

India Ratings Affirms and Withdraws IL&FS IDF's Series-1C Scheme's Rating

Ind-Ra-Mumbai-XX October 2022: India Ratings and Research (Ind-Ra) has taken the following rating actions on IL&FS Infrastructure Debt Fund's (IL&FS IDF or fund) Series-1C mutual fund schemes:

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating	Rating Action
IL&FS IDF - Series 1C Scheme	-	-	-	INR2,831.1	WD	Affirmed and withdrawn*

*Affirmed at IND A-mfs before being withdrawn

Ind-Ra had placed the rating on Notice of Withdrawal for a period of 30 days on the company's request. As the notice period has been completed, Ind-Ra has withdrawn the rating.

KEY RATING DRIVERS

Adequate Scheme Profile: The rating on Series 1C scheme reflects the adequate safety to preserve the principal and provide investors timely redemption. The series 1C scheme is a closed ended infrastructure debt funds and the tenor redemption date is in April 2024. Nearly 48% of the fund is in liquidity securities. The management expects to deploy the funds in series 1C schemes in debt instruments with short or near-term maturities, focusing on rewards versus risks, a robust security structure and limited investment in BBB rated entities.

Appropriate Credit Quality: The rating also reflects the fund's moderate weighted average rating factor (WARF). A portfolio's WARF is the market value-weighted sum of each portfolio security's credit rating factor, factoring in the maturity of the instrument. As the fund will deploy funds in debt instruments having investment grade ratings and the tenor of such investments will have low tenor given the redemption date is in April 2024, the WARF falls in the range for 'IND A-mfs'.

Limited Tenor Risk: The fund manager expects to invest in low tenor investments and majority of the assets are generally held till maturity in IDFs (except in case of prepayment by borrower), since the fund is closed ended. Hence, the market risk exposure may be lower than in open-ended mutual fund schemes.

Adequate Liquidity: The fund manager expects to deploy the funds in investments that will be liquid or will mature or have a put option within the redemption date.

Competent Asset Manager, But Significant Key Man Risk: Ind-Ra opines that the fund's investment manager, IL&FS Infra Asset Management Company Ltd (IIAML or asset management company), has a reasonable track record in managing the portfolio since its inception in late 2013. Subsequent to the IL&FS crisis in FY19, the attrition rate at IIAML has been high, with a significant reduction in the team size; the existing on-payroll team size stands at four, while the balance resources have been outsourced. However, the managing director and chief executive officer of IIAML, Jignesh Shah, having more than two decades of experience in project and infrastructure finance, investment management, capital raising, corporate advisory, valuation etc., has been successfully steering the IDF portfolio from the beginning. Given that there is a significant dependence on limited employee personnel, there is an elevated key man risk to the funds. The lack of visibility of an increase in the team size over the ensuing quarters will be negative for the ratings.

The investment portfolio had few defaults in IL&FS group entities and non-IL&FS group assets, and there has been substantial recoveries in the defaulted assets.

Expected Sale of IIAML - A Boon, but Depends on Investor Approvals: According to the management, the government of India-appointed board of the IL&FS group is pursuing the sale of the IDF. There have been delays in

the completion of the sale process within the previously management-expected timelines due to the COVID-19 led lockdown and pending approvals or processes involved. However, the management expects to close the deal tentatively in FY23 which is a delay of 1.5 years from the earlier timeline. Ind-Ra believes the acquisition of the asset management company by a strong sponsor with a deep understanding of and expertise in the infrastructure sector will enable the IDFs to identify the right investment opportunities. If the sale of IIAML is further delayed, the key-man risk may also become substantial. The sale of IIAML to another sponsor thus is a key rating monitorable.

RATING CRITERIA

'Bond Fund Rating Criteria' dated 22 February 2022 is available at www.indiaratings.co.in.

COMPANY PROFILE

Infrastructure Leasing & Financial Services Limited's (IL&FS; 'IND D') had set up an IDF under the mutual fund route, which are governed by the mutual fund regulations of the Securities and Exchange Board of India. Effective 1 January 2017, the ownership of the asset manager and the trustee company of the fund was transferred to IL&FS Investment Managers Limited, a subsidiary of IL&FS, from IL&FS Financial Services. IIAML, a subsidiary of IL&FS Investment Managers, is the asset manager of the IL&FS IDF.

IL&FS IDF Series-1 has raised a corpus of INR7.5 billion from domestic investors on a private placement basis. The amount is spread over three schemes – INR2.32 billion under scheme A (redeemed in April 2019), INR2.35 billion under scheme B (redeemed in April 2021) and INR2.8 billion under scheme C (redemption requirement is in April 2024), which have a tenor of five, seven and 10 years, respectively. The units were fully paid and subsequently listed on the National Stock Exchange. The schemes offer both dividend and growth options to investors.

FINANCIAL SUMMARY

Particulars (INR million)	Series 2C	
	FY22	FY21
Total assets	4,419.5	4,092.0
Total income and gains	754.3	281.0
Surplus/(Deficit) for the year	326.5	-678.1

Source: Audited Financials of IL&FS Mutual Fund (IDF) – Scheme 1C

RATING HISTORY

Instrument Type	Current Rating			Historical Rating/Rating Watch				
	Rating Type	Rated Limits (million)	Rating	30 August 2022	30 March 2022	6 January 2021	3 April 2020	5 April 2019
IL&FS IDF - Series 1C Scheme	Long-term	INR2,831.1	WD	IND A-mfs*	IND A+idf-mf	IND A+idf-mf	IND A+idf-mf/RWN	IND A+idf-mf/RWN

*The rating has been reassigned to 'Long Term Mutual Fund Schemes' rating scale (ratings suffixed with mfs) from 'Infrastructure Debt Fund' ratings scale (ratings suffixed with idf-mf), in compliance with a SEBI circular. Consequently, the rating definitions of the long-term Mutual Fund Schemes rating scale will be applicable. The reassignment of the rating should not be construed as a change in the credit rating.

COMPLEXITY LEVELS OF THE INSTRUMENTS

Instrument	Complexity Indicator
IL&FS Infrastructure Debt Fund - Series 1C Schemes	Moderate

For details on the complexity levels of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

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Additional information is available on www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

About India Ratings and Research: India Ratings and Research (Ind-Ra) is India's most respected credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies, and structured finance and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

Ind-Ra is a 100% owned subsidiary of the Fitch Group.

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India Ratings Affirms and Withdraws IL&FS IDF's Series-2 Schemes' Ratings

Ind-Ra-Mumbai-XX October 2022: India Ratings and Research (Ind-Ra) has taken the following rating action on IL&FS Infrastructure Debt Fund's (IL&FS IDF or fund) three Series-2 mutual fund schemes as follows:

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating	Rating Action
IL&FS Infrastructure Debt Fund - Series 2 Schemes (2A, 2B & 2C)	-	-	-	INR5,750 [^]	WD	Affirmed* and withdrawn

[^] INR4,025 million has been called for till date.

*Affirmed at IND BBB+mfs before being withdrawn

Ind-Ra had placed the rating on Notice of Withdrawal for a period of 30 days on the company's request. As the notice period has been completed, Ind-Ra has withdrawn the rating.

KEY RATING DRIVERS

Moderate Scheme Profile: The rating on Series 2 schemes reflects the moderate safety to preserve the principal and provide investors timely redemption. The Series 2 schemes consist of close-ended infrastructure debt funds and the tenor of schemes 2A, 2B and 2C are five, eight and 13 years, respectively, from full subscription. The schemes are partly paid. Nearly 99%, 10% and 4% of the fund is in liquidity securities in series 2A, 2B and 2C, respectively. The management expects to deploy the funds in Series 2 schemes in long-term maturities, focusing on rewards versus risks, robust security structure and featuring limited investments in BBB rated entities.

Appropriate Credit Quality: The rating also reflects the fund's moderate weighted average rating factor (WARF). A portfolio's WARF is the market value-weighted sum of each portfolio security's credit rating factor, factoring in the maturity of the instrument. As the fund will deploy funds in debt instruments having investment grade ratings and there is a likelihood of longer-tenor investments up to the redemption date, the WARF falls in the range for 'IND BBB+mfs'.

Limited Tenor Risk: The fund manager expects to invest in longer tenor debt and majority of the assets are held till maturity in infrastructure debt funds. Hence, the market risk exposure may be lower than in the open-ended mutual fund schemes.

Adequate Liquidity: The fund manager expects to deploy the funds in investments that will be liquid or will mature or have a put option within the redemption date.

Competent Asset Manager, But Key Man Risk is Significant: Ind-Ra opines that the fund's investment manager, IL&FS Infra Asset Management Company Ltd (IIAML or asset management company), has a reasonable track record in managing the portfolio since its inception in late 2013. Subsequent to the IL&FS crisis in FY19, the attrition rate at IIAML has been high, with a significant reduction in the team size; the existing on-payroll team size stands at four, while the balance resources have been outsourced. However, the managing director and chief executive officer of IIAML, Jignesh Shah, having more than two decades of experience in project and infrastructure finance, investment management, capital raising, corporate advisory, valuation etc., has been successfully steering the IDF portfolio from the beginning. Given that there is a significant dependence on limited employee personnel, there is an elevated key man risk to the funds. The lack of visibility of an increase in the team size over the ensuing quarters will be negative for the ratings.

The investment portfolio had few defaults in IL&FS group entities and non-IL&FS group assets, and there has been substantial recoveries in the defaulted assets.

Expected Sale of IIAML - A Boon, but Depends on Investor Approvals: According to the management, the government of India-appointed board of the IL&FS group is pursuing the sale of the IDF. There have been delays in the completion of the sale process within the previously management-expected timelines due to the COVID-19 led lockdown and pending approvals or processes involved. However, the management expects to close the deal tentatively in FY23 which is a delay of 1.5 years from the earlier timeline. Ind-Ra believes the acquisition of the asset management company by a strong sponsor with a deep understanding of and expertise in the infrastructure sector will enable the IDFs to identify the right investment opportunities. If the sale of IIAML is further delayed, the key-man risk may also become substantial. The sale of IIAML to another sponsor thus is a key rating monitorable.

RATING CRITERIA

'Bond Fund Rating Criteria' dated 22 February 2022 is available at www.indiaratings.co.in.

COMPANY PROFILE

Infrastructure Leasing & Financial Services Limited's (IL&FS; 'IND D') had set up an IDF under the mutual fund route, which are governed by the mutual fund regulations of the Securities and Exchange Board of India. Effective 1 January 2017, the ownership of the asset manager and the trustee company of the fund was transferred to IL&FS Investment Managers Limited, a subsidiary of IL&FS, from IL&FS Financial Services. IIAML, a subsidiary of IL&FS Investment Managers, is the asset manager of the IL&FS IDF.

IL&FS IDF (Series 2) has a commitment of INR5,750 million from domestic investors on a private placement basis and has called INR4025 million (70% of the commitment). The amount is spread over three schemes – INR1,687.5 million under scheme A (amount called INR1,181.3 million), INR2,250 million (amount called INR1,575 million) under scheme B and INR1,812.5 million (amount called INR1,268.8 million) under scheme C – which have a tenor of five, seven and 12 years, respectively. The units remain partly paid and the tenor of the scheme will be in reference to the date when the fund becomes fully paid. All investors invested in the growth option.

FINANCIAL SUMMARY

Particulars (INR million)	Series 2A		Series 2B		Series 2C	
	FY22	FY21	FY22	FY21	FY22	FY21
Total assets	1,161.6	1,254.5	2,474.8	2,395.3	2,168.4	2,024.8
Total income and gains	347.9	83.1	367.7	227.3	174.1	148.0
Surplus/(deficit) for the year	-93.3	-312.4	78.9	13.7	143.1	56.1

Source: Audited Financials of IL&FS Mutual Fund (IDF) – Scheme 2A, 2B and 2C

RATING HISTORY

Instrument Type	Current Rating			Historical Rating/Rating Watch				
	Rating Type	Rated Limits (million)	Rating	30 August 2022	30 March 2022	6 January 2021	3 April 2020	5 April 2019
IL&FS Infrastructure Debt Fund - Series 2	Long-term	INR5,750	WD	IND BBB+mfs*	IND A+idf-mf	IND A+idf-mf	IND A+idf-mf/ RWN	IND A+idf-mf/ RWN

Schemes (2A, 2B & 2C)								
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* The rating has been reassigned to ‘Long Term Mutual Fund Schemes’ rating scale (ratings suffixed with mfs) from ‘Infrastructure Debt Fund’ ratings scale (ratings suffixed with idf-mf), in compliance with a SEBI circular. Consequently, the rating definitions of the long-term Mutual Fund Schemes rating scale will be applicable. The reassignment of the rating should not be construed as a change in the credit rating.

COMPLEXITY LEVELS OF THE INSTRUMENTS

Instrument	Complexity Indicator
IL&FS Infrastructure Debt Fund - Series 2 Schemes (2A, 2B & 2C)	Moderate

For details on the complexity levels of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

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Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

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India Ratings Affirms and Withdraws IL&FS IDF's Series-3 Schemes' Ratings

Ind-Ra-Mumbai-XX October 2022: India Ratings and Research (Ind-Ra) has taken the following rating actions on IL&FS Infrastructure Debt Fund's (IL&FS IDF or fund) two Series-3 mutual fund schemes:

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating	Rating Action
IL&FS IDF - Series 3A Scheme	-	-	-	INR1,400	WD	Affirmed and withdrawn*
IL&FS IDF - Series 3B Scheme	-	-	-	INR1,530	WD	Affirmed and withdrawn^

*Affirmed at IND AA-mfs before being withdrawn

^Affirmed at IND BBB+mfs before being withdrawn

Ind-Ra had placed the ratings on Notice of Withdrawal for a period of 30 days on the company's request. As the notice period has been completed, Ind-Ra has withdrawn the ratings.

KEY RATING DRIVERS

Comfortable Scheme Profile of Series 3A and Moderate Scheme Profile of Series 3B: The rating on Series 3A and Series 3B schemes reflects the high and moderate safety, respectively, to preserve the principal and provide investors timely redemption. The series 3A and 3B are close-ended infrastructure debt funds and the redemption date is in January 2023 and May 2025, respectively. Nearly 89% and 34% of the fund is in liquidity securities in series 3A and 3B, respectively. The management expects to deploy the funds in series 3A in liquid securities so that redemption can be met comfortably in January 2023. In Series 3B, the management expects to invest in with maturities within May 2025, focusing on rewards versus risks with 50%-60% of the investment in AA rated companies and the balance in A rated companies and robust security structure in investments. The ratings for 3B are constrained due to the existing exposure to BBB category companies.

Adequate Liquidity: The tenor of investments from the funds are in line with the redemption dates. The fund manager expects to deploy the funds in investments that will be liquid or will mature within the redemption date. Hence, the liquidity is considered adequate for IND AA-mfs and IND BBB+mfs rating for series 3A and 3B, respectively.

Appropriate Credit Quality: The rating on series 3A and 3B schemes also reflects the fund's comfortable and moderate weighted average rating factor (WARF). A portfolio's WARF is the market value-weighted sum of each portfolio security's credit rating factor, factoring in the maturity of the instrument. Given the redemption date of the series 3A in January 2023, the WARF is likely to remain within the rating threshold for 'IND AA-mfs'. For series 3B, given the existing portfolio of long-term investments, plan to increase the share of longer tenor instruments and likelihood of average tenor of investments exceeding beyond a year, the WARF is likely to remain within the threshold for 'IND BBB+mfs'.

Limited Tenor Risk: As the scheme 3A has redemption date in January 2023, the investments are naturally likely to be of a short tenor and hence largely mitigating the interest rate risk and spread risk. Scheme 3B will invest in longer tenor debt and majority of the assets are held till maturity in infrastructure debt funds. Hence, the market risk exposure may be lower than open-ended mutual fund schemes.

Competent Asset Manager, But Key Man Risk is High: Ind-Ra opines that the fund's investment manager, IL&FS Infra Asset Management Company Ltd (IIAML or asset management company), has a reasonable track record in managing the portfolio since its inception in late 2013. Subsequent to the IL&FS crisis in FY19, the attrition rate at IIAML has been high, with a significant reduction in the team size; the existing on-payroll team size stands at four, while the balance resources have been outsourced. However, the managing director and chief executive officer of IIAML, Jignesh Shah, having more than two decades of experience in project and infrastructure finance, investment

management, capital raising, corporate advisory, valuation etc., has been successfully steering the IDF portfolio from the beginning. Given that there is a significant dependence on limited employee personnel, there is an elevated key man risk to the funds. The lack of visibility of an increase in the team size over the ensuing quarters will be negative for the ratings.

The investment portfolio had few defaults in IL&FS group entities and non-IL&FS group assets, and there has been substantial recoveries in the defaulted assets.

Expected Sale of IIAML - A Boon, but Depends on Investor Approvals: According to the management, the government of India-appointed board of the IL&FS group is pursuing the sale of the IDF. There have been delays in the completion of the sale process within the previously management-expected timelines due to the COVID-19 led lockdown and pending approvals or the processes involved. However, the management expects to close the deal tentatively in FY23 which is a delay of 1.5 years from the earlier timeline. Ind-Ra believes the acquisition of the asset management company by a strong sponsor with a deep understanding of and expertise in the infrastructure sector will enable the IDFs to identify the right investment opportunities. If the sale of IIAML is further delayed, the key-man risk may also become substantial. The sale of IIAML to another sponsor thus is a key rating monitorable.

RATING CRITERIA

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COMPANY PROFILE

Infrastructure Leasing & Financial Services Limited's (IL&FS; 'IND D') had set up an IDF under the mutual fund route, which are governed by the mutual fund regulations of the Securities and Exchange Board of India. Effective 1 January 2017, the ownership of the asset manager and the trustee company of the fund was transferred to IL&FS Investment Managers Limited, a subsidiary of IL&FS, from IL&FS Financial Services. IIAML, a subsidiary of IL&FS Investment Managers, is the asset manager of the IL&FS IDF.

IDF (Series 3) has raised a corpus of INR2.93 billion from domestic investors on a private placement basis. The amount is spread over two schemes – INR1.40 billion under scheme A and INR1.53 billion under scheme B – which have a tenor of five (ending January 2023) and seven years (ending May 2025), respectively. The units were fully paid and subsequently listed on the National Stock Exchange. The schemes offer both dividend and growth options to its investors.

FINANCIAL SUMMARY

Particulars (INR million)	Series 3A		Series 3B	
	FY22	FY21	FY22	FY21
Total assets	1,617.2	1,638.2	1,927	1,921.2
Total income and gains	95.3	97.9	186.7	133.8
Surplus/(Deficit) for the year	21.4	-33.4	5.6	112.0

Source: Audited Financials of IL&FS Mutual Fund (IDF) – Scheme 3A and 3B

RATING HISTORY

Instrument Type	Current Rating			Historical Rating/ Rating Watch				
	Rating Type	Rated Limits (million)	Rating	30 August 2022	30 March 2022	6 January 2021	3 April 2020	5 April 2019
IL&FS IDF - Series 3A Scheme	Long-term	INR1,400	WD	IND AA-mfs*	IND A+idf-mf	IND A+idf-mf	IND A+idf-mf/ RWN	IND A+idf-mf/ RWN

IL&FS IDF - Series 3B Scheme	Long -term	INR1,530	WD	IND BBB+mfs*	IND A+idf- mf	IND A+idf-mf	IND A+idf- mf/ RWN	IND A+idf- mf/ RWN
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*The rating has been reassigned to '[Long Term Mutual Fund Schemes](#)' rating scale (ratings suffixed with mfs) from '[Infrastructure Debt Fund](#)' ratings scale (ratings suffixed with idf-mf), in compliance with a SEBI circular. Consequently, the rating definitions of the long-term Mutual Fund Schemes rating scale will be applicable. The reassignment of the rating should not be construed as a change in the credit rating.

COMPLEXITY LEVELS OF THE INSTRUMENTS

Instrument	Complexity Indicator
IL&FS IDF - Series 3A Scheme	Moderate
IL&FS IDF - Series 3B Scheme	Moderate

For details on the complexity levels of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

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