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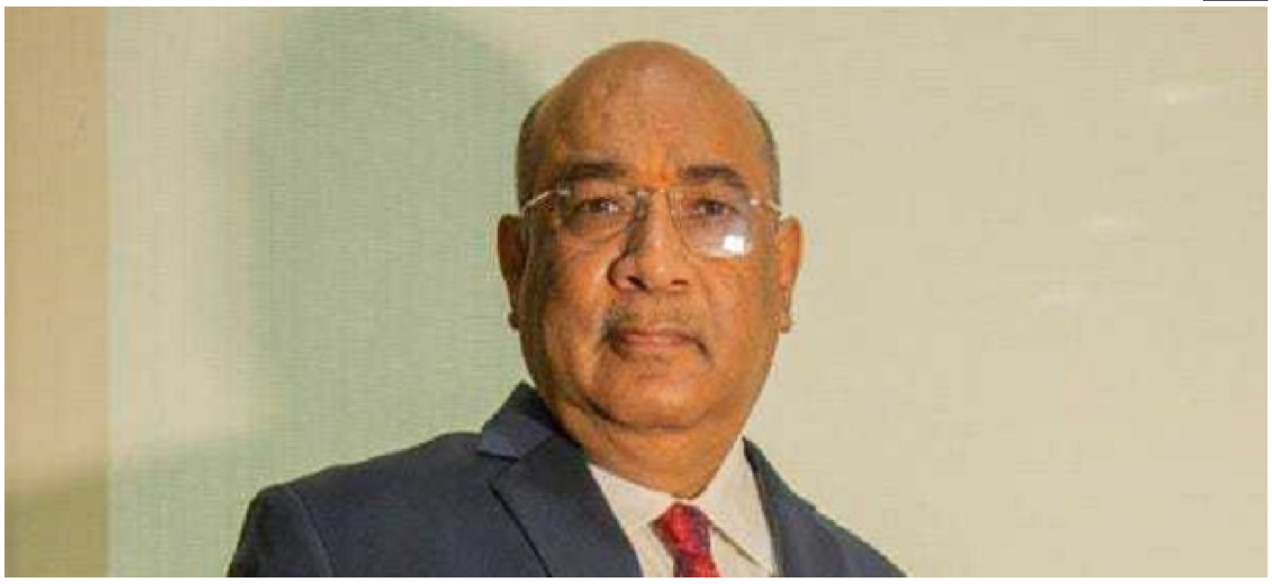

INTERVIEW | IIFCL

IIFCL aims to maintain 80% PAT growth FY23, says MD

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By Priyasmita Dutta and Sagar Sen

NEW DELHI – Buoyed by an uptick in demand for infrastructure financing, India Infrastructure Finance Co Ltd aims to maintain an 80% growth in net profit in the current financial year ending March, Managing Director Padmanabhan Raja Jaishankar says.

In 2021-22, the state-owned lender's net profit rose nearly 80% on year to 5.14 bln rupees.

> Jaishankar Says The Road Sector Continues To Get The Maximum Credit, But The Demand For Funds Has Also Picked Up For Airports, Ports And Renewable Energy Projects

"We have already done about 2.68 bln rupees (in Apr-Jun) as net profit despite the adverse trends in the external environment, particularly in the infrastructure sector. We intend to follow the same trend that we exhibited last year," says Jaishankar in an interview to Informist.

"We are witnessing a reversal in trend as far as credit growth is concerned. The infrastructure projects are now beginning to take disbursements," he says.

Jaishankar says the road sector continues to get the maximum credit, but the demand for funds has also picked up for airports, ports and renewable energy projects.

In this financial year, the infrastructure lender has sanctioned about 140 bln rupees worth of loans and disbursed close to 35 bln rupees to various projects.

On asset quality that had deteriorated during the pandemic, Jaishankar says that the company aims to bring its gross non-performing asset ratio to below 6.0% this fiscal from 9.2% as of Mar 31. The ratio was 19.7% at the end of 2019-20 and at 13.9% in 2020-21.

"We have put in place adequate credit appraisal, due diligence, integrated risk management frameworks and internal monitoring mechanisms to ensure the quality of assets," Jaishankar says.

Following are the edited excerpts of the interview:

Q. Going ahead, what is your strategy to reduce the cost of funds?

A. We have come a long way in managing our resources. In the last couple of years, we have been able to significantly curtail the cost of borrowings. Going forward, we will continue with our efforts to activate the treasury a bit and then retire the high-cost borrowings and get into some kind of restructuring of our liabilities in accordance with our assets. We will adopt the same strategy this fiscal as well.

We are holding discussions with a number of multilateral agencies, so it is a multi-pronged strategy.

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Q. IIFCL reported net profit of 5.14 bln rupees in 2021-22, a significant jump from the previous year. In terms of profitability, what aim have you set for the company?

A. On profitability, we hope to follow the same trends what we exhibited in 2020-21 and 2021-22. The June quarter figures were very satisfactory — we have already done about 2.68 bln rupees as net profit despite the adverse trends in the external environment, particularly in the infrastructure sector. Last year, we saw 80% year-on-year profit growth, we hope to continue the same trend... we still have 6 months to go.

We are witnessing a reversal in trend as far as credit growth is concerned. Infrastructure projects have now begun to take disbursements, and their capacity utilisation has improved. This augurs well for financial institutions as far as credit growth and quality of assets are concerned.

Q. What is the outlook for sanctions and disbursements in the current financial year?

A. We have already sanctioned 140 bln rupees, and we have done around 35-bln-rupee disbursements. For financial institutions, the actual business starts only in October. We would like to better our last year's performance by doing more sanctions and disbursements this year.

Q. Last year, the company's gross non-performing asset ratio improved to 9.2% from 13.9%. What is the aim for 2022-23?

A. It is slightly more difficult to reduce it by as much, but we are aiming to bring it (gross non-performing asset ratio) to below 6% this financial year. We have put in place adequate credit appraisal, due diligence, integrated risk management frameworks and internal monitoring mechanisms to ensure the quality of assets. In terms of non-performance and stress, we have already passed the peaks and are now well on the way to stabilisation. Couple of years ago, the assets' book comprised about 30% of 'A','AA', 'AAA' assets, but now the share of such assets has increased to 65-70%.

Q. Which sectors have shown appetite for fresh investments?

A. The road sector continues to get the maximum credit. Airports as well as some major ports are also seeing an increased demand for funds. Renewable energy projects, particularly those of solar and wind, are quite active. There is some traction in e-mobility as well, though it is not defined under infrastructure. We are also seeing power transmission projects picking up. States are keen that social infrastructure like education and health are addressed.

Q. The government has repeatedly said that the private sector has not been investing in a big way. What is your opinion?

A. Private sector investment is not forthcoming in a big way as projects earlier used to be very small in terms of quantum and complexity. Now different types of projects keep coming up, and infrastructure projects are much more complex with heavy engineering. Unfortunately, banking institutions have not kept pace with the quantum of projects in demand so far, which has gone up significantly. We need more collaborations and joint efforts. If we need to move to the next scale of growth, we need that to be supplemented by private investments. To invite private investment, we need to have a proper system in place for developing the confidence of investors, and that may lead to a more transparent and efficient way to deal with concession contracts.

We also need to ensure our enforcement mechanisms are quite good, and any weakness needs to be plugged. An apt solution is probably an infrastructure law, which will help all stakeholders including developers, contractors, sub-contractors, lenders and the regulators. Such a law can take care of the system and ensure that the continuity of contracts which we have entered into are well protected over the term and period of the infrastructure facility.

Q. Last year, IIFCL decided to invest in bonds. Are there any similar plans in the current financial year?

A. IIFCL initially conceptualised, formulated and promoted the credit enhancement product for helping the developers to migrate from the banking system to the bond markets and that was a significant success. We have invested about 10 bln rupees last year, and we hope to at least double or may be more than double the portfolio of bonds this year. Till now we have invested about 20 bln rupees in bonds. End

Edited by Tanima Banerjee

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