

India Ratings Rates Aseem Infrastructure Finance's Additional Commercial Paper at ‘IND A1+’; Affirms Existing Ratings

Feb 05, 2025 | Non Banking Financial Company (NBFC)

India Ratings and Research (Ind-Ra) has taken the following rating actions on Aseem Infrastructure Finance Limited’s (AIFL) debt instruments:

Details of Instruments

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating Assigned along with Outlook/Watch	Rating Action
Commercial paper	-	-	-	7 to 365 days	INR10	IND A1+	Assigned
Commercial paper	-	-	-	7 to 365 days	INR10	IND A1+	Affirmed
Non-convertible debentures^	-	-	-	-	INR10.50	IND AA+/Stable	Affirmed
Proposed non-convertible debentures (unutilised limits)	-	-	-	-	INR2.0	IND AA+/Stable	Affirmed

^ details in Annexure

Analytical Approach

Ind-Ra continues to take a standalone view of AIFL to arrive at the ratings. Ind-Ra continues to factor in AIFL’s linkage with the government of India (GoI) directly and through its sponsor, Strategic Opportunities Fund (SOF), acting through its investment manager, National Investment and Infrastructure Fund Limited (NIIFL), an investor-owned fund manager anchored by the GoI. Ind-Ra views AIFL as a dependent entity of the National Investment and Infrastructure Fund (NIIF), in line with its criteria for Rating Public Sector Entities.

Detailed Rationale of the Rating Action

AIFL’s rating is principally driven by its linkages with the GoI and its position in the NIIF’s institutional framework. The ratings reflect AIFL’s strategic importance to the GoI as a vehicle for financing infrastructure projects across a wide spectrum of operating, brownfield and greenfield assets in India. AIFL has been financing operating and near-to-completion under-construction assets. The exposure to under-construction assets was 20% of the loan book in 1HFY25 (FY24: 21%), with 80% of the portfolio consisting of operational assets (79%). The gross loan book, with sectoral diversification, continued to grow in 1HFY25 with the leverage ratio being maintained at around 4x (FY24: 3.85x). There has been no slippage in AIFL’s asset quality since inception. AIFL is comfortably capitalised with its capital-to-risk weighted assets ratio at 19.7% in 1HFY25 (FY24: 20.6%).

List of Key Rating Drivers

Strengths

- Institutional framework and ownership status
- High strategic importance of entity
- Sovereign support
- Leverage within Ind-Ra-expected level
- Comfortable capitalisation

Weaknesses

- Moderate but steadily expanding scale of operations
- Moderate profitability

Detailed Description of Key Rating Drivers

Institutional Framework and Ownership Status: The Gol is the sponsor of NIIF, and AIFL is a subsidiary of SOF, which is one of the three funds in the NIIF platform and is registered with the Securities and Exchange Board of India as a category II alternative investment fund. The Gol is a limited partner in NIIF, with its capital contribution capped at 49% in all three funds of NIIF: Master Fund, Fund of Funds and SOF. The targeted fund corpus of SOF is USD2.1 billion. The Gol has committed funds worth USD1 billion to SOF.

The Gol expects AIFL to grow and become a significant player with the ability to attract long-term global and domestic capital over the medium- to-long term. It is highly unlikely that SOF and the Gol would exit from AIFL in the medium term, according to the agency. On 25 November 2020, the union cabinet approved the infusion of funds up to INR60 billion in the NIIF's infrastructure debt financing platform, comprising AIFL and its associate company, NIIF IFL. In March 2021, the Gol became a direct shareholder in AIFL, acquiring a 34.4% stake on a fully diluted basis in the company through an equity infusion of INR8.1 billion. Furthermore, in March 2022, Sumitomo Mitsui Banking Corporation invested in AIFL as a strategic investor and acquired a 10% stake, resulting in the stake of Gol and SOF diluting to 30.95% and 59.05%, respectively.

Ind-Ra believes the Gol would play the role of a catalyst in the company's operations rather than directing strategic and/or business decisions. AIFL's board has three members as non-executive nominee director from NIIF and three independent members. Ind-Ra believes the composition of AIFL's board reflects NIIF's substantial control over AIFL's policy design and strategy. AIFL also has an experienced senior management team with considerable experience in the infrastructure financing space. Although AIFL's board does not have the Gol representation, Ind-Ra believes the direct shareholding by the Gol lends greater visibility to AIFL and would be instrumental in attracting long-term capital, thereby supporting the company's growth initiatives in the near-to-medium term.

High Strategic Importance of Entity: The Gol's investment reinforces AIFL's strategic importance to the sovereign and also demonstrates the Gol's willingness to support AIFL in expanding its operations. The Gol, through its national infrastructure pipeline, is aggressively pursuing infrastructure developments in the country. The Gol is keen on expanding the role of the private sector in the infrastructure development and intends NIIF to be a key channel of investment into infrastructure. The Gol's focus on infrastructure, the creation of NIIF, and AIFL being a part of NIIF's infrastructure debt financing platform reflect AIFL's high strategic importance.

As a non-banking financial company (NBFC)-infrastructure finance company (IFC), AIFL can lend across phases of infrastructure projects, with a mix of operating, brownfield and greenfield assets. AIFL has been financing operating and near-to-completion under-construction assets and gradually added greenfield assets to its portfolio. Renewables remain the key focus area with a share of 47% in the portfolio in 1HFY25 (FY24: 48%), followed by road projects (1HFY25: 27%; FY24: 32%) and transmission assets (1HFY25: 8%; FY24: 2%).

Sovereign Support: AIFL is financially independent as it maintains its own accounts, and its debt/borrowings are not consolidated with those of the Gol. Ind-Ra believes the Union government's willingness and ability to support AIFL is high. Although AIFL's debt liabilities are not backed by an explicit Gol guarantee or an annual budgetary allocation, Ind-Ra

believes the Gol, either directly or through SOF, will provide support to AIFL in case of a financial stress, given the strategic objective the entity is envisaged to fulfil. The agency believes as business decisions at AIFL will be focused on commercial aspects, the company is likely to be provided with equity support to achieve its growth objectives. Ind-Ra expects NIF to have a meaningful presence in AIFL and wield influence in terms of shaping its growth trajectory. AIFL will continue to borrow on the strength of its own balance sheet. The company has access to undrawn committed capital by the Gol of around INR43 billion and NIF's SOF will provide capital on a need basis.

Leverage within Ind-Ra Expected Level: Ind-Ra expects the expansion in the portfolio to be funded primarily through a mix of term loans and NCDs in the medium term. Equity capital infusion could be realised in 2025 as the company is looking at bringing on board long-term equity investor to grow its business. The debt to equity ratio was 4.1x at end-September 2024 (FY24: 3.8x; FY23: 3.6x). Ind-Ra believes AIFL would be gradual in its approach towards debt, and its leverage would be 4.5x-5.0x over the medium term.

Comfortable Capitalisation: AIFL reported a profit after tax (PAT) of INR1,221.8 million in 1HFY25 (FY24: INR2,053.3 million). The total net worth increased to INR31.3 billion in September 2024 from INR30.05 billion at FYE24. Ind-Ra believes AIFL is well capitalised. The tier 1 capital ratio was stable at 19.0% in 1HFY25 (FYE24: 19.8%). The overall capital adequacy ratio stood at 19.7% in 1HFY25 (FYE24: 20.6%), which was above the regulatory requirement of 15%.

Moderate but Steadily Expanding Scale of Operations: The company commenced lending operations in August 2020. The loans outstanding on a gross basis increased to INR132.8 billion at FYE24 (FYE23: INR115.6 billion). The gross loans stood at INR146.20 billion at end-September 2024, up 23.7% yoy. The loan portfolio was primarily concentrated in renewable assets (47% share), followed by roads (27%), transmission (8%), telecom towers (5%), airports (5%) and power distribution (4%) in 1HFY25. All assets were standard at end-September 2024. The asset quality remained sound with zero days past due since the commencement of operations.

Nonetheless, the wholesale nature of lending, along with the large ticket-size exposure of greater than INR1 billion for around 82.9% of the assets under management, gives rise to asset quality risks. The share of the largest 20 borrowers in the total loans was 51.1% in 1HFY25 (FY24: 48.7%), indicating a moderate credit concentration risk. However, the assets are either almost entirely operational or are short gestation-infra projects, thereby mitigating the risks to some extent. At end-September 2024, 38 under-construction projects financed by AIFL achieved commercial operations dates within the envisaged timelines.

Moderate Profitability: The PAT grew 17.5% yoy to INR1,221.8 million in 1HFY25 (FY24: 41% yoy). The net interest revenue grew 20.8% to INR1,711.8 million in 1HFY25 (FY24: 25.6% yoy). Ind-Ra expects the net interest margin (NIM) to remain stable at closer to FY23-FY24 level in FY25.

The NIM was moderate at 2.26% in FY24 (FY23: 2.36%). The key return indicators namely return on average equity (RoAE) as well as return on assets (average) (RoA) remained moderate during FY22-FY24. The RoAE and RoA were 7.1% and 1.5%, respectively, in FY24.

Liquidity

Adequate: AIFL's liquidity stood at INR4,387.42 million, which includes cash and bank balance and investments in government securities at end-September 2024 (FYE24: INR4,763.09 million) and it had unutilised bank lines of INR11,600 million. The agency understands that adequate liquidity buffers will be maintained such that it covers two to three months of debt repayment obligations (including CP redemption) on a steady state basis without factoring in loan recovery. With respect to the asset-liability profile, AIFL's asset book is long-term and its borrowings have a tenor of two-to-10 years. However, the behavioural maturity of the loan book is much shorter (around three years) than the contractual maturity due to prepayments, according to the management. In terms of asset-liability management, there was no asset-liability mismatch in the one day and up to one-year period on a cumulative basis as on 30 September 2024. CPs constituted 2.4% of total borrowings at end-September 2024. Ind-Ra expects AIFL to maintain the proportion of CPs in the total borrowings well within the borrowing limits as per AIFL's internal policy. This would be monitored by Ind-Ra.

AIFL has well-established bank relationships and has raised funding from a diverse set of lenders and investors. Ind-Ra expects AIFL’s direct and indirect (through its sponsor, NIIF’s SOF) linkages with the GoI to benefit the company in terms of providing funding diversification, access to capital markets, and an enhanced ability to raise resources at competitive rates.

Rating Sensitivities

Positive: A significant increase in the size and scale of operations, better diversified liability profile, while maintaining strong asset quality and its linkages with the GoI could lead to a positive rating action.

Negative: The following developments, individually or collectively, could lead to a negative rating action:

- any weakening of AIFL’s financial/non-financial linkages with the GoI and SOF
- a significant rise in the leverage, combined with heightened credit risk in AIFL’s portfolio
- inadequate liquidity surplus in the up to one-year time bucket

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on AIFL, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra’s ESG Relevance Disclosures, please click [here](#). For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click [here](#).

About the Company

NIIF’s SOF focuses on investing in sectors with significant growth potential, and as part of its objective, it acquired an infrastructure debt fund non-banking financial company (NBFC-IDF), NIIF Infrastructure Finance Limited (NIIF IFL) and incubated AIFL. AIFL, a public limited company, was incorporated on 23 May 2019 under the provisions of the Companies Act, 2013 and is an NBFC. AIFL is registered with the Reserve Bank of India as an NBFC-IFC and received the NBFC-IFC licence from the central bank on 28 January 2020. The objective of the company is to undertake infrastructure financing activities.

Key Financial Indicators

Particulars (INR billion)	FY24	FY23
Total assets	146.16	128.87
#Tangible equity	30.04	27.99
PAT or Net income	2.05	1.46
Return on average assets (%)	1.49	1.37
Capital adequacy ratio (%)	20.64	21.24
Equity/assets (%)	20.56	21.73
Gross stage 3 assets (%)	Nil	Nil
#: excludes intangible assets		
Source: AIFL, Ind-Ra		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook					
	Rating Type	Rated Limit (billion)	Rating	16 October 2024	27 August 2024	28 August 2023	23 November 2022	29 August 2022	10 January 2022
Issuer rating	Short-term	-	-	-	-	-	WD	IND A1+	IND A1+
Commercial paper	Short-term	INR20	IND A1+	IND A1+	-	-	-	-	-
Non-convertible debentures	Long-term	INR12.5	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Commercial paper	Low
Non-convertible debentures	Low
Proposed non-convertible debentures	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity- indicators>.

Annexure

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating/Outlook
Non-convertible debenture	INE0AD507085	14 July 2022	8.25	14 July 2027	INR2.5	IND AA+/Stable
Non-convertible debenture	INE0AD507093	5 September 2022	8.25	3 September2027	INR6.5	IND AA+/Stable
Non-convertible debenture	INE0AD507119	10 May 2023	8.3	10 May 2028	INR1.50	IND AA+/Stable
Total	-	-	-	-	INR10.50	

Source: NSDL, Ind-Ra

Contact

Primary Analyst

Anuradha Basumatari
Director

India Ratings and Research Pvt Ltd
Wockhardt Towers, 4th Floor, West Wing, Bandra Kurla Complex, Bandra East,Mumbai - 400051
+91 22 40356123
For queries, please contact: infogrp@indiaratings.co.in

Secondary Analyst

Pankaj Naik
Director
+91 22 4000 1785

Media Relation

Ameya Bodkhe
Marketing Manager
+91 22 40356121

About India Ratings and Research: India Ratings and Research (Ind-Ra) is committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

India Ratings is a 100% owned subsidiary of the Fitch Group.

For more information, visit www.indiaratings.co.in.

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

Rating of Public Sector Entities

Financial Institutions Rating Criteria

The Rating Process

DISCLAIMER

All credit ratings assigned by india ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: <https://www.indiaratings.co.in/rating-definitions>. In addition, rating definitions and the terms of use of such ratings are available on the agency's public website www.indiaratings.co.in. Published ratings, criteria, and methodologies are available from this site at all times. India ratings' code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the code of conduct section of this site.