

India Ratings Affirms India Infrastructure Finance Company and Debt Instruments at 'IND AAA'/Stable

Oct 10, 2025 | India Infrastructure Finance Company Limited | Non Banking Financial Company (NBFC)

India Ratings and Research (Ind-Ra) has affirmed India Infrastructure Finance Company Limited's (IIFCL) Long-Term Issuer Rating at 'IND AAA' with a Stable Outlook. The detailed rating action:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (billion)	Rating assigned along with Outlook/Watch	Rating Action
Issuer Rating	-	-	-	-	IND AAA/Stable	Affirmed
Subordinated debt*	-	-	-	INR12	IND AAA/Stable	Affirmed
Bonds*	-	-	-	INR160	IND AAA/Stable	Affirmed
Domestic long-term bonds*	-	-	-	INR133.46	IND AAA/Stable	Affirmed
Bank loan facilities	-	-	-	INR60	IND AAA/Stable	Affirmed
Unsecured, taxable, redeemable, non-convertible bond*	-	-	-	INR40	IND AAA/Stable	Affirmed
Proposed commercial papers	-	-	-	INR10	IND A1+	Affirmed

* Details in annexure

Analytical Approach

Ind-Ra continues to take a fully consolidated view of IIFCL and its 100% subsidiaries — IIFC (UK) Limited, IIFCL Asset Management Company Limited (IAMCL) and IIFCL Projects Limited — due to the strong operating and financial linkages among them.

IAMCL was appointed as an asset management company (AMC) of the IIFCL Mutual Fund (IDF) by the trustees vide an Investment Management Agreement (IMA) dated 17 August 2012 executed between the board of trustees of IIFCL Mutual Fund (IDF) and IIFCL Asset Management Company Limited (IAMCL). The board of trustees of IIFCL Mutual Fund (IDF), in its meeting held on 31 January 2023, decided to prematurely wind up the existing scheme(s) of IIFCL Mutual Fund (IDF) under SEBI (Mutual Funds) Regulations, 1996 inter-alia on account of higher compliance cost and inability to comply with SEBI (Mutual Funds) Regulations, 1996 and Circulars and Guidelines applicable for infrastructure debt funds by IIFCL Mutual Fund (IDF) and IAMCL. SEBI, on 23 August 2023, allowed the redemption stock repayment to the unitholders of the schemes of IIFCL Mutual Fund (IDF), which IAMCL completed on 25 September 2023. The winding up report of IAMCL was submitted to SEBI in October 2023. Furthermore, an application has been submitted to SEBI for surrender of the mutual fund license. IAMCL is taking the requisite steps, including recovery efforts/selling -transferring actions for illiquid/securities.

Detailed Rationale of the Rating Action

Ind-Ra continues to factor in IIFCL's systemic importance to the GoI to address the issues related to the financing of infrastructure projects to arrive at the ratings. Ind-Ra continues to view IIFCL as a dependent entity in line with the agency's criteria for rating of public sector entities based on its strong financial and operational linkages with the GoI, its strategic importance to the nation, and the control by GoI. Ind-Ra expects that IIFCL will continue to play a pivotal role in funding commercially viable infrastructure projects, thereby contributing significantly to the country's economic development.

The ratings also reflect IIFCL's robust loan book focused on road, power and refinancing sectors. The company also has an adequate capitalisation which stood at 24.4% as on 30 June 2025, higher than the regulatory requirement of 15.0%. The asset quality has remained largely stable, along with IIFCL maintaining a comfortable provisioning coverage ratio of 68.24% as on 30 June 2025. Furthermore, the company continues to benefit from stable profitability levels. Ind-Ra expects the credit profile to improve over the near-to-medium term, driven by the growing loan book dedicated towards a high-rated client base.

List of Key Rating Drivers

Strengths

- Public policy institution
- Sovereign support
- Policy control
- Robust loan book
- Adequate capitalisation
- Low asset quality pressure
- Stable profitability metrics

Weaknesses

- Concentration in lending portfolio

Detailed Description of Key Rating Drivers

Public Policy Institution: Ind-Ra believes IIFCL will continue to play a crucial role in financing infrastructure projects in the country. IIFCL, by the virtue of its formation, assumes an important role in financing infrastructure projects that require long-term funding. Infrastructure deficit is one of the key factors inhibiting India in sustaining its high economic growth. Reiterating the importance of infrastructure development, the GoI, in its FY20 budget, infused INR52.97 billion in IIFCL. Post FY20, there has been no additional capital infusion from the GoI, as IIFCL has been self-sufficient in executing its strategic plans. This has bolstered the credit profile of the company. However, the GoI is likely to infuse the funds whenever required by the company.

IIFCL has been actively investing in renewable energy projects through various initiatives such as investing in infrastructure bonds issued by companies and collaboration with Indian Renewable Energy Development Agency Limited (debt rated at ['IND AAA'/Stable](#)) to co-lend, co-originate, and syndicate loans for various renewable energy projects including small hydro projects. The company plans to raise green bonds to finance renewable energy projects in the near-to-medium term.

Furthermore, the company has entered into a memorandum of understanding (MoU) for consortium infrastructure lending with several banks and non-banking finance companies (NBFCs) such as Punjab National Bank (debt rated at ['IND AAA'/Stable](#)) and Housing and Urban Development Corporation Limited (debt rated at ['IND AAA'/Stable](#)). Also, IIFCL had signed an MoU with GuarantCo (part of Private Infrastructure Development Group) for mutual lending aimed at accelerating growth in e-mobility, agriculture infrastructure and sustainable infrastructure sectors. The company signed an MoU with Sagarmala Finance Corporation Limited aiming to mobilise sustainable and dynamic financing for maritime infrastructure projects.

Sovereign Support: Ind-Ra believes the sovereign ownership of IIFCL and the limited alternative sources of long-term funding available in the infrastructure space will help the GoI provide sustained operational and financial support to IIFCL. Being a 100% GoI-owned non-deposit accepting company and an NBFC, IIFCL is a critical vehicle for the GoI to bridge the funding gap in the infrastructure space by providing low-cost long-term funding. Its strategic importance is reflected in the support it receives from the GoI in various forms such as: (i) guarantee for its long-term debt in the past. At FYE25, the GoI-guaranteed outstanding debt of IIFCL stood at 24.0% of the total debt (FY24: 37.4%; FY23: 46.2%; FY22: 47.1%); (ii) allowing it to raise low-cost, and tax-free bonds in the past; and (iii) regularly infusing equity over FY16-FY20. The strengthening of IIFCL's equity base was in line with the GoI's target of investing INR100 trillion in infrastructure development through the national investment pipeline for six years beginning FY20. Since FY20, IIFCL's equity and cash flow generation has been sufficient to undertake its operations and maintain capital adequacy. However, given its strategic importance, the GoI is likely to step in with additional support whenever required, ensuring continuity and resilience in IIFCL's operations.

Policy Control: Ind-Ra believes the GoI will continue to exercise strong and sustained control over IIFCL. The GoI's control over IIFCL is not only limited to the ownership but is also well reflected in its strong operational and managerial control over IIFCL through the board of directors. As an NBFC, IIFCL follows all the applicable prudential norms of the Reserve Bank of India for income recognition, provisioning, asset classification and exposure norms. The adherence of IIFCL to such compliances ensures that IIFCL operates within a robust regulatory framework, reinforcing its governance standards and financial discipline.

Robust Loan Book: Ind-Ra believes refinancing and investing in project bonds will continue to drive future loan book growth in the near-to-medium term. IIFCL's standalone loan book grew 42.5% yoy to INR699.04 billion in FY25 (FY24: INR490.66 billion; FY23: INR399.09 billion; FY22: INR387.22 billion) which helped it achieve 30.3% yoy growth in the consolidated loan book to INR714.86 billion (FY24: INR 548.72 billion). The steady incremental disbursements across all sectors, particularly refinancing, followed by takeout financing and direct lending have played a crucial role in this growth. The standalone loan book stood at INR693.32 in 1QFY26, 21.7% yoy, driven by a robust demand.

Adequate Capitalisation: Ind-Ra believes the sustained support from the GoI and an expected timely resolution of stressed assets of IIFCL will provide additional comfort to IIFCL's capital base. However, an improvement in the asset quality will be critical to keep the entity adequately capitalised. After the substantial equity infusion by the GoI in FY20, IIFCL's capital to risk (weighted) assets ratio (CRAR) remained comfortable and stood at 24.4% as on 30 June 2025 (FYE25: 23.4%; FYE24: 28.2%; FYE23: 27.7%; FYE22: 29.0%). IIFCL is required to maintain a minimum CRAR of 15.0%. The tier-1 ratio remained healthy at 23.2% as on 30 June 2025 (FYE25: 22.2%; FYE24: 26.9%; FYE23: 26.4%; FYE22: 27.8%; regulatory threshold: 10.0%).

Low Asset Quality Pressure: Ind-Ra expects the gross non-performing asset (NPA) ratio to remain below 2.0x in the near-to-medium term. There has been sequential improvement in IIFCL's asset quality over FY21-FY25. The standalone gross NPA ratio fell to 1.1% in FY25 (FY24: 1.6%; FY23: 4.8%; FY22: 9.4%; FY21: 13.9%). The net NPA/equity also reduced to 1.5% in FY25 (FY24: 1.6%; FY23: 4.6%; FY22: 11.5%; FY21: 18.6%). The write-offs, sales to an assets reconstruction company coupled with less riskier lending have helped the entity improve these key ratios. IIFCL's gross NPA and net NPA ratio stood at 1.1% and 0.4%, respectively, at end-1QFY26.

Stable Profitability Metrics: Ind-Ra does not expect any major upward movement in the net interest margin (NIM) of IIFCL in the near-to-medium term, due to its continued focus on lending through low risky instruments such as refinance loans, bonds and infrastructure investment trusts. The standalone NIM (net interest income/average earning assets) of IIFCL contracted marginally by 10bp in FY25 to 2.8% (FY24: 2.9%; FY23: 2.7%; FY22: 2.5%) on account of a decline in the yield, partly offset by a decrease in the cost of funds raised. The NIMs stood at 3.4% (annualised) in 1QFY26. Also, the return on average equity (net profit/average equity) witnessed a substantial jump to 14.1% in FY25 (FY24: 11.4%; FY23: 8.7%; FY22: 4.6%) as the net profit increased 39.5% yoy to INR21.65 billion (FY24: INR15.52 billion). Its net interest income increased to INR19.80 billion in FY25 (FY24: INR16.53 billion; FY23: INR13.29 billion), facilitating the increase in the net profit.

Concentration in Lending Portfolio: Ind-Ra expects IIFCL to continue to have a concentrated lending portfolio with the top 25 borrowers accounting for 82.0% of the total advances in 1QFY26. Although most of the top borrowers are highly rated, a slippage of any of them in the substandard category could lead to steep deterioration in the asset quality ratios, and consequently, impair the profitability and capital adequacy.

Liquidity

Superior: Ind-Ra believes IIFCL's liquidity profile will remain stable over the medium term. IIFCL, on a standalone basis, has almost a well-managed asset and liability management (ALM) system in place as reflected by nil cumulative negative mismatches across all the buckets, as per the ALM statement on 30 June 2025. On a cumulative basis, there are positive mismatches. The liability tenor is longer than the asset tenor, thus mitigating the risk.

IIFCL has sufficient liquidity as well as undrawn lines of credit from various banks for its operational requirements. The cash and bank balance stood at INR11.00 billion as on 30 June 2025. Apart from this, INR41.19 billion was available in fixed deposits. The unutilised limits for overdraft facility stood at INR35.18 billion and for short-term loan at INR6.79 billion as on 30 June 2025. Ind-Ra believes IIFCL is in a comfortable situation to repay its debt obligations on a timely manner. The average working capital utilisation for the nine months ended August 2025 was around 62.0%.

Rating Sensitivities

Positive: Not applicable

Negative: Events that could, individually or collectively, lead to a negative rating action are:

- any weakening of IIFCL's linkages with the GoI
- a dilution in IIFCL's role as a public policy institution
- a significant dip in IIFCL's credit quality and lacklustre loan book growth, leading to higher-than-Ind-Ra-expected deterioration in the profitability and impaired ability to add meaningful capital
- the CRAR falling below 17.0% for two consecutive years
- the net NPA/equity increasing above 35.0% for two consecutive years

Any Other Information

Not applicable

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on IIFCL, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click [here](#). For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click [here](#).

About the Company

Incorporated in January 2006, IIFCL is a GoI-owned financing company formed with the prime objective of providing a basket of long-term funding options for commercially viable infrastructure projects. Other than long-term debt, the company also provides quasi-equity for the equity-crunched projects in the form of subordinated debt.

Key Financial Indicators

Particulars (INR billion)	FY25	FY24
Total assets (consolidated)	874.95	748.18

Tangible equity (consolidated)	164.21	137.48
Net income (consolidated)	26.31	16.37
Return on average assets (%) (consolidated)	3.24	2.30
Capital adequacy ratio (%) (standalone)	23.44	28.15
Equity/assets (%) (consolidated)	18.77	18.38
Gross stage 3 assets (%)	2.83	5.25
Source: IIFCL; Ind-Ra		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook		
	Rating Type	Rated Limits (billion)	Rating	11 October 2024	22 February 2024	23 February 2023
Issuer rating	Long-term	-	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable
Domestic long-term bonds	Long-term	INR133.46	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable
Unsecured redeemable non-convertible taxable rupee bonds	Long-term	INR4.00	-	-	WD	IND AAA(CE)/Stable
Subordinated debt	Long-term	INR12.00	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable
Bank loan facilities	Long-term	INR60.00	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable
Unsecured, taxable, redeemable, non-convertible bonds	Long-term	INR40.00	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable
Bonds	Long-term	INR160.00	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	-
Proposed commercial papers	Short-term	INR10.00	IND A1+	IND A1+	IND A1+	-

Bank wise Facilities Details

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Bank loan facilities	Low
Bond	Low
Commercial paper	Low
Domestic long-term bonds	Low
Subordinated debt	Moderate
Unsecured, taxable, redeemable, non-convertible bond	Low

Annexure

Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Ratings	Outstanding/Rated Amount
						(INR million)
Bonds	INE787H07198	23 August 2013	8.26	23 August 2028	IND AAA/Stable	6,303
Bonds	INE787H07206	23 August 2013	8.19	23 August 2033	IND AAA/Stable	20
Bonds	INE787H07214	30 August 2013	8.46	30 August 2028	IND AAA/Stable	11,597.00
Bonds	INE787H07222	30 August 2013	8.37	30 August 2033	IND AAA/Stable	265
Bonds	INE787H07255	5 September 2013	8.48	5 September 2028	IND AAA/Stable	11,297.00
Bonds	INE787H07289	12 November 2013	8.38	12 November 2028	IND AAA/Stable	3,035.33
Bonds	INE787H07297 (retail and non- retail bonds) *	12 November 2013	8.63	12 November 2028	IND AAA/Stable	1,660.32
Bonds	INE787H07305	12 November 2013	8.5	12 November 2033	IND AAA/Stable	1,868.98
Bonds	INE787H07313 (retail and non- retail bonds) *	12 November 2013	8.75	12 November 2033	IND AAA/Stable	2,579.62
Bonds	INE787H07339	22 January 2014	8.48	22 January 2029	IND AAA/Stable	2,798.92
Bonds	INE787H07362 (retail and non- retail bonds) *	22 January 2014	8.73	22 January 2029	IND AAA/Stable	1,478.86
Bonds	INE787H07347	22 January 2014	8.66	22 January 2034	IND AAA/Stable	7,543.99
Bonds	INE787H07370 (retail and non- retail bonds) *	22 January 2014	8.91	22 January 2034	IND AAA/Stable	5,959.00
Bonds	INE787H07396	27 March 2014	8.55	27 March 2029	IND AAA/Stable	15,958.49
Bonds	INE787H07420 (retail and non- retail bonds) *	27 March 2014	8.80	27 March 2029	IND AAA/Stable	2,833.87
Bonds	INE787H07404	27 March 2014	8.55	27 March 2034	IND AAA/Stable	1,259.83
Bonds	INE787H07438 (retail and non- retail bonds) *	27 March 2014	8.80	27 March 2034	IND AAA/Stable	1,412.78
Unsecured, taxable, redeemable, non-convertible bond	INE787H08048	14 March 2022	7.17	14 March 2032	IND AAA/Stable	15,000.00
Unsecured, taxable, redeemable, non-convertible bond	INE787H08055	31 May 2023	7.46	31 May 2033	IND AAA/Stable	5,000.00

Bonds	INE787H08063	18 September 2023	7.53	18 September 2038	IND AAA/Stable	20,000.00
Bonds	INE787H08071	26 October 2023	7.69	26 October 2038	IND AAA/Stable	20,000.00
Bonds	INE787H08089	8 December 2023	7.67	8 December 2038	IND AAA/Stable	10,000.00
Bonds	INE787H08097	14 March 2024	7.34	14 March 2039	IND AAA/Stable	15,000.00
Bonds	INE787H08105	25 April 2024	7.51	25 April 2039	IND AAA/Stable	20,000.00
Bonds	INE787H08113	26 June 2024	7.41	26 June 2039	IND AAA/Stable	10,250.00
Bonds	INE787H08121	1 August 2024	7.39	1 August 2039	IND AAA/Stable	5,150.00
Bonds	INE787H08139	2 September 2024	7.37	2 September 2034	IND AAA/Stable	9,600.00
Bonds	INE787H08147	7 November 2024	7.26	7 November 2034	IND AAA/Stable	15,850.00
Bonds	INE787H08154	7 November 2024	7.47	7 November 2027	IND AAA/Stable	7,450.00
Bonds	INE787H08162	20 December 2024	7.35	20 December 2034	IND AAA/Stable	5,500.00
Bonds	INE787H08170	20 December 2024	7.47	20 March 2028	IND AAA/Stable	7,400.00
Bonds	INE787H08188	13 February 2025	7.56	20 March 2028	IND AAA/Stable	10,400.00
Bonds	INE787H08196	27 March 2025	7.28	27 March 2032	IND AAA/Stable	10,000.00
Bonds	INE787H08204	15 May 2025	7.08	15 May 2035	IND AAA/Stable	20,000.00
Bonds	INE787H08212	31 July 2025	6.99	31 July 2030	IND AAA/Stable	15,600.00
Bonds (unutilised)	-	-	-	-	IND AAA/Stable	13,392.58
Subordinated debt (unutilised)	-	-	-	-	IND AAA/Stable	12,000.00
Proposed unsecured, taxable, redeemable, non-convertible bonds (unutilised)	-	-	-	-	IND AAA/Stable	20,000.00

*Note: The bonds consist of non-retail and retail bonds. Such ISIN have two coupon rates as non-retail bonds have a step-down in coupon rate of 25bp from the coupon rate of retail bonds.

Source: IIFCL

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