

## India Ratings Assigns Aseem Infrastructure's Proposed NCDs 'IND AA+' /Stable; Affirms Short-Term Issuer Rating

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JAN 2022

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

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Short-term issuer rating	-	-	-	-	-	IND A1+	Affirmed
Proposed non-convertible debentures (NCDs)	-	-	-	-	INR5,000	IND AA+/Stable	Assigned

**Analytical Approach:** 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. The ratings reflect AIFL's high strategic importance to the GoI as a vehicle for financing infrastructure projects across a wide spectrum of operating, brownfield and greenfield assets in India. 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.

### KEY RATING DRIVERS

**Institutional Framework and Ownership:** AIFL's rating is principally driven by its linkages with the GoI and its position in the NIIF's institutional framework. In March 2021, the GoI became a direct shareholder in AIFL, acquiring 34.4% stake on a fully diluted basis in the company through an equity infusion of INR8.1 billion. This change in the ownership structure has further strengthened AIFL's financial and non-financial linkages with the sovereign. 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 Category II Alternative Investment Fund. The GoI is a limited partner in the 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 GoI has committed funds worth USD1 billion to SOF. The fund will have capital contributions from global and domestic investors over the medium term.

NIIF's SOF is focused on investing in sectors with significant growth potential; with this objective, it acquired an infrastructure debt fund non-banking financial company (NBFC-IDF), NIIF Infrastructure Finance Limited (NIIF IFL) and incubated AIFL. 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. The direct infusion of equity by the GoI has further strengthened AIFL's credit profile. The GoI 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. 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. It is highly unlikely that SOF and the GoI would exit from AIFL in the medium term, according to the agency.

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. AIFL's board has three members from NIIF and two independent members. Ind-Ra believes the composition of AIFL's board reflects NIIF's substantial control over AIFL's policy design and strategy. Although AIFL's board does not have GoI representation, Ind-Ra believes the direct shareholding by the GoI would lend 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.

**Strategic Importance of Entity:** The GoI's investment further 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 development in the country. The GoI is keen to expand the role of the private sector in 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.

AIFL can lend across phases of infrastructure projects with a mix of operating, brownfield and greenfield assets as an NBFC-infrastructure finance company (IFC). AIFL will initially finance operating and near-to completion under construction assets and gradually move into greenfield assets, according to the stated objectives of NIIF and AIFL's management. The size of the loan book stood at INR50.10 billion at end-December 2021 (FYE21: INR15.88 billion) with 95% of the portfolio constituting of operational assets.

**Sovereign Support:** AIFL is financially independent as it maintains its own accounts, and its debt/borrowings are not consolidated with those of the GoI. 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 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. Since 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, opines Ind-Ra. NIIF intends to retain a controlling stake in AIFL and wield influence in terms of shaping its growth trajectory. AIFL will borrow on the strength of its own balance sheet. AIFL has access to the committed capital by the GoI and NIIF's SOF will provide capital on a need basis.

**Liquidity Indicator - Adequate:** AIFL's cash and bank balances stood at INR1.37 billion at end-September 2021. According to the management, AIFL would be gradual in its approach towards debt, and its leverage will increase to 4.0x over a period of three-to-four years. On the asset-liability profile, AIFL's asset book is long-to-very long term and its borrowings have a tenure of two-to-seven years. However, the behavioural maturity of the loan book is much shorter than the contractual maturity, according to the management. Funding comprises equity capital from its sponsor, NIIF's SOF, the GoI and borrowings from multiple banks. AIFL monitors the cumulative mismatches across different time buckets. There was no asset-liability mismatch in the one day and up to one-year period on a cumulative basis as on 30 November 2021.

The agency understands that adequate liquidity buffers will be maintained and short-term debt will be used sparingly,

mainly as working capital to support disbursement and not as a permanent tool to finance assets. Ind-Ra has factored AIFL's policy stance on liquidity to arrive at the ratings. AIFL's short-term liquidity position will be a key monitorable.

**Nascent Stage of Operations; Strong Capitalisation:** The company commenced lending operations in August 2020. The total net worth was INR23.01 billion at end-September 2021 (FY21: INR22.53 billion). AIFL reported a total income of INR1.17 billion (FY21: INR0.47 billion) and net interest income of INR0.75 billion at end-September 2021 (FY21: INR0.45 billion). The gross loans increased to INR50.10 billion in 3QFY22 (FY21: INR15.88 billion). The loan portfolio is primarily concentrated in solar assets, followed by roads with some diversification into airport and telecom assets in 2QFY22 and 3QFY22. The top 20 borrowers had a share of 78% of the total loans at end-December 2021 (FY21: 46.7%). All assets were standard at end-December 2021. Nonetheless, the wholesale nature of lending, along with the large ticket size exposure, gives rise to asset quality risks. However, the assets are either almost entirely operational or in the advanced stages of construction, thereby mitigating the risks to some extent.

AIFL is well capitalised with a strong capital to risk weighted assets ratio. The capital adequacy ratio stood at 90.67% at end-September 2021 (FY21: 150.87%).

## RATING SENSITIVITIES

**Positive:** Further strengthening of the linkages with the GoI will 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 linkages with the GoI and SOF,
- inadequate financial support from its sponsor NIIF's SOF and/or GoI in the event of a financial stress,
- inadequate liquidity buffer to meet three months of fixed liabilities without relying on collections,
- a significant rise in the leverage, combined with heightened credit risk in AIFL's portfolio.

## COMPANY PROFILE

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 license from the Central Bank on 28 January 2020. The objective of the company is to undertake infrastructure financing activities. NIIF's SOF is the sponsor and holds 65.6% stake in the company with the GoI holding 34.4% stake on a fully diluted basis.

## FINANCIAL SUMMARY

Particulars (INR million)	FY20	FY21	1HFY22
Total Assets	5,817	27,046	36,272.7
Net interest income	45.51	451.54	750.90
Net income	2.60	208.0	480.0
Gross non-performing assets (%)	0.00	0.00	0.00
Capital adequacy ratio (%)	638.88	150.87	90.67
Source: AIFL			

## RATING HISTORY

Instrument Type	Current Rating/Outlook	Historical Rating

	Rating Type	Rated Limit (INR million)	Rating	10 November 2021	20 August 2020
Issuer rating	Short-term	-	IND A1+	IND A1+	IND A1+
Proposed NCDs	Long-term	INR5,000	IND AA+/Stable	-	-

## COMPLEXITY LEVEL OF INSTRUMENTS

Instrument Type	Complexity Indicator
Proposed NCDs	Low

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

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## Applicable Criteria

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Rating of Public Sector Entities  
Revenue-Supported Rating Criteria

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