April 07, 2020

NIIF Infrastructure Finance Limited: Update on material event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial paper programme	600	600	[ICRA]A1+; outstanding
Non-convertible debenture programme	8,000	8,000	[ICRA]AAA(stable); outstanding
Total	**8,600**	**8,600**	

**Instrument details provided in Annexure-1*

Material Event

On March 31, 2020. NIIF IFL announced that Aseem Infrastructure Finance Limited, an NBFC Infrastructure Finance Company (NBFC-IFC) and 100% owned by National Investment and Infrastructure Fund has acquired 30% equity stake of NIIF IFL from IDFC Financial Holding Company Limited (IDFC FHCL), upon consummation of the 2nd tranche of the transaction in terms of the Share Purchase Agreement (SPA) entered between IDFC FHCL, IDFC Limited and National Investment and Infrastructure Fund II ("NIIF Fund II") on March 12, 2019.

Pursuant to the acquisition of 30% stake by Aseem Infrastructure Finance Limited, sponsor of NIIF IFL has been also changed from IDFC FHCL to Aseem Infrastructure Finance Limited.

Impact of material event

ICRA has taken note of the announcement. The change in sponsor to Aseem Infrastructure Finance Limited from IDFC FHCL, pursuant to the acquisition of 30% stake by Aseem Infrastructure Finance Limited is in line with stated plan by NIIF when it had acquired the majority stake in March 2019. The ratings continue reflect the strength of NIIF Infrastructure Finance Limited's (NIIF IFL's) owners, i.e NIIF, which held 88.89% equity shares in NIIF IFL as on March 31, 2020 through National Investment and Infrastructure Fund II (58.89%) and Aseem Infrastructure Finance Limited (30%)), its relatively stable business profile supported by a tighter regulatory framework necessitating investment only in operational infrastructure projects, experienced management team, good asset quality, adequate capitalisation levels and good profitability indicators. NIIF is an investor-owned fund manager anchored by the Government of India (GoI).

ICRA believes that NIIF IFL will continue to benefit from the relatively tight regulatory framework, capital support from the shareholders, experienced management and prudent policy framework. The ability to raise adequate capital to support business growth while maintaining a prudent capitalisation profile and sound asset quality would be a key monitorable.

About the company

NIIF Infrastructure Finance Limited (NIIF IFL; erstwhile IDFC Infrastructure Finance Limited ((IDFC IFL)) is an infrastructure debt fund (IDF) under the non-banking finance company (NBFC) structure, set up in March 2014 and operating after the receipt of RBI approval on September 22, 2014. It provides long-term financial assistance for various infrastructure projects.

While NIIF IFL was incorporated as IDFC IFL, its name was changed to NIIF IFL following the change in ownership in March 2019. On March 12, 2019, IDFC Financial Holding Company Limited (IDFC FHCL) transferred 51.48% of its shares to NIIF Fund II. Further, on March 15, 2019, SBI Life Insurance Company Limited transferred its entire holding to NIIF Fund II. As a result, NIIF Fund II now holds 58.89% in the company, while IDFC FHCL holds 30% and HDFC Limited continues to hold 11.11% in NIIF IFL.

In FY2019, the company reported a net profit of Rs. 103 crore vis-à-vis Rs. 83 crore in FY2018. Its net worth stood at Rs. 829 crore as on March 31, 2019. The company's capital structure is characterised by a gearing of 4.9x with a portfolio size of Rs. 4,666 crore as on March 31, 2019 (5.1x as on March 31, 2018 with a portfolio of Rs. 4,191 crore). Further, in H1 FY2020, the company reported a net loss of Rs. 59 crore and net worth of Rs. 770 crore and gearing of 5.9x as on September 30, 2019.

About Aseem Infrastructure Finance Limited

Aseem Infrastructure Finance Limited (AIFL) is an NBFC-IFC (Infrastructure Finance Company) and 100% owned by National Investment and Infrastructure Fund. AIFL has a capital base of Rs. 577 crore as on March 31, 2020. AIFL has received requisite RBI approvals to operate as an NBFC-IFC and also to act as a sponsor of NIIL Infrastructure Finance Limited (NIIF IFL). As of 31st March 2020, AIFL owns 30% equity stake in NIIF IFL with NIIF holding another 58.9% directly. 11.1% stake continues to be held by HDFC Limited. AIFL enjoys strong parentage of National Investment and Infrastructure Fund and is expected to start infrastructure debt financing operations in FY2021.

Key financial indicators (audited)

	FY2018	FY2019	H1 FY2019	H1 FY2020
Net interest income	94	116	56	65
Profit before tax (PBT)	83	103	51	60
Profit (loss) after tax (PAT)	83	103	51	(59)
Portfolio	4,191	4,666	4,489	4,847
Net worth	727	829	778	770
Total assets	4,449	4,862	4,651	5,387
% Tier 1	21.60%	20.42%	21.73%	16.43%
% CRAR	22.09%	20.88%	22.23%	17.15%
Gearing[1]	5.1	4.9	5.0	5.9
PBT / ATA	1.87%	2.22%	2.22%	2.33%
% PAT/Average total assets	2.29%	2.22%	2.22%	-2.31%
% Return on average net worth	12.07%	13.25%	13.42%	-14.83%
% Gross NPAs	0%	0%	0%	0%
% Net NPAs	0%	0%	0%	0%

Amount in Rs. crore
Source: NIIF IFL, ICRA research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

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

[1] *Debt equity ratio*

ANALYST CONTACTS

Karthik Srinivasan
+91 22 6114 3444
karthiks@icraindia.com

Manushree Saggar
+91 124 4545316
manushrees@icraindia.com

Neha Parikh
+91 22 6114 3426
neha.parikh@icraindia.com

Sandeep Sharma
+91 22 6114 3472
sandeep.sharma@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

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