

IDFs yet to make a mark even two years on: Report

Even after two years, [infra debt funds](#) (IDFs) have not been able to make a significant impact due to lack of good projects and [banks'](#) troubles on asset quality and tepid credit growth, a report said today.

IDFs, which are investment vehicles for facilitating the flow of long-term debt to the infrastructure sector, are "yet to come of age and make a significant impact in the infrastructure financing space", Icra ratings said.

They are likely to remain "[marginal players](#)" over the medium term, it said.

In the wake of stress in the infrastructure sector, there are few operational projects with track record of satisfactory performance of one year, said [Icra group](#) head for financial sector ratings Rohit Inamdar.

He also blamed banks' "reluctance" to shed operational projects for the low traction in the IDFs, saying the existing asset quality pressure amidst moderation in overall banking system credit growth have impacted IDF business volumes.

The total credit including investments in bonds for IDF-NBFCs -- where the IDF is set up as a company -- was Rs 11,200 crore in March 2017, which is just 1.2 per cent of banks' infrastructure exposure.

L&T IDF, India Infradebt and [IDFC IDF](#) have been set up under the IDF NBFC route.

The assets under management for IDF-Mutual Funds -- where the IDF takes trust route -- were Rs 2,900 crore as of June 2017, with a much slower pace of growth, it said.

IIFCL, ILFS and Srei have been set up under IDF-MF route.

The domestic rating agency welcomed IDFC-NBFCs being allowed to invest in public private partnership (PPP) projects without a project authority and non-PPP projects, but flagged a few concerns.

"Rising share of PPP projects without project authority and non-PPP project exposures can alter the credit profile of these entities and thereby portfolio vulnerability over the medium term," it said.

On the capitalisation front, it said all three IDF-NBFCs have witnessed decline, but it is still adequate given the strong institutional ownership and the lower risk weight (of 50 per cent) applicable to operational projects with tripartite agreements.

"IDF-NBFCs would need to raise capital over medium term as they scale up and portfolio mix evolves, and also to maintain prudent economic capital levels," it said.

There have not been any reported instances of asset quality troubles faced by the IDFs till now, it said. AA KRK

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