Aseem Infrastructure Finance Limited

May 09, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term / Short-term bank facilities	7,000.00	CARE AA+; Positive / CARE A1+	Reaffirmed
Long-term instruments	250.00	CARE AA+; Positive	Assigned
Non-convertible debentures	500.00	CARE AA+; Positive	Reaffirmed
Non-convertible debentures	1,500.00	CARE AA+; Positive	Reaffirmed
Commercial Paper	2,000.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings for Aseem Infrastructure Finance Limited's (AIFL's) long-term and short-term instruments have been reaffirmed at CARE AA+; Outlook: Positive / CARE A1+. Reaffirmation reflects strong linkages with the Government of India (GoI), directly and indirectly through National Investment and Infrastructure Fund Limited (NIIFL), which is anchored by GoI. Ratings benefit from synergies with the NIIFL platform, including joint underwriting and a shared knowledge pool. Ratings also acknowledge capital support from sponsors, adequate capitalisation levels, and an experienced management team. The company's ability to maintain strong asset quality with nil non-performing assets (NPAs) since inspection and secure funds at competitive rates is also considered.

However, ratings are constrained by inherent risks of infrastructure financing, characterised by large ticket size advances, despite demonstrated stability in the portfolio since inspection. AIFL commenced lending in FY21, and in the last four years, the portfolio has seen healthy churn, leading to an established asset base with an average operational portfolio vintage of around six years. However, ongoing monitoring will remain critical to managing potential risks.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade:

- Ability to scale up operations and increase the loan portfolio with adequate sectoral diversification.
- Maintenance of stable asset quality parameters with gross non-performing assets (GNPA) below 1%.
- Demonstration of the continued ability of resource mobilisation at favourable terms.

Negative factors: Factors that could individually or collectively lead to negative rating action/downgrade:

- Dilution in the strategic position of the company or weakening of linkages with the GoI through its sponsor or otherwise, other than envisaged.
- On an outstanding basis, increase in funding to under-construction projects beyond 40%.
- Deterioration in the asset quality of the portfolio such that the net non-performing assets (NPA) to tangible net worth (TNW) ratio exceeds 15% on a sustained basis.
- Sustained deterioration in profitability with return on average total assets (ROTA) below 0.5%.

Analytical approach: Standalone

CARE Ratings Limited (CARE Ratings) has analysed the standalone credit profile of AIFL, factoring in the linkages with GoI and NIIFL.

Outlook: Positive

The positive outlook considers growth in scale of operations, ability to bring in equity capital, and improvement in financial metrics. CARE Ratings anticipates continued linkages with GoI and NIIFL, while expecting AIFL to maintain strong asset quality and a diversified resource profile, while securing funds at competitive rates.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Detailed description of key rating drivers:

Key strengths

Strong linkages with GoI through NIIFL ecosystem

AIFL maintains strong direct and indirect linkages with the GoI through the NIIFL ecosystem, playing a pivotal role in supporting GoI's objectives and funding critical socio-economic sectors. As on September 30, 2024, NIIF Fund II/SOF (Strategic Opportunities Fund) holds 59% stake in AIFL, with GoI owning 31% and SMBC 10%.

Anchored by GoI, NIIFL manages US$4.4 billion in assets across four funds, holds a stake in AIFL through its SOF, with SOF being one of India's largest growth equity funds. GoI has committed ₹20,000 crore to NIIFL and aims to match this with external investors, reaching a 49% share in the fund. AIFL's board comprises three non-executive nominee directors from NIIF Fund and three independent members. Of ₹6,000 crore was allocated to NIIF's debt platform, ~₹4,300 crore remains available for drawdown by AIFL and NIIF Infrastructure Finance Limited (NIIF IFL).

Considering NIIFL's quasi-sovereign nature, it is expected that growth capital will be made available to AIFL as needed. Considering AIFL's strategic importance to GoI for funding long-term, capital-intensive infrastructure projects – a key policy function, CARE Ratings expects continued support from the GoI, either directly or through the NIIFL ecosystem.

Association with NIIFL ecosystem, resulting in operational and underwriting synergies to AIFL

AIFL was established to provide financing across phases of infrastructure projects, including operational and under-construction projects. As a sponsor of NIIF IFL, an infrastructure debt fund NBFC, AIFL holds a 30.83% stake in NIIF IFL on a fully diluted basis. While NIIF IFL focuses solely on funding operational projects, AIFL has flexibility to finance greenfield, brownfield, and operational projects. CARE Ratings views AIFL and NIIF IFL complement each other under the SOF umbrella. AIFL can leverage synergies with NIIF IFL through joint underwriting of refinancing, better credit and commercial terms, access to strategic investors, and a shared knowledge pool. NIIFL's mandate across its four funds is to invest in infrastructure and related sectors, and knowledge base of the NIIFL platform will further support AIFL in its credit and underwriting decisions.

Through its integrated debt platform, AIFL is expected to follow an approach of project life-cycle financing utilising its expertise in technical and risk structuring, where it will focus on building long-term engagement with partner banks and financial institutions, while maintaining a conservative liability profile and low credit costs.

Experienced management team

The management team is experienced and is guided by an experienced board of directors. Virender Pankaj, chief executive officer, oversees the company's operations and has over 31 years' experience in project finance, working capital, and corporate finance, among others. He has extensive lending experience across a wide range of sectors, including roads, power, and social and industrial finance. He is supported by a team of executives, who on average have over a decade's experience in their respective fields. CARE Ratings believes AIFL will benefit from the management's long track record to scale up the business while, managing the asset quality.

Strategic approach towards risk management and moderately conservative underwriting philosophy expected to keep asset quality reasonably comfortable

AIFL is governed by its strong internal credit risk grading framework and risk management systems owing to which the company has historically reported zero days-past-due (DPD). According to its policy, it does not finance projects with an internal rating below 'BBB-'. As on December 31, 2024, ~72% outstanding portfolio has an external rating of 'A-' or higher, against 84% as on March 31, 2024. Proportion of assets in the 'BBB' band increased with an increase in under-construction projects. Usually, under-construction projects have a rating in the BBB and A band considering the implementation risks associated with these projects. Hence, aligned with AIFL's strategy to increase funding for under-construction projects, the proportion of BBB rated assets is likely to increase. As stated by the company, it conducts extensive due diligence on the sponsor group, who generally do engineering, procurement, and construction (EPC) work for an under-construction project. Impetus is given on sponsor/EPC contractor's experience before considering sanctioning to mitigate risk in the implementation phase.

As the company continues its growth trajectory in terms of the book size with increase in proportion of under-construction projects, and lending to newer sectors, demonstration of sound asset quality on a sustained basis remains a key rating monitorable.

Comfortable capitalisation levels

The company maintains comfortable capitalisation, with a capital adequacy ratio (CAR) of 19.98% and Tier-1 CAR of 19.27% as on December 31, 2024, well above the regulatory requirements of 15% and 10%, respectively. Capital levels are supported by ₹2,550.37 crore in equity from GoI, NIIF SOF, and SMBC, and internal capital generation, resulting in a TNW of ₹3,079.46 crore as on September 30, 2024. Gearing increased to 4.14x in September 2024 (March 2024: 3.90x) due to higher borrowings for portfolio growth. Considering the growth plans, gearing is expected to gradually increase but not exceed 5x in the medium term.

CARE Ratings observes the investment agreement enables AIFL to secure additional funds from GoI as required, highlighting the strong capital commitment and support from its promoters. Beyond contributions from GoI and NIIFL, AIFL received strategic equity funding from SMBC in FY22 and is actively engaging with other institutional investors for further investments. This positions AIFL with substantial flexibility to raise equity and debt, supporting its growth strategy effectively.

Diversified resource profile

AIFL has steadily been able to increase its liability franchise encompassing public and private sector banks, foreign banks, mutual funds, domestic institutions, corporate treasury, and others. Of the total borrowings outstanding as on December 31, 2024, 80.70% constitutes term loans, 10.29% non-convertible debentures (NCDs), 5.98% commercial paper (CPs), and 3.03% working capital demand loans. While CPs will remain part of the borrowing strategy, their share is expected to remain moderate to ensure a balanced funding mix. Significant increase in CPs to fund long-term assets will be closely monitored.

Given strong parentage and linkages with the GoI and stable operating performance, AIFL has been able to raise funds at competitive rates. Going forward, the company's ability to further diversify its liability franchise with continued access to funds at competitive rates is a key monitorable.

Key weaknesses

Early stage of operations with portfolio exposed to inherent infrastructure funding risks and moderate profitability

AIFL commenced lending in FY21 and has grown its portfolio to ₹13,609 crore by March 31, 2024, and to ₹15,067 crore by 9MFY25, with a compounded annual growth rate (CAGR) of ~85% since FY21 to 9MFY25. The portfolio, though largely unseasoned considering the long gestation of infrastructure assets, has a behavioural tenor of 3-4 years and spans diverse sectors, including renewables (green energy), roads, telecom towers, power distribution, airports, transmission, city gas distribution, water sanitation, and data centres, among others. As on December 31, 2024, its operations are concentrated with renewables and roads forming 48% and 25% assets under management (AUM), respectively.

Initially focusing on operational projects, AIFL has under-construction projects, now at 20% portfolio as on December 31, 2024. This shift aligns with its strategy to support the full project life cycle, targeting under-construction projects with strong sponsors and where all key risks are mitigated prior to disbursement largely reducing implementation risk. It funds for projects where the commercial operations date (COD) is to be received in the next 6-9 months. On an outstanding portfolio basis, the proportion of operational projects, stands at 80% as on December 31, 2024, same as on March 31, 2024. Given the government's thrust on infrastructure and AIFL's strategy, share of under-construction projects in the next 2-3 years, is expected to increase to ~40% on an outstanding basis and ~50% on a sanctioned basis.

Considering the large-ticket sizes and infrastructure funding business, CARE Ratings understands when AIFL's exposure increases towards funding of under-construction projects. It will be further exposed to the characteristic execution risks of infrastructure funding. The share of top 20 borrowers on outstanding AUM reduced to ~50% in 9MFY25, down from 55.71% in FY23, reflecting a moderate decline in credit concentration risk.

On the profitability front, AIFL reported a moderate return on managed assets (ROMA) and return on net worth (RONW) of 1.60% and 8.09%, respectively, in H1FY25 (compared to 1.50% and 7.17%, respectively, in FY24). Adjusting for Investment in NIIF IFL, AIFL reported a RONW of 11.33% (FY24:10.27%). In Q3FY25, AIFL reported profit after tax (PAT) of ₹72.11 crore on standalone basis.
In the long term, the company's ability to expand its portfolio while maintaining robust credit underwriting practices and achieving sustained profitability will remain a critical factor to monitor.

Liquidity: Strong

As on December 31, 2024, AIFL's liquidity position remained strong with its direct and indirect (NIIFL) linkages with the GoI to benefit the company in providing funding diversification, access to capital markets, and an enhanced ability to raise resources at competitive rates. As on December 31, 2024, AIFL's asset liability management (ALM) profile had no negative cumulative mismatches up to one year bucket. The company's current liquidity philosophy is to maintain high quality liquid assets (HQLA) funds of –2-3 months of gross cash outflows. As on December 31, 2024, it had contracted inflow from advances (with prepayment assumption) of ₹3,485 crore, maintained liquidity worth ₹1,635 crore in the form of balance with banks and liquid investment.

Against this, the company had contracted repayments on borrowings of ₹3,365 crore in the next one year. This indicates the company has sufficient liquidity to repay its borrowings for the next one year.

Applicable criteria

Definition of Default
Rating Outlook and Rating Watch
Financial Ratios - Financial Sector
Short Term Instruments
Non Banking Financial Companies
Factoring Linkages Government Support

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Non-banking financial company (NBFC)

AIFL (the company)

AIFL is incorporated as an infrastructure finance company under the NBFC category (NBFC-IFC). AIFL was created in May 2019 for lending across phases of infrastructure projects, with a mix of operational and under-construction projects. The Reserve Bank of India (RBI) granted a certificate of registration (COR) to AIFL on January 28, 2020, and the company has initiated lending operations in Q2FY21. AIFL is a subsidiary of the National Investment and Infrastructure Fund II (NIIF Fund II) managed by the NIIFL (a GoI-anchored fund). In March 2022, SMBC infused capital of ₹317.09 crore in AIFL. Following the capital raise, shareholding pattern underwent a change and thereafter has remained unchanged. As on March 31, 2024, NIIF Fund II holds a 59% stake in AIFL, followed by the GoI (31%), and Sumitomo Mitsui Banking Corporation (SMBC - 10%).

NIIFL (NIIF Fund II's fund manager)

NIIFL is a collaborative investment platform for international and domestic investors, created for maximising economic impact and attracting global capital into India. Anchored by the GoI with a 49% stake, NIIFL raises the balance 51% from international and domestic institutional investors in each fund that it manages. It currently manages four funds, each with distinct investment strategies and has a total AUM of ~US$4.4 billion. Apart from GoI, funds managed by NIIFL have also received commitments from certain domestic and international institutions, including the Abu Dhabi Investment Authority (ADIA), Temasek, US International Development Finance Corporation (DFC), ADB, and JBIC, among others. The Governing Council of NIIFL is chaired by the Finance Minister of India and includes the Secretary - Department of Economic Affairs and the Secretary - Department of Financial Services among representatives from other investors.

NIIF – Fund II (majority shareholder)

NIIF Fund II, is one of the largest India-focused growth equity funds. The fund is managed by NIIFL, an investor-owned fund manager. NIIF Fund II focuses on investing in strategic assets and projects with longer term horizons across stages of development. It targets to invest in sectors that benefit from the changing business landscape in India and demonstrating intrinsic structural growth. NIIF Fund II is building a scalable integrated financial services platform by investing equity in NIIF IFL and AIFL, enabling them to become sizeable players in the infrastructure debt financing space.

Standalone financials of AIFL:

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25(UA)
Total income	789.12	1,195.70	1,080.56
PAT	145.90	205.33	194.28
Total Assets	12,852.78	14,571.67	NA
Net NPA (%)	0.00	0.00	0.00
ROTA (%)	1.37	1.50	NA

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information:
Disclosure of Interest of Independent/Non-Executive Directors of CARE Ratings Ltd.:

Name of Director	Designation of Director
V. Chandrasekaran	Non-Executive - Independent Director

V Chandrasekaran is an independent director on the Board of Aseem Infrastructure Finance Limited and is non-executive independent director of CARE Ratings. Non-executive independent directors of CARE Ratings are not part of CARE Ratings' rating committee and do not participate in the rating process.

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Commercial Paper-Commercial Paper (Standalone)	INE0AD514057	14-Nov-24	7.85%	14-May-25	200.00	CARE A1+
Commercial Paper-Commercial Paper (Standalone)	INE0AD514107	06-Feb-25	8.07%	08-May-25	200.00	CARE A1+
Commercial Paper-Commercial Paper (Standalone)	INE0AD514115	24-Feb-25	8.05%	26-May-25	250.00	CARE A1+
Commercial Paper-Commercial Paper (Standalone)	INE0AD514131	06-Mar-25	8.09%	05-Jun-25	250.00	CARE A1+
Commercial Paper-Commercial Paper (Standalone)	INE0AD514123	10-Mar-25	8.09%	09-Jun-25	150.00	CARE A1+
Commercial Paper-Commercial	INE0AD514149	11-Mar-25	8.07%	10-Jun-25	200.00	CARE A1+

Paper (Standalone)						
Commercial Paper-Commercial Paper (Standalone)	INE0AD514156	17-Apr-25	6.97%	16-Jul-25	100.00	CARE A1+
Commercial Paper-Commercial Paper (Standalone) Proposed	-	-	-	-	650.00	CARE A1+
Debentures-Non-convertible debentures	INE0AD507028	10-May-2021	7.35%	09-May-2025	100.00	CARE AA+; Positive
Debentures-Non-convertible debentures	INE0AD507036	10-May-2021	7.70%	08-May-2026	100.00	CARE AA+; Positive
Debentures-Non-convertible debentures	INE0AD507127	02-May-2025	7.78%	02-May-2030	100.00	CARE AA+; Positive
Debentures-Non-convertible debentures Proposed	-	-	-	-	1700.00	CARE AA+; Positive
Debt-Subordinate Debt Proposed	-	-	-	-	250.00	CARE AA+; Positive
Fund-based/Non-fund-based-LT/ST	-	-	-	Dec-2031	3780.00	CARE AA+; Positive / CARE A1+
Fund-based/Non-fund-based-LT/ST (Proposed)	-	-	-	-	3,220.00	CARE AA+; Positive / CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST	-	-	-	-	-	1)Withdrawn (22-Nov-22) 2)CARE AA+; Stable / CARE A1+ (22-Nov-22) 3)CARE AA+; Stable / CARE A1+ (12-Aug-22)
2	Debentures-Non-convertible debentures	LT	500.00	CARE AA+; Positive	1)CARE AA+; Positive (03-Apr-25)	1)CARE AA+; Positive (28-Jan-25) 2)CARE AA+; Positive (09-Oct-24)	1)CARE AA+; Positive (08-Jan-24) 2)CARE AA+; Positive (09-Oct-23)	1)CARE AA+; Stable (22-Nov-22) 2)CARE AA+; Stable (12-Aug-22)
3	Debentures-Non-convertible debentures	LT	1500.00	CARE AA+; Positive	1)CARE AA+; Positive (03-Apr-25)	1)CARE AA+; Positive (28-Jan-25) 2)CARE AA+; Positive (09-Oct-24)	1)CARE AA+; Positive (08-Jan-24) 2)CARE AA+; Positive (09-Oct-23)	1)CARE AA+; Stable (22-Nov-22)
4	Commercial Paper-Commercial Paper (Standalone)	ST	2000.00	CARE A1+	1)CARE A1+ (03-Apr-25)	1)CARE A1+ (28-Jan-25) 2)CARE A1+ (09-Oct-24)	1)CARE A1+ (08-Jan-24)	-
5	Fund-based/Non-fund-based-LT/ST	LT/ST	7000.00	CARE AA+; Positive	1)CARE AA+; Positive / CARE A1+	1)CARE AA+; Positive / CARE A1+	-	-

				/ CARE A1+	(03-Apr-25)	(28-Jan-25) 2)CARE AA+; Positive / CARE A1+ (09-Oct-24)		
6	Debt-Subordinate Debt	LT	250.00	CARE AA+; Positive				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Commercial Paper-Commercial Paper (Standalone)	Simple
2	Debentures-Non-convertible debentures	Simple
3	Debt-Subordinate Debt	Complex
4	Fund-based/Non-fund-based-LT/ST	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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