

Ratings

CRISIL Ratings Limited (A subsidiary of CRISIL Limited)



Rating Rationale

September 30, 2021 | Mumbai

Aseem Infrastructure Finance Limited

Rating reaffirmed at 'CRISIL A1+' ; 'CRISIL AA+ / Stable' assigned to Non Convertible Debentures

Rating Action

Rs.500 Crore Non Convertible Debentures	CRISIL AA+/Stable (Assigned)
Rs.500 Crore Short Term Debt	CRISIL A1+ (Reaffirmed)

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has assigned its '**CRISIL AA+/Stable**' rating to the non-convertible debentures of Aseem Infrastructure Finance Ltd (AIFL) and reaffirmed its rating on the company's short-term debt programme.

The rating centrally factors in the significant benefits and financial flexibility arising out of the strong sponsors of the company. The Government of India (GoI) holds 34.4% stake (on a fully diluted basis) in the company, while the Strategic Opportunities Fund (SOF), managed by National Investment and Infrastructure Fund Limited (NIIF) holds the balance 65.6%. CRISIL Ratings believes AIFL is strategically important to GoI as it will play an important role in development of the Indian infrastructure sector, and will therefore receive strong support from GoI. The same is also reflected through the Rs 6,000 crore equity commitment by the GoI under Atmanirbhar Bharat 3.0, across AIFL and NIIF Infrastructure Finance Ltd. The rating also factors in the comfortable capitalisation of the company, its ability to raise funds at competitive rates, given its shareholding, operational synergies with NIIF platform and an experienced management team. These strengths are partially offset by the nascent stage of operations, with inherent vulnerability in asset quality.

AIFL was incorporated on May 23, 2019, and initiated lending operations from August 2020. The total loan portfolio stood at Rs 2,494 crore as on June 30, 2021 with over 90% of exposure towards operational projects. AIFL would initially focus on operating and advanced stage under-construction projects and shall gradually build its presence across the entire project life cycle financing, with a mix of under-construction and operational projects. While gearing remains low at present, it is expected to increase gradually to about 4 times on a steady state basis over the medium term.

Analytical Approach

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

Key Rating Drivers & Detailed Description

Strengths:

Significant benefits and financial flexibility on account of strong sponsors

As on June 30, 2021, SOF (managed by NIIF) own 65.6% equity stake in AIFL and the GoI held the balance 34.4% via compulsorily convertible preference shares. 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 i.e. 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. Board of Directors of AIFL include three nominee directors from SOF and two independent directors.

AIFL also benefits from operational and underwriting synergies with NIIF Infrastructure Finance Ltd (NIIF IFL – an IDF-NBFC). It is the sponsor of NIIF IFL and holds 30.8% stake in the company with SOF holding 54.4%. While AIFL intends to finance infrastructure assets across the project lifecycle with mix of operating, brownfield and greenfield assets, NIIF IFL will be into operating assets under IDF regulations. As AIFL and NIIF IFL, both 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 AIFL should therefore, receive strong support. AIFL's strategic importance and support is also reflected in the sizeable equity commitments across AIFL and NIIF. AIFL also benefits from sovereign ownership in raising resources at competitive rates. CRISIL Ratings expects that GoI will continue to be the anchor investor in AIFL.

through both direct and indirect ownership via NIIF. NIIF, so far, has received ~Rs 20,000 crore of capital commitments from the GoI across the three funds.

Comfortable capital position

AIFL has comfortable capitalisation, supported by flexibility to raise additional capital and presence of strong sponsors. Being classified as an NBFC-IFC, AIFL has to maintain minimum Tier-I and overall CAR of 10% and 15%, respectively. As on June 30, 2021, these ratios stood at 105.1% and 105.8%, respectively. Networth was Rs 2,277 crore as on same date. While gearing is currently low at 0.6 time, it is expected to gradually increase over the medium term. Nevertheless, steady-state gearing is expected to be around 4 times over the medium term.

Pursuant to the Atmanirbhar Package 3.0, 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 GoI across the three funds. Further, the company is also in discussions with external strategic investors for raising equity capital.

CRISIL Ratings expects the capital profile for the company 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 28 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

Early stage of operations, with inherent vulnerability in asset quality

Operations having commenced only from August 2020, are at a nascent stage, and therefore with a largely unseasoned loan portfolio. Overall loan book stood at Rs 2,494 crore as on June 30, 2021 (Rs 1,588 crore as on March 31, 2021). AIFL has funded 35 projects so far, out of which 34 are operational in line with the company's strategy to fund only operational or advance stage projects in the initial run. Going forward, it intends to fund greenfield as well as brownfield projects too, 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. It is also in process of adding manpower in line with the growth strategy.

However, CRISIL Ratings believes asset quality remains vulnerable, given the high concentration in loan book and the nature of the infrastructure funding business. Though exposure to risk will be relatively lower in the initial stage, as focus is on operational or near operational projects. However, 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 a key monitorable.

Liquidity : Strong

As per the structural asset liability management (ALM) statement as on June 30, 2021, the company had a cumulative positive mismatch in the buckets of up to one year. As on June 30, 2021, AIFL had liquidity of Rs 512 crore in the form of fixed deposits against debt of Rs 94 crore maturing over the next one year.

Outlook Stable

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

Rating Sensitivity factors

Upward factors

- * Building leading market position across diversified sectors
- * Maintaining comfortable asset quality and earnings profile with return on assets over 2% on a sustained basis

Downward factors

- * Decline in strategic importance to, or support received from the GoI and/or the SOF
- * Significant weakening in asset quality, exerting pressure on profitability and straining capitalisation.

About the Company

AIFL, incorporated in May 2019, is registered as an NBFC-IFC (Infrastructure Finance Company) with the Reserve Bank of India. The company commenced operations from August 2020, and funds infrastructure projects. As on June 30, 2021, it had sanctioned financial assistance of Rs 3,100 crore to 35 infrastructure projects and had outstanding loans of Rs 2,494 crore as on same date with solar projects constituting ~66% of the book, with other sectors being roads (24%) and power transmission (10%).

For fiscal 2021, AIFL reported a profit after tax (PAT) of Rs 20.8 crore and total income of Rs 47 crore (Rs 0.3 crore and Rs 4.6 crore, respectively in the previous fiscal). For the quarter ended June 30, 2021, AIFL reported a PAT of Rs 23.9 crore on a total income of Rs 55.9 crore.

Key Financial Indicators

As on / for the period ended Mar 31	Unit	2021	2020
Total assets	Rs crore	2,705	582
Total income	Rs crore	47	5
Profit after tax	Rs crore	21	0
Gross NPA	%	Nil	Nil
Net NPA	%	Nil	Nil
Overall capital adequacy ratio	%	150.9	638.9

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs.Cr)	Complexity level	Rating Assigned with outlook
NA	Non-convertible debentures*	NA	NA	NA	500	Simple	CRISIL AA+/Stable
NA	Short term debt programme*	NA	NA	NA	500	Simple	CRISIL A1+

*yet to be issued

Annexure - Rating History for last 3 Years

Current				2021 (History)		2020		2019		2018		Start of 2018
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Non Convertible Debentures	LT	500.0	CRISIL AA+/Stable		--		--		--		--	--
Short Term Debt	ST	500.0	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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