

India Ratings Affirms Aseem Infrastructure Finance's NCDs at 'IND AA+'/Stable; Commercial Paper at 'IND A1+'

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India Ratings and Research (Ind-Ra) has affirmed Aseem Infrastructure Finance Limited's (AIFL) debt instruments as follows:

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	INR20	IND A1+	Affirmed
Non-convertible debentures (NCDs)^	-	-	-	-	INR12.50	IND AA+/Stable	Affirmed

^ details in annexure

Analytical Approach

To arrive at the ratings, Ind-Ra continues to take a standalone view of AIFL, while factoring in the company'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 NIIF, in line with its criteria for Rating Public Sector Entities.

Detailed Rationale of the Rating Action

The ratings are principally driven by AIFL's linkages with the GoI and its position in 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 ratings also factor in comfortable capitalisation, strong asset quality, diversified fund-raising sources, owing to its ownership status and adequate liquidity position. The gross loan book, with a focus on climate-aligned or green assets, continued to grow in 1HFY26, with leverage increasing to 4.4x (FY25: 4.1x). There was no slippage in its asset quality since inception. AIFL is comfortably capitalised, with a capital-to-risk-weighted assets ratio of 18.1% in 1HFY26 (FY25: 17.7%). Additionally, the company has demonstrated its ability to mobilise funding from diverse lenders at competitive rates during FY21-FY25.

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
- Diversified liability profile

Weaknesses

- Moderate, but steadily expanding scale of operations
- Moderate, albeit improving profitability

Detailed Description of Key Rating Drivers

Institutional Framework and Ownership Status: Ind-Ra expects AIFL's linkages with the GoI to remain supportive of its credit profile. The GoI is the sponsor of NIIF, and AIFL is a subsidiary of SOF, which is one of the four funds in NIIF's platform and is registered with the Securities and Exchange Board of India (SEBI) as a category II alternative investment fund. The GoI is a limited partner in NIIF, with its capital contribution capped at 49%. NIIF manages around USD4.9 billion across its four funds - Master Fund, Private Markets Fund, SOF, and India-Japan Fund. The targeted fund corpus of SOF is USD3 billion (previously USD2.1 billion). Ind-Ra believes the GoI would play the role of a catalyst in the company's operations rather than directing strategic and/or business decisions.

Ind-Ra believes it is highly unlikely that SOF and the GoI would exit from AIFL in the medium term. On 25 November 2020, the Union cabinet had approved the infusion of funds up to INR60 billion in NIIF's infrastructure debt financing platform, comprising AIFL and its associate company, NIIF Infrastructure Finance Limited (NIIF IFL). Furthermore, in March 2021, the GoI became a direct shareholder in AIFL, acquiring a 34.4% stake on a fully diluted basis through an equity infusion of INR8.1 billion. Subsequently, in March 2022, Sumitomo Mitsui Banking Corporation invested in AIFL as a strategic investor and acquired a 10% stake, resulting in the stake of GoI and SOF diluting to 30.95% and 59.05%, respectively.

AIFL's board has two non-executive nominee directors from NIIF and three independent directors. Ind-Ra believes the composition of AIFL's board reflects NIIF's control over AIFL's policy design and strategy. AIFL also has an experienced senior management team with considerable experience in the infrastructure financing space. The agency expects business decisions at AIFL to be focused on commercial aspects. Although AIFL's board does not have the GoI representation, Ind-Ra believes the direct shareholding by the GoI lends greater visibility to AIFL and would be instrumental in attracting long-term capital, thereby supporting the company's growth initiatives in the medium term.

High Strategic Importance of Entity: Ind-Ra notes GoI's investment reinforces AIFL's strategic importance to the sovereign and also demonstrates the GoI's willingness to support AIFL in expanding its operations. The GoI, through its national infrastructure pipeline, is aggressively pursuing infrastructure developments in the country. The GoI 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 GoI'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-infrastructure finance company (NBFC-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. Renewables remain the key focus area with a 58% share in the portfolio in 1HFY26 (FY25: 47%), followed by road projects (22%; FY25: 25%). AIFL also has an exposure, to a lesser extent, in the sectors such as transmission, airport, social and commercial infrastructure. The outstanding exposure to under-construction assets was 16% of its assets under management (AUM) as of 1HFY26 (FY25: 22%), with 84% of the portfolio consisting of operational assets (78%).

Sovereign Support: Ind-Ra believes the Union government's willingness and ability to support AIFL is high. AIFL is financially independent as it maintains its own accounts, and its debt/borrowings are not consolidated with those of the GoI. Although AIFL's debt liabilities are not backed by an explicit GoI guarantee or an annual budgetary allocation, Ind-Ra believes the GoI, 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. Ind-Ra expects NIIF 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 GoI of around INR43 billion that can be tapped in case of any contingency. Ind-Ra believes NIIF's SOF will provide capital if required.

Leverage within Ind-Ra Expected Level: Ind-Ra expects AIFL to operate with a debt-equity ratio of 4.5x-5.0x on a steady-state basis, while continuing to grow its AUM at a moderate pace. The AUM grew 17.0% yoy to INR172.58 billion in 1HFY26. The debt-equity ratio was 4.4x at end-September 2025 (FYE25: 4.1x). Ind-Ra expects the increase in the AUM over the near-to-medium term to be funded primarily through a mix of term loans and NCDs. The company is looking at bringing on board long-term equity investor to support business growth. Ind-Ra believes that equity capital would be required to fund any material expansion in AUM beyond the medium-term, while maintaining stability in the leverage profile.

Comfortable Capitalisation: Ind-Ra expects AIFL to maintain its capitalisation higher than the regulatory requirement. The total tangible equity increased to INR33.74 billion in 1HFY26 (FYE25: INR32.14 billion). AIFL is well capitalised. The tier 1 capital ratio was stable at 16.9% in 1HFY26 (FYE25: 17.1%). The overall capital adequacy ratio was higher at 18.10%, due to the raise of Tier 2 capital, in 1HFY26 (FYE25: 17.7%), which was above the regulatory requirement of 15%.

Diversified Liability Profile: Ind-Ra notes AIFL has been able to mobilise funds from diversified sources at competitive rates. AIFL has well-established bank relationships and access to investors with borrowings across term loans (68%), NCDs (14%), CPs (8%), external commercial borrowing (5%) and working capital demand loan (5%) as on 30 September 2025. Public sector banks continue to dominate the lender composition, followed by domestic financial institutions. The exit cost of borrowings moderated to 7.7% at end-September 2025 (end-March 2025: 8.3%). Ind-Ra takes comfort from the management's articulation that short-term borrowings by way of CPs as a share of total borrowings would be maintained at well below the board approved limit.

Moderate but Steadily Expanding Scale of Operations: Ind-Ra notes the scale of operations would need to ramp up in a calibrated manner, while remaining mindful of credit concentration and asset quality risks given the wholesale nature of the business. Ind-Ra believes this is particularly important as exposure to under-construction assets is likely to gradually increase to around 40%. The company commenced lending operations in August 2020, and its AUM expanded at a CAGR of 73.3% to INR154.31 billion over FY21-FY25. The gross loans increased to INR172.74 billion at end-September 2025 (FYE25: INR154.31 billion). All assets were standard at end-September 2025.

The asset quality remained sound with zero days past due since the commencement of operations. Nonetheless, the large ticket-size loans expose AIFL to asset quality and concentration risks. The share of the largest 20 borrowers in the total credit exposure was 39.8% in 1HFY26 (FY25: 49.0%; FY24: 51.1%), indicating moderation in credit concentration risk. The average external rating of the portfolio was 'A' at end-September 2025. The assets are either almost entirely operational or near-to-completion projects that mitigate concentration risk. As of September 2025, 53 under-construction projects financed by AIFL achieved commercial operations date within the envisaged timelines.

Moderate, albeit Improving Profitability: Ind-Ra expects the profitability ratios to remain stable in the medium term. AIFL's financial performance remained healthy with growth in pre-provision operating profit (PPOP) expanding at a CAGR of 32.1% to INR3,473.2 million over FY22-FY25 and net profit rose 45.4% to INR2,618.5 million. The PPOP and net profit grew 37.1% yoy and 36.3% during 1HFY26. The profitability was supported by expanding loan book, minimal/nil credit costs and modest operating expenditure. The net interest revenue grew 34.5% to INR2,302.2 million in 1HFY26 (FY25: 28.4% yoy). There was marginal improvement in net interest margin (NIM) to 2.67% in 1HFY26 (FY25: 2.45%) notwithstanding lower average yields in an accommodative monetary policy environment. The return on assets (average; RoA) remained moderate at below 2% during FY22-FY25. The RoA was 1.89% (annualised) in 1HFY26 (FY25: 1.67%).

Liquidity

Adequate: Ind-Ra expects AIFL's liquidity position to remain comfortable in the near-to-medium term. AIFL's liquidity stood at INR7,637.7 million, which included cash and bank balance and unencumbered investments at end-September 2025 (FYE25: INR7,170.4 million) and it had unutilised bank lines of INR15,977 million. The agency understands that the

adequate liquidity buffer will be maintained such that it covers two months of fixed liabilities. With respect to the asset-liability profile, AIFL's asset book is relatively long term, and its borrowings have a tenure of one-to-10 years. However, there is churn on the opening book; therefore, the behavioural maturity of the loan book is much shorter (around two-to-three years) than the contractual maturity due to prepayments that has a positive impact on AIFL's asset-liability management profile. Prepayments also contribute to liquidity. There was no asset-liability mismatch in the 1 day and up to one-year period on a cumulative basis as on 30 September 2025. AIFL maintains a robust liquidity coverage ratio of above 1x (1.9x in September 2025, which was considerably higher than 1x required as per RBI extant guidelines).

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

Any Other Information

Not applicable

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-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 RBI 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)	1HFY26 (unaudited)	FY25	FY24
Total assets	185.73	166.89	146.16
#Tangible equity	33.74	32.14	29.61
PAT or Net income	1.67	2.62	2.05
Return on average assets (%)	*1.89	1.67	1.49
Capital adequacy ratio (%)	18.10	17.73	20.64
Equity/assets (%)	18.44	19.58	20.56
Gross stage 3 assets (%)	Nil	Nil	Nil

#: excludes intangible and deferred tax assets]

*: annualised

Source: AIFL, Ind-Ra

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Rating Type	Rated Limits (billion)	Current Rating/Outlook	Historical Rating/Outlook					
				05 February 2025	16 October 2024	27 August 2024	28 August 2023	23 November 2022	29 August 2022
Non-convertible debentures	Long-term	INR12.50	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable
Commercial paper	Short-term	INR20	IND A1+	IND A1+	IND A1+	-	-	-	-
Issuer rating	Short-term	-	-	-	-	-	-	WD	IND A1+

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Commercial paper	Low
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
NCDs	INE0AD507085	14 July 2022	8.25	14 July 2027	INR2.5	IND AA+/Stable
NCDs	INE0AD507093	5 September 2022	8.25	3 September 2027	INR6.5	IND AA+/Stable
NCDs	INE0AD507119	10 May 2023	8.30	10 May 2028	INR1.50	IND AA+/Stable
NCDs	INE0AD507127	2 May 2025	7.78	2 May 2030	INR1.00	IND AA+/Stable
NCDs (unutilised limits)	-	-	-	-	INR1.00	IND AA+/Stable
Total	-	-	-	-	INR12.50	

Source: NSDL; Ind-Ra

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APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

Financial Institutions Rating Criteria

Rating of Public Sector Entities

The Rating Process

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