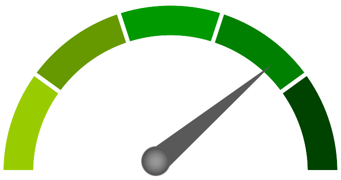
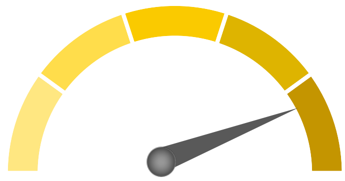
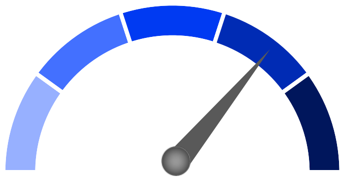
January 07, 2025

India Infrastructure Finance Company Limited (IIFCL): Rating assigned

Summary of rating action

Rating Type	Previous Score	Current Score	Rating Symbol	Rating Movement
ESG Impact Rating	**-**	**77**	**Good**	**-**

Environment	Social	Governance
		
E Score: 75	**S Score: 86**	**G Score: 72**
Good	Outstanding	Good
Weightage: 45%	Weightage: 25%	Weightage: 30%

Rationale

The **overall ESG score** of **77** reflects IIFCL's commitment to integrate sustainability into its operating processes and governance, showcasing notable progress in its ESG journey. The score also highlights its strong social profile as reflected by good employee benefits, favourable workforce metrics and impactful community initiatives. The adoption of a climate strategy with a focus on enhancing green lending further lends comfort. While comprehensive risk management mechanisms aid its governance framework, board oversight on integrating sustainability into its business demonstrates its focus in this area. The score also factors in areas of improvement such as the need for tracking and reporting operating impacts, formalising various sustainability-linked targets, improving board composition and further strengthening monitoring mechanisms. The overall ESG impact score is a combination of impact scores across each pillar of E, S and G, elaborated below.

ICRA ESG has assigned an **Environmental Impact** score of **75** to IIFCL which reflects the benefits derived from being part of a low emitting sector of financial services resulting in low emissions intensities, negligible water consumption and waste generation in its operation. Moreover, the score favourably factors in the company's adoption of a Climate Strategy for 2030, which includes commitments to achieve net zero Scope 1 and Scope 2 emissions, while reducing its financed footprint by increasing its green energy lending portfolio. Due to low energy demand and lack of use of any primary fuel in its day-to-day operations, the company's greenhouse gas (GHG) emission intensity is only around 0.05 tCO_2e per crore of revenue. The energy consumption is limited to electricity use, most of which is met through grid electricity, though a small share comes from renewable energy from rooftop solar panels. Similarly, direct air emissions are not attributed to IIFCL, as only backup gas-based power generators are used, which are operated by the owner of the company's premises. Given the modest employee base and operations carried out from a single office, the impact of water consumption is also minimal. Furthermore, IIFCL operates from a GRIHA 3-star rated building with facilities for water treatment and waste management. Waste generation is minimal considering the nature of the industry, with responsible e-waste disposal practices and ongoing digitalisation efforts to reduce paper and plastic use. The company has not incorporated any environmental considerations into its procurement processes, mainly due to following existing Government regulations. However, for its lending business, IIFCL has an Environmental and Social Safeguard Framework (ESSF) for project due diligence and monitoring mechanisms to track progress during implementation. Its Environmental and Social Due Diligence Report is prepared for projects funded by multilateral agencies. Additionally, IIFCL has put in place a Sustainability and ESG Financing Framework for borrowing and lending towards Green, Social and/or sustainable projects. IIFCL has set ambitious targets to expand its green energy portfolio to facilitate at least 50% of incremental lending to be green with incremental disbursements of Rs. 1 lakh crore towards green infrastructure projects by 2030. This includes phased targets to increase exposure to green-energy projects while also committing to reduce lending to fossil fuel-based projects. Without any presence in ecologically sensitive areas, the company does not have a direct impact on biodiversity.

While the above-mentioned factors strengthen the environmental impact, there are areas of improvement. The company lacks policies and tracking mechanisms for environmental parameters like energy use, emissions, water use, and waste management, with similar considerations for its procurement processes. Additionally, it has no formal targets set for reducing existing impacts in areas apart from carbon footprint. There is also room for improvement in monitoring the biodiversity impact within its lending portfolio. ICRA ESG notes that biodiversity considerations are included in IIFCL's lending decisions in projects funded through multilateral/ bilateral borrowings.

ICRA ESG has assigned a **Social Impact** score of **86** to IIFCL, recognising its strong commitment to employee wellbeing, upholding human rights, and supporting socio-economic development. IIFCL has demonstrated robust employee related practices which include comprehensive benefits and trainings. The company's workforce exhibits good diversity, low attrition and no wage related gaps, some of which is supported by Government specified policies. Grievance redressal mechanisms for internal and external stakeholders, track record of no data and cyber security breaches further underscores IIFCL's focus on maintaining a safe, inclusive, and equitable workplace and sound stakeholder relationships. IIFCL's dedication to social responsibility is reflected in its impactful and well-rounded Corporate Social Responsibility (CSR) initiatives, particularly in health, nutrition, and rural development. The company conducts regular impact assessments and has spent 7% of its budget in aspirational districts in FY2024. ICRA ESG also notes that the company indirectly contributes to community development by creating jobs in rural areas through its lending portfolio. However, there are areas for improvement in the social pillar. These include enhancing the momentum of CSR spending, reducing number of customer complaints, and incorporating health and safety monitoring mechanisms for the workforce.

ICRA ESG has assigned a **Governance Impact** score of **72** to IIFCL, reflecting its governance framework, comprehensive risk management mechanisms, and sustainability commitments. The Board of Directors comprises seven members, including a female director and an independent director with extensive legal and administrative experience. Further opportunity exists to enhance board diversity and independence. The company has one-third women's representation among its Key Managerial Personnel (KMPs). The company is subject to various internal and external audits including and not limited to the Comptroller and Auditor General of India (CAG) and Reserve Bank of India (RBI), which strengthen its operational oversight. Being a Public Sector Undertaking (PSU), the company also falls under the Right to Information Act, which emphasises the need to maintain transparent operations. The company has also obtained ISO 9001 certification exhibiting its focus on quality management and defined processes across all operational areas. The early adoption of a regulatory technology (RegTech) system indicates IIFCL's commitment to staying on track with its compliance management practices.

Augmenting its internal control is vigilance administration, which includes punitive and preventive aspects that are operational at IIFCL and its subsidiaries. With the Chief Vigilance Officer heading its vigilance vertical, IIFCL has also established a Grievance Redressal System to provide stakeholders with a fair platform for raising grievances or complaints. Additionally, IIFCL has implemented an integrated Risk Management Policy covering credit, operational, liquidity, and market risks. To further strengthen its enterprise-wide risk management systems, IIFCL introduced the Internal Capital Adequacy Assessment Process (ICAAP) in FY2024, representing the entity's assessment of the key risks to be addressed while arriving at the capital needed for its operations. ESG risk is an integral part of this framework. There have been observations from auditors and regulating authorities pointing towards the need to continually strengthen mechanisms. ICRA ESG notes that over the years, the company has made efforts to address these. These efforts have included hiring external consultants to resolve specified issues and setting up internal policies and frameworks.

IIFCL's governance score also benefits from the establishment of a Sustainability & ESG Financing Committee and the adoption of the "Climate Strategy 2030", showcasing its focus on integrating ESG into governance. However, sustainability disclosures remain limited, with no standalone sustainability or integrated reports and external assurance for ESG data, among various practices undertaken by entities in this space. ICRA ESG, thus notes that the company has embarked on its ESG journey and is in the process of laying its foundation for future actions.

Key Rating Drivers

Strengths

- **Low environmental impact of own operations**: Being a financial services entity, IIFCL's environmental impact is low. The company operates from a single GRIHA 3-star rated building in New Delhi with minimal water consumption and low emissions intensity. The company also carries out responsible waste management and water recycling.
- **Sustainability strategy in place, along with board oversight:** The company has drawn its climate strategy for 2030 which demonstrates its focus on creating favourable environmental impact. This includes reduction of own impacts with a net zero target of Scope 1 and Scope 2 emissions. Moreover, there is a focus on increasing greenness in its lending portfolio with an incremental disbursement target of 20% in FY2025 towards green infrastructure projects, increasing it to 50% by 2030. The company has had an environmental and social assessment policy since 2008. The same has undergone improvements and scope expansion, with the latest version captured through IIFCL's Environmental and Social Safeguards Framework (ESSF) dated June 2024. Moreover, to monitor the borrowing and lending under the Sustainability and ESG Financing Framework, IIFCL has an active Sustainability and ESG Financing Committee (SEFC) overseeing sustainability related decisions, which together with the climate strategy underlines the commitment from the management to ensure sustainable business operations.
- **Healthy employee benefits and metrics:** IIFCL offers comprehensive benefits like medical assistance, paternity and maternity benefits, wellbeing training, etc. The company has low attrition (<3%) and favourable wage gap metrics. Further, there have been no fatalities or work-related injuries. In addition, from a business relationships perspective, the company has maintained a high grievance redressal efficiency and a track record of no IT security breaches.
- **Well-rounded CSR programmes:** The company's CSR initiatives focus on health, nutrition, rural development, and national heritage, with 7% of spending in aspirational districts for FY2024. The company conducts regular impact assessments to measure the effectiveness of CSR programmes. ICRA ESG also notes that the company lends to infrastructure projects which are a source of job creation in rural areas.
- **Comprehensive risk management mechanisms:** The company is subject to various internal and external audits including and is not limited to the CAG and RBI. The company has also obtained ISO 9001 certification showing its focus on quality management while putting in place an ICAAP policy, which includes various risk identification, including ESG. Being a PSU, the company also falls under the Right to Information Act, which emphasises the need to maintain transparent operations. In addition, there is a vigilance vertical, which applies punitive and preventive vigilance to the operations. There have been observations from audit agencies, including CAG, for which there is a need to continually strengthen mechanisms. ICRA ESG notes that over the years, IIFCL has made efforts to address the highlighted gaps. ICRA ESG has also noted the improving trends in performance.

Weaknesses

- **Lack of formal policies and targets across some environmental parameters:** While the company has taken a 2030 target on net zero for Scope 1 and Scope 2 impact, it is yet to formulate comprehensive mechanisms and disclosures to track the environmental parameters and action plans to achieve these targets. In addition, though the estimated impact from own operations in the areas of energy, water, waste and biodiversity is limited, the company does not have any assessment methods, targets and policies to reduce or further limit the current impacts and is not aligned to any sustainability standard or framework. This is because the company has recently embarked on its ESG journey and is in the process of laying its foundation for future actions.
- **Lack of ESG considerations in procurement practices:** The company conducts most of its procurement through the Government e-Marketplace (GEM) portal. However, there are no specific environmental considerations, such as sustainable products (IT assets with ESG certification, recycled paper) and monitoring of vendor related health, safety and human rights. This is owing to current processes being aligned with the extant Government norms.
- **Scope of improvement in board composition:** IIFCL's board has limited gender diversity with only single female director. Further, an independent director has been recently inducted. ICRA ESG notes that these appointments are under the purview of the parent ministry; however, these remain areas of improvement as also specified by the securities market's regulator. Similarly, while the board has directors with strong and diverse experience, the participation levels in meetings can improve further.

Rating sensitivities

Positive factors: The environmental score could improve if the company sets specific, time-bound targets for energy efficiency, waste reduction, and biodiversity protection. Establishing a comprehensive emissions tracking system supported by a formal reduction plan would significantly enhance environmental performance. Integrating sustainability criteria into procurement practices and publicly disclosing progress towards environmental goals would further demonstrate IIFCL's commitment to sustainable operations.

The social score can improve by implementing formal occupational health and safety management systems and introducing specific policies for supplier health and safety. Adopting frameworks for supplier selection and increasing procurement from Micro, Small, and Medium Enterprises (MSMEs) could strengthen the social impact. Expanding CSR initiatives, accelerating spending, and ensuring comprehensive impact assessments for all projects would reinforce IIFCL's role as a socially responsible entity.

The governance score could improve by enhancing board diversity, independence, and participation levels. Reporting on sustainability profiles and plans, conducting assurance, and aligning with global initiatives and Science-Based Targets initiative (SBTi) or other relevant frameworks would be positive factors for the rating.

Negative factors: The environmental score could decline if IIFCL fails to make progress towards its targets outlined in the Climate Strategy 2030. Limited development of sustainability related policies, or failure to comply with relevant environmental regulations could further impact the score. An increase in the company's environmental footprint due to operational expansion without corresponding mitigation measures would also be a concern.

IIFCL's social score could reduce if there is a rise in employee attrition rates or reduced focus on employee benefits and training, which may indicate a decline in workplace satisfaction. Instances of cybersecurity and data privacy breaches, reduced grievance resolution efficiency, inadequate adherence to CSR commitments, such as reduced spending or failure to address community needs effectively, could undermine the organisation's social credibility. The score will remain sensitive to any adverse material developments concerning employee, business, and community relationships.

The governance score could decline if there are significant lapses in compliance with required regulations or if the company's efforts lag in mitigating any gaps. Since IIFCL has recently adopted Climate Strategy 2030, and Sustainability and ESG

Financing Framework, progress toward sustainability targets and the formulation of associated action plans remain key monitorables. Any severe fines, penalties, or adverse observations will also be rating sensitivity factors.

Analytical Approach

Analytical Approach	Comments
Rating methodology	[ESG Impact Rating Methodology]
Rating scale	[ESG Rating Scale]
Last review date	NA
Data Availability	Average
Rating boundaries	For arriving at the rating, ICRA ESG has considered the standalone operations of the company. ICRA ESG has further taken into consideration the ESG relevant information shared by IIFCL along with discussions with its key function heads during multiple management meetings.

About the company

India Infrastructure Finance Company Limited is a wholly-owned Government of India enterprise established in 2006. Its primary mission is to provide long-term financial assistance to viable infrastructure projects across India. IIFCL operates under the Scheme for Financing Viable Infrastructure Projects through a Special Purpose Vehicle (SPV), commonly referred to as SIFTI. Registered as a Non-Banking Financial Company –Infrastructure Finance Company (NBFC-IFC) with the RBI, IIFCL adheres to applicable prudential norms and plays a crucial role in supporting India's infrastructure development through flagship programmes such as Gati Shakti, National Infrastructure Pipeline, National Monetisation Pipeline and Bharatmala Yojana.

Headquartered in New Delhi, IIFCL operates from a single premise with an employee base of 124, as of March 31, 2024. In FY2024, the company had a total revenue base of Rs. 5,069 crore and reported a profit after tax of Rs. 1,552 crore compared to Rs. 4,052 crore and Rs. 1,076 crore, respectively, in the previous year. Its net worth stood at Rs. 14,266 crore as on March 31, 2024, over Rs. 12,878 crore in the previous year, while the asset base stood at Rs. 65,493 crore over Rs. 57,094 crore in the previous year. The company's gross non-performing assets (NPA) and net NPA stood at 1.61% and 0.46%, respectively, in FY2024, down from 4.76% and 1.45%, respectively, a year ago. In FY2024, IIFCL reported its highest-ever standalone annual sanctions of Rs. 42,309 crore and disbursements of Rs. 22,356 crore. Furthermore, there was an improvement in profitability as the return on total assets (RoTA) and return on net worth (RoNW) improved to 2.4% and 10.9%, respectively, in FY2024 from 1.9% and 8.4%, in FY2023.

In FY2024, IIFCL released its Climate Strategy 2030, setting ambitious environmental targets. By 2030, at least 50% of the incremental lending will be directed towards green infrastructure and, going forward, the company plans to reduce lending to fossil fuel-based power plants. A key focus is achieving net zero Scope 1 and Scope 2 emissions by 2030. In FY2024, the company sanctioned and disbursed Rs. 27,962 crore and Rs. 11,607 crore, respectively, towards renewable energy projects. Also, the overall portfolio grew by ~21% YoY from Rs. 42,271 crore in FY2023 to Rs. 51,017 crore in FY2024 and reached Rs. 58,995 crore as of H1 FY2025. The green portfolio has grown 57.2% YoY from Rs. 4,042 crore in FY2023 to Rs. 6,354 crore in FY2024 and Rs. 8,616 crore as of H1 FY2025. As of September 30, 2024, the lending portfolio for green energy projects stood at ~15% of the overall portfolio, as compared to the company's plan to reach 20% of incremental lending towards green infrastructure in FY2025. Going forward, the company plans to extend its green energy portfolio with additional disbursements of Rs. 1 lakh crore ($12 billion) towards green infrastructure projects by 2030.

Key ESG Indicators

Parameters	Unit	FY2024
Environment Indicators		
Energy intensity	MJ/ Rs. crore	259
Renewable energy consumption	%	0%[1]
Scope 1 & Scope 2 emissions intensity	tCO_2e/ Rs. crore	0.05[2]
Sox and NOx emissions intensity	tCO_2e/ Rs. crore	-
Water consumption intensity	m^3/ Rs. crore	0.2[3]
Waste generation intensity	tonnes/ Rs. crore	NT[4]
Social indicators		
No. of fatalities from work-injuries	Number	0
Wage gap	Ratio	Nil[5]
Employee turnover	%	2.4%[6]
POSH complaints reported & resolved	Number	0
Customer complaints resolved	%	100%
CSR inhouse volunteers	Yes/No	Yes
Job creation in smaller towns	Nature	NA
Governance indicators		
Presence of reg-tech system	Yes/No	Yes
% of women in BOD	%	14.3%
% of women in KMPs	%	0 (33%[7])
Average attendance in board meetings	%	69.0% (76.3%[8])
Presence of dedicated ESG committee	Yes/No	Yes
Signatory of UN Global Compact	Yes/No	No

Source: Company, ICRA ESG's Analysis; NT – Not Tracked, Figures in parentheses include data for current financial year

Common Directors (if any): None

Source of Information: While assigning the ratings, ICRA ESG has considered the annual reports of the company along with other policies, additional information and comments provided by the company.

Status of non-cooperation with previous ERP: Not applicable

[1] *There is no quantification of renewable energy received through roof top solar*
[2] *ICRA ESG estimate based on energy consumption and India grid emission factors*
[3] *ICRA ESG estimate based on per person water consumption assuming full employee capacity*
[4] *Only hazardous wastes generation numbers are tracked currently*
[5] *Owning to scale based pay*
[6] *ICRA ESG estimate based on number of employee resignations in FY2024*
[7] *As per KMP appointments as of December 31, 2024*
[8] *Latest data on attendance of board of directors for 8M FY2025 shared by the company*

Rating history for past three years

S. No.	Parameter	Current Rating	Previous Rating		
		Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
		January 07, 2025	-	-	-
1	**ESG Impact Rating**	77, Good	-	-	-

Source: ICRA ESG

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