

April 04, 2019^(Revised)

India Infradebt Limited: Ratings reaffirmed

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible debenture programme	14,000	14,000	[ICRA]AAA(stable); Reaffirmed
Subordinated debt programme	410	410	[ICRA]AAA(stable); Reaffirmed
Commercial Paper programme	500	500	[ICRA]A1+; Reaffirmed
Total	14,910	14,910	

*Instrument details in Annexure

Rationale

The ratings reflect the strength of India Infradebt Limited's sponsors, the relatively tighter regulatory framework necessitating investment only in operational projects, favorable liquidity position, comfortable capitalisation, strong management team, stringent underwriting norms reflected in strong asset quality, good risk mitigants and improving profitability indicators. The sponsors of India Infradebt are ICICI Bank Limited (rated [ICRA]AAA(Stable)/[ICRA]A1+) and Bank of Baroda (rated [ICRA]AAA(Stable)/[ICRA]A1+) while Citicorp Finance (India) Limited (rated [ICRA]AAA(Stable)/[ICRA]A1+) and Life Insurance Corporation of India Limited are the other key shareholders. ICRA notes that there could be some temporary increase in the delinquencies in light of the recent issues related to some SPVs not repaying on the debt despite having sufficient cashflows. Notwithstanding this, ICRA, draws comfort from the company's strong risk management systems and expects the company to continue to report good asset quality indicators while growing business volumes. Going forward, the company's ability to grow its loan book while maintaining prudent capitalisation levels and strict underwriting standards would be a key monitorable.

Outlook: Stable

ICRA believes India Infradebt will continue to benefit from the relatively tight regulatory framework, regular capital support from the sponsors, experienced management and prudent policy framework. The outlook may be revised to 'Negative' if there is any significant change in the credit profile of sponsors of the company or decline in support from the sponsors, adverse change in the regulatory framework or significant deterioration in asset quality.

Key rating drivers

Credit strengths

Strong sponsors and experienced management team - India Infradebt was set up by ICICI Bank Limited (rated [ICRA]AAA (stable) / [ICRA]A1+), Bank of Baroda (rated [ICRA]AAA (stable) / [ICRA]A1+), Citicorp Finance (India) Limited (rated [ICRA]AAA (stable) / [ICRA]A1+) and Life Insurance Corporation of India Limited in February 2013. ICRA takes comfort from strong sponsors and shareholders of the company and their demonstrated financial support. The company has a strong management team with good underwriting norms and risk mitigants in place.

Regulatory framework supports low credit risk - The earlier RBI guidelines for infrastructure debt funds (IDFs) necessitated IDF-NBFCs to invest in debt securities of /or lend to only Public-Private Partnership (PPP) infrastructure projects with a project authority, that had completed at least one year of commercial operations. For each exposure, IDF-NBFCs were required to have a tripartite agreement with the concessionaire and the project authority for ensuring a

compulsory buyout with termination payment. The revised guidelines issued by the RBI in FY2016, however, widened the scope of financing by IDFs to include investments in PPP projects without a project authority and non-PPP projects with minimum one year of commercial operations. ICRA notes that the absence of tripartite agreements would expose the IDFs to the risk associated with the project in the event of termination; however, construction and execution risks are avoided as IDFs can take exposure only after a minimum of one year of successful operations post Commercial Operations Date.

Strong portfolio growth; amidst reduced share of PPP projects - India Infradebt's portfolio stood at Rs. 9,168 crore as on December 31, 2018 (as compared to Rs. 7,703 crore as on March 31, 2018), registering an annualised growth of ~25% during 9MFY2019. Renewable energy segment had the highest share of 58% in the portfolio as on December 31, 2018 followed by Road projects backed by tripartite agreements (39%). The share of roads has reduced from 50% as on March 31, 2018 to 39% as on December 31, 2018 with robust growth in renewable segment. Going forward, share of renewable sector could increase further given the market opportunity in the sector and company taking selective exposures in the road sector.

Favourable liquidity profile – The liquidity profile is favourable as IDFs are allowed to raise resources through issue of bonds of minimum five-year maturity in line with the maturity profile of their assets; shorter tenure bonds and commercial papers are not allowed beyond 10% of the outstanding debt. Since IDF-NBFC can invest only in projects that have completed at least one year of commercial operations, loan repayments start immediately after disbursement. ICRA also derives comfort from the strong financial flexibility demonstrated support of the sponsors.

Comfortable capitalisation – The company's capitalisation remains comfortable with net worth of Rs. 1,587 crore as on December 31, 2018 with capital adequacy ratio (CRAR) of 23.43% (Tier I – 18.91%) as against the regulatory requirement of 15% (Tier I - 10%) and gearing of 5.47x as at December 31, 2018. The capitalisation of the company is supported by the demonstrated capital support from the sponsors of Rs. 400 crore rights issue in FY2018 and second rights issue in October 2018 in which ICICI Bank and Bank of Baroda subscribed to the additional shares aggregating ~Rs. 539 crore. Further, there is possibility of LIC shares being subscribed representing additional capital inflow of ~Rs.60 crore, thus providing adequate growth capital for the company for medium term. In ICRA's opinion, prudent capitalisation level is one of the key risk mitigant and monitorable for a portfolio that has a relatively higher concentration risk.

Profitability supported by the tax exemption status enjoyed by IDFs - While spreads for the company have largely remained stable during 9MFY2019, with the decline in gearing, the company's net interest margins (NIMs) improved to 2.08% in 9MFY2019 (2.00% in FY2018). Due to the wholesale nature of operations, the company's operating expenses remained low at 0.31% of average total assets during 9MFY2019 (0.33% in FY2018). As at December 31, 2018, the company had nil stage 3 assets. Owing to strong asset quality, the provisioning costs were low at 0.23% of ATA during 9MFY2019. Overall, the company reported profit after tax (PAT) of Rs. 140 crore during 9MFY2019 (2.01% of ATA) compared to Rs. 124 crore in FY2018 (2.00% of ATA). Subject to compliance of 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 takes note that any changes in these regulations could have an adverse impact on their profitability

Credit challenges

Concentration risk – Regulations require that all IDFs lend only to operational projects with at least one year of commercial operations, which eliminates construction and execution risk. However, the inherent nature of infrastructure financing entails concentrated exposures to few sectors, making the portfolios vulnerable to asset quality shocks. ICRA, however, draws comfort from the company's prudent underwriting and risk management systems. Going forward, the company's ability to maintain strict underwriting standards while growing the portfolio would be a key monitorable.

Exposure to IL&FS SPVs - The group has an overall exposure of ~Rs. 395 crore as on December 31, 2018 to the IL&FS special purpose vehicles (SPVs) classified as Amber entities by NCLAT as per order dated February 4, 2019, few which did not honour the debt repayment despite sufficient cashflows. This could push up delinquencies for the group in the interim, till there is greater clarity over the status of Amber entities with sufficient cash flows. Overall, the company's ability to profitably grow business volumes while maintaining asset quality would have a bearing on its overall financial profile and would be a key monitorable.

Liquidity Position:

The liquidity profile is favourable as IDFs are allowed to raise resources through issue of bonds of minimum five-year maturity in line with the maturity profile of their assets; shorter tenure bonds and commercial papers are not allowed beyond 10% of the outstanding debt. Since IDF-NBFC can invest only in projects that have completed at least one year of commercial operations, loan repayments start immediately after disbursement. As at December 31, 2018 the company has available liquidity in the form of cash and liquid investments up to ~Rs. 1,000 crore, providing comfortable liquidity cover over the net NCD repayments of Rs. 135 crore over the next one year even after excluding the expected inflows from advances and investments.

Analytical Approach:

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA's Credit Rating Methodology for Non-Banking Finance Companies
Parent/Group Support	Demonstrated parent support in the form of capital infusion through rights issue by ICICI Bank and Bank of Baroda. ICRA expects the company to maintain prudent capitalisation and expects that support from sponsors would be forthcoming as and when required.
Consolidation / Standalone	Standalone

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. The ICICI Bank Group is the largest shareholder with 42% stake as on October 31, 2018, followed by Bank of Baroda with 41%, Citicorp Finance India with 10% and Life Insurance Corporation of India with 7%.

During 9MFY2019, the company reported a net profit of Rs. 140 crore on a total income base of Rs. 667 crore vis-a-vis a net profit of Rs. 124 crore on a total income base of Rs. 654 crore in FY2018.

Key financial indicators

	As per I-GAAP		As per Ind-AS	
	FY2017	FY2018	FY2018	9MFY2019
Net Interest income	57	133	124	145
Operating income	77	167	159	177
Profit before tax	48	132	124	140
Profit after tax	48	132	124	140
Portfolio	4,559	7,719	7,703	9,168
Total assets	4,939	8,317	8,262	10,298
Net Worth	611	941	926	1,587
% Tier 1	13.87%	15.83%	15.83%	18.91%
% CRAR	19.76%	22.79%	22.79%	23.43%
Gearing	7.03	7.78	7.90	5.47
% Net profit/Average total assets	1.3%	2.0%	NA	2.01%
% Return on Net Worth	9.7%	17.07%	NA	14.68%
% Gross NPAs	0%	0%	0%	0%
% Net NPAs	0%	0%	0%	0%

Amount in Rs. Crore; As per ICRA calculations

Source: India Infradebt, ICRA research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years

Instrument	Current Rating (FY2020)	Chronology of Rating History for the past 3 years							
		Type	Amount rated (Rs. crore)	Amount outstanding (Rs. crore)	April 2019	FY2019	FY2018	FY2017	
					July 2018	January 2018	May 2017	September 2016	
1 Non-convertible debenture programme	Long Term	14,000	7,952	[ICRA]AAA (stable)	[ICRA]AAA (stable)	[ICRA]AAA (stable)	[ICRA]AAA (stable)	[ICRA]AAA (stable)	
2 Subordinated debt programme	Long Term	410	410	[ICRA]AAA (stable)	[ICRA]AAA (stable)	[ICRA]AAA (stable)	[ICRA]AAA (stable)	[ICRA]AAA (stable)	
3 Commercial paper programme	Short Term	500	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	

Source: India Infradebt, ICRA Research

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

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE537P07018	NCD	28-May-14	9.70%	28-May-19	135	[ICRA]AAA(stable)
INE537P07455	NCD	27-Dec-18	9.30%	5-Jan-24	357	ICRA AAA(stable)
INE537P07034	NCD	4-Feb-15	8.55%	4-Feb-20	200	[ICRA]AAA(stable)
INE537P07323	NCD	1-Jun-17	7.88%	1-Jun-20	200	[ICRA]AAA(stable)
INE537P07059	NCD	21-Aug-15	8.65%	21-Aug-20	260	[ICRA]AAA(stable)
INE537P07075	NCD	8-Jan-16	8.60%	8-Jan-21	156	[ICRA]AAA(stable)
INE537P07091	NCD	28-Jan-16	8.70%	28-Jan-21	140	[ICRA]AAA(stable)
INE537P07117	NCD	8-Mar-16	8.62%	8-Mar-21	145	[ICRA]AAA(stable)
INE537P07133	NCD	21-Mar-16	8.65%	20-Mar-21	60	[ICRA]AAA(stable)
INE537P07158	NCD	22-Mar-16	8.65%	22-Mar-21	88	[ICRA]AAA(stable)
INE537P07174	NCD	5-May-16	8.51%	5-May-21	57	[ICRA]AAA(stable)
INE537P07190	NCD	10-May-16	8.51%	10-May-21	168	[ICRA]AAA(stable)
INE537P07208	NCD	23-Jun-16	8.57%	23-Jun-21	120	[ICRA]AAA(stable)
INE537P07224	NCD	30-Jun-16	8.57%	30-Jun-21	115	[ICRA]AAA(stable)
INE537P07232	NCD	30-Aug-16	8.24%	30-Aug-21	110	[ICRA]AAA(stable)
INE537P07265	NCD	27-Dec-16	8.05%	27-Dec-21	135	[ICRA]AAA(stable)
INE537P07281	NCD	19-Jan-17	7.95%	19-Jan-22	215	[ICRA]AAA(stable)
INE537P07299	NCD	23-Feb-17	8.05%	23-Feb-22	105	[ICRA]AAA(stable)
INE537P07307	NCD	23-Mar-17	8.25%	23-Mar-22	500	[ICRA]AAA(stable)
INE537P07331	NCD	1-Jun-17	8.00%	1-Jul-22	130	[ICRA]AAA(stable)
INE537P07372	NCD	13-Jul-17	7.92%	20-Jul-22	150	[ICRA]AAA(stable)
INE537P07356	NCD	22-Jun-17	7.75%	22-Jul-22	300	[ICRA]AAA(stable)
INE537P07315	NCD	26-Apr-17	8.00%	26-Jul-22	300	[ICRA]AAA(stable)
INE537P07380	NCD	30-Aug-17	7.75%	30-Aug-22	500	[ICRA]AAA(stable)
INE537P07398	NCD	31-Oct-17	7.90%	31-Oct-22	450	[ICRA]AAA(stable)
INE537P07406	NCD	22-Feb-18	8.37%	28-Feb-23	300	[ICRA]AAA(stable)
INE537P07414	NCD	24-May-18	8.55%	24-May-23	200	[ICRA]AAA(stable)
INE537P07430	NCD	19-Jun-18	9.25%	19-Jun-23	145	[ICRA]AAA(stable)
INE537P07448	NCD	30-Aug-18	8.95%	30-Aug-23	200	[ICRA]AAA(stable)
INE537P07026	NCD	28-May-14	9.70%	28-May-24	165	[ICRA]AAA(stable)
INE537P07349	NCD	1-Jun-17	8.02%	1-Jun-24	100	[ICRA]AAA(stable)
INE537P07422	NCD	19-Jun-18	9.30%	19-Jun-24	360	[ICRA]AAA(stable)
INE537P07364	NCD	13-Jul-17	7.95%	12-Jul-24	215	[ICRA]AAA(stable)
INE537P07042	NCD	4-Feb-15	8.45%	4-Feb-25	50	[ICRA]AAA(stable)
INE537P07067	NCD	19-Nov-15	8.50%	19-Nov-25	200	[ICRA]AAA(stable)
INE537P07083	NCD	8-Jan-16	8.60%	8-Jan-26	94	[ICRA]AAA(stable)
INE537P07109	NCD	28-Jan-16	8.70%	28-Jan-26	10	[ICRA]AAA(stable)
INE537P07125	NCD	8-Mar-16	8.62%	7-Mar-26	155	[ICRA]AAA(stable)
INE537P07141	NCD	21-Mar-16	8.65%	21-Mar-26	70	[ICRA]AAA(stable)

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE537P07166	NCD	22-Mar-16	8.65%	21-Mar-26	82	[ICRA]AAA(stable)
INE537P07182	NCD	5-May-16	8.51%	5-May-26	50	[ICRA]AAA(stable)
INE537P07216	NCD	23-Jun-16	8.57%	23-Jun-26	50	[ICRA]AAA(stable)
INE537P07240	NCD	30-Aug-16	8.24%	29-Aug-26	95	[ICRA]AAA(stable)
INE537P07257	NCD	30-Nov-16	8.24%	30-Nov-26	300	[ICRA]AAA(stable)
INE537P07273	NCD	27-Dec-16	8.10%	25-Dec-26	15	[ICRA]AAA(stable)
INE537P08016	Sub debt	20-Mar-15	9.10%	20-Jun-22	160	[ICRA]AAA(stable)
INE537P08024	Sub debt	18-Jan-18	8.45%	18-May-28	250	[ICRA]AAA(stable)
NA	NCD	NA	NA	NA	6405 [^]	[ICRA]AAA(stable)
NA	Commercial Paper	NA	NA	7-365 days	500	[ICRA]A1+

Source: India Infradebt

[^]Yet to be placed

Corrigendum:

Made the following rectification in the rationale section:

“The sponsors of India Infradebt are ICICI Bank Limited (rated [ICRA]AAA(Stable)/[ICRA]A1+) and Bank of Baroda (rated [ICRA]AAA(Stable)/[ICRA]A1+) while Citicorp Finance (India) Limited (rated [ICRA]AAA(Stable)/[ICRA]A1+) and Life Insurance Corporation of India Limited are the other key shareholders.”

from "The promoters/sponsor of India Infradebt are ICICI Bank Limited (rated [ICRA]AAA(Stable)/[ICRA]A1+), Bank of Baroda (rated [ICRA]AAA(Stable)/[ICRA]A1+), Citicorp Finance (India) Limited (rated [ICRA]AAA(Stable)/[ICRA]A1+) and Life Insurance Corporation of India Limited. "

ANALYST CONTACTS

Karthik Srinivasan

+91 22 6114 3444

karthiks@icraindia.com

Manushree Saggur

+91 124 4545316

manushrees@icraindia.com

Sandeep Sharma

+91 22 6114 3472

sandeep.sharma@icraindia.com

Neha Parikh

+91 22 6114 3426

neha.parikh@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

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.

For more information, visit www.icra.in

ICRA Limited

Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: info@icraindia.com

Website: www.icra.in

Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

Branches

Mumbai + (91 22) 24331046/53/62/74/86/87

Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,

Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,

Bangalore + (91 80) 2559 7401/4049

Ahmedabad+ (91 79) 2658 4924/5049/2008

Hyderabad + (91 40) 2373 5061/7251

Pune + (91 20) 2556 0194/ 6606 9999

© Copyright, 2019 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents