

February 21, 2025^(Revised)

India Infrastructure Finance Company Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Non-convertible debenture	4,000.00	4,000.00	[ICRA]AAA (Stable); reaffirmed
Fund-based/Non-fund based bank facilities	6,000.00	6,000.00	[ICRA]AAA (Stable); reaffirmed
Tax-free/Taxable bonds	13,015.20	13,015.20	[ICRA]AAA (Stable); reaffirmed
Tax-free/Taxable bonds	2,000.00	0.00	[ICRA]AAA (Stable); reaffirmed and withdrawn
Gol guaranteed bonds [^]	200.00	0.00	[ICRA]AAA(CE) (Stable); reaffirmed and withdrawn
Total	25,212.20	23,012.20	

Rating without explicit credit enhancement

[ICRA]AAA

*Instrument details are provided in Annexure I; ^ Backed by unconditional and irrevocable guarantee from Government of India

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and structure. ICRA's opinion on the rating without factoring in the explicit credit enhancement is also captured in the table above

Rationale

For the [ICRA]AAA (Stable) rating

The rating continues to draw significant strength from India Infrastructure Finance Company Limited's (IIFCL) sovereign ownership (wholly owned by the Government of India; Gol), the demonstrated support from the Gol in the form of capital and guarantees on borrowings, and its strategic importance as a facilitator of infrastructure development in the country. Apart from funding support, the company benefits from management oversight with its board including representatives from the Ministry of Finance, scheduled commercial banks and NITI Aayog. By virtue of its parentage, IIFCL enjoys good financial flexibility, which has helped it raise long-term liabilities at competitive costs, supporting its liquidity profile.

ICRA notes the improvement in the company's asset quality indicators supported by controlled slippages, some write-offs and the favourable base effect of the high portfolio growth witnessed in FY2024 and 9M FY2025. Further, the overall credit profile of IIFCL's loan book has improved with an increase in the share of A and higher rated exposures to 88% of the total portfolio as on March 31, 2024 from 72% as on March 31, 2023. Moreover, the standalone gearing was comfortable at 3.8x as on December 31, 2024 (3.6x as on March 31, 2024). However, with good book growth expected over the short to medium term, the gearing is expected to go up from the current level. Going forward, IIFCL's ability to continue growing the business, while controlling fresh slippages and achieving recoveries from the existing stage 3 assets to maintain its solvency and sustain the improvement in its profitability, will be crucial.

The outlook on the long-term rating is Stable. ICRA expects the Gol to continue holding a majority stake in the company. Moreover, it expects IIFCL to remain strategically important to the Gol, given the thrust on infrastructure development in the country. Thus, ICRA expects continued support from the Gol, going forward as well.

ICRA has reaffirmed and withdrawn the rating for the Rs. 2,000-crore tax-free/taxable bonds as the instruments have matured and were fully repaid, post maturity. The rating was withdrawn as per ICRA's policy on the withdrawal of credit ratings.

For the [ICRA]AAA(CE) (Stable) rating

The above rating is based on the strength of the guarantee provided by the GoI for the government guaranteed bonds programme.

ICRA has reaffirmed and withdrawn the rating for the Rs. 200-crore GoI guaranteed bonds as there is no amount outstanding against the rated instrument. The rating is withdrawn as per ICRA's policy on the withdrawal of credit ratings.

Adequacy of credit enhancement: Not Applicable

Salient covenants of the rated facility: Not Applicable

Key rating drivers and their description

Credit strengths

Sovereign ownership with demonstrated track record of support – The ratings continue to draw significant strength from IIFCL's sovereign ownership (wholly owned by GoI), the demonstrated support from the GoI in the form of capital and guarantees on borrowings (~26% of the borrowings at the standalone level were guaranteed by the GoI as on December 31, 2024), and its strategic importance as a facilitator of infrastructure development in the country. IIFCL has received capital support from the GoI in the past with Rs. 5,797 crore infused in FY2020 in addition to Rs. 100 crore each in FY2019, FY2018 and FY2017, and Rs. 600 crore in FY2015.

ICRA expects support from the GoI to be forthcoming going forward as well, given IIFCL's strategic importance to the GoI. In addition to funding support, the company benefits from management oversight with its board including representatives from the Ministry of Finance, NITI Aayog and scheduled commercial banks. Overall, ICRA expects that the GoI would continue to hold a majority stake in the company, which will remain strategically important for the GoI, given its thrust on infrastructure. A significant change in the ownership of IIFCL and/or in its strategic role or importance to the GoI could warrant a rating change.

Good financial flexibility and resource profile – IIFCL enjoys good financial flexibility by virtue of its sovereign ownership, which augurs well for raising long-term liabilities from both domestic and international financial institutions at competitive rates. The funding mix remains adequately diversified and includes tax-free bonds (17% of total borrowings as on December 31, 2024), taxable bonds (30%), bank loans (28%) and loans from multilateral agencies (26%). Moreover, IIFCL's liquidity profile is adequate with large cash and liquid balances, supported by its ability to mobilise long-tenure funding (average tenure of borrowings of over 15 years).

Adequate capitalisation profile for current scale of operations – IIFCL's gearing (standalone level) remained comfortable at 3.8x as on December 31, 2024 (3.6x as on March 31, 2024). Further, the capital adequacy ratio was comfortable at 24.5% as on December 31, 2024 (compared to 28.2% as on March 31, 2024) against the regulatory requirement of 15%. Going forward, the gearing is expected to increase gradually from the current levels with business growth expected to outpace internal capital generation. Nonetheless, the requirement for additional capital remains low over the next two years. ICRA further takes note of the demonstrated capital support from the GoI in the past with Rs. 5,797 crore infused in FY2020 following Rs. 100 crore each during FY2017-FY2019 and Rs. 600 crore in FY2015.

Credit challenges

High concentration risk and portfolio vulnerability – Given its mandate, IIFCL lends to public and private partnership projects in the infrastructure space. Consequently, project risk remains relatively high for the company. The inherent nature of the infrastructure financing business exposes IIFCL to concentration risk, with the top 20 advances aggregating 1.9x the net worth and accounting for ~56% of the loan book as on March 31, 2024 (2.1x and 63%, respectively, as on March 31, 2023). In this regard, ICRA notes that IIFCL's asset quality indicators, i.e. the gross and net stage 3 ratios improved to 1.1% and 0.3%, respectively, as on December 31, 2024 (1.6% and 0.5%, respectively, as on March 31, 2024), significantly better than 4.8% and 1.4%, respectively, as on March 31, 2023. Most of the improvement in the last two years was primarily driven by write-offs,

some recoveries, and controlled slippages. At the same time, the credit profile of the loan book has improved over the last two years owing to the benign operating environment and the change in the portfolio mix in favour of take-out finance, and investment in bonds/Infrastructure Investment Trusts (InVITs). This is demonstrated in the increase in the share of A and higher rated exposures to 88% of the total portfolio as on March 31, 2024 from 72% as on March 31, 2023. However, the sustainability of high-quality exposures in the portfolio, any increase in the share of under-construction projects and the company's ability to manage the associated risks and control slippages would be monitorable.

Improving earnings profile; sustainability of profitability key for further growth – IIFCL's effective yield on loan assets improved in 9M FY2025 and FY2024 due to lower interest reversals on account of nil slippages and the less-than-commensurate increase in the cost of funds. This resulted in an improvement in the spreads and hence the net interest margin (NIM) to 2.3% in 9M FY2025 and 2.2% in FY2024 from 1.6% in FY2023. Over the past 18 months, the improvement in the asset quality resulted in provision reversal, which led to lower credit costs and improved the profitability trajectory. At the same time, operating expenses/average managed assets remained low at 0.2% in 9M FY2025, given the wholesale nature of the business, resulting in an increase in the return on average assets (RoA) and return on average net worth (RoE) to 2.4% and 12.0%, respectively, in 9M FY2025 from 2.4% and 11.4%, respectively, in FY2024 (1.9% and 8.7%, respectively, in FY2023).

Liquidity position: Adequate

As on December 31, 2024, IIFCL's asset-liability maturity (ALM) profile reflected debt maturities of about Rs. 17,435 crore for the 12-month period ending December 31, 2025 against scheduled inflows from advances and investments (in the nature of loans) of Rs. 2,442 crore. The ALM profile has cumulative negative mismatches in the up to one-year buckets, given the relatively long tenure of the loans extended by it. While such gaps are partially bridged through unutilised bank lines (about Rs. 3,086 crore as on December 31, 2024) and cash & equivalents (about Rs. 4,541 crore as on December 31, 2024), the company also relies on interest income and refinancing to repay its maturing debt. Nevertheless, its good financial flexibility, given its sovereign parentage, provides additional comfort.

Rating sensitivities

Positive factors – Not applicable

Negative factors – ICRA could change the rating outlook to Negative or downgrade the ratings on a change in the ownership and/or in IIFCL's strategic role or importance to the GoI. Also, a solvency ratio (Net NPA/Tier I capital) of over 40% on a sustained basis will be a negative for the credit profile.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	ICRA's Credit Rating Methodology for Non-banking Finance Companies Policy on Withdrawal of Credit Ratings
Parent/Group support	The ratings derive significant strength from IIFCL's sovereign ownership (100% stake held by the GoI as on December 31, 2024), strategic importance to the GoI and the expectation of continued support from the GoI in the form of capital as well as guarantees on debt
Consolidation/Standalone	Standalone

About the company

India Infrastructure Finance Company Limited (IIFCL), incorporated in January 2006 and wholly owned by the Government of India (GoI), is recognised as a public financial institution for financing infrastructure projects in the country.

At the standalone level, the total loan book was Rs. 64,060 crore as on December 31, 2024 against Rs. 51,017 crore as on March 31, 2024. As on December 31, 2024, the take-out finance book (operational exposures taken over from other financial institutions) accounted for 22% of the portfolio while the balance was in the form of direct lending (24%) and refinance (29%)

and bonds/InvITs (24%). IIFCL's exposure is largely concentrated towards the road and power sectors, which accounted for 39% and 49%, respectively, of the overall portfolio (excluding refinance) as on December 31, 2024.

At the standalone level, IIFCL reported a net profit of Rs. 1,342 crore on a total asset base of Rs. 78,899 crore in 9M FY2025 compared with a net profit of Rs. 1,552 crore on a total asset base of Rs. 67,444 crore in FY2024.

As on December 31, 2024, IIFCL's gross and net stage 3 assets (standalone level) stood at 1.07% and 0.30%, respectively (1.61% and 0.46%, respectively, as on March 31, 2024). The company's capitalisation at the standalone level is characterised by a net worth of Rs. 15,653 crore and a gearing of 3.8x as on December 31, 2024. The gearing, excluding the borrowings guaranteed by the GoI, is estimated to have stood at 2.9x as on December 31, 2024. About 26% of the company's borrowings at the standalone level are guaranteed by the GoI.

Key financial indicators

IIFCL	FY2023	FY2024	9M FY2025
Total income	4,653	5,472	4,709
PAT	1,076	1,552	1,342
Total managed assets	59,485	67,444	78,899
Return on managed assets	1.9%	2.4%	2.4%
Gearing (times)	3.4	3.6	3.8
Gross stage 3	4.8%	1.6%	1.1%
CRAR	27.7%	28.2%	24.5%

Source: IIFCL, ICRA Research; Ratios as per ICRA's calculations; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)					Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	FY2025			FY2024		FY2023		FY2022	
			Feb 21, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-based/Non-fund based bank facilities	Long term	6,000.00	[ICRA]AAA (Stable)	May-13-24	[ICRA]AAA (Stable)	23-Feb-24	[ICRA]AAA (Stable)	24-Feb-23	[ICRA]AAA (Stable)	25-Feb-22	[ICRA]AAA (Stable)
				27-Jan-25	[ICRA]AAA (Stable)	-	-	-	-	-	-
Govt guaranteed bonds	Long term	0.00	[ICRA]AAA(CE) (Stable); withdrawn	13-May-24	[ICRA]AAA(CE) (Stable)	23-Feb-24	[ICRA]AAA(CE) (Stable)	24-Feb-23	[ICRA]AAA(CE) (Stable)	20-Apr-21	[ICRA]AAA(CE) (Stable)
				27-Jan-25	[ICRA]AAA(CE) (Stable)	-	-	-	-	25-Feb-22	[ICRA]AAA(CE) (Stable)
Non-convertible debentures	Long term	4,000.00	[ICRA]AAA (Stable)	13-May-24	[ICRA]AAA (Stable)	23-Feb-24	[ICRA]AAA (Stable)	24-Feb-23	[ICRA]AAA (Stable)	25-Feb-22	[ICRA]AAA (Stable)
				27-Jan-25	[ICRA]AAA (Stable)	-	-	-	-	-	-
Tax-free/Taxable bonds	Long term	13,015.20	[ICRA]AAA (Stable)	13-May-24	[ICRA]AAA (Stable)	23-Feb-24	[ICRA]AAA (Stable)	24-Feb-23	[ICRA]AAA (Stable)	20-Apr-21	[ICRA]AAA (Stable)
				27-Jan-25	[ICRA]AAA (Stable)	-	-	-	-	25-Feb-22	[ICRA]AAA (Stable)
Subordinated debt				-	-	-	-	-	-	20-Apr-21	[ICRA]AAA (Stable); Withdrawn
				-	-	-	-	-	-	-	-

Source: ICRA Research

Complexity level of the rated instrument

Instrument	Complexity indicator
Tax-free/Taxable bonds	Very Simple
Non-convertible debenture	Very Simple
GoI Guaranteed bonds	Simple
Fund-based/Non-fund based bank facilities	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 February 18, 2025

ISIN	Instrument name	Date of issuance/ Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
INE787H07081	Tax-free bonds	15-Nov-12	7.38%	15-Nov-27	100	[ICRA]AAA (Stable)
INE787H07115	Tax-free bonds	21-Nov-12	7.38%	21-Nov-27	50	[ICRA]AAA (Stable)
INE787H07149	Tax-free bonds	22-Jan-13	(7.36/7.86)%	22-Jan-28	761	[ICRA]AAA (Stable)
INE787H07172	Tax-free bonds	26-Mar-13	(7.02/7.52)%	26-Mar-28	46.6	[ICRA]AAA (Stable)
INE787H07198	Tax-free bonds	23-Aug-13	8.26%	23-Aug-28	630.3	[ICRA]AAA (Stable)
INE787H07214	Tax-free bonds	30-Aug-13	8.46%	30-Aug-28	1,159.70	[ICRA]AAA (Stable)
INE787H07255	Tax-free bonds	05-Sep-13	8.48%	05-Sep-28	1,129.70	[ICRA]AAA (Stable)
INE787H07289	Tax-free bonds	12-Nov-13	8.38%	12-Nov-28	303.5	[ICRA]AAA (Stable)
INE787H07289	Tax-free bonds	12-Nov-13	8.38%	12-Nov-28	8.9	[ICRA]AAA (Stable)
INE787H07297	Tax-free bonds	12-Nov-13	8.63%	12-Nov-28	157.1	[ICRA]AAA (Stable)
INE787H07339	NCD	22-Jan-14	8.48%	22-Jan-29	6.8	[ICRA]AAA (Stable)
INE787H07362	NCD	22-Jan-14	8.73%	22-Jan-29	141.1	[ICRA]AAA (Stable)
INE787H07396	Tax-free bonds	27-Mar-14	8.55%	27-Mar-29	1,595.80	[ICRA]AAA (Stable)
INE787H07396	Tax-free bonds	27-Mar-14	8.55%	27-Mar-29	12.3	[ICRA]AAA (Stable)
INE787H07099	Tax-free bonds	15-Nov-12	7.41%	15-Nov-32	340	[ICRA]AAA (Stable)
INE787H07123	Tax-free bonds	21-Nov-12	7.41%	21-Nov-32	21	[ICRA]AAA (Stable)
INE787H07156	Tax-free bonds	22-Jan-13	(7.4/7.9)%	22-Jan-33	1,156.40	[ICRA]AAA (Stable)
INE787H07180	Tax-free bonds	26-Mar-13	(7.08/7.58)%	26-Mar-33	23.3	[ICRA]AAA (Stable)
INE787H07206	Tax-free bonds	23-Aug-13	8.19%	23-Aug-33	2	[ICRA]AAA (Stable)
INE787H07222	Tax-free bonds	30-Aug-13	8.37%	30-Aug-33	26.5	[ICRA]AAA (Stable)
INE787H07305	Tax-free bonds	12-Nov-13	8.50%	12-Nov-33	15.9	[ICRA]AAA (Stable)
INE787H07305	Tax-free bonds	12-Nov-13	8.50%	12-Nov-33	186.9	[ICRA]AAA (Stable)
INE787H07313	Tax-free bonds	12-Nov-13	8.75%	12-Nov-33	242.1	[ICRA]AAA (Stable)
INE787H07347	NCD	22-Jan-14	8.66%	22-Jan-34	754.4	[ICRA]AAA (Stable)
INE787H07370	NCD	22-Jan-14	8.91%	22-Jan-34	544.3	[ICRA]AAA (Stable)
INE787H07404	Tax-free bonds	27-Mar-14	8.55%	27-Mar-34	126	[ICRA]AAA (Stable)
INE787H07404	Tax-free bonds	27-Mar-14	8.55%	27-Mar-34	12.6	[ICRA]AAA (Stable)
INE787H07438	Tax-free bonds	27-Mar-14	8.80%	27-Mar-34	128.7	[ICRA]AAA (Stable)
INE787H08071	NCD	26-Oct-23	7.69%	26-Oct-38	2,000	[ICRA]AAA (Stable)
INE787H08089	NCD	08-Dec-23	7.67%	08-Dec-38	1,000	[ICRA]AAA (Stable)
NA^	Tax-free/Taxable bonds	NA	NA	NA	332.3	[ICRA]AAA (Stable)
INE787H08048	NCD	14-Mar-22	7.17%	14-Mar-32	1,500.00	[ICRA]AAA (Stable)
INE787H08055	NCD	31-May-23	7.46%	31-May-33	500	[ICRA]AAA (Stable)
INE787H08063	NCD	18-Sep-23	7.53%	18-Sep-38	2,000.00	[ICRA]AAA (Stable)
NA^	Fund-based/Non-fund based				6,000.00	[ICRA]AAA (Stable)
NA^	Gol guaranteed bonds	-	-	-	200	[ICRA]AAA(CE) (Stable); withdrawn
INE787H09079	Taxable bonds	12-Aug-09	8.12%	12-Aug-24	600	[ICRA]AAA (Stable); withdrawn
INE787H09087	Taxable bonds	24-Aug-09	8.12%	24-Aug-24	400	[ICRA]AAA (Stable); withdrawn
INE787H09095	Taxable bonds	03-Nov-09	8.55%	03-Nov-24	1,000	[ICRA]AAA (Stable); withdrawn

Source: IIFCL, ICRA Research; ^ Yet to be placed

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

Annexure II: List of entities considered for consolidated analysis

Not applicable

Corrigendum

Document dated February 21, 2025 has been corrected with revisions as detailed below:

Revision: Rating history against PR dated April 20, 2021 has been corrected on Page 5 and date of issuance of INE787H08048 is corrected on Page 6.

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