

May 30, 2023

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	8,000	11,350	[ICRA]AA+(Stable)/[ICRA]A1+; assigned and reaffirmed
Non-convertible debenture	0	1,150	[ICRA]AA+(Stable); assigned
Non-convertible debenture	1,500	1,500	[ICRA]AA+(Stable); reaffirmed
Market linked debenture	500	500	PP-MLD[ICRA]AA+(Stable); reaffirmed
Total	10,000	14,500	

*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 or SOF), which had a 59% stake in AIFL as on March 31, 2023, and the demonstrated support from the Government of India (GoI), which held 31% through its direct investment in AIFL. A 10% stake was held by Sumitomo Mitsui Banking Corporation (SMBC) as on March 31, 2023. ICRA believes that AIFL is of strategic importance to the GoI as it is a part of the debt platform under NIIF for the development of long-term infrastructure in India. This is also reflected in the committed equity infusion of Rs. 6,000 crore by the GoI in the NIIF debt platform, comprising AIFL and NIIF Infrastructure Finance Limited (NIIF IFL), and the support for attracting more investment in the infrastructure sector, as envisaged under the National Infrastructure Pipeline. The ratings also factor in AIFL's healthy capitalisation profile, strong liquidity, and its ability to raise funds at competitive rates, despite its limited vintage, supported by its parentage.

ICRA notes that AIFL is in the early stage of operations (it received a certificate of registration as a non-banking financial company - Infrastructure finance company (NBFC-IFC) in January 2020 and commenced its lending operations in August 2020) and has a limited track record in relation to the relatively higher tenure of its loan book. In this regard, ICRA notes favourably that the company has scaled up the business and it reported a loan book of Rs. 11,564 crore as on March 31, 2023 with nil delinquencies since inception. Also, as planned earlier, the company has gradually added greenfield projects to its portfolio (~24% of total book as on March 31, 2023). While the addition of under-construction projects augments the portfolio vulnerability given the project execution risk, AIFL has been selective in its lending and has lent to projects with relatively better credit profile sponsors, thus mitigating the risk to some extent. ICRA also takes comfort from the stated intention of the management to ensure that operational projects continue to account for a majority share of the overall mix, going forward as well.

Given the early stage of operations, the profitability indicators are not truly reflective of the business metrics. Going forward, the company's ability to grow its loan book profitably while maintaining prudent capitalisation levels and underwriting standards, and hence asset quality indicators, would be the key monitorable. ICRA expects AIFL to raise funds in line with the maturity profile of its assets, thereby supporting the Asset Liability Maturity (ALM) profile.

Key rating drivers and their description

Credit strengths

Strong parentage and strategic importance to Gol – AIFL’s ratings reflect its strong parentage in the form of NIIF II (SOF), which had a 59% stake as on March 31, 2023, and the demonstrated support from the Gol, which holds 31% through its direct investment in the company. SMBC held 10% as on March 31, 2023. NIIF is an investor-owned fund manager, anchored by the Gol in collaboration with leading global and domestic institutional investors. It is a collaborative investment platform for international and Indian investors looking for investment opportunities in infrastructure and other high-growth sectors of the country. Given NIIF’s strong financial flexibility and quasi-sovereign ownership, ICRA expects timely growth capital support for AIFL.

ICRA believes that AIFL is of strategic importance to the Gol as it is a part of the debt platform under NIIF for the development of long-term infrastructure in India. This is also reflected in the committed equity infusion of Rs. 6,000 crore by the Gol in the NIIF debt platform, comprising AIFL and NIIF IFL, and the effort to attract more investments in the infrastructure sector as enumerated in the National Infrastructure Pipeline. Out of Rs. 6,000 crore, ~Rs. 4,300 crore is still available for drawdown by both entities. This is over and above the Gol’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 playing a strategic role in furthering the Gol’s objective of infrastructure development in the near term.

Operational synergies with NIIF – NIIF is a fund manager anchored by the Gol, which invests in infrastructure and high growth sectors in India. It has invested in the Infrastructure Debt Financing platform through its SOF, 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 the joint underwriting of refinancing deals. AIFL is expected to follow the approach of project lifecycle financing by sharing risks and rewards with partner banks/institutions while maintaining a conservative liability profile and low credit costs. Also, as planned earlier, the company has gradually added greenfield projects to its portfolio (~24% of total book as on March 31, 2023). While the addition of under-construction projects augments the portfolio vulnerability given the project execution risk, AIFL has been selective in its lending so far and has lent to projects with relatively better credit profile sponsors, thus mitigating the risk to some extent. ICRA also takes comfort from the stated intention of the management to ensure that operational projects continue to account for a majority share of the overall mix, going forward as well.

The target sectors identified by AIFL include roads, power transmission, green energy along with healthcare, ports, airports and education. The company’s board reflects substantial control of NIIF on its operations and strategy. 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 Rs. 1,287 crore through two rounds of capital infusions by NIIF in January 2020 and May 2020, a further ~Rs. 947 crore from NIIF (Rs. 132 crore) and the Gol (Rs. 815 crore) in March 2021 and Rs. 317 crore from SMBC in March 2022, leading to a reported net worth of Rs. 2,800 crore as on March 31, 2023. Committed capital support from the Gol and the expectation of support from NIIF are likely to keep AIFL comfortably capitalised, going forward as well. Further, it would keep looking to raise fresh capital from other strategic investors, in addition to the Gol/NIIF, as its capital requirement would remain high, given its growth plans. The same has been demonstrated through the raising of fresh capital of Rs. 317 crore from SMBC in March 2022.

In terms of leverage, ICRA expects AIFL to operate at a gearing level of less than 5 times on a steady-state basis over the medium term. It also enjoys good financial flexibility with the ability to raise funds at competitive rates of interest from a diverse set of lenders, given its strong parentage and linkages with the Gol. As on March 31, 2023, AIFL had secured sanctions of ~Rs. 8,850 crore from banks and raised ~Rs. 2,075 crore through non-convertible debenture (NCD) issuances since inception. The company’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 – AIFL commenced lending operations in August 2020 and it built a book of ~Rs. 11,564 crore as on March 31, 2023 (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 the assets. As on March 31, 2023, 76% of the projects funded by AIFL were operational. However, the inherent nature of the business of infrastructure financing means that the company is exposed to project risks and the exposures are concentrated. Hence, the portfolio could remain vulnerable to asset quality shocks in case of slippages in a few exposures, which could adversely affect its profitability. Given the early stage of operations, AIFL reported relatively moderate return on assets (RoA) and return on equity (RoE) of 1.4% and 5.4%, respectively, in FY2023 (1.5% and 3.5%, respectively, in FY2022). Over the long term, the company’s ability to grow its portfolio profitably while maintaining control over credit underwriting and achieving profitability would remain the key rating factor.

Liquidity position: Strong

The liquidity profile is strong as AIFL has raised only long-term funds in line with the long-term maturity profile of the assets funded by it. Its ALM profile, as on March 31, 2023, reflected positive cumulative mismatches across all buckets up to six months. As of March 31, 2023, AIFL had available liquidity in the form of a cash and bank balance of ~Rs. 495 crore and unutilised bank lines of Rs. 575 crore, providing comfortable liquidity cover over the debt repayments of Rs. 1,391 crore due over the next one year. Further, liquidity is supported by the expected cash inflow of ~Rs. 894 crore from the advances during the above-mentioned period. The company’s good financial flexibility, given its strong parentage, provides additional comfort.

Rating sensitivities

Positive factors – Significant scale of operations across diversified sectors, while maintaining strong asset quality and improving the 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. Pressure on AIFL’s ratings could emerge on a significant deterioration in its capitalisation profile and/or weakening of the asset quality, leading to a deterioration in its 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% held by the GoI and 10% held by SMBC as on March 31, 2023. 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, a subsidiary of NIIF II (SOF) managed by NIIF (a GoI-anchored fund), is registered as a non-banking financial company - Infrastructure finance company (NBFC-IFC). It 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 March 31, 2023, the company had a book size of Rs. 11,564 crore and a net worth of Rs. 2,800 crore compared with Rs. 7,002 crore and Rs. 2,654 crore, respectively, as on March 31, 2022.

National Investment Infrastructure Fund

NIIF is sponsored by the GoI to catalyse funding into the country's infrastructure sector. It has three funds, each of which is registered with the Securities and Exchange Board of India (SEBI) as Category II Alternative Investment Funds (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. It has also received a commitment from certain domestic and international institutions, including the Abu Dhabi Investment Authority (ADIA) and Temasek. Moreover, the Governing Council of NIIF is chaired by the Finance Minister of India and includes the Secretary - Department of Economic Affairs and the Secretary - Department of Financial Services among representatives from its other investors. More details about NIIF are available at <https://niifindia.in/>

Key financial indicators

Aseem Infrastructure Finance Limited	FY2020	FY2021	FY2022	FY2023
	Audited	Audited	Audited	Audited
Net interest income	5	45	166	238
Profit after tax	0	21	85	146
Net worth	577	2,253	2,654	2,800
Portfolio*	-	1,588	7,002	11,564
Total assets	582	2,705	8,472	12,887
Return on assets	NA	1.3%	1.5%	1.4%
Return on net worth	NA	1.5%	3.5%	5.4%
Gearing ¹ (times)	0.0	0.2	2.2	3.6
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%	21.2%

Source: Company, ICRA Research; All ratios as per ICRA calculations; Amount in Rs. crore; *Excluding 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	Current rating (FY2024)				Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Amount outstanding as on May 19, 2023 (Rs. crore)	Date and rating in FY2024	Date and rating in FY2023		Date and rating in FY2022			Date and rating in FY2021
				May-30-23	Dec-16-22	Apr-14-22	Dec-30-21 Dec-14-21	Sep-21-21	Aug-26-21	NA
1 Long-term/Short-term fund-based/non-fund based bank lines	Long term/ Short term	11,350	7,884*	[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+	[ICRA]AA+ (Stable)/ [ICRA]A1+	-
2 Non-convertible debenture	Long term	1,150	0	[ICRA]AA+ (Stable)	-	-	-	-	-	-
3 Non-convertible debenture	Long term	1,500	1,150	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	-	-
4 Market linked debenture	Long term	500	425	PP- MLD[ICRA]AA+ (Stable)	PP- MLD[ICRA]AA+ (Stable)	PP- MLD[ICRA]AA+ (Stable)	PP- MLD[ICRA]AA+ (Stable)	-	-	-

Source: ICRA; *As on March 31, 2023

Complexity level of the rated instrument

Instrument	Complexity Indicator
Bank lines programme	Very Simple
Non-convertible debenture	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 May 23, 2023

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate (%)	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	1,150	[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)
INE0AD507101	Market linked debenture	Jan-23-23	8.00%	Jul-23-25	125	PP-MLD[ICRA]AA+(Stable)
NA*	Market linked debenture	NA	NA	NA	75	PP-MLD[ICRA]AA+(Stable)
NA	Long-term/Short-term fund-based/non-fund based bank lines	FY2021	NA	FY2030	11,350	[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

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