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## **Rating Rationale for India Infrastructure Finance Company Limited's GoI Guaranteed Bonds Issue of INR 2000 Crores or INR 20 billion.**

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**Bonds Issue Rating: BWR AAA+(SO)**

**Outlook : Stable**

Brickwork Ratings has assigned BWR AAA+ (SO) (Pronounced BWR Triple A Plus (Structured Obligation)) Rating for **India Infrastructure Finance Company Limited's (IIFCL) Long Term Bond Issue of INR 2000 crore** guaranteed by the Government of India. Brickwork Ratings' 'BWR AAA+(SO)' stands for an instrument that is considered to offer the BEST credit quality in terms of timely servicing of principal and interest obligations. The rating has factored IIFCL's Government of India's ownership, role being played by it in development and financing crucial infrastructure projects and the Government of India's guarantee of IIFCL's proposed Bonds issue in respect of servicing them. BWR has essentially relied upon the audited financial results, projected financial figures, information and clarification provided by IIFCL.

### **Background**

India Infrastructure Finance Company Limited (IIFCL) was incorporated on January 5, 2006 with INR 100 crore of capital, under the Companies Act 1956, as a wholly owned GOI Company. IIFCL has been initiated to provide debt financing for infrastructure projects which typically have long gestation periods. With effect from 14<sup>th</sup> Jan 2009, IIFCL is notified as a public financial institution under section 4A of the Companies Act 1956.

### **Financing Infrastructure Projects Scheme**

IIFCL provides financial assistance through long term debt, and also by way of refinance to banks and financial institutions once the viability of the project is established. As a matter of policy it lends up to 20% of the capital cost of a project.

IIFCL also plays an important role in Public Private Partnership (PPP) projects as it has a special mandate from the Government to catalyze infrastructure growth in the country especially through public-private partnership (PPP) route. As a result, out of 86 cases for which they have sanctioned finance, 70 are in (PPP) and going forward this trend of greater assistance to PPP projects will continue.

Sector- wise sanctions of IIFCL in FY 09 are as under.

<b>Sector (Rs. In Crores)</b>	<b>No. of Projects</b>	<b>Loan Sanctioned</b>	<b>Project Cost</b>
Road	6	875	6590
Power	3	676	20783
Port	1	200	1016
Urban Infra*	19	40	2111
<b>Total</b>	<b>29</b>	<b>1791</b>	<b>30500</b>

Sector- wise disbursements of IIFCL in FY 09 and up-to July 2009 are as under.

<b>Sector (Rs. In Crores)</b>	<b>No. of Projects (As on Mar-2009)</b>	<b>Loan disbursed (As on Mar-2009)</b>	<b>No. of Projects (As on July-2009)</b>	<b>Loan disbursed (As on July-2009)</b>
Road	46	1947.6	51	2447
Power	15	2252.9	16	2663
Airport	2	516.5	2	570
Port	3	150.0	5	174
Urban Infra*	11	13.8	15	37
<b>Total</b>	<b>77</b>	<b>4880.9</b>	<b>89</b>	<b>5891</b>

\*including under Pooled Municipal Debt Obligations (PMDO)

## Resources

IIFCL is wholly owned by the Govt. of India which is infusing equity capital since its inception. In FY09, the Govt. contributed INR 500 crores raising the equity capital of IIFCL from INR 800 crore last year to INR 1300 crore. Further its long term borrowings have been guaranteed by Govt. of India, through provisions made in budget. As a part of the stimulus package announced by the Govt. during Dec 2008 and Jan 2009, GOI guaranteed tax-free bonds of INR 10000 crore to be issued by IIFCL.

IIFCL's total borrowings stood at INR 14419.35 crore as on Mar 2009 which increased to INR 15554 crore as on June 2009.

## Performance

Within the short time since its inception IIFCL has emerged as an important nodal agency for financing infrastructure projects. Cumulative sanctions amounted INR 18,760 crore as on March 31, 2009 for 107 projects related to roads, power, airports, ports and urban infrastructure.

In FY09, disbursements were INR 3197 crore as compared to INR 1541 crore in FY08. Its total income grew by 428% from INR 120.19 crore in FY2008 to INR 634.86 crore in FY2009. Its income from operations in FY09 grew to INR 626.21 crores from INR 111.89 crores in FY08. PAT increased in FY09 to INR 100.65 crores from INR 24.81 crores in the same period. RoA rose to 0.63% in FY09 from 0.57% in FY08. In Q1 FY 10 total income was INR 358.64 crores and PAT was INR 40.59 crores.

As on 31<sup>st</sup> Mar 2009, IIFCL had nil Non-performing Assets.

Key financials figures/ Ratios are as under.

(Rs. In Crores)	2009	2008
<b>Capital Structure</b>		
Net-worth	1433.95	832.18
Debt Funds	14419.35	3497.62
Debt/Equity	10.0	4.2
<b>Operations</b>		
Cost of funds	3.33%	2.39%
Return on funds	4.40%	3.43%
Spreads	1.08%	1.04%
<b>Earnings</b>		
Interest Income/Total Assets	3.9%	2.6%
Interest Expense/Total Assets	2.8%	1.9%
Net Interest Income	1.1%	0.7%
<b>Asset Quality</b>		
Gross NPAs	0	0
<b>Profitability</b>		
PBT/Total Assets	0.95%	0.78%
PBT/Total Income	23.7%	28.1%
PAT/Total Assets	0.63%	0.57%
PAT/Total Income	15.9%	20.6%
<b>Return Ratios</b>		
RoA	0.63%	0.57%
RoE	7.0%	3.0%

## **Management Profile**

IIFCL is a 100% owned entity of the Govt. of India. Sh. S S Kohli is the chairman and managing director of IIFCL since inception. IIFCL's board consists of nominee directors from Govt. of India, including The Secretary, Planning Commission, The Finance Secretary, Ministry of Finance, and other experienced professionals drawn from Govt. and the field.

## **Subsidiary**

IIFC (UK) Ltd, the wholly owned subsidiary of IIFCL has commenced operations from 10th April 2008. IIFC (UK) has been set-up with the objective of financing the foreign currency requirement of Indian companies implementing infrastructure projects in India for import of capital equipment and machinery. The subsidiary has sanctioned loans to eight projects with an aggregate loan commitment of USD 1241 million, although in FY2009 no disbursement for any of the approved loan had commenced. The RBI has approved an aggregate loan amount up to USD 5 billion to IIFC (UK) Ltd to be drawn over a period of next 3 years. The first tranche of USD 250 million has been subscribed by RBI in Mar 2009, would be utilized first and subsequently other tranche would be availed to provide foreign currency loans to meet the import requirements of Indian companies developing infrastructure. The loan would be solely for meeting capital expenditure outside India.

## **Joint Venture**

In 2009, IIFCL has invested INR 24.88 crore in India Infrastructure Fund a venture capital fund promoted by IDFC, Citi Bank and IIFCL. As on 31.03.2009, India Infrastructure Fund has received total a commitment of INR 3589.40 crore.

## **Industry Outlook**

The global meltdown has led to slowdown in the country's growth, though the effect is far less on India compared to the other countries. The Govt.'s focus is on rapid implementation of infrastructure programs and projects as infrastructure spurs growth and is key to a faster recovery of the economy. Consequently the Government is keen on strengthening and increasing IIFCL's ability to raise funds to encourage financing infrastructure projects to drive economic growth.

## Rating Outlook:

IIFCL is a 100% owned entity of Govt. of India, promoted to facilitate infrastructure development in the country. Infrastructure projects have long gestation period and financing them is a specialized and complex task. IIFCL has been helping many infrastructure companies in various projects such as developing projects of Roads, Power, Airport, Ports and Urban Infrastructure through its direct project lending and through refinancing schemes. It has a special mandate from the Government to catalyze infrastructure growth in the country through public-private partnership (PPP) route. As a result, out of 86 cases for which they have sanctioned finance, 70 are in (PPP) and going forward this trend of greater assistance to PPP projects will continue. There was no NPA in the books of IIFCL in FY09. However, it is just a three year old Company and projects financed it are under various stages of construction and IIFCL could face the risk of time and cost escalation in some cases. Recognising this, it has put in place appropriate Risk Management practices and project monitoring systems to enable it to take timely action and it is expected that with such measures IIFCL will be able to keep its assets performing.

Brickwork rating recognizes the strategic importance of IIFCL as a key financial institution and its crucial role of financing infrastructure development in the Government's growth impetus plans. BWR expects this would translate into continuous support from the Government for IIFCL to achieve its objectives.

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