

Rating Rationale

August 30, 2024 | Mumbai

Aseem Infrastructure Finance Limited

Ratings Reaffirmed

Rating Action

Rs.500 Crore Commercial Paper	CRISIL A1+ (Reaffirmed)
Non Convertible Debentures Aggregating Rs.600 Crore	CRISIL AA+/Stable (Reaffirmed)

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL AA+/Stable/CRISIL A1+' ratings on the non-convertible debentures and commercial paper of Aseem Infrastructure Finance Limited (AIFL).

The ratings centrally factor in the significant benefits and financial flexibility arising from the strong sponsors of AIFL. The Government of India (GoI) holds 31% stake in the company, while the National Investment and Infrastructure Fund (NIIF) Strategic Opportunities Fund (SOF), managed by National Investment and Infrastructure Fund Ltd (NIIF), holds 59%. The balance 10% is owned by Sumitomo Mitsui Banking Corporation Japan (SMBC). CRISIL Ratings believes AIFL will receive strong support from GoI as the company is strategically important to the government, given its important role in the development of the Indian infrastructure sector. This is also reflected in the Rs 6,000 crore equity commitment by the GoI under Atmanirbhar Bharat 3.0, across AIFL and NIIF Infrastructure Finance Ltd (NIIF IFL; a non-banking financial company (NBFC)-infrastructure debt fund (IDF)). The ratings also factor in the comfortable capitalisation of AIFL, its ability to raise funds at competitive rates, given its shareholding, operational synergies with the NIIF platform and an experienced management team. These strengths are partially offset by moderate albeit, growing scale of operations.

AIFL was incorporated on May 23, 2019, and initiated lending operations in August 2020. With healthy growth, the company's loan portfolio stood at Rs 13,284 crore as on March 31, 2024, with over 79% of exposure towards operational projects (Rs. 14,087 crore as on June 30, 2024). The gearing, at 4.0 times as on June 30, 2024, is expected to increase gradually to about 4-5 times on a steady state basis over the medium to long term.

Analytical Approach

CRISIL Ratings has considered the standalone business and financial risk profiles of AIFL and the expectation of support from sponsors, including GoI.

Key Rating Drivers & Detailed Description

Strengths:

Significant benefits and financial flexibility on account of strong sponsors

As on June 30, 2024, SOF (managed by NIIF) had 59% equity stake in AIFL and the GoI had 31%, with the balance 10% held by SMBC. NIIF is a collaborative investment platform for Indian and international investors, anchored by the GoI. It invests across asset classes such as infrastructure, private equity and other diversified sectors in India through three funds: the Master Fund, Fund of Funds and Strategic Opportunities Fund. GoI holds 49% stake in NIIF, and the rest is held by domestic and global institutional investors. The Board of Directors of AIFL include three nominee directors and three independent directors.

AIFL also benefits from operational and underwriting synergies with NIIF IFL. It is the sponsor of NIIF IFL and holds 30.8% stake in the company with SOF holding 39.7%. While AIFL intends to finance infrastructure assets across the project lifecycle with a mix of operating, brownfield and greenfield assets, NIIF IFL will be into operating assets under IDF regulations. As both, AIFL and NIIF IFL, operate under SOF, they complement each other in terms of sector expertise, underwriting, reach to investor base and a shared knowledge pool with an integrated platform.

Given the important role that AIFL is expected to play by offering funding assistance to infrastructure projects, it will be strategically important to GoI and should therefore receive strong support. The strategic importance and support are reflected in the sizeable equity commitments of the GoI across AIFL and NIIF IFL. AIFL also benefits from its sovereign ownership in being able to raise resources at competitive rates. CRISIL Ratings believes GoI will continue to be a key investor in AIFL through direct and indirect (via NIIF) ownership. NIIF, so far, has received ~Rs 20,000 crore of capital commitments from the GoI across its three funds.

Comfortable capital position

AIFL has comfortable capitalisation, supported by flexibility to raise additional capital and presence of strong sponsors. Classified as an NBFC-IFC (infrastructure finance company), AIFL has to maintain minimum Tier-I and overall capital adequacy ratio (CAR) of 10% and 15%, respectively. As on June 30, 2024, these ratios stood at 19.6% and

20.4% (19.8% and 20.6% as on March 31, 2024), respectively, with networth of Rs 3,063 crore (Rs. 3005 as on March 31, 2024). While the gearing was 4.0 times as on June 30, 2024, it is expected to increase gradually, with steady-state gearing expected around 4-5 times over the medium to long term.

Pursuant to the Atmanirbhar Package 3.0, the GoI has approved infusion of funds up to Rs 6,000 crore across AIFL and NIIF IFL. The investment agreement is in place and allows AIFL to draw down additional capital as and when required. This is over and above the capital commitment of Rs 20,000 crore by the GoI across the three funds of NIIF. Furthermore, AIFL raised equity capital from SMBC in March 2022 and is in discussions with other external strategic investors for raising equity capital.

CRISIL Ratings expects the capital profile for AIFL to remain comfortable over the medium term, supported by regular capital infusion and flexibility to raise capital.

Experienced management

AIFL's senior management team comprises personnel with several years of experience in the infrastructure finance space and across critical business functions. Mr Virender Pankaj, the chief executive officer (CEO), oversees the operations. He has over 30 years of experience in lending to sectors such as power, roads, social and industrial finance. The management has also put in place strong risk management systems, processes and policies.

Weakness:

Moderate, albeit growing, scale of operations

AIFL commenced operations in August 2020 and has a moderately seasoned loan portfolio. Overall loan book stood at Rs. 14,087 crore as on June 30, 2024 and Rs 13,284 crore as on March 31, 2024 (Rs 11,564 crore as on March 31, 2023). AIFL has funded 152 projects so far, and out of the outstanding portfolio 79% are operational as on March 31, 2024. The company has gradually added greenfield as well as brownfield projects in its portfolio, in addition to the growth in operational projects. However, operational projects will retain a major share. The dedicated and experienced team and adequate risk management systems and processes should help the company grow its loan book responsibly.

AIFL had Nil gross stage 3 assets (GS3) as on June 30, 2024. In addition, the company has not reported any days past due (DPDs) since starting of operations. However, the asset quality needs to be seen over a longer period, given the high concentration in the loan book and the inherent nature of the infrastructure funding business. Though exposure to risk will be lower in the initial stage — as has been the case till now — with focus on operational or near operational projects, as the company diversifies into under-construction projects, its ability to maintain adequate asset quality on a steady-state basis and successfully scale up the business will be monitorable.

Liquidity: Strong

As per the structural asset liability management (ALM) statement as on May 30, 2024, AIFL had a cumulative positive mismatch in the buckets of up to one year. As on June 30, 2024, AIFL had liquidity of ~Rs 2,340 crore in the form of cash balance, government securities and unutilised bank lines against debt of Rs 483.7 crore maturing over the next three months. Further, advances (performing) of Rs 825.6 crore are expected to flow in over next three months.

Outlook: Stable

CRISIL Ratings believes AIFL will remain strategically important to and will continue to receive strong capital and operational support from the GoI and NIIF - SOF. AIFL will also benefit from sovereign ownership in raising resources at competitive rates.

Rating sensitivity factors

Upward factors

- Enhanced strategic importance to the GoI
- Building a leading market position across diversified sectors, while maintaining healthy asset quality and improving earnings profile on a sustained basis

Downward factors

- Decline in strategic importance to or support received from the GoI and/or SOF
- Significant weakening in asset quality and profitability exerting pressure on capitalisation, reflected in gearing increasing to, and remaining above, 5 times for a prolonged period

About the Company

AIFL, incorporated in May 2019, is registered as an NBFC-IFC with the Reserve Bank of India. The company commenced operations from August 2020, and funds infrastructure projects. As on March 31, 2024, it had sanctioned financial assistance of Rs 23,954 crore to 152 infrastructure projects and had outstanding loans of Rs 13,284 crore with renewables projects constituting ~48% of the book, with other major sectors being roads (32%) and power distribution (5%) and smaller exposure to segments such as airport, logistics, data centre, transmission. The company had outstanding loans of Rs. 14,087 crore as on June 30, 2024.

The company reported a profit after tax of Rs. 57 crore and a total income of Rs. 333 crore as on June 30, 2024. For fiscal 2024, AIFL reported a PAT of Rs 205 crore and total income of Rs 1,196 crore (Rs 146 crore and Rs 789 crore, respectively, in the previous fiscal).

Key Financial Indicators

As on / for the period ended Mar 31	Unit	2024	2023
Total assets	Rs crore	14,616	12,887
Total income	Rs crore	1196	789
Profit after tax	Rs crore	205	146

Gross stage 3	%	Nil	Nil
Overall capital adequacy ratio	%	20.6	21.2

As on / for the period ended Jun 30	Unit	2024	2023
Total Assets	Rs crore	15,246	12,790
Total income	Rs crore	333	281
Profit after tax	Rs crore	57	53
Gross stage 3	%	Nil	Nil
Overall capital adequacy ratio	%	20.4	21.5

Any other information: Not Applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

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Annexure - Details of Instrument(s)

ISIN	Name Of Instrument	Date Of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs.Crore)	Complexity Levels	Rating Outstanding with Outlook
NA	Commercial Paper	NA	NA	7 to 365 Days	500.00	Simple	CRISIL A1+
INE0AD507085	Non Convertible Debentures	14-Jul-22	8.25%	14-Jul-27	250.00	Simple	CRISIL AA+/Stable
INE0AD507119	Non Convertible Debentures	10-May-23	8.30%	10-May-28	150.00	Simple	CRISIL AA+/Stable
NA	Non Convertible Debentures [#]	NA	NA	NA	100.00	Simple	CRISIL AA+/Stable
NA	Non Convertible Debentures [#]	NA	NA	NA	100.00	Simple	CRISIL AA+/Stable

[#] Yet to be issued

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2024 (History)		2023		2022		2021		Start of 2021
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Commercial Paper	ST	500.0	CRISIL A1+	31-07-24	CRISIL A1+	04-08-23	CRISIL A1+	--	--	--	--	--
Non Convertible Debentures	LT	600.0	CRISIL AA+/Stable	31-07-24	CRISIL AA+/Stable	04-08-23	CRISIL AA+/Stable	30-09-22	CRISIL AA+/Stable	30-09-21	CRISIL AA+/Stable	--
Short Term Debt	ST	--	--	--	--	04-08-23	Withdrawn	30-09-22	CRISIL A1+	30-09-21	CRISIL A1+	--
										13-09-21	CRISIL A1+	--

All amounts are in Rs.Cr.

Criteria Details

Links to related criteria
Rating Criteria for Finance Companies
Criteria for Notching up Stand Alone Ratings of Entities Based on Government Support
CRISILs Criteria for rating short term debt

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