

**L&T Infra Debt Fund Limited**

October 8, 2018

**Ratings**

Instruments	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Non-Convertible Debentures	5,000 (Rupees Five thousand crore only)	<b>CARE AAA; Stable</b> <b>[Triple A; Outlook: Stable]</b>	<b>Reaffirmed</b>
Commercial Paper	500 (Rupees Five hundred crore only)	<b>CARE A1+</b> <b>[A One Plus]</b>	<b>Reaffirmed</b>
Short Term Bank Facilities	150 (Rupees One hundred fifty crore only)	<b>CARE A1+</b> <b>[A One Plus]</b>	<b>Reaffirmed</b>

Details of instruments/facilities in Annexure-1

**Detailed Rationale & Key Rating Drivers**

The ratings continue to factor in a well-defined IDF-NBFC framework. The ratings also take into account the strong sponsor of L&T Infra Debt Fund Limited (L&T IDF) viz. L&T Finance Holding Limited (LTFHL), which is a subsidiary of L&T and group synergies in the form of business support from LTFHL ecosystem, L&T brand identity, and capital, managerial and operational support. The ratings specifically factor in the business support derived from LTFHL group's infrastructure sector experience and industry-wide relationships especially in areas of transaction sourcing and project appraisal. Sponsor strength, asset quality, profitability and concentration risk are the key rating sensitivities.

**Detailed description of the key rating drivers**
**Key Rating Strengths**

**Strong sponsor group and management support:** L&T Infra Debt Fund Ltd. (L&T IDF) is sponsored by L&T Infrastructure Finance Company Ltd. (100% subsidiary of LTFHL) which holds 48.4% equity in the company. The remaining stake is held by L&T Finance Ltd. (28.3%) and LTFHL (23.3%). By virtue of parent-subsidiary relationship, the company benefits from group synergies in the form of business support from the L&T ecosystem with respect to avenues for sourcing of loans, as well as managerial and operational support from parent.

**Well-defined IDF-NBFC framework and subsequent regulatory changes:** The guidelines for IDF-NBFCs allow the company to only refinance operational projects with at least one year of satisfactory track record, thereby mitigating the risk. The guidelines were revised by RBI on April 21, 2016 allowing 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 for better liquidity management. Prior to this revision, IDF-NBFCs could only raise funds with a minimum maturity of 5 years. However, given L&T IDF's strong parentage, the company would be able to raise funds effectively to manage the liquidity profile.

**Comfortable capital adequacy:** L&T IDF is adequately capitalized with total CAR 28.4% as on March 31, 2018 (39.33% as on March 31, 2017) and Tier 1 CAR of 24.7% as on March 31, 2018 (33.51% as on March 31, 2017). The overall gearing was 6.62 times as on March 31, 2018 (FY17: 4.77 times).

**Profitability:** Total balance sheet size of the company increased to Rs.7,247 crore as on March 31, 2018 from Rs.4,213 crore as on March 31, 2017. In FY18, L&T IDF reported PAT of Rs.149.6 crore (FY16: Rs.94.1 crore) on total income of Rs.567.5 crore (FY17: Rs.346.2 crore). The company's outstanding loan portfolio increased to Rs.6,984 crore as on March 31, 2018 from Rs.4,004 crore as on March 31, 2017.

**Asset Quality:** The Company continues to have nil NPAs. The loan portfolio of Rs.6,984 crore as on March 31, 2018 includes operational infrastructure projects in more than 10 states. Of these projects, majority are backed by tri-partite agreements, and another significant portion have support from government.

**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 projects shall be at 50% of its total capital funds. An additional exposure up to 10% could be taken at the discretion of the Board of the IDF – NBFC. Furthermore, upon receipt of an application from IDF – NBFC, RBI may permit additional exposure up to 15% (over 60%). As on March 31, 2018, of the total portfolio of Rs.6,984 crore which comprised of road (40%), wind (20%), solar (35%) and others – transmission (5%).

**Analytical approach:** CARE has analysed the standalone credit profile of L&T IDF along with L&T IDF's operational and managerial linkages with its parent L&TFL.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

**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](#)
[Rating of Short term instruments](#)
**About L&T Infra Debt Fund Limited**

Incorporated on March 19, 2013, L&T IDF is an Infrastructure Debt Fund-Non-Banking Financial Company (IDF- NBFC) engaged in the business of providing long term financial assistance for various infrastructure projects. The company received Certification of Registration from RBI on October 21, 2013. L&T IDF is sponsored by L&T Infrastructure Finance Company Ltd. (100% subsidiary of L&T Finance Holdings Ltd., LTFHL) which holds 48.4% stake while the remaining stake is held other L&T group companies. L&T IDF is integral to the overall strategy of the listed financial services holding company L&T Finance Holdings, which would infuse further equity into L&T IDF as may be necessary.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total income	346	568
PAT	94	150
Overall gearing (times)	4.8	6.6
Total Assets	4,213	7,247
Gross NPA (%)	-	-
ROTA (%)	2.75	2.61

A: Audited

**About L&T Finance Holding Limited**

L&TFHL is RBI registered Non-Banking Finance Company - Core Investment Company (NBFC – CIC) and holding company for the financial services entities of the L&T group. The board and senior management of L&TFHL has representation from the senior management of L&T. The company came up with an Initial Public Offer (IPO) during FY12 (refers to the period April 01 to March 31) and as on March 31, 2018, L&T held 64.01% equity stake in L&TFHL. The group has three key business segments, namely rural finance (comprising farm equipment, two wheeler and micro loans), housing finance (comprising home loans, LAP and real estate finance) and wholesale lending (comprising infra finance and structured corporate loans).

**L&TFHL (Consolidated)**

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total income	8,572	10,500
PAT(after share of profit and minority interest)	1,042	1,459
Overall Gearing (times)	8.55	5.69
Total Assets (adjusted for Deferred Tax assets)	71,759	89,230
Gross NPA (%)	4.94\$	4.80
ROTA (%) (PAT/Average Total Assets)	1.54	1.81

A: Audited; \$ at 120 d-p-d

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

**About CARE Ratings:**

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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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 / facilities:**

Instrument Name	Date of Issuance	Coupon Rate	Maturity Date	Size of issue (Rs.crore)	Rating assigned along with Rating Outlook
Non Convertible Debentures	04-Jun-14	9.60%	10-Jun-19	15.00	CARE AAA; Stable
Non Convertible Debentures	05-Jun-14	9.60%	10-Jun-19	50.00	CARE AAA; Stable
Non Convertible Debentures	06-Jun-14	9.60%	10-Jun-19	10.00	CARE AAA; Stable
Non Convertible Debentures	05-Jun-14	9.70%	10-Jun-21	30.00	CARE AAA; Stable
Non Convertible Debentures	04-Jun-14	9.70%	10-Jun-21	35.00	CARE AAA; Stable
Non Convertible Debentures	06-Jun-14	9.70%	10-Jun-21	5.00	CARE AAA; Stable
Non Convertible Debentures	10-Jun-14	9.70%	10-Jun-21	10.00	CARE AAA; Stable
Non Convertible Debentures	09-Jun-14	9.70%	10-Jun-24	95.00	CARE AAA; Stable
Non Convertible Debentures	28-Jan-15	8.49%	28-Jan-25	100.00	CARE AAA; Stable
Non Convertible Debentures	28-Jan-15	8.51%	28-Jan-30	100.00	CARE AAA; Stable
Non Convertible Debentures	11-Sep-15	8.67%	09-Sep-22	25.00	CARE AAA; Stable
Non Convertible Debentures	09-Nov-15	8.65%	09-Nov-22	150.00	CARE AAA; Stable
Non Convertible Debentures	04-Dec-15	8.55%	04-Dec-20	135.00	CARE AAA; Stable
Non Convertible Debentures	04-Dec-15	8.55%	04-Dec-25	15.00	CARE AAA; Stable
Non Convertible Debentures	07-Jan-16	8.55%	07-Jan-21	30.00	CARE AAA; Stable
Non Convertible Debentures	07-Jan-16	8.60%	06-Jan-23	47.00	CARE AAA; Stable
Non Convertible Debentures	07-Jan-16	8.63%	07-Jan-26	153.00	CARE AAA; Stable
Non Convertible Debentures	07-Jan-16	8.63%	07-Jan-31	15.00	CARE AAA; Stable
Non Convertible Debentures	07-Jan-16	8.63%	07-Jan-36	10.00	CARE AAA; Stable
Non Convertible Debentures	24-Feb-16	8.70%	24-Feb-21	100.00	CARE AAA; Stable
Non Convertible Debentures	24-Feb-16	8.70%	24-Feb-23	55.00	CARE AAA; Stable
Non Convertible Debentures	24-Feb-16	8.73%	24-Feb-26	135.00	CARE AAA; Stable
Non Convertible Debentures	24-Feb-16	8.73%	24-Feb-31	5.00	CARE AAA; Stable
Non Convertible Debentures	24-Feb-16	8.73%	22-Feb-36	5.00	CARE AAA; Stable
Non Convertible Debentures	26-Feb-16	8.70%	26-Feb-21	50.00	CARE AAA; Stable
Non Convertible Debentures	22-Mar-16	8.75%	22-Apr-21	40.00	CARE AAA; Stable

Non Convertible Debentures	22-Mar-16	8.75%	22-Mar-23	20.00	CARE AAA; Stable
Non Convertible Debentures	22-Mar-16	8.75%	20-Mar-26	90.00	CARE AAA; Stable
Non Convertible Debentures	29-Mar-16	8.72%	27-Mar-26	300.00	CARE AAA; Stable
Non Convertible Debentures	12-Apr-16	8.70%	12-Apr-21	25.00	CARE AAA; Stable
Non Convertible Debentures	06-May-16	8.65%	06-May-21	32.00	CARE AAA; Stable
Non Convertible Debentures	06-May-16	8.67%	05-May-23	1.00	CARE AAA; Stable
Non Convertible Debentures	06-May-16	8.67%	06-May-26	20.00	CARE AAA; Stable
Non Convertible Debentures	12-May-16	8.65%	12-May-21	5.00	CARE AAA; Stable
Non Convertible Debentures	10-Jun-16	8.70%	10-Jun-21	125.00	CARE AAA; Stable
Non Convertible Debentures	10-Jun-16	8.75%	10-Jun-26	10.00	CARE AAA; Stable
Non Convertible Debentures	17-Jun-16	8.80%	17-Jun-26	50.00	CARE AAA; Stable
Non Convertible Debentures	23-Jun-16	8.80%	23-Jun-26	105.00	CARE AAA; Stable
Non Convertible Debentures	13-Jul-16	8.77%	13-Jul-26	15.00	CARE AAA; Stable
Non Convertible Debentures	01-Sep-16	8.45%	01-Sep-23	25.00	CARE AAA; Stable
Non Convertible Debentures	14-Sep-16	8.39%	14-Sep-21	37.00	CARE AAA; Stable
Non Convertible Debentures	28-Sep-16	8.43%	28-Sep-26	72.75	CARE AAA; Stable
Non Convertible Debentures	10-Oct-16	8.36%	10-Oct-23	150.00	CARE AAA; Stable
Non Convertible Debentures	20-Oct-16	8.30%	20-Oct-26	130.00	CARE AAA; Stable
Proposed Non-Convertible Debentures	-	-	-	2367.25	CARE AAA; Stable
Commercial Paper	-	-	7 days-1 year	500	CARE A1+
Short Term Bank Facilities Proposed	-	-	-	150	CARE A1+

**Annexure – 2: Rating history of last three years:**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - ST-Term loan	ST	150.00	CARE A1+	-	CARE A1+ (9-Oct-17)	1)CARE A1+ (30-Dec-16) 2)CARE A1+ (04-Nov-16)	1)CARE A1+ (11-Jan-16)
2.	Debentures-Non Convertible Debentures	LT	650.00	CARE AAA; Stable	-	CARE AAA; Stable (9-Oct-17)	1)CARE AAA; Stable (30-Dec-16) 2)CARE AAA (04-Nov-16)	1)CARE AAA (11-Jan-16)
3.	Debentures-Non Convertible Debentures	LT	350.00	CARE AAA; Stable	-	CARE AAA; Stable (9-Oct-17)	1)CARE AAA; Stable (30-Dec-16) 2)CARE AAA (04-Nov-16)	1)CARE AAA (11-Jan-16)
4.	Debentures-Non Convertible Debentures	LT	4000.00	CARE AAA; Stable	-	CARE AAA; Stable (9-Oct-17)	1)CARE AAA; Stable (30-Dec-16) 2)CARE AAA (04-Nov-16)	1)CARE AAA (11-Jan-16)
5.	Commercial Paper	ST	500.00	CARE A1+	-	CARE A1+ (9-Oct-17)	1)CARE A1+ (30-Dec-16)	-

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