India Ratings Places Aseem Infrastructure Finance's NCDs on Rating Watch with Negative Implications; Affirms CP at 'IND A1+'

Jul 15, 2026 | Aseem Infrastructure Finance Limited | Non Banking Financial Company (NBFC)

India Ratings and Research (Ind-Ra) has placed Aseem Infrastructure Finance Limited's (AIFL) non-convertible debentures (NCDs) on Rating Watch with Negative Implications and has affirmed commercial paper (CP) rating as follows:

Details of Instruments

Instrument Type	Regulator of Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (INR million)	Rating Assigned with Outlook/Watch	Rating Action
Commercial paper	RBI	-	-	7 to 365 days	20,000	IND A1+	Affirmed
Non-convertible debentures#	Refer ISIN annexure	-	-	-	12,500	IND AA+/Rating Watch with Negative Implications	Placed on Rating Watch

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 financial and operational linkages 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

The ratings have been placed on Rating Watch with Negative Implications in view of the announcement (vide a stock exchange disclosure on 6 July 2026) of AIFL's proposed acquisition by TPG Nicobar Pte. Ltd. (TPG Nicobar), which is a dedicated investment vehicle of TPG Inc. TPG is a large global private investment firm, founded in 1992, with assets under management of USD306 billion, as of 31 March 2026. AIFL, along with its current shareholders, entered into a definitive agreement with TPG on 6 July 2026, pursuant to which TPG Nicobar will acquire 100% ownership of AIFL from its existing shareholders – NIIF, GoI and Sumitomo Mitsui Banking Corporation. TPG Nicobar is held by TPG Rise Climate Fund (70.20% shareholding) and Clydo Investments Pte. Ltd. (29.80%), which is a 100% subsidiary of GIC Singapore. The acquisition is likely to be concluded in the near term, subject to regulatory and other approvals, including that of the Reserve Bank of India (RBI). AIFL would focus on green and climate infrastructure financing under new ownership and aims to sell down its non-green credit exposure of around INR25 billion in the near term. AIFL has also disclosed that it will sell its entire stake (30.8%) in NIIF Infrastructure Finance Ltd (NIIF IFL) for a consideration of around INR17.50 billion to NIIF Fund II/SOF, which will release incremental capital and augment its capital buffers.

AIFL's rating, at present, is principally driven by its 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 assets. The ratings also consider comfortable capitalisation, strong asset quality, diverse fund-raising sources and liquidity position. The assets under management (AUM), with focus on climate-aligned or green assets, continued to grow in FY26 with leverage (debt/equity) of 4.5x (FY25: 4.1x). The company has demonstrated its ability to mobilise funds from diverse lenders at competitive rates during FY21-FY26.

Since the deal is pending for approvals, and the GoI and NIIF's support/linkages are currently factored into AIFL's ratings, which will not be available post-transaction closure, the ratings have been placed on Rating Watch with Negative Implications. The agency will resolve the rating watch upon the completion of the transaction.

The affirmation of CP rating reflects the company's adequate liquidity position and a likely strengthening of liquidity buffers in the near term, following the sell down of non-green assets and the stake sale in NIIF IFL.

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, yet improving profitability

Detailed Description of Key Rating Drivers

Institutional Framework and Ownership Status: The GoI 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 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. On 25 November 2020, the Union Cabinet approved the infusion of funds up to INR60 billion in NIIF's infrastructure debt financing platform, comprising AIFL and its associate company, NIIF IFL. 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. Furthermore, in March 2022, Sumitomo Mitsui Banking Corporation acquired a 10% stake in AIFL, resulting in the stake of GoI and SOF being diluted to 30.95% and 59.05%, respectively.

AIFL benefits from a senior management team with considerable expertise and several years of experience in the infrastructure financing space. The direct GoI shareholding lends greater visibility to AIFL, which, in turn, supports the company's growth initiatives and funding profile.

Ind-Ra expects the transaction of TPG Nicobar acquiring 100% ownership of AIFL to receive the requisite approvals over the next three to six months; meanwhile, the linkages with GoI/NIIF would continue. SOF and the GoI will fully exit from AIFL upon the transaction's closure.

High Strategic Importance of Entity: The GoI, through its national infrastructure pipeline, is aggressively pursuing infrastructure developments in the country. 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 (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. Green assets/renewables remain the key focus area, with a share of 75.5% in AUM in FY26 (FY25: 57.7%), followed by road projects (FY26: 15.2%; FY25: 24.9%). AIFL also has exposure, to a lesser extent, in sectors such as telecom towers, airport, social and commercial infrastructure. The exposure to under-construction assets was 18% of AUM in FY26 (FY25: 22%), with 82% of the portfolio consisting of operational assets (78%).

Sovereign Support: AIFL is financially independent, as the company 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, the ratings benefit from consideration of support, either directly by GoI or through SOF, in case of financial stress, given its strategic importance. AIFL will continue to borrow on the strength of its own balance sheet.

Leverage within Ind-Ra Expected Level: The AUM grew 18.4% yoy to INR182.64 billion in FY26. The leverage was 4.5x at FYE26 (FYE25: 4.1x). While Ind-Ra expects the AUM to remain stable in the near term, the leverage ratio is likely to improve considerably to around 2.8x in the near term, following the sale of AIFL's stake in NIIF IFL and with internal accruals, which would be supportive of its capital position, in line with management's stated plans.

Comfortable Capitalisation: Ind-Ra expects AIFL to maintain its capitalisation higher than the regulatory requirement. The total tangible equity increased to INR35.53 billion in FY26 (FY25: INR32.14 billion). AIFL is well capitalised as indicated by a Tier 1 capital ratio of 16.8% in FY26 (FY25: 17.1%). The overall capital adequacy ratio was higher at 18.7% in FY26 (FY25: 17.7%), due to an increase in the Tier 2 capital ratio, 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 (65%), NCDs (16%), CPs (7%), external commercial borrowing (5%) and working capital demand loan (6%) at FYE26. Public sector banks continue to dominate the lender composition, followed by domestic financial institutions. The exit cost of borrowings reduced to 7.5% at end-March 2026 (end-March 2025: 8.3%) according to management. 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 that the company's 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. The company commenced lending operations in August 2020, and its AUM increased at a CAGR of 60.6% to INR182.64 billion over FY21-FY26. All assets were standard at end-March 2026.

The asset quality remained sound, with 0 days past due since the commencement of operations. Nonetheless, the large ticket-size loans expose AIFL to asset quality and concentration risks. As on 31 March 2026, 61% outstanding portfolio had an external rating of 'A-' or higher. The assets are either almost entirely operational or near-to-completion projects that mitigate concentration risk.

Moderate, yet Improving Profitability: AIFL's financial performance was healthy, as evidenced by growth in pre-provision operating profit and net profit during FY22-FY26. PPOP grew at a CAGR of 32.7% to INR4,683.3 million (FY25: INR3,452.6 million) and net profit at 42.0% to INR3,456.7 million (INR2,618.5 million) during FY22-FY26. Profitability is supported by an expanding loan book, minimal/nil credit costs, and modest operating expenditure. There was a marginal improvement in net interest margin to 2.8% in FY26 (FY25: 2.4%), notwithstanding lower average yields in an accommodative monetary policy environment. The return on average assets (RoAA) remained moderate below 2.0% during FY22-FY26 (FY26: 1.9%; FY25: 1.7%).

Liquidity

Adequate: Ind-Ra expects AIFL's liquidity position to remain comfortable in the near term. AIFL's liquidity stood at INR18,480 million, including cash and bank balance, and unencumbered investments at end-June 2026 (FYE26: INR12,287.48 million) and the company had unutilised bank lines of INR16,540 million. The agency understands that adequate liquidity buffers will be maintained such that it covers five 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. There is churn on the opening book; therefore, the behavioural maturity of the loan book is much shorter (two-to-three years) than the contractual maturity due to prepayments. Prepayments also contribute towards liquidity.

In terms of asset-liability management, there was a mismatch of INR8,237.9 million in the six months and up to one-year time bucket on a cumulative basis as on 31 March 2026. However, the undrawn bank lines would comfortably cover this gap. AIFL maintains a robust liquidity coverage of above 1.0x (FY26: 1.5x, higher than required as per RBI extant guidelines).

The sale of its stake in NIIF IFL and the sell down of AIFL's non-green credit exposure would increase the company's cash buffers, and thereby, strengthen its liquidity position.

Rating Sensitivities

The Rating Watch with Negative Implications indicates that the ratings will be either downgraded or affirmed. The agency will continue to monitor the transaction and will resolve the rating watch post the completion of the transaction.

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 Fund II (SOF) focuses on investing in sectors, with a 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 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)	FY26	FY25
Total assets	201.39	166.89
#Tangible equity	35.53	32.14
Profit after tax or net income	3.46	2.62
Return on average assets (%)	1.88	1.67
Capital adequacy ratio (%)	18.74	17.73
Equity/assets (%)	17.95	19.58
Gross stage 3 assets (%)	Nil	Nil
Source: AIFL, Ind-Ra #excludes intangible and deferred tax assets		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook				
	Rating Type	Rated Limits (INR million)	Current Rating	4 February 2026	5 February 2025	16 October 2024	27 August 2024	28 August 2023
Commercial paper	Short-term	20,000	IND A1+	IND A1+	IND A1+	IND A1+	-	-

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook				
	Rating Type	Rated Limits (INR million)	Current Rating	4 February 2026	5 February 2025	16 October 2024	27 August 2024	28 August 2023
Non-convertible debentures	Long-term	12,500	IND AA+/Rating Watch with Negative Implications	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

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

Annexure

Instrument Type	ISIN	Regulator of Instrument	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (INR million)	Rating/Outlook	Rating Action
Non-convertible debentures	INE0AD507085	SEBI	14 July 2022	8.25	14 July 2027	2,500	IND AA+/Rating Watch with Negative Implications	Placed on Rating Watch
Non-convertible debentures	INE0AD507093	SEBI	5 September 2022	8.25	3 September2027	6,500	IND AA+/Rating Watch with Negative Implications	Placed on Rating Watch
Non-convertible debentures	INE0AD507119	SEBI	10 May 2023	8.30	10 May 2028	1,500	IND AA+/Rating Watch with Negative Implications	Placed on Rating Watch
Non-convertible debentures	INE0AD507127	SEBI	2 May 2025	7.78	2 May 2030	1,000	IND AA+/Rating Watch with Negative Implications	Placed on Rating Watch
Non-convertible debentures (unutilised limits)	-	SEBI	-	-	-	1,000	IND AA+/Rating Watch with Negative Implications	Placed on Rating Watch
Total	**-**	**-**	**-**	**-**	**-**	**12,500**	-	-
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

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APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

Financial Institutions Rating Criteria

Rating of Public Sector Entities

Policy for Placing Ratings on Rating Watch

The Rating Process

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