

CareEdge Global assigns 'CareEdge BBB+ /Stable' to National Bank for Financing Infrastructure and Development

Long-Term Foreign Currency Issuer Rating	CareEdge BBB+ /Stable
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CareEdge Global has assigned a Long-Term Foreign Currency Issuer Rating of '**CareEdge BBB+ /Stable**' to National Bank for Financing Infrastructure and Development (NaBFID).

Rating Rationale

The rating of NaBFID reflects CareEdge Global's expectation of strong support from the Government of India (GoI; rated CareEdge BBB+ / Stable 'Unsolicited'), considering the highly critical role of NaBFID in funding the infrastructure projects in India, coupled with strong linkages with the GoI. NaBFID, an All India Financial Institution (AIFI¹) is focused on enhancing the long-term financing needs of the sector, which is one of the government's key focus areas. GoI, besides having 100% ownership, also nominates two nominee directors and the Chairperson of the board. Further, GOI has notified NaBFID as a Public Financial Institution (PFI) on September 10, 2024.

The GoI's strong support for NaBFID is reflected in a significant equity infusion of Rs 20,000 crore (approximately US\$2.4 billion) and an interest-free grant of Rs 5,000 crore (approximately US\$590 million). CareEdge Global believes that the likelihood of extraordinary support for NaBFID is high from the GoI, resulting in the equation of NaBFID's rating with that of the GoI. The credit profile of NaBFID also benefits from its experienced and skilled management team, coupled with a strong board.

These strengths are partly mitigated by relatively early stage of operations of NaBFID, low seasoning of the loan book, relatively high steady state gearing of 7-8 times expected over the medium term, and inherent risks in the infrastructure sector, especially during project construction stage.

¹ All India Financial Institutions (AIFIs) are specialised financial institutions in India under sovereign ownership and provide long-term financing to specific sectors of the economy. There are total five AIFIs (viz. EXIM, NABARD, SIDBI, NHB and NaBFID) functioning as either all-India development bank, specialised financial institution, investment institution or a refinance institution

Outlook

The stable outlook on NaBFID, in line with the sovereign of India, reflects CareEdge Global's expectation of continued support from and integration with the GoI. The rating and outlook on NaBFID will move in tandem with the country's sovereign rating.

Rating Sensitivities

Upward factors

- Any upward revision in sovereign rating or outlook of India by CareEdge Global

Downward factors

- Any downward revision in the sovereign rating or outlook of India by CareEdge Global
- Material dilution in support philosophy of GoI or a significant decrease in the government shareholding below the majority
- Significant deterioration in its capitalisation profile or asset quality on a sustained basis

Analytical Approach

CareEdge Global has equated NaBFID's rating with that of GoI with application of its criteria for rating Government Related Entities (GRE). Under the criteria, CareEdge Global Ratings believes that there is a very high likelihood of extraordinary support to NaBFID from the GoI.

Key Rating Drivers

Strengths

Strategic importance and strong support from the government

NaBFID is the apex financial institution for the development and financing of the infrastructure sector in India. It was established as an AIFI under the National Bank for Financing Infrastructure and Development Act (or NaBFID Act), 2021, with both development and financing objectives. The government has demonstrated strong support in the form of an equity infusion of Rs 20,000 crore (approximately US\$2.4 billion) and additional financial support of Rs 5,000 crore (approximately US\$590 million) through a grant. RBI has approved the treatment of this grant as Additional Tier 1 capital.

We expect GoI to maintain majority and controlling stake in NaBFID in the foreseeable future, considering the institution's strategic importance and GoI's focus on development of infrastructure in the country. The NaBFID Act also has a provision for the GoI to maintain at least a 26% stake in NaBFID.

Additionally, the Act provides certain enabling features to the institution, such as access to guarantees from the GoI for its overseas borrowings at concessional rates, reimbursement of hedging costs from the government, a 10-year tax holiday and application of market standards on the employee remuneration. These provisions are expected to allow the institution to

remain competitive and specialise in financing infrastructure projects through bespoke structuring.

Well positioned to tap significant opportunity for growth over medium to long term

NaBFID has scaled up significantly in the initial years of operations with assets under management (AUM) reaching Rs 59,845 crore (US\$ 7 billion) within three years operations given robust public and private investments in the infrastructure development in the country, especially in power, renewables and roads sector. As the investment momentum is likely to sustain over the next 5-10 years, strong growth in AUM for NaBFID is expected to continue. This would be facilitated by its high equity base, as reflected in a healthy capital adequacy ratio (CAR) of 73.9% as of March 31, 2025 (PY: 115.1%).

The institution also has a strong resource profile in form of 81% borrowing from bond market and rest from multiple banks at very fine coupon rates ranging from 6.67-7.65%. NaBFID would be further able to raise resources at a competitive price to fund its growth.

Experienced management team and strong board

NaBFID's senior leadership team has extensive experience in the banking and financial services industry, spanning both the public and private sectors. Out of the 13 directors on the Board, two are GoI nominee directors and six are independent directors.

Mr. K V Kamath (former MD and CEO of ICICI Bank) was NaBFID's first chairman and entrusted with the responsibility of developing NaBFID to catalyse investment in the infrastructure sector. He completed his three-year term in October 2024.

The board also includes eminent bankers such as Mr. B. Sriram, Mr. N.S. Kannan, Mr. L.V. Prabhakar, and Mr. Suresh Patel (former MDs and CEOs of large Indian banks) as independent directors, thereby enabling strategic guidance and oversight to the institution in fulfilling its policy mandate. Mr. Rajkiran Rai G (former CEO of Union Bank of India) is the MD and current acting-chair of NaBFID.

The three Deputy MDs – Mr. B S Venkatesha (Chief Risk Officer), Ms. Monika Kalia (Chief Financial Officer) and Mr. Samuel Jebaraj (Lending and Project Finance) also have board seats and bring decades of experience from large Indian public sector banks. The board and management together have robust understanding of lending in infrastructure sector with deep expertise in project finance and related domains such as treasury, risk, credit underwriting, etc. The institution has operational flexibility in setting lending terms, loan tenures, and interest rates tailored to the needs of the infrastructure segment.

Weaknesses

Early stage of operations and low seasoning of the portfolio

NaBFID was established in 2021 and started lending operations in December 2022. Initially, it funded operational and brownfield projects and has gradually expanded into greenfield projects. NaBFID had cumulative sanctions of Rs 2,03,029 crore (approximately US\$ 23.9 billion) as on March 31, 2025, of which major proportion is to roads, power and renewable (73% of total sanctions) with allocations across major infrastructure segments including transport & logistics, data centres, warehousing, water & sanitation etc.

Out of the total sanctioned amount, Rs 74,748 crore (approximately US\$8.8 billion) had been disbursed, and Rs 59,845 crore (approximately US\$7 billion) was outstanding as of March 31, 2025. Around 24% of these disbursements are for greenfield projects, and ~68% of the disbursed loans are towards funding projects with a tenor of more than 15 years. Given the wholesale nature of the business and the initial stages of operations, the portfolio concentration is high, with the top five exposures accounting for 34% of the AUM outstanding as of March 31, 2025 (top 10: ~50%). However, these exposures are towards well-rated borrowers.

The non-performing assets (NPAs) are nil as of March 31, 2025, corroborating the low seasoning of the portfolio. CareEdge Global believes that the same will evolve only over the medium term. Further, considering the inherent risk associated with the infrastructure funding business, NaBFID's track record of maintaining asset quality remains to be seen.

Comfortable gearing level at present; though likely to increase to 7-8 times over medium term

NaBFID started lending through equity capital since fiscal 2023 and started raising debt only since fiscal 2024 resulting in overall gearing (debt to equity) of 0.9 time as on March 31, 2024, which increased to 1.6 times as on March 31, 2025. Its gearing is expected to moderate to 7-8 times on a steady-state basis, with envisaged growth in the loan book over the next 3-4 years.

Additional financial support from the GoI through equity infusion may also be required, besides the internal accruals, to support its loan book growth, and the same shall be monitored.

Exposure to risks associated with project finance

The infrastructure financing ecosystem has evolved in India over the past decade driven by supportive policy environment, government's thrust on completing infrastructure projects, and participation of foreign / private equity investments. However, project implementation risks remain especially related to land acquisition, regulatory approvals and cost overruns.

The institution is exposed to these inherent risks. While NaBFID has remained profitable since its inception, its ability to generate margin and maintain the asset quality would be a key monitorable. Furthermore, the current book focuses on roads and renewable energy projects, aligning with the industry's sectoral exposure.

CareEdge Global believes that NaBFID has adequate skillset and expertise in the sector to manage these risks through prudent underwriting and risk management policies as well as appropriate project structuring mechanisms.

Liquidity

NaBFID has strong liquidity, with a cash and bank balance of Rs 20,176 crore (US\$2.4 billion), and no major debt repayment obligations (less than Rs 1,100 crore [US\$130 million]) in FY26. Repayment obligations for the next two years (FY27 & FY28) are around Rs 2,700 crore (US\$320 million). Apart from the free cash and bank balance, it also has unutilised lines of Rs 5,150 crore (US\$605 million) from various banks as of March 31, 2025. Furthermore, NaBFID has policy of maintaining 60 days of liquidity to cover all ensuing liabilities including planned disbursements.

While there is no Asset-Liability Management (ALM) mismatch as on date, the institution remains exposed to potential ALM mismatch in the long-run given around two-third of loans having tenor of more than 15 years while only ~38% of borrowing having similar tenor.

About the Company

The National Bank for Financing Infrastructure and Development (NaBFID) is an All-India Financial Institution (AIFI) in India, aimed at supporting and developing the country's infrastructure financing. NaBFID was set up in 2021, by an Act of the Parliament (The National Bank for Financing Infrastructure and Development Act, 2021), with the essential objectives of addressing the gaps in long-term non-recourse finance for infrastructure development, strengthening the development of bonds and derivatives markets in India. The institution is regulated and supervised by RBI as an AIFI under the RBI Act, 1934. Further, GOI has notified NaBFID as a Public Financial Institution (PFI) on September 10, 2024. Its AUM stood at Rs 59,845 crore (approximately US\$7 billion) and had no NPAs as of March 31, 2025.

Recent Updates and Financial Summary

NaBFID posted a net profit of Rs 714 crore for the quarter ended June 2025, marking a significant rise from Rs 476 crore posted for the same period of previous year. As of June 30, 2025, its AUM reached Rs 63,763 crore, up from Rs 44,710 crore a year earlier. The institution reported zero GNPA's. Cumulative sanctions stood at Rs 2,23,627 crore, with 71% directed towards the roads, power, and renewable energy sectors. NaBFID also maintained a robust CAR of 70.9% as of June 30, 2025.

Key Summary Financials Metrics

	March 31, 2023	March 31, 2024	March 31, 2025
AUM (Rs Crore)	9,754	35,342	59,845
Net Interest Margin (%)	4.3	3.8	2.3
Cost to Income (%)	3.4	5.2	7.6
GNPA (%)	0.0	0.0	0.0
Return on Assets (%)	4.0	3.9	3.2
CAR (%)	423.6	115.1	73.9

Solicitation Status

These ratings are solicited. The management has provided information and meetings to the CareEdge Global analytical team for the rating.

Rating History

Instrument	Type	Rating	Date
Issuer Rating	Long-Term Foreign Currency (Solicited)	CareEdge BBB+/Stable	September 03, 2025

Criteria Applied

[CareEdge Global's Government Related Entity Rating Methodology](#)

[CareEdge Global's Rating Methodology for Financial Institutions](#)

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About Us

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