

May 03, 2017

India Infradebt Limited

Summary of Rated Instruments

Instrument*	Rated Amount (in crore)	Rating Action
Non-convertible debenture programme	4,000.00	[ICRA]AAA (stable); assigned
Non-convertible debenture programme	5,000.00	[ICRA]AAA (stable); outstanding
Subordinated debt programme	160.00	[ICRA]AAA (stable); outstanding
Commercial paper programme	500.00	[ICRA]A1+; outstanding

*Instrument details are provided in Annexure-1

Rating action

ICRA has assigned the rating of [ICRA]AAA (pronounced ICRA triple A) to the Rs. 4,000 crore non-convertible debenture (NCD) programme of India Infradebt Limited (India Infradebt). ICRA also has a rating of [ICRA]AAA outstanding on the Rs. 5,000 crore NCD programme and Rs. 160 crore subordinated debt programme and the rating of [ICRA]A1+ (pronounced ICRA A one plus) on the Rs. 500 crore commercial paper programme of India Infradebt. The outlook on the long term ratings is Stable.

Detailed rationale

The ratings draws strength from India Infradebt's strong sponsors, strong regulatory framework governing IDF-NBFC, strong management team, its stringent underwriting norms reflected in strong asset quality, strong risk mitigants and improving profitability indicators.

Key rating drivers

Credit strengths

- Strong shareholders/ sponsors in the form of - ICICI Bank Limited (rated [ICRA]AAA (stable) / [ICRA]A1+), Bank of Baroda (rated [ICRA]AAA (stable) / [ICRA]A1+), Citicorp Finance (India) Limited (rated [ICRA]AA+ (stable) / [ICRA]A1+) and Life Insurance Corporation of India Limited; demonstrated support in the form of capital infusion during April 2017
- Strong management team, with tight underwriting norms and risk mitigants in place
- Investment permitted in debt securities of infrastructure projects with at least one year of satisfactory commercial operations, thereby eliminating construction risk
- Allowed to raise resources through issue of bonds of minimum 5 year maturity while repayment from on-lending to start immediately, thereby mitigating liquidity risk
- Improving profitability (ROE of ~12% in FY2017 as compared with ~8% in FY2016)

Credit weaknesses

- Increase in non-tripartite agreement backed portfolio exposes India Infradebt to operational and managerial risk associated with the operational projects; however, construction risk continues to be mitigated

Detailed description of key rating drivers:

India Infradebt was set up by ICICI Bank Limited, Bank of Baroda, Citicorp Finance (India) Limited and Life Insurance Corporation of India Limited in February 2013. ICRA takes comfort from strong sponsors of the company and demonstrated financial support of the sponsors to the company. The sponsors have provided capital support to the entity during the latest round of funding in April 2017; the sponsors infused Rs. 360 crore of capital through a rights issue and plans to infuse further Rs. 40 crore in the current financial year.

Prior to May 2015, the extant RBI guidelines necessitated IDF-NBFCs to invest in debt securities of only PPP infrastructure projects with a project authority, and having completed at least one year of commercial operations. For each exposure, IDF-NBFCs were required to enter into a tripartite agreement with the concessionaire and the project authority for ensuring a compulsory buyout with termination payment. RBI however revised the guidelines in May 2015, and widened the scope of financing by IDFs by including investments in PPP projects without a project authority and non-PPP projects, both with minimum one year of commercial operations. While the absence of tripartite agreements exposes IDFs to project related risks, construction risk continues to be mitigated on account of stipulation of a minimum one year of successful operations post COD, required as per regulations.

With the amendment in regulations, the company increased its exposure to non-PPP projects mainly in the renewable energy sector with few select exposures in health care. The company's portfolio stood at Rs. 4,559 crore as on March 31, 2017 with ~32% being accounted by non-PPP projects, and the balance by road projects. The exposure in the non-road, non-PPP segment could increase going forward with the company planning to expand in these sectors; however, PPP projects with tripartite agreements are expected to continue to have the largest share in the overall portfolio over the short to medium term. ICRA notes that since all exposures are taken after a minimum of one year of successful operations post COD, the credit risk is relatively low as compared with projects under construction. ICRA also draws comfort from the company's strong risk management systems and its cautious stance of largely funding renewable energy projects in the non-PPP segment. While the maximum exposure that an IDF-NBFC can take on projects with tripartite agreements is capped at 50% of its total capital funds¹, the same is capped at 25% for single party exposure and 40% for group exposure for projects without a tripartite agreement thereby reducing concentration risk to an extent.

As per RBI regulations, IDF-NBFCs can raise resources through the issue of bonds of a minimum 5 year maturity and also through shorter tenure bonds and commercial papers from the domestic market (limited to 10% of outstanding debt). This has helped the company in maintaining comfortable liquidity position while funding long tenure infrastructure projects.

With incremental business being funded through fresh borrowings, the company's gearing increased from 5.86 times as on March 31, 2016 to 9.95 times as on March 31, 2017. However, subsequent to the recent increase in equity of Rs 360 crore subsequent to the rights issue in April 2017, the gearing reduced to 5.45 times. ICRA expects the gearing to gradually increase with growth in business.

¹ Additional exposure up to 10% could be taken at the discretion of the Board of the IDF-NBFC, and further additional 15% with the approval of the RBI.



There was a sharp growth of ~82% in the company's portfolio in FY2017, mainly funded through an increase in borrowings. The company's incremental lending rate stood at 9-10% and cost of funds stood at 8.0-8.5%, resulting in stable spreads of ~1.5-2%. The company's operating expenses also remained stable during FY2017 while credit costs remained negligible with nil gross NPAs as on date. The company's profitability remained stable with return on average total assets (ROA) and return on average net worth (RONW) reported at 1.41% and 11.91% respectively during FY2017 as compared with 1.57% and 8.00% respectively during FY2016. Going ahead, ICRA expects the company's profitability to improve further with an increase in scale of operations, comfortable operating expenses and credit costs supported by its robust systems and processes and the inherently less risky asset class without any construction risk.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below

Links to applicable criteria: [ICRA's Credit Rating Methodology for Non-Banking Finance Companies](#)

About the company:

India Infradebt Limited (India 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 February 2013 with an equity capital of Rs. 300 crore. ICICI Bank group is the largest shareholder with 40% stake followed by Bank of Baroda with 38.7%, Citicorp Finance India with 15.8% and Life Insurance Corporation of India with the balance 5.5%.

During FY2017, the company reported a net profit of Rs. 48 crore on a total income base of Rs. 335 crore vis-a-vis a net profit of Rs. 29 crore on a total income base of Rs. 143 in FY2016.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years:
Table:

S. No.	Instrument	Current Rating			Chronology of Rating History for the past 3 years					
		Type	Amount rated (Rs. crore)	Amount outstanding (Rs. crore)	FY2018	FY2017	FY2016		FY2015	
					May 2017	September 2016	January 2016	May 2015	February 2015	October 2014
1	Non-convertible debenture programme	Long Term	4,000.00	-	[ICRA]AAA (stable)	-	-	-	-	-
2	Non-convertible debenture programme	Long Term	5,000.00	4,345.00	[ICRA]AAA (stable)	[ICRA]AAA (stable)	[ICRA]AAA (stable)	[ICRA]AAA (stable)	[ICRA]AA (stable)	[ICRA]AAA (stable)
3	Subordinated debt programme	Long Term	160.00	160.00	[ICRA]AAA (stable)	[ICRA]AAA (stable)	[ICRA]AAA (stable)	[ICRA]AAA (stable)	[ICRA]AA (stable)	-
4	Commercial paper programme	Short Term	500.00	-	[ICRA]A1+	[ICRA]A1+	-	-	-	-

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Instrument Details

Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
Non-convertible debenture	28/05/2014	9.70%	28/05/2019	135.00	[ICRA]AAA (stable)
Non-convertible debenture	28/05/2014	9.70%	28/05/2024	165.00	[ICRA]AAA (stable)
Non-convertible debenture	04/02/2015	8.55%	04/02/2020	200.00	[ICRA]AAA (stable)
Non-convertible debenture	04/02/2015	8.45%	04/02/2025	50.00	[ICRA]AAA (stable)
Non-convertible debenture	21/08/2015	8.65%	21/08/2020	260.00	[ICRA]AAA (stable)
Non-convertible debenture	19/11/2015	8.50%	19/11/2025	200.00	[ICRA]AAA (stable)
Non-convertible debenture	08/01/2016	8.60%	08/01/2021	156.00	[ICRA]AAA (stable)
Non-convertible debenture	08/01/2016	8.60%	08/01/2026	94.00	[ICRA]AAA (stable)
Non-convertible debenture	28/01/2016	8.70%	28/01/2021	140.00	[ICRA]AAA (stable)
Non-convertible debenture	28/01/2016	8.70%	28/01/2026	10.00	[ICRA]AAA (stable)
Non-convertible debenture	08/03/2016	8.62%	08/03/2021	145.00	[ICRA]AAA (stable)
Non-convertible debenture	08/03/2016	8.62%	07/03/2026	155.00	[ICRA]AAA (stable)
Non-convertible debenture	21/03/2016	8.65%	20/03/2021	60.00	[ICRA]AAA (stable)
Non-convertible debenture	21/03/2016	8.65%	21/03/2026	70.00	[ICRA]AAA (stable)
Non-convertible debenture	22/03/2016	8.65%	22/03/2021	88.00	[ICRA]AAA (stable)
Non-convertible debenture	22/03/2016	8.65%	21/03/2026	82.00	[ICRA]AAA (stable)
Non-convertible debenture	05/05/2016	8.51%	05/05/2021	57.00	[ICRA]AAA (stable)
Non-convertible debenture	05/05/2016	8.51%	05/05/2026	50.00	[ICRA]AAA (stable)
Non-convertible debenture	10/05/2016	8.51%	10/05/2021	168.00	[ICRA]AAA (stable)
Non-convertible debenture	23/06/2016	8.57%	23/06/2021	120.00	[ICRA]AAA (stable)
Non-convertible debenture	23/06/2016	8.57%	23/06/2026	50.00	[ICRA]AAA (stable)

Non-convertible debenture	30/06/2016	8.57%	30/06/2021	115.00	[ICRA]AAA (stable)
Non-convertible debenture	29/08/2016	8.24%	30/08/2021	110.00	[ICRA]AAA (stable)
Non-convertible debenture	29/08/2016	8.24%	29/08/2026	95.00	[ICRA]AAA (stable)
Non-convertible debenture	30/11/2016	8.24%	30/11/2026	300.00	[ICRA]AAA (stable)
Non-convertible debenture	27/12/2016	8.05%	27/12/2021	135.00	[ICRA]AAA (stable)
Non-convertible debenture	27/12/2016	8.10%	25/12/2026	15.00	[ICRA]AAA (stable)
Non-convertible debenture	19/01/2017	7.95%	19/01/2022	215.00	[ICRA]AAA (stable)
Non-convertible debenture	23/02/2017	8.05%	23/02/2022	105.00	[ICRA]AAA (stable)
Non-convertible debenture	23/03/2017	8.25%	23/03/2022	500.00	[ICRA]AAA (stable)
Non-convertible debenture	26/04/2017	8.00%	26/07/2022	300.00	[ICRA]AAA (stable)
Non-convertible debenture**	-	-	-	4,655.00	[ICRA]AAA (stable)
Subordinated debt	20/03/2015	9.10%	20/06/2022	160.00	[ICRA]AAA (stable)
Commercial paper	-	-	7-365 days	500.0	[ICRA]A1+

**To be placed

Source: India Infradebt Limited

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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