



ICRA
A MOODY'S INVESTORS
SERVICE COMPANY



Infrastructure Debt Funds January 2019



Significant market potential; availability
of capital and funds critical for growth

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Executive Summary

HIGHLIGHTS



- The total exposure of NBFC-IDFs was estimated to be around Rs. 214 billion as on September 30, 2018, registering a year-on-year growth of 41%. At this portfolio size, these NBFC-IDFs stood at ~1.1% of total infrastructure exposure across banks and NBFCs.
- Post the widening of the investment scope in 2015, the composition has changed to include higher share of PPP projects without a project authority and non-PPP projects. As on September 30, 2108 exposure to power sector (largely in the renewable space) constituted almost 60% of the portfolio for these entities.
- Asset quality has held for these entities, however higher concentration risk, continuing issues in the sector such as power and changing portfolio mix has augmented the portfolio vulnerability for these entities. There could be some rise in the delinquencies owing to the recent events related to some SPVs which have stopped repayments despite having sufficient cashflows. As per ICRA's estimates, exposure such SPVs constituted ~6% of the total exposure as on September 30, 2018.
- The liquidity profile for these entities is comfortable supported by the long-term nature of liabilities and regulatory restrictions on the proportion of short-term debt in the overall borrowings. With systemic hardening of interest rates, cost of funds likely to go up for these entities as well. As per ICRA's estimates, these entities would need an additional borrowing of ~ Rs. 4,500 – Rs. 6,000 crore in H22019 to grow at 40%-50% annually and refinance the maturing debt
- The presence of strong sponsors has been supporting the credit profile however capital requirements estimated to remain moderate at Rs. 1,100– Rs. 1,500 crore over the next two years.
- The overall profitability indicators continue to be supported the tax exemption available to NBFC-IDFs with reported return on average networth of 14.8% in H1FY2019.



ABOUT ICRA

ICRA Limited (formerly Investment Information and Credit Rating Agency of India Limited) was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange.

Alliance with Moody's Investors Service

The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder. The participation of Moody's is supported by a Technical Services Agreement, which entails Moody's providing certain high-value technical services to ICRA. Specifically, the agreement is aimed at benefiting ICRA's in-house research capabilities, and providing it with access to Moody's global research base. The agreement also envisages Moody's conducting regular training and business seminars for ICRA analysts on various subjects to help them better understand and manage concepts and issues relating to the development of the capital markets in India. Besides this formal training programme, the agreement provides for Moody's advising ICRA on Rating-products strategy, and the Ratings business in general.

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