

IDFC Infrastructure Finance Limited
 (Erstwhile IDFC Infra Debt Fund Limited)

August 14, 2018

Ratings

Instruments	Amount (Rs. crore)	Ratings ¹	Rating Action
Non-Convertible Debentures (NCD)	1,500 (One Thousand Five Hundred Crore only)	CARE AAA; Stable [Triple A; Outlook: Stable]	Reaffirmed
Non-Convertible Debentures (NCD)	1,000 (One Thousand Crore only)	CARE AAA; Stable [Triple A; Outlook: Stable]	Reaffirmed
Non-Convertible Debentures (NCD)	1,500 (One Thousand Five Hundred Crore only)	CARE AAA; Stable [Triple A; Outlook: Stable]	Reaffirmed
Proposed Commercial Paper (CP)	600 (Six Hundred Crore only)	CARE A1+ [A One Plus]	Assigned
Proposed Non-Convertible Debentures (NCD)	1,700 (One Thousand Seven Hundred Crore only)	CARE AAA; Stable [Triple A; Outlook: Stable]	Assigned

Details of instruments in Annexure-1

Detailed Rationale & Key Rating Drivers:

The ratings assigned to various debt instruments of IDFC Infrastructure Finance Limited (IDFC IFL) continue to factor in the strength of its sponsor viz. IDFC Financial Holding Company Limited (a wholly owned subsidiary of IDFC Limited), holding 81.48% stake in IDFC IFL and a well-defined regulatory framework for Infrastructure Debt Funds –NBFC route (IDF-NBFC). The ratings also factor in the management strength and sponsor group's synergies in the form of business support from the IDFC ecosystem, shared brand as well as managerial and operational support apart from strong capitalization and asset quality of IDFC IFL. The ratings also take note that IDFC IFL is required to reduce the sponsor stake to up to a maximum of 49% to comply with the regulatory requirement for IDF-NBFC. Continued sponsor support, business growth, asset quality, profitability and concentration are the key rating sensitivities.

Detailed description of the Key Rating Drivers:

Key Rating Strengths:

Strong sponsor group and management support:

IDFC IFL is a wholly owned subsidiary of IDFC Financial Holding Company 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, shared brand as well as managerial and operational support from parent. Besides, the company also benefits from synergies arising out of IDFC Limited's expertise in the infrastructure domain accumulated over the years in project finance which enable the company in understanding as well as providing financing solutions across all the infrastructure sectors.

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 31 years of experience in project finance, investment banking and advisory services. Mr. Rao also served as a Director of several IDFC subsidiaries apart from being on the Managing Committee of IDFC. In his previous roles at IDFC, he held the positions of Chief Credit Officer, Senior Director – Corporate Finance, Head – Operations (North) and Vice President – Operations (Energy Sector). The other shareholders in IDFC IFL are Housing Development Finance Corporation Limited (HDFC) holding 11.11% shareholding and SBI Life Insurance Company Limited (SBI Life) holding 7.41% shareholding as on March 31, 2018.

Well-Defined regulatory framework for IDF-NBFC and subsequent regulatory changes:

The framework for IDF-NBFC is defined by the guidelines provided by the Reserve Bank of India (RBI) which put certain restrictions on lending as well as borrowing which help maintain the credit profile of the loan portfolio. Key requirement of the guidelines being restriction on exposure to projects which do not have track record of at least one year of satisfactory operations and IDF-NBFC being allowed to raise debt with a minimum maturity of 5 years which helped to match the long term asset maturity profile of the companies. However, the guidelines for IDF-NBFCs were revised by RBI

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

on April 21, 2016 which 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 thereby providing flexibility to IDF-NBFC.

Comfortable capital adequacy:

IDFC IFL is adequately capitalised with total Capital Adequacy Ratio (CAR) of 22.10% and Tier I CAR of 21.61% as on March 31, 2018 as against the minimum regulatory requirement of 15%. As on March 31, 2018, IDFC IFL had a tangible Net-worth of Rs.739 crore and overall gearing² of 5.03 times (P.Y.: 3.33 times).

Profitability:

During FY18 (refers to period from April 01 to March 31), IDFC IFL reported Profit After Tax (PAT) of Rs.86 crore total income of Rs.337 crore as compared to PAT of Rs.71 crore on total income of Rs.207 crore during FY17. During Q1FY19 (refers to period from April 01 to June 30), IDFC IFL reported PAT of Rs.26 crore on total income of Rs.108 crore.

Asset Quality:

The Company continues to have nil NPAs. The loan portfolio stood at Rs.4,220 crore as on March 31, 2018 with exposures to sectors like renewable energy (28% of total loan portfolio), power transmission (14%), captive power (5%), roads (20%), hospitals (12%), IT SEZs (7%), telecom (6%), airport-cargo terminal (6%) and education (2%).

Key Rating Weaknesses:

Concentration risk:

Considering the bulky nature of infrastructure loans, the company is exposed to concentration risk. As per RBI guidelines, the maximum exposure that an IDF – NBFC can take on individual PPP projects shall be at 50% of its total Capital Funds. An additional exposure up to 10% can be taken at the discretion of the Board of the IDF – NBFC. Also, upon receipt of an application from IDF – NBFC and on being satisfied that the position of IDF – NBFC is satisfactory, RBI may permit additional exposure up to 15%. As on March, 2018, the top ten borrowers accounted for 36% of the total loan portfolio and 208% of tangible net worth of March 31, 2018. Out of total sectoral exposure, renewable energy sector accounted for 28% (Wind: 17%, Solar: 6%, Hydro: 5%) of total portfolio.

Analytical Approach:

CARE has analyzed 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 7, 2014, IDFC IFL is an Infrastructure Debt Fund-Non- Banking Financial Company (IDF-NBFC) which is engaged in the business of providing long term financial assistance for various infrastructure projects. The RBI introduced IDF-NBFC regulations on November 21, 2011. The company received RBI approval on September 22, 2014 and commenced business on January 16, 2015. Post the grant of in-principle approval by the Reserve Bank of India on April 9, 2014 to set up a new bank, IDFC Limited had to transfer all lending and financing business to IDFC Bank. A wholly owned subsidiary company in the name of IDFC Financial Holding Company Limited was incorporated on November 7, 2014 and this entity holds stake in various entities involved in financial services business. IDFC IFL is a subsidiary of IDFC Financial Holding Company Limited (IFHC) which is a wholly owned subsidiary of IDFC Limited.

² Overall Gearing = Total Borrowings + Interest accrued but not due on borrowings

Brief Financials:**(Rs. Crore)**

	FY17 (A)	FY18 (A)
Total operating income	206.93	336.52
PAT	70.84	86.49
Interest coverage (times)	1.59	1.38
Total Assets	2837.04	4,475.07
Net NPA (%)	-	-
ROTA (%)	3.33	2.37

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. Investors/market intermediaries/regulators or others are welcome to write to 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

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity	Size of the Issue (Rs. Cr)	Rating Assigned along with Outlook
NCD	29-Sep-15	8.85%	29-Oct-20	150	[CARE]AAA (stable)
NCD	21-Oct-15	8.65%	20-Nov-20	155	[CARE]AAA (stable)
NCD	16-Nov-15	8.64%	1-Dec-20	75	[CARE]AAA (stable)
NCD	9-Dec-15	8.55%	8-Jan-21	75	[CARE]AAA (stable)
NCD	8-Jan-16	8.65%	28-Jan-21	250	[CARE]AAA (stable)
NCD	22-Mar-16	8.88%	22-Apr-21	103	[CARE]AAA (stable)
NCD	14-Jul-16	8.75%	27-Jul-21	209	[CARE]AAA (stable)
NCD	9-Aug-16	8.60%	25-Aug-21	141	[CARE]AAA (stable)
NCD	29-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	27-Sep-16	8.39%	12-Oct-21	255	[CARE]AAA (stable)
NCD	17-Nov-16	8.10%	30-Nov-21	25	[CARE]AAA (stable)
NCD	30-Nov-16	7.35%	12-Jan-22	60	[CARE]AAA (stable)
NCD	6-Dec-16	7.35%	18-Jan-22	25	[CARE]AAA (stable)
NCD	1-Feb-17	8.00%	13-Apr-22	150	[CARE]AAA (stable)
NCD	22-Mar-17	8.25%	24-May-22	81	[CARE]AAA (stable)
NCD	19-Apr-17	8.04%	19-Jul-22	85	[CARE]AAA (stable)
NCD	26-Apr-17	8.01%	26-May-22	101	[CARE]AAA (stable)
NCD	31-May-17	7.97%	18-Aug-22	101	[CARE]AAA (stable)
NCD	12-Jul-17	7.94%	11-Aug-22	100	[CARE]AAA (stable)
NCD	31-Aug-17	7.73%	24-Nov-22	82	[CARE]AAA (stable)
NCD	19-Sep-17	7.73%	10-Nov-22	340	[CARE]AAA (stable)
NCD	28-Nov-17	7.99%	28-Nov-24	115	[CARE]AAA (stable)
NCD	18-Dec-17	8.08%	14-Feb-23	265	[CARE]AAA (stable)
NCD	6-Feb-18	8.48%	21-Feb-23	50	[CARE]AAA (stable)
NCD	22-Mar-18	8.49%	22-Aug-23	217	[CARE]AAA (stable)
NCD	26-Apr-18	8.37%	26-May-23	60	[CARE]AAA (stable)
NCD	26-Apr-18	8.42%	27-May-25	44	[CARE]AAA (stable)
NCD	16-May-18	8.52%	15-May-26	26	[CARE]AAA (stable)
NCD	5-Jul-18	9.21%	27-Aug-24	47	[CARE]AAA (stable)
NCD	19-Jul-18	9.26%	14-Aug-24	189	[CARE]AAA (stable)

Annexure-2: Rating History of last three years

Sr. No.	Name of Instrument/Bank Facility	Current Ratings			Rating History			
		Type	Amount Outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1	Debentures - Non Convertible Debentures	LT	1,500	CARE AAA; Stable	-	CARE AAA; Stable (26-Jul-17)	1. CARE AAA; Stable (30-Dec-16) 2. CARE AAA; Stable (31-Aug-16)	CARE AAA; Stable (15-Jan-16)
2	Debentures - Non Convertible Debentures	LT	1,000	CARE AAA; Stable	-	CARE AAA; Stable (26-Jul-17)	1. CARE AAA; Stable (30-Dec-16) 2. CARE AAA; Stable (31-Aug-16)	-
3	Debentures - Non Convertible Debentures	LT	1,500	CARE AAA; Stable	-	CARE AAA; Stable (26-Jul-17)	-	-

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CIN - L67190MH1993PLC071691