

April 14, 2022

Aseem Infrastructure Finance Limited: Ratings reaffirmed and rated amount enhanced

Summary of rating action

Instrument*	Previously Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term/ short-term Fund based/non-fund based bank lines	5,600	7,000	[ICRA]AA+(Stable)/[ICRA]A1+; assigned and reaffirmed
Market linked debenture	500	500	PP-MLD[ICRA]AA+(Stable); reaffirmed
Non-convertible debenture	1,500	1,500	[ICRA]AA+(Stable); reaffirmed
Total	7,600	9,000	

*Instrument details are provided in Annexure-1.

Rationale

The ratings reflect the strength of Aseem Infrastructure Finance Limited's (AIFL) parentage in the form of National Investment and Infrastructure Fund II (NIIF II; Strategic Opportunities Fund) which holds 59% stake in AIFL and the demonstrated support from the Government of India (GOI) which holds 31% stake through its direct investment in AIFL and 10% held by Sumitomo Mitsui Banking Corporation (SMBC) as on March 31, 2022.

ICRA believes that AIFL has strategic importance for GOI being the part of the debt platform under NIIF for development of long-term infrastructure in India. The same is also reflected in the committed equity infusion to the tune of Rs. 6,000 crore by GOI in NIIF debt platform comprising of AIFL and NIIF Infrastructure Finance Limited (NIIF IFL) to act as a catalyst in attracting more investments into the infrastructure sector as envisaged in National Infrastructure Pipeline. The rating also factors in the healthy capitalisation profile, comfortable liquidity and ability to raise funds at competitive rates, despite limited vintage, supported by its parentage.

ICRA notes that AIFL is in its early stages of operation (as the company received certificate of registration as an NBFC - Infrastructure Finance Company (NBFC-IFC) in January 2020 and commenced its lending operations in August 2020) and AIFL has limited track record in relation to the relatively higher tenure of its loan book. In this regard, ICRA takes comfort that in its initial years of operations, the company intends to fund more of relatively low risk operational projects and projects in advanced stage of construction and gradually add green field projects to its portfolio, which is likely to keep the construction risk low in the initial years.

Also, AIFL intends to leverage on the experience of the management team and NIIF in the infrastructure space to build a good credit quality book. Given the early stages of operations, the profitability indicators are not truly reflective of the business metrics. Going forward, the company's ability to profitably grow its loan book while maintaining prudent capitalisation levels and underwriting standards and hence asset quality indicators would be the key monitorable. ICRA expects the company to raise long-term funds in line with the maturity profile of their assets, thereby supporting the ALM profile.

Key rating drivers and their description

Credit strengths

Strong parentage - AIFL's ratings reflect strong parentage in the form of National Investment and Infrastructure Fund II (NIIF II; Strategic Opportunities Fund) which holds 59% stake in AIFL and the demonstrated support from the Government of India

(GOI) which holds 31% stake through its direct investment in AIFL and 10% held by SMBC as on March 31, 2022. NIIF is an investor-owned fund manager, anchored by GOI in collaboration with leading global and domestic institutional investors. NIIF is a collaborative investment platform for International and Indian investors who are looking for investment opportunities in infrastructure and other high-growth sectors of the country. NIIF has received around ~Rs.20,000 crores of capital commitments from GOI across three funds encompassing the Master Fund, Fund of Funds and Strategic Opportunities Fund (SOF), and similar amount is expected to be raised from external long-term strategic investors. Given the strong financial flexibility and quasi sovereign ownership of NIIF, ICRA expects timely growth capital support for AIFL, as and when required.

Strategic importance to GoI – ICRA believes that AIFL has strategic importance for GoI being the part of the debt platform under NIIF for development of long-term infrastructure in India. The same is also reflected in the committed equity infusion to the tune of Rs. 6,000 crore by GoI in NIIF debt platform comprising of AIFL and NIIF Infrastructure Finance Limited (NIIF IFL) to act as a catalyst in attracting more investments into the infrastructure sector as envisaged in National Infrastructure Pipeline. GoI's strategic focus on private sector participation in infrastructure funding is also evident from its Rs.20,000 crore capital commitment to NIIF platform across 3 funds namely, Master Fund, Fund of Funds and SOF. ICRA expects AIFL to continue to play strategic role in furthering GoI's objective of infrastructure development in near term.

Operational synergies with NIIF and experienced management team - NIIF is a fund manager anchored by GoI that invests in infrastructure and high growth sectors in India. NIIF has invested into Infrastructure Debt Financing platform through its Strategic Opportunities Fund which focuses on investing in sectors with significant growth potential and enabling policy framework that is strategic and fundamental to the Indian economy. ICRA expects AIFL to leverage its synergies with NIIF IFL (part of NIIF platform) through joint underwriting of refinancing deals. AIFL is expected to follow an approach of project life cycle financing through sharing risk and rewards with partner banks/institutions while maintaining conservative liabilities profile and low credit costs. In its initial few years of operations, ICRA expects the company to lend more to low risk operational projects and projects in advanced stage of construction and gradually add green field projects to its portfolio. The target sectors envisaged by AIFL include roads, power transmission, green energy along with healthcare, ports, airports and education. AIFL's board reflects substantial control of NIIF on AIFL's operations and strategy. Also, the governing council of parent company, NIIF, is chaired by Finance Minister of India and includes Secretary - department of economic affairs, Secretary - department of financial services amongst representatives from its other investors. AIFL also has an experienced senior management team with considerable experience in the infrastructure financing space.

Healthy capitalisation profile and ability to raise funds at competitive rates supported by parentage - AIFL had raised total Rs. 1,287 crore in two rounds of capital infusion by NIIF in January 2020 and May 2020 and further raised ~Rs. 947 crore from NIIF (Rs. 132 crore) and GoI (Rs. 815 crore) in March 2021 and Rs. 317 crore from SMBC in March 2022. Committed capital support from GoI and expectation of support from NIIF and ability to raise funding from external sources is likely to keep AIFL comfortably capitalised while growing the book as per business plans. ICRA expects AIFL to operate at a gearing level of 4 times on a steady state basis in the medium term. ICRA expects AIFL to have good financial flexibility with ability to raise funds at competitive rates of interest from diverse set of lenders given the strong parentage and linkages with GoI. As on December 31, 2021, AIFL had secured sanctions of ~Rs. 5,000 crore from banks and raised funding of ~Rs. 2,934 crore in 9MFY2022 at competitive rates. AIFL's ability to build and diversify its funding profile over the medium to long term would remain a key monitorable.

Credit challenges

Early stage of operations - The Company commenced its lending operations in August 2020 and has built a book of Rs. 5,010 crore as on December 31, 2021. ICRA notes its early stage of operations in the infrastructure finance business in relation to tenure of assets. In its initial few years of operations, ICRA expects the company to lend more to low risk operational projects and projects in advanced stage of construction and gradually add green field projects to its portfolio. As on December 31, 2021, 96% of projects funded by AIFL are operational. However, the inherent nature of business of infrastructure financing means that the Company is exposed to project risks and the exposures are concentrated and hence the portfolio of the Company would remain vulnerable to asset quality shocks in case of slippages in few key exposures, which in turn may adversely affect

its profitability. Given the nascent stage of operations, the return on equity (RoE) remained relatively moderate at 4.1% for 9MFY2022. Overall, over the long-term, the ability of the company to profitably grow its portfolio while maintaining control over credit underwriting and improve profitability would remain key rating factors.

Liquidity position: Strong

The liquidity profile is comfortable as the company has raised only long-term funds in line with the long-term maturity profile of assets funded by AIFL. The company's ALM profile as on December 31, 2021 reflects positive cumulative mismatch across all buckets up to one year. As of December 31, 2021, the company had available liquidity in the form of cash and bank balance of ~Rs. 158 crore and unutilised bank lines of Rs. 1,625 crore, providing comfortable liquidity cover over the debt repayments of Rs. 208 crore which are due over the next one year. Further, liquidity is supported by expected cash inflow of ~Rs. 432 crore from the advances in the above-mentioned period. The company's strong financial flexibility, given its strong parentage and strategic importance to GoI provides additional comfort.

Rating sensitivities

Positive factors - Significant scale of operations across diversified sectors while maintaining strong asset quality and improving profitability would be a credit positive.

Negative factors - Any significant change in the likelihood of support from the sponsors or key shareholders or a deterioration in the credit profile of the sponsors or key shareholders could warrant a rating downgrade for AIFL. Pressure on AIFL's ratings could emerge on account of significant deterioration in capitalisation profile and/or weakening of the asset quality leading to a deterioration in solvency on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA's Credit Rating Methodology for Non-Banking Finance Companies Rating approach - Implicit support from parent or group
Parent/Group Support	The ratings derive significant strength from AIFL's parentage with 59% of the shares held by NIIF, 31% held by Government of India and 10% held by SMBC as on March 31, 2022. With the sovereign ownership of NIIF, which is an investor-owned fund manager anchored by the GoI in collaboration with global and domestic institutional investors, ICRA expects timely growth capital and liquidity support to AIFL.
Consolidation/Standalone	Standalone

About the company

AIFL, subsidiary of NIIF Fund II (SOF) managed by NIIF (GoI anchored fund) is registered as NBFC-IFC (Infrastructure Finance Company). AIFL received IFC license from RBI in January 2020 and commenced business August 2020. It plans to fund infrastructure projects across various phases with a mix of operating, brownfield and greenfield assets within regulatory guidelines. As on December 31, 2021 the company has a book size of Rs. 5,010 crore and net worth of Rs. 2,323 crore.

National Investment Infrastructure Fund

NIIF is sponsored by GoI to catalyse funding into the country's infrastructure sector. NIIF has three funds, each of which are registered with SEBI as Category II AIFs. NIIF's investment objective is to generate attractive long-term risk-adjusted returns for its investors on a sustainable basis. GoI's aggregate contribution to NIIF is Rs. 20,000 crore and it is proposed that a similar amount will be raised from third party investors such that GoI contribution will be 49% of NIIF. NIIF has also received commitment from

certain domestic and international institutions including Abu Dhabi Investment Authority (ADIA) and Temasek. More details about NIIF are available at <https://niifindia.in/>

Key financial indicators

Aseem Infrastructure Finance Limited (In Rs. Crore)	FY2020	FY2021	H1FY2022
	Audited	Audited	Provisional
Net interest income	5	45	75
Profit before tax (PBT)	1	26	61
Profit after tax (PAT)	0	21	48
Asset Under Management (AUM)	-	1,588	2,945
Net worth	577	2,253	2,301
% CRAR	638.9%	150.9%	90.8%
Gearing ¹ (times)	0.00	0.20	0.57
PAT/Average total assets	NA	1.3%	3.0%
PAT/ average net worth	NA	1.5%	4.2%
% Gross stage 3	0%	0%	0%
% Net stage 3	0%	0%	0%

Source: Company, ICRA Research; All ratios as per ICRA calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

¹ Debt equity ratio

Rating history for past three years

	Instrument	FY2023			Rating History for the Past 3 Years					
		Type	Amount rated (Rs. crore)	Amount outstanding as on December 31, 2021 (Rs. crore)	Date and rating	Date and rating in FY2022			Date and rating in FY2021	Date and rating in FY2020
					Apr-14-22	Dec-30-21 Dec-14-21	Sep-21-21	Aug-26-21	NA	NA
1	Long-term/ short-term Fund based/non-fund based bank lines	Long Term/ Short Term	7,000.00	2,650	[ICRA]AA+ (stable)/ [ICRA]A1+	[ICRA]AA+ (stable)/ [ICRA]A1+	[ICRA]AA+ (stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	NA	NA
2	Non-convertible debenture	Long Term	1,500	400	[ICRA]AA+ (stable)	[ICRA]AA+ (stable)	[ICRA]AA+ (stable)	NA	NA	NA
4	Market linked debenture	Long Term	500	300	PP-MLD[ICRA]AA+ (stable)	PP-MLD[ICRA]AA+ (stable)	NA	NA	NA	NA

Source: Company

Complexity level of the rated instrument

Instrument	Complexity Indicator
Bank lines programme	Very Simple
Non-convertible debenture	Very Simple
Market linked debenture	Complex

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, are available on ICRA's website: www.icra.in

Annexure-1: Instrument details as on December 31, 2021

ISIN/Bank er Name	Instrument Name	Date of Issuance / Sanction	Coupon Rate (In %)	Maturity Date	Amount Rated (Rs. Crore)	Current Rating and Outlook
INE0AD507010	Non-convertible debenture	May-10-21	7.00%	May-10-24	100	[ICRA]AA+(Stable)
INE0AD507028	Non-convertible debenture	May-10-21	7.35%	May-9-25	100	[ICRA]AA+(Stable)
INE0AD507036	Non-convertible debenture	May-10-21	7.70%	May-8-26	100	[ICRA]AA+(Stable)
INE0AD507044	Non-convertible debenture	Dec-01-21	6.50%	Nov-29-24	100	[ICRA]AA+(Stable)
INE0AD507051	Market linked debenture	Dec-17-21	5.60%	Dec-15-23	25	PP-MLD[ICRA]AA+(Stable)
INE0AD507069	Market linked debenture	Dec-17-21	6.00%	Oct-17-24	275	PP-MLD[ICRA]AA+(Stable)
NA*	Non-convertible debenture	NA	NA	NA	1,100	[ICRA]AA+(Stable)
NA*	Market linked debenture	NA	NA	NA	200	PP-MLD[ICRA]AA+(Stable)
NA	Long-term/ short-term Fund based/non-fund based bank lines	NA	NA	NA	7,000	[ICRA]AA+(Stable)/[ICRA]A1+

*Proposed

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure-2: List of entities considered for consolidated analysis: Not Applicable

ANALYST CONTACTS

Karthik Srinivasan

+91 22 6114 3444

karthiks@icraindia.com

Manushree Saggar

+91 124 4545 316

manushrees@icraindia.com

Sandeep Sharma

+91 124 4545 820

sandeep.sharma@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



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