

## Rating Rationale

August 07, 2025 | Mumbai

### NIIF Infrastructure Finance Limited

'Crisil AAA/Stable' assigned to Zero Coupon Bonds

#### Rating Action

|  |                                |
|--|--------------------------------|
| Rs.5000 Crore Zero Coupon Bonds                            | Crisil AAA/Stable (Assigned)   |
| Rs.3500 Crore Non Convertible Debentures                   | Crisil AAA/Stable (Reaffirmed) |
| Rs.1500 Crore Non Convertible Redeemable Preference Shares | Crisil AAA/Stable (Reaffirmed) |

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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 AAA/Stable**' rating to Rs 5,000 crore of zero-coupon bonds of NIIF Infrastructure Finance Limited (NIIF IFL). Ratings on existing debt instruments have been reaffirmed at 'Crisil AAA/Stable'

One of the key drivers for NIIF IFL's credit rating is the tight, well-defined regulatory and operating framework designed specifically for infrastructure debt funds set up through the non-banking finance company route (IDF-NBFCs). This regulatory structure, coupled with an expectation of prudent management policies, lends significant predictability and stability to NIIF IFL's business profile. This emanates from

- a clear and focused business model resulting in limited asset quality risks
- limited asset liability mismatch

Capitalisation and leverage ratio also remain an important drivers of the credit risk profile of NIIF IFL. As per the regulatory framework, the fundamental element of asset protection through lending to operational projects (with at least one year of satisfactory commercial operations) enables IDF-NBFCs to operate at a higher leverage than other NBFCs. NIIF IFL had a gearing of 5.4 times as on March 31, 2025 (5.1 times as on March 31, 2024) and is expected to remain below 9 times. Crisil Ratings believes the leverage level provides healthy capital coverage against potential asset-side risks.

NIIF IFL was the largest IDF-NBFC in India as on March 31, 2025. The company's loan book grew by around 15% to Rs 25,390 crore as on March 31, 2025, from Rs 22,118 crore as on March 31, 2024. With regard to portfolio composition, renewable energy projects aggregate to 65% of the loan book, followed by transport & logistics (16%), communication (9%) and others (10%). As on March 31, 2025, the Government of India (GoI) holds around 25.1% stake in the Company, the Strategic Opportunities Fund (SOF), managed by National Investment and Infrastructure Fund Limited (NIIF), directly holds around 39.7% and indirectly holds an additional 30.8% through Aseem Infrastructure Finance Ltd (AIFL) and HDFC Bank Ltd owns the balance 4.4%. GoI has committed Rs 6,000 crore of equity under Atmanirbhar Bharat 3.0, across AIFL and NIIF IFL, of which around Rs 1,700 crore has been utilised.

With regards to the resource profile, the Company plans to raise zero coupon bonds to further widen the investor franchise and attract new class of investors. As per CBDT guidelines, the Company needs to maintain separate sinking fund to provide an additional layer of security to investors. However, zero coupon and premium on redemption structure provides better post tax return to investors as well as lower cost of borrowing for NIIF IFL.

The ratings on the NCRPS instrument factor in the payment structure of the instrument – specifically that dividend can be paid by the Company even in a year in which they are not profitable, to the extent that there are free reserves available. Based on the instrument structure, NIIF IFL has undertaken to declare dividend, if applicable, even if they report losses for any year, out of the available free reserves, subject to extant regulations and relevant approvals. Crisil Ratings believes that the company's free reserves, going forward, are likely to remain adequate to enable payout of dividend throughout the tenor of the instrument

#### Analytical Approach

To arrive at the ratings, Crisil Ratings has considered the standalone business and financial risk profile of NIIF IFL.

#### Key Rating Drivers & Detailed Description

##### Strengths:

**Focused and predictable business model resulting in robust asset quality:** As per regulations, IDF-NBFCs are permitted to refinance only infrastructure projects that have completed at least one year of satisfactory commercial operations and have recently been permitted to finance toll operate transfer (TOT) projects as the direct lender. As a result, projects financed by IDF-NBFCs do not carry any construction risk and are already generating cash flows. Accordingly,

project related construction and execution risks for NIIF IFL are nil. The company has a good track record of operations, as reflected by the robust asset quality with nil overdue loans since inception.

The Company has strong portfolio monitoring processes in place to regularly track the performance of the portfolio. The company refinances only projects that are rated investment grade and above. The average internal rating of the overall portfolio is in the 'A' category as on March 31, 2025.

The guidelines for IDF-NBFCs which were revised in fiscal 2024, provide flexibility to the hitherto closed-box structure of their business model. The requirement of a tripartite agreement (which ensures a priority charge from a government-backed project authority) for projects in certain PPP sectors (roads, ports, airports), where there was a project authority, is no longer mandatory for IDF NBFCs.

In 2015, the Reserve Bank of India (RBI) permitted IDF-NBFCs to refinance both PPP and non-PPP infrastructure projects that have completed at least one year of satisfactory commercial operations. While all senior lenders (including IDFs) have the credit enhancement mechanism of access to termination payments in all concession-based PPP projects, the tripartite mechanism (which provides a priority charge on termination payments) is no longer required for IDF-NBFCs. This could expose them to the residual risk (after obtaining termination payments which typically covers ~ 75% of debt) in these projects. However, not all projects financed would have a structured termination clause in their agreement. Such risks are mitigated by the company's prudent underwriting norms, rigorous project selection, monitoring processes, fixed rate financing (which reduces interest rate risk) and refinancing with longer tenor etc. Further, the asset quality of such operational projects is expected to remain stable, given these are already operational with track record, are already generating cash flows and are entirely secured via charge on assets, contracts, cashflows/bank accounts and ownership.

Furthermore, given that IDF-NBFCs are permitted (since 2015) to refinance operational projects across the infrastructure spectrum, it has resulted in greater diversification in the portfolio of NIIF IFL, across both sectors and projects.

In line with the strategy till date, the company proposes to consider refinancing only those operational projects with a satisfactory investment grade rating and sectors with a robust track record. According to the company's business plan, PPP infrastructure projects that are satisfactorily operational for over 1 year (which qualify for a lower regulatory risk weight of 50%) are expected to form approximately 40-50% of the portfolio over the medium term. A large proportion of assets are expected to continue to be primarily in the green energy segment (solar and wind power projects), which is a strategic focus area for the company, given its emphasis on ESG. Other sectors that the company will continue to lend to are transport (including airports, ports, roads), logistics (including warehousing), and communication (including telecom towers). The proportion of lending to sectors such as water, hospitals, hotels and data centres, is expected to remain relatively small. All these projects are expected to have minimum investment grade ratings. The company's business model is therefore expected to remain focused and predictable.

**Comfortable capitalisation:** Capital position is supported by the demonstrated ability of NIIF IFL to raise capital on a regular basis. The company has raised around Rs 2,457 crore of equity since inception. Resultantly, networth stood at Rs 4,326 crore as on March 31, 2025 (Rs 3,860 crore as on March 31, 2024). Gearing stood at 5.4 times as on March 31, 2025 (5.1 times as on March 31, 2024) and is expected to remain below 9 times.

Crisil Ratings expects the capital profile to remain comfortable over the medium term, supported by regular capital infusion and flexibility to raise capital.

**Experienced management team and expectation of prudent policies:** NIIF IFL has a strong professional management team that has been able to build the business in a niche segment. The company has hired professionals having significant experience and relevant expertise. The management has put in place strong risk management systems, processes and policies. The board of directors of NIIF IFL includes three nominee directors from SOF and three independent directors. NIIF IFL is likely to follow prudent practices in selection of projects and have an investment portfolio diversified by sector, geography, and promoter groups.

#### **Weakness:**

**Exposed to concentration risks in loan portfolio:** Given the wholesale nature of the business, the company has large ticket size loans in its book. As on March 31, 2025, the top 10 exposures accounted for 28% of the loan book (32% as on March 31, 2024). Hence, the portfolio remains vulnerable to slippages in any of the top exposures of the company. However, the average exposure per borrower is Rs ~133 Crore as on March 31, 2025 which is significantly lower than the regulatory concentration limits for IDF-NBFCs (30% of their tier 1 capital for a single borrower/party, and 50% of their Tier 1 capital for a single group of borrowers/parties)

#### **Liquidity: Superior**

The asset liability management of IDF NBFCs is supported by regulation that mandates at least 90% of liabilities to have minimum five years maturity. Regulation permits flexibility for IDF NBFCs to raise shorter tenure bonds and commercial papers up to 10% of the outstanding debt. NIIF IFL has demonstrated the ability to raise long tenor funds (of 5-15 years) to match long tenor project assets.

The company had comfortable liquidity in the form of cash & cash equivalents of Rs 2,187 crore as on March 31, 2025 sufficient to cover the upcoming debt repayment of Rs 1,745 crore (principal and interest) till September 2025. The asset-liability management profile as on March 31, 2025, was comfortable, with positive gaps up to at least 1 year bucket.

#### **Outlook: Stable**

Crisil Ratings believes NIIF IFL will operate within the well-defined business and financial contours, as outlined in the business plan, and will benefit from its experienced management team and prudent policies. Leverage ratio and asset

quality performance will be a key monitorable

### **Rating sensitivity factors**

#### **Downward factors**

- Higher-than-expected increase in leverage levels (beyond 9 times) on a sustained basis
- Higher-than-expected deterioration in asset quality

### **About the Company**

NIIF IFL is an infrastructure debt fund set up as an NBFC (infrastructure debt fund-non- banking financial company; IDF- NBFC). It was incorporated as IDFC Infra Debt Fund Ltd (IDFC IDF). The company received approval from the RBI in September 2014 and commenced business on January 16, 2015. On January 10, 2017, the Company changed its name from IDFC Infra Debt Fund Limited to IDFC Infrastructure Finance Limited. In March 2019 National Investment and Infrastructure Fund (NIIF) Fund II acquired 58.89% equity stake in the Company and the name of the Company was changed to NIIF Infrastructure Finance Limited with effect from July 11, 2019.

NIIF (the majority shareholder) is a collaborative investment platform for Indian and international investors, anchored by GoI. It invests across asset classes such as infrastructure, private equity and other diversified sectors in India, through four funds i.e. the Master Fund, Private Markets Fund (erstwhile Fund of Funds), Strategic Opportunities Fund and India-Japan Fund. GoI holds a 49% stake in NIIF Limited, and the rest is held by domestic and global institutional investors.

As on March 31, 2025, NIIF IFL had gross loans outstanding of Rs 25,390 crore (Rs 22,118 crore as on March 31, 2024).

For fiscal 2025, the company reported a profit after tax (PAT) of Rs 487 crore on total income of Rs 2,183 crore, against Rs 420 crore and Rs 1,847 crore, respectively, for the previous fiscal. For the quarter ended June 30, 2025, the company reported PAT of Rs 134 crore on total income of Rs 604 crore as against Rs 121 crore and Rs 510 crore, respectively, for the corresponding period of the previous fiscal

### **Key Financial Indicators**

| For the period ended          | Unit            | Mar-25       | Mar-24       |
|-------------------------------|-----------------|--------------|--------------|
| <b>Total assets</b>           | <b>Rs crore</b> | <b>27812</b> | <b>23748</b> |
| <b>Total income</b>           | <b>Rs crore</b> | <b>2183</b>  | <b>1847</b>  |
| <b>Profit after tax (PAT)</b> | <b>Rs crore</b> | <b>487</b>   | <b>420</b>   |
| <b>Gross stage 3</b>          | <b>%</b>        | <b>Nil</b>   | <b>Nil</b>   |
| <b>Gearing</b>                | <b>Times</b>    | <b>5.4</b>   | <b>5.1</b>   |
| <b>Return on assets</b>       | <b>%</b>        | <b>1.9</b>   | <b>2.0</b>   |

### **Any other information**

Crisil Ratings notes the intimation made by the Company on July 24, 2025, to the stock exchange regarding the resignation of the CEO due to personal reasons. The company continues to be run by a professional management team with oversight exercised by the Board of Directors. The Board of Directors have appointed Chief Business Officer of the Company, as the interim Chief Executive Officer with effect from August 26, 2025, till the appointment of a new Chief Executive Officer.

### **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 Outstanding with Outlook |
|------|---|-------------------|-----------------|---------------|-----------------------|-------------------|---------------------------------|
| NA   | Non Convertible Debentures <sup>#</sup>                   | NA                | NA              | NA            | 3500.00               | Simple            | Crisil AAA/Stable               |
| NA   | Non Convertible Redeemable Preference Shares <sup>#</sup> | NA                | NA              | NA            | 1500.00               | Complex           | Crisil AAA/Stable               |
| NA   | Zero Coupon Bonds <sup>#</sup>                            | NA                | NA              | NA            | 5000.00               | Simple            | Crisil AAA/Stable               |

<sup>#</sup> Yet to be issued

### **Annexure - Rating History for last 3 Years**

|  | Current | 2025 (History) | 2024 | 2023 | 2022 | Start of 2022 |
|--|---------|----------------|------|------|------|---------------|
|--|---------|----------------|------|------|------|---------------|

| Instrument  | Type | Outstanding Amount | Rating            | Date | Rating | Date     | Rating            | Date | Rating | Date | Rating | Rating |
|---|------|--------------------|-------------------|------|--------|----------|-------------------|------|--------|------|--------|--------|
| <b>Non Convertible Debentures</b>                   | LT   | 3500.0             | Crisil AAA/Stable |      | --     | 30-08-24 | Crisil AAA/Stable |      | --     |      | --     | --     |
| <b>Zero Coupon Bonds</b>                            | LT   | 5000.0             | Crisil AAA/Stable |      | --     |          | --                |      | --     |      | --     | --     |
| <b>Non Convertible Redeemable Preference Shares</b> | LT   | 1500.0             | Crisil AAA/Stable |      | --     | 30-08-24 | Crisil AAA/Stable |      | --     |      | --     | --     |

All amounts are in Rs.Cr.

## Criteria Details

### Links to related criteria

[Basics of Ratings \(including default recognition, assessing information adequacy\)](#)

[Criteria for Finance and Securities companies \(including approach for financial ratios\)](#)

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