2021	Date and rating in FY2020
				Dec-16-22	Apr-14-22	Dec-30-21 Dec-14-21	Sep-21-21	Aug-26-21	NA	NA
1 Long-term/ short-term Fund based/non-fund based bank lines	Long Term/ Short Term	8,000.00	6,342	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	NA	NA
2 Non-convertible debenture	Long Term	1,500	1,150	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	NA	NA	NA
3 Market linked debenture	Long Term	500	300	PP- MLD[ICRA]AA+ (Stable)	PP- MLD[ICRA]AA+ (Stable)	PP- MLD[ICRA]AA+ (Stable)	NA	NA	NA	NA

Source: ICRA

Complexity level of the rated instrument

Instrument	Complexity Indicator
Bank lines programme	Very Simple
Non-convertible debenture	Very Simple
Market linked debenture	Complex

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 analysing 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, are available on ICRA's website: [Click Here](#)

Annexure - I: Instrument details as on December 12, 2022

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate (In %)	Maturity Date	Amount Rated (Rs. Crore)	Current Rating and Outlook
INE0AD507010	Non-convertible debenture	May-10-21	7.00%	May-10-24	100	[ICRA]AA+(Stable)
INE0AD507028	Non-convertible debenture	May-10-21	7.35%	May-9-25	100	[ICRA]AA+(Stable)
INE0AD507036	Non-convertible debenture	May-10-21	7.70%	May-8-26	100	[ICRA]AA+(Stable)
INE0AD507044	Non-convertible debenture	Dec-01-21	6.50%	Nov-29-24	200	[ICRA]AA+(Stable)
INE0AD507093	Non-convertible debenture	Sep-05-22	8.25%	Sep-03-27	650	[ICRA]AA+(Stable)
NA*	Non-convertible debenture	NA	NA	NA	350	[ICRA]AA+(Stable)
INE0AD507051	Market linked debenture	Dec-17-21	5.60%	Dec-15-23	25	PP-MLD[ICRA]AA+(Stable)
INE0AD507069	Market linked debenture	Dec-17-21	6.00%	Oct-17-24	275	PP-MLD[ICRA]AA+(Stable)
NA*	Market linked debenture	NA	NA	NA	200	PP-MLD[ICRA]AA+(Stable)
NA	Long-term/ short-term Fund based/non-fund based bank lines	NA	NA	NA	8,000	[ICRA]AA+(Stable)/[ICRA]A1+

*Proposed

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure-II: List of entities considered for consolidated analysis: Not Applicable

ANALYST CONTACTS

Karthik Srinivasan
+91 22 6114 3444
karthiks@icraindia.com

Balram Yadav
+91 22 6114 3419
balram.yadav@icraindia.com

Manushree Saggar
+91 124 4545 316
manushrees@icraindia.com

Sandeep Sharma
+91 124 4545 820
sandeep.sharma@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)
info@icraindia.com

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ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



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