

September 26, 2025

## Kotak Infrastructure Debt Fund Limited: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Non-convertible debenture programme	2,100.00	2,100.00	[ICRA]AAA (Stable); reaffirmed
Commercial paper programme	50.00	50.00	[ICRA]A1+; reaffirmed
<b>Total</b>	<b>2,150.00</b>	<b>2,150.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The ratings reflect Kotak Infrastructure Debt Fund Limited's (KIDF) demonstrated track record of nil stage 3 loan assets since the commencement of operations, supported by the tight regulatory framework necessitating lending to operational projects, and its parentage. Comfort is drawn from KIDF's promoter, Kotak Mahindra Bank Limited (KMBL; rated [ICRA]AAA (Stable)). Any dilution in the expected level of support from the Kotak Group (KMBL and its subsidiaries) or a change in the credit profile of KMBL would be a key rating sensitivity. The ratings also consider the company's strong liquidity profile, supported by regulatory directions on the proportion of short-term debt in the overall borrowing mix, and its comfortable capitalisation profile.

ICRA notes that the scope of lending and fund-raising options has been expanded under the revised regulatory framework for non-banking financial companies-infrastructure debt funds (NBFC-IDFs) released on August 18, 2023 by the Reserve Bank of India (RBI) and subsequently notified by the Central Board of Direct Taxes (CBDT) on February 7, 2025. The impact of the same on the loan and borrowing mix would be visible only over the medium term. Also, the capital requirement (minimum Tier I requirement increased to 10% from 7.5%) and exposure norms (maximum permissible single party exposure capped at 30% of Tier I capital compared with higher limits earlier) have been tightened, though KIDF is well within the threshold for both these parameters.

Given the wholesale nature of the loans, the concentration risk remains relatively high. However, ICRA draws comfort from the tighter regulatory framework and the company's risk management systems as reflected by the strong asset quality indicators. Going forward, KIDF's ability to grow its loan book while maintaining prudent capitalisation levels and strong asset quality on a steady-state basis would be a key monitorable. In this regard, the absolute level of net worth would restrict the company's competitive position as its ability to take larger exposures would be limited due to the exposure norms.

The Stable outlook reflects ICRA expectation that the company would continue to grow its business profitably and benefit from the support from the promoter while maintaining good asset quality indicators and prudent capitalisation levels.

### Key rating drivers and their description

#### Credit strengths

**Strong asset quality; regulatory framework necessitates lending to operational projects, mitigating overall business risk –** KIDF's portfolio grew by ~20% year-on-year to Rs. 1,561.8 crore as on March 31, 2025 from Rs. 1,297.3 crore as on March 31, 2024, driven by disbursements primarily towards the solar renewable energy, airport, and data centre sectors. Further, the portfolio grew to Rs. 1,765.9 crore as on June 30, 2025. As on June 30, 2025, the solar renewable energy segment accounted for the largest share at 73%, followed by airports (11%), data centres (8%), transmission (5%), and education (2%).

The regulatory framework for IDFs necessitates lending/investment in infrastructure projects with at least one year of satisfactory commercial operations and direct lending to toll-operate-transfer (TOT) projects. ICRA notes that the risks in the renewable energy sector, which account for the bulk of its exposures, are likely to remain low and the asset quality of these operational projects is expected to be less volatile. ICRA expects KIDF to grow the book at a relatively higher pace, given the small base and good growth prospects in the infrastructure sector. The renewable energy sector is expected to continue to dominate the portfolio mix over the medium term.

**Comfortable capitalisation profile for current scale of operations; supported by parentage** – The company's capitalisation profile remains comfortable with a net worth of Rs. 583 crore, a capital adequacy ratio (capital-to-risk weighted assets ratio; CRAR) of 44.0% (Tier I of 43.7%) and a low gearing of 2.2 times as on June 30, 2025. However, the gearing will increase from the current level and is expected to stay below 6 times over the medium-to-long term. KMBL holds a 30% stake in KIDF while the balance is held by its subsidiaries, namely Kotak Securities Limited, Kotak Investment Advisors Limited and Kotak Mahindra Capital Company Limited. Consequently, KIDF enjoys strong financial and operational support from the Kotak Group, including access to capital, operational synergies, management and systems. In addition to capital support, the Group has aided KIDF by investing in its debt issuances in the past. ICRA expects the company to maintain prudent capitalisation levels and believes that support from the Group will be forthcoming if required.

**Profitability supported by tax-exemption status of IDFs** – KIDF's net interest margin (NIM) improved to 3.9% in FY2025 from 2.6% in FY2024, supported by enhanced pricing, stable funding costs, and lower negative carry on the on-balance sheet liquidity. Given the wholesale nature of operations, operating expenses/average managed assets (AMA) remained low at 0.7% in FY2025 (same as FY2024), although higher than peers due to the relatively modest scale of operations. KIDF had reported nil gross stage 3 assets since inception and the credit costs consequently remained negligible in FY2025 (0.2% in FY2024). The profit after tax (PAT) increased to Rs. 60.4 crore in FY2025 from Rs. 33.8 crore in FY2024, leading to an improvement in the return on assets (RoA) to 3.9% in FY2025 from 2.5% in FY2024. The company reported a PAT of Rs. 13.3 crore in Q1 FY2026.

Going forward, KIDF's NIMs are expected to moderate from the current level with the increase in the leverage, though this would be partially offset by the improved operating efficiency. ICRA notes that subject to compliance with the conditions stipulated by the Central Board of Direct Taxes (CBDT), an IDF-NBFC's income is exempt from tax, which supports its overall profitability. ICRA notes that any changes in these regulations could have an adverse impact on the profitability of NBFC-IDFs.

### Credit challenges

**Relatively high concentration risk** – Regulations require all IDFs to take exposure only in operational infrastructure projects with at least one year of commercial operations and direct lending to TOT projects, which mitigates the construction and execution risk. 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, its portfolio would remain vulnerable to asset quality shocks in case of slippages in a few key exposures, which may adversely affect its profitability. ICRA notes that KIDF is compliant with the tightened exposure norms (maximum permissible single party exposure capped at 30% of Tier I capital by the RBI in FY2024). Nonetheless, the concentration risk remains high for the company, with its top 10 borrowers accounting for ~60% of the total portfolio and 164% of the net worth as on March 31, 2025 compared with ~63% and 160%, respectively, as on March 31, 2024. Going forward, KIDF's ability to maintain strict underwriting standards while growing the portfolio would be a key monitorable.

## Liquidity position: Strong

The company's asset-liability maturity (ALM), as on June 30, 2025, reflected positive cumulative mismatches across all buckets up to three years. As of the same date, it had available liquidity of approximately Rs. 96 crore in the form of cash and liquid investments, providing a comfortable cover over debt repayments (including interest payments) of Rs. 46 crore, which are due over the next one year. Further, liquidity is supported by the expected cash inflow of around Rs. 119 crore from advances during this period. ICRA also derives comfort from KIDF's strong financial flexibility and the anticipated support from shareholders, if required.

In line with the regulations for NBFC-IDFs, KIDF can raise resources only through the issuance of bonds and the loan route via external commercial borrowings (ECBs) with a minimum maturity of five years. Shorter-tenure bonds and commercial paper are not allowed beyond 10% of the outstanding debt. Further, KIDF has only financed projects that have completed at least one year of commercial operations, wherein loan repayments start immediately after disbursement, auguring well for the ALM profile.

## Rating sensitivities

**Positive factors** – Not applicable

**Negative factors** – A significant change in the regulatory framework, leading to an increase in portfolio vulnerability, and/or a change in the likelihood of support from the sponsors or key shareholders or a deterioration in the credit profile of the sponsors or key shareholders could warrant a rating revision for the company. Pressure on KIDF's ratings could emerge on the weakening of the capitalisation profile (gearing of more than 9 times) on a sustained basis and/or of the asset quality, leading to a continued deterioration in the solvency.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">ICRA's credit rating methodology for non-banking finance companies</a>
Parent/Group support	KIMBL holds a 30% stake in KIDF while the balance is held by its subsidiaries – Kotak Securities Limited, Kotak Investment Advisors Limited and Kotak Mahindra Capital Company Limited. Consequently, KIDF enjoys strong financial and operational support from the Kotak Group, including access to capital, management and systems. ICRA expects the company to maintain prudent capitalisation and expects that support from the shareholders would be forthcoming as and when required.
Consolidation/Standalone	Standalone

## About the company

Kotak Infrastructure Debt Fund Limited (KIDF), formerly known as Kotak Forex Brokerage Limited, was in the foreign exchange related business. The company planned to foray into the infrastructure debt fund business and had applied for a licence from the Reserve Bank of India (RBI) in October 2016, which was received in April 2017. KIDF is fully owned by KIMBL and its subsidiaries.

KIDF reported a PAT of Rs. 60.4 crore in FY2025 on a total asset base of Rs. 1,648.2 crore as on March 31, 2025 compared to a PAT of Rs. 33.8 crore in FY2024 on a total asset base of Rs. 1,434.0 crore as on March 31, 2024. It had a net worth of Rs. 570.1 crore with a gearing of 1.9 times as on March 31, 2025 (Rs. 509.6 crore and 1.8 times, respectively, as on March 31, 2024). It reported nil gross stage 3 as on March 31, 2025 (nil as on March 31, 2024). In Q1 FY2026, the company reported a PAT of Rs. 13.3 crore on total asset base of Rs. 1,886.5 as on June 30, 2025. It had a net worth of Rs. 583.4 crore with a gearing of 2.2 times as on June 30, 2025 and nil gross stage 3.

### Key financial indicators

KIDF	FY2024	FY2025	Q1 FY2026
	Audited	Audited	Provisional
Total income	111.2	149.0	38.8
Profit after tax	33.8	60.4	13.3
Total managed assets	1,434.0	1,648.2	1,886.5
Return on average total assets	2.5%	3.9%	3.0%
Gearing (Debt/Net worth; times)	1.8	1.9	2.2
Gross stage 3	0.0%	0.0%	0.0%
CRAR	59.6%	52.5%	44.0%

Source: Company, ICRA Research; Note: Amount in Rs. crore; All ratios as per ICRA's calculations; Total managed assets = Total assets + Impairment loss allowance on gross loans

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

### Rating history for past three years

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Sep 26, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Commercial paper programme	Short term	50.00	[ICRA]A1+	Sep 27, 2024	[ICRA]A1+	Sep 29, 2023	[ICRA]A1+	Aug 02, 2022	[ICRA]A1+
				-	-	-	-	Mar 20, 2023	[ICRA]A1+
Non-convertible debenture programme	Long term	2,100.00	[ICRA]AAA (Stable)	Sep 27, 2024	[ICRA]AAA (Stable)	Sep 29, 2023	[ICRA]AAA (Stable)	Aug 02, 2022	[ICRA]AAA (Stable)
				-	-	-	-	Mar 20, 2023	[ICRA]AAA (Stable)

### Complexity level of the rated instrument

Instrument	Complexity indicator
Non-convertible debenture programme	Very 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 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 August 31, 2025**

ISIN	Instrument name	Date of issuance/ Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
INE905Y07050	Non-convertible debenture	Nov-30-2022	7.97%	Dec-17-2027	90	[ICRA]AAA (Stable)
INE905Y07068	Non-convertible debenture	Dec-28-2022	7.97%	Feb-17-2028	120	[ICRA]AAA (Stable)
INE905Y07076	Non-convertible debenture	Mar-21-2023	8.30%	May-19-2028	205	[ICRA]AAA (Stable)
INE905Y07084	Non-convertible debenture	Mar-31-2023	8.29%	Jul-20-2028	50	[ICRA]AAA (Stable)
INE905Y07092	Non-convertible debenture	Jun-30-2023	8.05%	Aug-29-2028	110	[ICRA]AAA (Stable)
INE905Y07100	Non-convertible debenture	Jul-27-2023	8.07%	Oct-26-2028	85	[ICRA]AAA (Stable)
INE905Y07126	Non-convertible debenture	Jun-27-2024	8.10%	May-28-2030	75	[ICRA]AAA (Stable)
INE905Y07118	Non-convertible debenture	Jan-09-2024	8.20%	Nov-21-2030	125	[ICRA]AAA (Stable)
INE905Y07134	Non-convertible debenture	Jun-27-2024	8.10%	May-28-2031	50	[ICRA]AAA (Stable)
INE905Y07142	Non-convertible debenture	Sep-25-2024	8.02%	Jan-24-2030	125	[ICRA]AAA (Stable)
INE905Y07159	Non-convertible debenture	May-27-2025	7.52%	Aug-28-2031	225	[ICRA]AAA (Stable)
NA^	Non-convertible debenture	NA	NA	NA	840	[ICRA]AAA (Stable)
NA^	Commercial paper	NA	NA	7-365 days	50	[ICRA]A1+

Source: Company; ^Yet to be placed

**Annexure II: List of entities considered for consolidated analysis**

Not applicable

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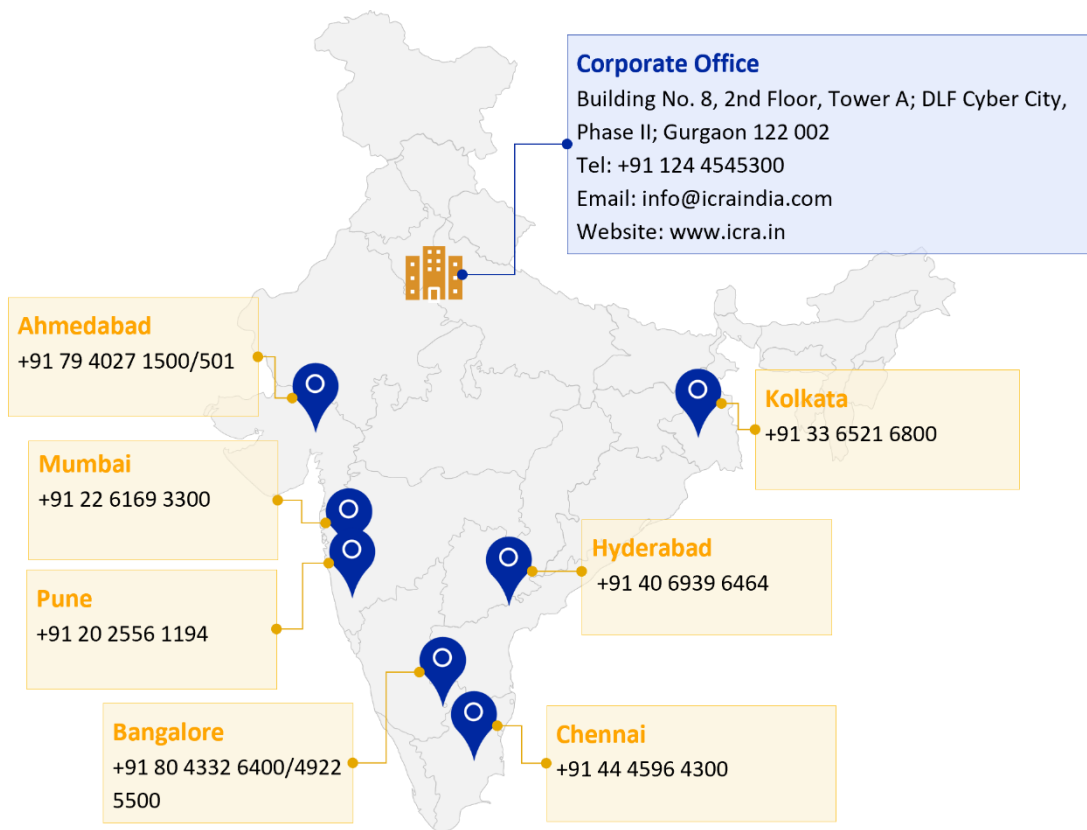
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