

Aseem Infrastructure Finance Limited (Revised)

November 22, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term / Short-term bank facilities	-	-	Reaffirmed at CARE AA+; Stable / CARE A1+ (Double A Plus; Outlook: Stable / A One Plus) and Withdrawn
Total bank facilities	0.00 (₹ Zero only)		
Non-convertible debentures	1,500.00	CARE AA+; Stable (Double A Plus; Outlook: Stable)	Assigned
Non-convertible debentures	500.00	CARE AA+; Stable (Double A Plus; Outlook: Stable)	Reaffirmed
Total long-term instruments	2,000.00 (₹ Two thousand crore only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has assigned and reaffirmed the ratings of non-convertible debentures of Aseem Infrastructure Finance Limited (AIFL, or the company) at CARE AA+; Stable. The rating continues to factor in the strong linkages with the Government of India (GoI), directly and through the National Investment and Infrastructure Fund Limited (NIIFL), which is anchored by the GoI. The ratings also derive strength from the synergies with the NIIFL platform in joint underwriting and shared knowledge pool, among others. The rating also takes cognisance of the capital support from its sponsors, the healthy capitalisation levels, and the experienced management team.

The ratings are, however, constrained by the inherent risk associated with infrastructure financing, characterised by large ticket size advances, and hence, the exposure to asset quality shocks and limited seasoning of the portfolio, as AIFL commenced lending only from Q2FY21, and the early stage of the organisation build-up.

The continued strong linkages with and the capital support from GoI, either directly or through the NIIFL ecosystem, along with AIFL's ability to maintain sound asset quality as it grows into financing both, operational and under-construction projects, while also sustaining profitability, will remain to be key rating sensitivities.

CARE Ratings has reaffirmed and withdrawn the outstanding ratings of 'CARE AA+; Stable / CARE A1+' [Double A Plus; Outlook: Stable / A One Plus] assigned to the bank facilities of AIFL with immediate effect. The above action has been taken at the request of AIFL and 'No Objection Certificate' received from the bank that have extended the facilities rated by CARE Ratings.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Ability to scale up operations and increase the loan portfolio with adequate sectoral diversification.
- Maintenance of stable asset quality parameters with Net NPA in sub-1% range.
- Demonstration of the continued ability of resource mobilisation at favourable terms.

Negative factors – Factors that could lead to negative rating action/downgrade:

- Dilution in the strategic position of the company or weakening of linkages with the GoI through its sponsor or otherwise, other than envisaged.
- Deterioration in the asset quality of the portfolio such that the net non-performing assets (NPA) to tangible net worth (TNW) ratio exceeds 15% on a sustained basis.

¹Complete definition of the ratings assigned are available at [HYPERLINK "http://www.careedge.in" www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

- Deterioration in the assets and liabilities management (ALM) profile and liquidity buffers as the company builds its loan book.
- Sustained deterioration in the profitability, with return on average total assets (ROTA) below 0.5%.

Detailed description of the key rating drivers

Key rating strengths

Strong linkages with the GoI through the NIIFL ecosystem: AIFL has strong linkages with the GoI, either directly or indirectly, through the NIIFL ecosystem. AIFL plays a key role in realising the GoI's target and funding socio-economically important sectors. As on March 31, 2022, on a fully diluted basis, NIIF Strategic Opportunities Fund (SOF) holds a 59% stake in AIFL, followed by the GoI (31%), and Sumitomo Mitsui Banking Corporation (SMBC) (10%). NIIFL is an investor-owned fund manager, anchored by the GoI, in collaboration with leading global and domestic institutional investors. It currently manages three funds and holds a stake in AIFL from its SOF. SOF is one of the largest India-focused private equity (PE) funds and targets to invest in sectors that benefit from the changing business landscape in India, as well as demonstrating intrinsic structural growth. Furthermore, on November 25, 2020, as part of the Aatmanirbhar Bharat 3.0, the GoI approved the infusion of equity funds up to ₹6,000 crore in the NIIFL debt platform comprising NIIF Infrastructure Finance Limited (NIIF IFL) and AIFL. The capital infusion from the GoI in AIFL to the tune of ₹815 crore has come in FY21 (refers to the period from April 1 to March 31). Given the quasi-sovereign nature of NIIFL, it is expected that the growth capital will be made available to AIFL, as and when required. Moreover, considering AIFL's strategic importance to the GoI for funding the long-term capital-intensive infrastructure projects – a key policy function, CARE Ratings expects the GoI's support to be forthcoming either directly or through the NIIFL ecosystem.

Association with NIIFL ecosystem, resulting in various operational and underwriting synergies to AIFL: AIFL was incorporated with the objective of lending across phases of infrastructure projects, with a mix of operating, brownfield, and greenfield assets. AIFL, as a sponsor of NIIF IFL (an infrastructure debt fund NBFC), holds 30.83% in the latter (on a fully diluted basis). While NIIF IFL funds only operational projects, AIFL can finance greenfield and brownfield projects as well along with operational projects. CARE Ratings views the functioning of AIFL and NIIF IFL under the umbrella of SOF as complementing each other, with AIFL expected to leverage synergies with NIIF IFL through joint underwriting of refinancing, better credit and commercial terms, reach to strategic investors, and shared knowledge pool. NIIFL's mandate, across all the three funds, is to undertake investments in infrastructure and related sectors. The knowledge base of the NIIFL platform will further help AIFL in its credit and underwriting decisions.

Moreover, AIFL, through its integrated debt platform, is expected to follow an approach of project life-cycle financing on the back of its expertise in technical and risk structuring, wherein, it will focus on building long-term engagement with partner banks and financial institutions while maintaining a conservative liabilities' profile and low credit costs.

Experienced management team: The management team is experienced and is guided by an experienced board of directors. Virender Pankaj (Chief Executive Officer) oversees the company's operations and has over 29 years of experience in project finance, working capital, and corporate finance, among others. Pankaj has extensive lending experience across a wide range of sectors, including roads, power, and social and industrial finance. He is supported by a team of executives who, on an average, have more than a decade's experience in their respective fields. Furthermore, the company's proposals are reviewed and approved by the credit committee. The credit committee is chaired by Surya Prakash Rao Pendyala, nominee director of NIIF Fund II. As the company is in its early stages, the application of the management personnel's vast experience is yet to be demonstrated in building a consistently profitable and growing infrastructure book at AIFL.

Healthy capitalisation levels and low gearing: The company's capitalisation levels are comfortable, with a reported total capital adequacy ratio (CAR) of 25.48% (as on March 31, 2022: 35.20%) and Tier-1 capital of 24.65% (as on March 31, 2022: 34.34%) as on September 30, 2022, well above the regulatory requirement of 15%. The gearing stood at 2.95x as on September 30, 2022 as against 2.20x as on March 31, 2022, and is expected to increase going forward, in line with the expected growth in the loan book.

In March 2022, Sumitomo Mitsui Banking Corporation (SMBC), one of the leading banking groups in Japan and the core unit of Sumitomo Mitsui Financial Group, has infused ₹317.09 crore in AIFL. Following the capital infusion in March 2022, AIFL's TNW increased to ₹2,635.27 crore as on March 31, 2022, from ₹2,247.27 crore as on March 31, 2021.

On November 25, 2020, the Union Cabinet, as part of the Aatmanirbhar Bharat Package 3.0, announced an equity infusion of ₹6,000 crore into the NIIF debt platform comprising NIIF IFL and AIFL. Pursuant to this, in Q4FY21, the GoI and SOF infused

₹815 crore and ₹132 crore, respectively, in AIFL. Prior to this, ₹709 crore and ₹579 crore of capital was infused by SOF in Q1FY21 and FY20, respectively.

CARE Ratings understands that the investment agreement allows AIFL to access additional funds when needed, demonstrating the capital commitment and support of its promoters. CARE Ratings believes this is credit positive because it will give AIFL significant flexibility in raising both, equity and debt resources, to fund its growth strategy.

Strategic approach towards risk management and moderately conservative underwriting philosophy expected to keep both, profitability and asset quality reasonably comfortable: AIFL is governed by its strong internal credit risk management framework. As indicated by the management, during the initial phase, the company will focus on core sectors of its expertise, including renewables, transportation, and power transmission, and will gradually expand the sectoral coverage leveraging on platform strength. The focus will be on operational projects and under-construction projects, where there is near-term visibility on the cash flows. Gradually, the company will build its presence across the entire project life-cycle financing with a judicious mix of under-construction and operating projects. The company has also been proactive in implementing the Reserve Bank of India (RBI) guidelines effective from October 01, 2022, with regards to the scale-based regulatory approach. Furthermore, AIFL does not finance projects with an internal rating below BBB-. As on March 31, 2022, around 89% of the outstanding portfolio has an internal rating of A- or higher and around 94% of the outstanding portfolio has an external rating of A- or higher. Around 90% of the outstanding portfolio has an external rating of A- or higher as on September 30, 2022. The company expects to maintain an overall portfolio rating in the A category. As the company continues its growth trajectory both, in terms of the book size and lending to newer sectors, maintenance of moderate to a good level of profitability and sound asset quality on a sustained basis remains a key rating monitorable.

Key rating weaknesses

Early stage of operations with portfolio exposed to inherent infrastructure funding risks: The company initiated its lending operations in Q2FY21; however, it has demonstrated good growth with a portfolio size of ₹9,580 crore as on September 30, 2022 (as on September 30, 2021: ₹2,945 crore) with all the assets in 0 (zero) DPD. Nonetheless, the vintage remains small considering the overall size of the book and the long gestation of infrastructure assets. Although AIFL's own vintage is only two years, the assets of the portfolio have a vintage of four to five years. AIFL's conscious strategy to fund only operational or near-operational projects in the initial phases of operations is depicted in 64 of the 76 projects funded, being operational as on September 30, 2022. Going forward, as AIFL ventures into the funding of greenfield and brownfield projects, CARE Ratings expects AIFL to be exposed to idiosyncratic risks of infrastructure funding, given the high-ticket sizes and the nature of the infrastructure funding business. Hence, the ability to successfully scale up its operations while maintaining stable asset quality and comfortable profitability will remain a key monitorable.

Liquidity: Adequate

The liquidity position of AIFL remained comfortable as on September 30, 2022. As on September 30, 2022, the ALM profile of the company had no negative cumulative mismatches across all the buckets up to the one year. The company's current liquidity philosophy is to maintain liquid funds to the tune of three months of gross cash outflows. The company had balance with bank worth ₹293.25 crore as on September 30, 2022 and contracted inflow from advances to the tune of ₹402.24 crore. Moreover, it has undrawn lines worth ₹1,500 crore and holds, as part of its loan assets, around ₹1,784 crore of AAA rated infrastructure bonds for any contingency. Against this, the company had contracted repayments on borrowings to the tune ₹625.37 crore in the next 1 year. Thus, the company has adequate liquidity chest to repay its borrowings for next one year, as on September 30, 2022.

Analytical approach

CARE Ratings has analysed the standalone credit profile of AIFL, factoring in the strong linkages to GoI and NIIFL, which is a GoI-anchored fund.

Applicable criteria

[Rating outlook and credit watch](#)

[CARE Ratings' policy on Default Recognition](#)

[Factoring linkages in ratings](#)

[Criteria for non-banking financial companies](#)

[Financial ratios – Financial sector](#)

[Criteria for short-term instruments](#)

[Withdrawal Policy](#)

About the company

AIFL is incorporated as an infrastructure finance company under the NBFC category (NBFC-IFC). AIFL was created in May 2019 with the objective of lending across phases of infrastructure projects, with a mix of operating, brownfield, and greenfield assets. The RBI granted a certificate of registration (COR) to AIFL on January 28, 2020, and the company has initiated lending operations in Q2FY21. AIFL is a subsidiary of the National Investment and Infrastructure Fund II (NIIF Fund II) managed by the National Investment and Infrastructure Fund Limited (NIIFL, a GoI-anchored fund). In March 2022, Sumitomo Mitsui Banking Corporation (SMBC) infused capital to the tune of ₹317.09 crore in AIFL. Following the capital raise, the shareholding pattern has undergone a change. The stake of NIIF Fund II now stands at 59% (PY: 65.60%), GoI's stake at 31% (PY: 34.40%), and SMBC's stake at 10%. The loan book of AIFL stood at ₹9,580 crore as on September 30, 2022, compared to ₹2,945 crore as on September 30, 2021.

NIIFL

The National Investment and Infrastructure Fund Limited (NIIFL) is an investor-owned fund manager, anchored by the GoI, in collaboration with leading global and domestic institutional investors. NIIFL has received around ₹20,000 crore of capital commitments from the GoI across three funds (each of which is registered with the Securities and Exchange Board of India [SEBI] as a Category II AIF), encompassing the Master Fund, Fund of Funds, and Strategic Opportunities Fund (SOF), and a similar amount will be raised from external strategic investors such that the GoI's contribution to the corpuses of the three funds will reach 49%. The objective of these funds is to generate attractive risk-adjusted returns through economic cycles by investing in infrastructure, and other related businesses. NIIF manages assets over US\$ 4.5 billion through its three funds. The Governing Council of the NIIF is chaired by the Finance Minister of India, Nirmala Sitharaman, and has a representation from the Department of Financial Services and Department of Economic Affairs. Sujoy Bose is the Managing Director & CEO of NIIFL. He has a rich multinational working experience of 26 years in the International Finance Corporation (IFC).

NIIF – SOF (majority shareholder)

The National Investment and Infrastructure Fund II (NIIF Fund II), also referred as NIIF Strategic Opportunities Fund (SOF), is one of the largest India-focused private equity fund. The fund focuses on investing in strategic assets and projects with longer term horizon across various stages of development. It targets to invest in sectors that benefit from the changing business landscape in India, as well as demonstrating intrinsic structural growth. SOF is building a scalable integrated financial services platform by investing equity in NIIF Infrastructure Finance Limited and AIFL, enabling them to become sizeable players in the infrastructure debt financing space.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23 (A)
Total operating income	47.39	313.94	324.94
PAT	20.80	85.23	63.27
Interest coverage (times)	NM	1.76	1.37
Total Assets	2,699.12	8,453.44	10,664.60
Net NPA (%)	0.00	0.00	0.00
ROTA (%)	1.27	1.53	1.32

A: Audited; NM: Not Meaningful

Status of non-cooperation with previous CRA: Not applicable

Any other information:

Disclosure of Interest of Independent/Non-Executive Directors of CARE Ratings Ltd.:

Name of Director	Designation of Director
V. Chandrasekaran	Non-Executive - Non-Independent Director

V Chandrasekaran, who is an independent director on the board of Aseem Infrastructure Finance Limited, is a non-executive - non-independent director of CARE Ratings. Non-executive – Non-independent directors of CARE Ratings are not a part of CARE Ratings Rating Committee and do not participate in the rating process.

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	-	-	-	Feb 06, 2027	0.00	Withdrawn
Non-convertible debentures (Proposed)	-	-	-	-	1500.00	CARE AA+; Stable
Non-convertible debentures	INE0AD507010	10-May-2021	7.00%	10-May-2024	100.00	CARE AA+; Stable
Non-convertible debentures	INE0AD507028	10-May-2021	7.35%	09-May-2025	100.00	CARE AA+; Stable
Non-convertible debentures	INE0AD507036	10-May-2021	7.70%	08-May-2026	100.00	CARE AA+; Stable
Non-convertible debentures	INE0AD507044	31-Dec-2021	6.50%	29-Nov-2024	200.00	CARE AA+; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST*	-	-	1)CARE AA+; Stable / CARE A1+ (12-Aug-22)	1)CARE AA+; Stable / CARE A1+ (13-Aug-21)	1)CARE AA; Stable / CARE A1+ (18-Mar-21) 2)CARE AA; Stable / CARE A1+ (03-Oct-20)	-
2	Debentures-Non-convertible debentures	LT	500.00	CARE AA+; Stable	1)CARE AA+; Stable (12-Aug-22)	1)CARE AA+; Stable (13-Aug-21)	1)CARE AA; Stable (18-Mar-21)	-
3	Debentures-Non-convertible debentures	LT	1500.00	CARE AA+; Stable	-	-	-	-

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: NA

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Debentures-Non-convertible debentures	Simple

Annexure-5: Bank lender details for this company

To view the lender-wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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Disclaimer:

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