

**IDFC Infrastructure Finance Limited**  
*(Erstwhile IDFC Infra Debt Fund Limited)*  
**JULY 26, 2017**

**Ratings**

| Instruments                             | Amount<br>(Rs. crore)                                  | Ratings <sup>1</sup>  | Remarks           |
|---|--|---|-------------------|
| Non-Convertible<br>Debentures           | 2,500<br>(Rupees two thousand five hundred crore only) | <b>CARE AAA; Stable</b><br><b>[Triple A; Outlook: Stable]</b> | <b>Reaffirmed</b> |
| Proposed Non-<br>Convertible Debentures | 1,500<br>(Rupees One thousand five hundred crore only) | <b>CARE AAA; Stable</b><br><b>[Triple A; Outlook: Stable]</b> | <b>Assigned</b>   |

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

The rating factors in a well-defined IDF-NBFC framework as well as regulatory changes. The rating also takes into account the strong sponsor of IDFC Infrastructure Finance Limited (IDFC IFL) viz. IDFC Financial Holding Company Limited, which is a wholly owned subsidiary of IDFC Limited and group synergies in the form of business support from IDFC ecosystem, IDFC brand identity, and capital, managerial and operational support. The rating specifically factors in the business support derived from IDFC group's infrastructure sector experience and industry-wide relationships especially in areas of transaction sourcing and project appraisal. Sponsor strength, asset quality, profitability and concentration risk are the key rating sensitivities.

**Detailed description of the key rating drivers****Key Rating Strengths**

**Strong sponsor group and management support:** IDFC Infrastructure Finance Limited (IDFC IFL), an Infrastructure Debt Fund (IDF), is a wholly owned subsidiary of IDFC Financial Holding Company Limited (IFHC) which in turn is a wholly owned subsidiary of IDFC Limited. The Company benefits from group synergies in the form of business support from the IDFC ecosystem with respect to avenues for sourcing of loans, as well as managerial and operational support from parent. Besides, the company also benefits from synergies arising out of IDFC's expertise in the infrastructure domain accumulated over the years. The company's operations are headed by Mr. Sadashiv Rao, Chief Executive Officer. Mr. Sadashiv Rao served as the Chief Risk Officer at IDFC, before taking over as the CEO of IDFC IFL. He has over 27 years of experience in project finance, investment banking and advisory services. Given the company's strong parentage, the company is able to raise resources at cost effective rates.

**Well-defined IDF-NBFC framework and subsequent regulatory changes:** The guidelines for IDF-NBFCs were revised by RBI on April 21, 2016. RBI has now allowed IDF-NBFCs to raise funds through shorter tenor bonds and commercial papers (CPs) from the domestic market to the extent of up to 10 per cent of their total outstanding borrowings. Prior to this revision, IDF-NBFCs could only raise funds with a minimum maturity of 5 years. However, given IDFC IFL's strong parentage, the company would be able to raise funds effectively to manage the liquidity profile.

**Comfortable capital adequacy:** IDFC IFL is adequately capitalised with a tangible net worth of Rs.652 crore as on March 31, 2017. Total CAR and Tier-I CAR were 28.96% and 28.49% respectively at the end of March 2017 as against the minimum regulatory requirement of 15% total CAR. The gearing levels have increased from 1.39 times as on March 31, 2016 to 3.22 times as on March 31, 2017.

**Profitability:** During FY17 (refers to the period April 1 to March 31), company's PAT was Rs.70.84 crore from total income of Rs.207 crore as compared to PAT of Rs.37.10 crore on total income of Rs.75 crore in FY16. The growth in income was significantly higher than the growth of the loan book, as in FY16 majority of the loans were disbursed towards the end of the year and interest income accrued for only the last few months. Net Interest Margin (NIM) of the company in FY17, has improved to 3.14% compared to 2.8% in FY16 as the loan disbursements were spread throughout the year in FY17. Return on Total Assets (ROTA) fell to 3.33% in FY17 from 4.27% in FY16 due to increase in assets of the company.

**Asset Quality:** The Company continues to have nil NPAs. The loan portfolio of Rs.2683 crore at the end of March 2017 includes exposure to operational infrastructure projects in renewable energy (34%), roads (18%), IT Parks/SEZ (11%),

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

hospitals (11%), telecom towers and broadband networks (8%), power transmission (8%), airport loading & unloading terminals (5%), education institutions (3%) and captive power (2%). In FY17, the company has disbursed loans to companies in infrastructure sub-sectors such as telecom towers, broadband networks and airport loading & unloading terminals. Seasoning of the book is low as the loans have been disbursed in past 2 years.

### Key Rating Weaknesses

**Concentration risk:** Considering the bulky nature of infrastructure loans, the company is exposed to borrower concentration risk. As per RBI guidelines, an IDF-NBFC can take exposure on individual projects up to 60% of its total capital funds which can be increased up to 75% with prior RBI approval. As on March, 2017, portfolio of Rs.2683 crore comprised of 37 exposures. Top five borrowers accounted for about 28% of the total loan portfolio and 116% of tangible net worth as on March 31, 2017 compared to top five borrowers accounting for 36% of the loan portfolio and 84% of tangible net worth as on March 31, 2016.

### Analytical approach

CARE has analysed the standalone credit profile of IDFC IFL along with IDFC IFL's operational and managerial linkages with the IDFC group.

### Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's policy on default recognition](#)

[Financial Ratios- Financial Sector](#)

[CARE's Criteria for NBFC](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

### About the Company

Incorporated on March 14, 2014, IDFC IFL (erstwhile IDFC Infra Debt Fund Limited) is an Infrastructure Debt Fund – Non - Banking Financial Company (IDF - NBFC) engaged in the business of providing long term financial assistance for various infrastructure projects. The company received Certification of Registration from RBI on September 22, 2014. IDFC IFL is a subsidiary of IDFC Financial Holding Company Limited (IFHC) which is a wholly owned subsidiary of IDFC Limited, the ultimate holding company. IFHC was incorporated on November 7, 2014 and this entity holds stake in various entities in the IDFC group involved in financial services business. The company's operations are headed by Mr Sadashiv Rao, Chief Executive Officer. Mr Sadashiv Rao served as the Chief Risk Officer at IDFC, before taking over as the CEO of IDFC IFL.

| Brief Financials (Rs. crore) | FY16 (A) | FY17 (A) |
|------------------------------|----------|----------|
| Total operating income       | 74.99    | 206.93   |
| PAT                          | 37.10    | 70.84    |
| Interest coverage (times)    | 2.60     | 1.59     |
| Total Assets                 | 1421.61  | 2837.04  |
| Net NPA (%)                  | -        | -        |
| ROTA (%)                     | 4.27     | 3.33     |

A: Audited

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

**Annexure-1: Details of Instruments/Facilities outstanding as of June 30, 2017**

| Name of the Instrument | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook |
|------------------------|------------------|-------------|---------------|-------------------------------|---|
| NCD                    | 23-Sep-15        | 8.85%       | 29-Oct-20     | 150                           | CARE AAA; Stable                          |
| NCD                    | 14-Oct-15        | 8.65%       | 20-Nov-20     | 155                           | CARE AAA; Stable                          |
| NCD                    | 9-Nov-15         | 8.64%       | 1-Dec-20      | 75                            | CARE AAA; Stable                          |
| NCD                    | 3-Dec-15         | 8.55%       | 8-Jan-21      | 75                            | CARE AAA; Stable                          |
| NCD                    | 6-Jan-16         | 8.65%       | 28-Jan-21     | 250                           | CARE AAA; Stable                          |
| NCD                    | 16-Mar-16        | 8.88%       | 22-Apr-21     | 103                           | CARE AAA; Stable                          |
| NCD                    | 13-Jul-16        | 8.75%       | 27-Jul-21     | 209                           | CARE AAA; Stable                          |
| NCD                    | 8-Aug-16         | 8.60%       | 25-Aug-21     | 141                           | CARE AAA; Stable                          |
| NCD                    | 25-Aug-16        | 8.51%       | 31-Aug-21     | 136                           | CARE AAA; Stable                          |
| NCD                    | 1-Sep-16         | 8.51%       | 7-Sep-21      | 25                            | CARE AAA; Stable                          |
| NCD                    | 22-Sep-16        | 8.385%      | 12-Oct-21     | 255                           | CARE AAA; Stable                          |
| NCD                    | 11-Nov-16        | 8.100%      | 30-Nov-21     | 25                            | CARE AAA; Stable                          |
| NCD                    | 25-Nov-16        | 7.350%      | 12-Jan-22     | 60                            | CARE AAA; Stable                          |
| NCD                    | 2-Dec-16         | 7.350%      | 18-Jan-22     | 25                            | CARE AAA; Stable                          |
| NCD                    | 27-Jan-17        | 8.000%      | 13-Apr-22     | 150                           | CARE AAA; Stable                          |
| NCD                    | 17-Mar-17        | 8.250%      | 24-May-22     | 81                            | CARE AAA; Stable                          |
| NCD                    | 11-Apr-17        | 8.040%      | 19-Jul-22     | 85                            | CARE AAA; Stable                          |
| NCD                    | 18-Apr-17        | 8.010%      | 26-May-22     | 101                           | CARE AAA; Stable                          |
| NCD                    | 25-May-17        | 7.965%      | 18-Aug-22     | 101                           | CARE AAA; Stable                          |
| NCD                    | -                | -           | -             | 298                           | CARE AAA; Stable                          |
| Proposed NCD           | -                | -           | -             | 1500                          | CARE AAA; Stable                          |

## Annexure-2: Rating History of last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings |                                |                  | Rating history                            |  |   |   |
|---------|--|-----------------|--------------------------------|------------------|---|--|---|---|
|         |  | Type            | Amount Outstanding (Rs. crore) | Rating           | Date(s) & Rating(s) assigned in 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017                | Date(s) & Rating(s) assigned in 2015-2016 | Date(s) & Rating(s) assigned in 2014-2015 |
| 1.      | Debentures-Non Convertible Debentures  | LT              | 1500.00                        | CARE AAA; Stable | -   | 1)CARE AAA; Stable (30-Dec-16)<br>2)CARE AAA (31-Aug-16) | 1)CARE AAA (15-Jan-16)                    | 1)CARE AAA (13-Mar-15)                    |
| 2.      | Debentures-Non Convertible Debentures  | LT              | 1000.00                        | CARE AAA; Stable | -   | 1)CARE AAA; Stable (30-Dec-16)<br>2)CARE AAA (31-Aug-16) | -   | -   |

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