

## Rating Rationale

August 04, 2023 | Mumbai

### Aseem Infrastructure Finance Limited

'CRISIL A1+' assigned to Commercial Paper; NCD reaffirmed; Short term debt withdrawn

#### Rating Action

Rs.500 Crore Commercial Paper	CRISIL A1+ (Assigned)
Rs.500 Crore Short Term Debt	CRISIL A1+ (Withdrawn)
Non Convertible Debentures Aggregating Rs.600 Crore	CRISIL AA+/Stable (Reaffirmed)
Rs.250 Crore Non Convertible Debentures	CRISIL AA+/Stable (Withdrawn)

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1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

#### Detailed Rationale

CRISIL Ratings has assigned its '**CRISIL A1+**' rating to the Commercial Paper of Aseem Infrastructure Finance Ltd (AIFL) and reaffirmed its '**CRISIL AA+/Stable**' rating on the company's non-convertible debentures.

CRISIL Ratings has **withdrawn** its rating on Rs.250 crore non-convertible debentures (NCDs) and Rs 500 crore short term debt programme. (See annexure 'Details of rating withdrawn' for details) in line with its withdrawal policy. CRISIL Ratings has received an independent confirmation that these instruments are fully redeemed/ unutilized.

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 31% stake in the company, while the National Investment and Infrastructure Fund (NIIF) Strategic Opportunities Fund (SOF), managed by National Investment and Infrastructure Fund Limited (NIIF) holds 59% and the balance 10% is owned by Sumitomo Mitsui Banking Corporation Japan (SMBC). CRISIL Ratings believes AIFL is strategically important to GoI as it will play an important role in development of the Indian infrastructure sector, and the Company shall 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. With the fast paced growth the total loan portfolio stood at Rs 11,564 crore as on March 31, 2023 with over 76% 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 4-4.5times 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, 2023, SOF (managed by NIIF) owns 59% equity stake in AIFL and the GoI held 31% and rest 10% was held by SMBC. 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 NBFC-IDF). It is the sponsor of NIIF IFL and holds 30.8% stake in the company with SOF holding 39.7%. 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 Gol 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 its sovereign ownership in being able to raise resources at competitive rates. CRISIL Ratings expects that Gol will continue to be one of the key investors in AIFL through both direct and indirect ownership via NIIF. NIIF, so far, has received ~Rs 20,000 crore of capital commitments from the Gol 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 March 31, 2023, these ratios stood at 20.4% and 21.2%, respectively. Networth was Rs 2,800 crore as on same date. While gearing is currently low at 3.6 time, it is expected to gradually increase over the medium term. Nevertheless, steady-state gearing is expected to be around 4-4.5 times over the medium term.

Pursuant to the Atmanirbhar Package 3.0, Gol 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 raised equity capital from SMBC in March 2022 and is also in discussions with other 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 30 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 an early stage, and therefore with a moderately seasoned loan portfolio. Overall loan book stood at Rs 11,564 crore as on March 31, 2023 (Rs 6,943 crore as on March 31, 2022). AIFL has funded 118 projects so far, out of which 76% 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 to be seen over a longer period of time, 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 has also been till now, for focus is on operational or near operational projects, however, as the company is diversifying 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, 2023, the company had a cumulative positive mismatch in the buckets of up to one year. As on June 30, 2023, AIFL had liquidity of Rs 445.56 crore in the form of fixed deposits and cash balance against debt of Rs 1190 crore maturing over the next one year.

### **Outlook: Stable**

CRISIL Ratings believes AIFL will remain strategically important to Gol 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 of 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 around 1.7% on a sustained basis

#### **Downward factors**

- \* Decline in strategic importance to, or support received from the Gol and/or the SOF
- \* Significant weakening in asset quality and profitability - exerting pressure on capitalization reflected in gearing increasing to, and remaining above, 5 times for a prolonged period.

### **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 March 31, 2023, it had sanctioned financial assistance of Rs 14,890 crore to 118 infrastructure projects and had outstanding loans of Rs

11,564 crore as on same date with renewables projects constituting ~47% of the book, with other sectors being roads (29%) and power distribution (7%) with smaller exposures to airport, logistics, data centre, transmission etc.

For fiscal 2023, AIFL reported a profit after tax (PAT) of Rs 146 crore and total income of Rs 789 crore (Rs 85 crore and Rs 314 crore, respectively in the previous fiscal).

### Key Financial Indicators

As on / for the period ended Mar 31	Unit	2023	2022
Total assets	Rs crore	12887	8472.2
Total income	Rs crore	789	314
Profit after tax	Rs crore	146	85
Gross NPA	%	Nil	Nil
Net NPA	%	Nil	Nil
Overall capital adequacy ratio	%	21.46	35.2

**Any other information:** Not applicable

### Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

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### Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity levels	Rating assigned with outlook
INE0AD507085	Non- convertible debentures	14-Jul-22	8.25%	14-Jul-27	250	Simple	CRISIL AA+/Stable
INE0AD507119	Non- convertible debentures	10-May-23	8.30%	10-May-28	150	Simple	CRISIL AA+/Stable
NA	Non- convertible debentures*	NA	NA	NA	200	Simple	CRISIL AA+/Stable
NA	Commercial Paper	NA	NA	7-365 Days	500	Simple	CRISIL A1+

\*yet to be issued

### Annexure - Details of Instruments withdrawn

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity levels	Rating assigned with outlook
INE0AD507077	Non- convertible debentures	1-Feb-22	6.35%	29-Dec-23	250	Simple	Withdrawn
NA	Short term debt programme	NA	NA	7-365 Days	500	Simple	Withdrawn

### Annexure - Rating History for last 3 Years

Instrument	Current			2023 (History)		2022		2021		2020		Start of 2020
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Commercial Paper	ST	500.0	CRISIL A1+		--		--		--		--	--
Non Convertible Debentures	LT	600.0	CRISIL AA+/Stable		--	30-09-22	CRISIL AA+/Stable	30-09-21	CRISIL AA+/Stable		--	--
Short Term Debt	ST	500.0	Withdrawn		--	30-09-22	CRISIL A1+	30-09-21	CRISIL A1+		--	--
			--		--		--	13-09-21	CRISIL A1+		--	--

All amounts are in Rs.Cr.

### Criteria Details

<a href="#">Links to related criteria</a>
<a href="#">Rating Criteria for Finance Companies</a>
<a href="#">Criteria for Notching up Stand Alone Ratings of Entities Based on Government Support</a>

**CRISILs Criteria for rating short term debt**

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