IFCI Limited

July 04, 2024

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	200.00	CARE BB; Negative	Reaffirmed
Bonds	73.42 (Reduced from 159.05)	CARE BB; Negative	Reaffirmed
Non-convertible debentures	145.00 (Reduced from 310.00)	CARE BB; Negative	Reaffirmed
Non-convertible debentures	695.35	CARE BB; Negative	Reaffirmed
Subordinated Bonds	571.04	CARE BB; Negative	Reaffirmed
Unsecured redeemable Bonds	250.00	CARE BB; Negative	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings for long-term bank facilities and non-convertible debentures (NCDs)/ bonds of IFCI Limited (IFCI) have been reaffirmed with the company continuing to manage its debt obligations during the last few years supported by the recoveries from non-performing assets (NPAs) and continued equity infusion from the Government of India (GoI). The company turned profitable in FY24 as it reported a net profit of ₹128 crore for FY24 as against net loss of ₹288 crore reported during FY23 driven by recoveries in FY24 and impairment reversal.

The ratings also factor in deterioration in the company's capitalisation profile, worsening asset quality metrics with stage-3 assets constituting 97.94% of gross loan book as on March 31, 2024 and high borrower-wise loan book concentration.

The ratings, however, continue to derive strength from majority ownership (71.72%) by GoI. The ratings also factor in the fact that IFCI has been mandated by GoI for managing various social upliftment and industrial promotion schemes.

The liquidity position, going forward, remains dependent on the recoveries from the NPA monetisation of non core assets and a substantial equity infusion from the Government of India (GoI).

Rating sensitivities: Factors likely to lead to rating actions

Positive factors – Factors that could lead to positive rating action/upgrade:

- Substantial equity infusion by GoI in the near-term.
- Timely monetisation of its non-core assets.

Negative factors – Factors that could lead to negative rating action/downgrade:

- Significant deterioration in the liquidity position
- Any material changes in the government shareholding and/or government support to IFCI.

Analytical approach: Standalone, factoring linkages given majority GoI ownership.

Outlook: Negative

The outlook on the rating continues to be on 'Negative' with stretched liquidity position and negative cumulative mismatches in the medium-term buckets, continued weak asset quality and capitalisation profile, sustained loan book contraction and weak albeit improving profitability metrics. The outlook may be revised to 'Stable' if IFCI is able to improve its liquidity position, and the profitability metrics.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Detailed description of the key rating drivers:

Key weaknesses

Weak financial and operational performance in FY24

The loan book of IFCI continued its downward trajectory and declined to ₹1,306 crore as on March 31, 2024, down 27% Y-o-Y from ₹1,799 crore as on March 31, 2023. The decline in the loan book is on account of the management's strategy to pivot its focus towards the company' advisory business while not sanctioning any new loans for the lending book. The company has not disbursed any fresh loans since FY22 except for loan disbursed to a subsidiary, which stands repaid as on date

On account of decline in the credit book, as well as persistent weakness in the asset quality profile, core interest income was impacted as it declined by 15% to ₹429 crore. Consequently, IFCI reported a negative net interest income (NII) of ₹143 crore despite lower interest expenses of ₹573 crore during the year. However, IFCI's total income increased by 19% to ₹896 crore in FY24 due to strong recoveries and increase in non-interest income (dividend income, rental income and other income). The company is currently focusing on recoveries from NPAs and recovered ₹951 crores in FY24 (₹820 crore in FY23). Overall, IFCI reported a net profit of ₹128 crore, with return on total assets (RoTA) of 1.61%.

IFCI's income profile to remain subdued due to no-lending operations. However, IFCI would continue to generate income from its advisory business.

Persistent weakness in asset quality

IFCI's asset quality continues to weaken with gross NPA (GNPA) and net NPA (NNPA) ratios deteriorating to 96.22% and 83.80%, respectively, as on March 31, 2024, as compared with 92.39% and 75.99%, respectively, as on March 31, 2023, mainly due to contraction in the loan book. In absolute terms, NNPA for the company declined to ₹937 crore as on March 31, 2024, down 37% Y-o-Y from ₹1,499 crore as on March 31, 2023, on account of NPA recoveries. The company was able to recover ₹951 crore from NPAs during fiscal 2024. The CARE Ratings-adjusted provision coverage ratio (PCR) including technical write offs of the company increased to 90.62% as on March 2024 from 86.47% as on March 2023.

A large proportion of IFCI's NPAs are under National Company Law Tribunal (NCLT), while some others are in the process of restructuring/resolution outside NCLT. The extent of haircut required on these exposures and consequent adequacy of provisioning will be critical for IFCI's capitalisation and profitability profile. IFCI's ability to reduce pressure on the asset quality profile through reduction in the NPA levels will be critical for its credit profile.

Weak capitalisation profile, although improving

End fiscal March 31, 2024, the capitalisation profile of IFCI witnessed improvement as the tangible net-worth (TNW) of the company improved to -₹92 crore as on March 31, 2024, compared with -₹1,113 crore as on March 31, 2023, on the back of net profit of ₹128 crore during the year and equity infusion of ₹500 crore by GoI.

As a result, IFCI's CAR and Tier-I CAR improved to to -48.35% and -48.36%, respectively as on March 31, 2024, as compared with CAR and Tier-I CAR of -70.66% and -71.06%, respectively, as on March 31, 2023, well below the regulatory minimum of 15% and 10%, respectively, required for GOI-owned non-banking finance companies (NBFCs). This in turn, has created high dependence on a substantial equity infusion from GOI in the near term in order to bring capital adequacy of the company above minimum regulatory requirement of 15%.

In March 2023 and March 2024, GoI infused equity of ₹400 crore and ₹500 crore respectively, in IFCI. IFCI's capitalisation profile is also impacted by its sizeable investments in equity shares and other investments. Moreover, CARE Ratings will continue to monitor IFCI's ability to raise substantial equity from GOI whilst divesting some of its core assets in a timely manner, which remains a key rating sensitivity.

Key strengths

Majority ownership by GoI

GoI is the majority shareholder in IFCI and held 71.72% stake in the company as on April 30, 2024, increased from 66.35%as on March 31, 2023 on account of equity infusion of ₹400 crore in March 2023 and ₹500 crore in March 2024. Though IFCI is not doing any incremental disbursements, IFCI has been mandated by the government for managing various social upliftment and industrial promotion schemes. GoI has also appointed Independent Director on the Board of IFCI in May 2023.

However, in view of the persistent asset quality concerns and losses that have led to erosion in its net-worth, IFCI would need substantial equity infusion to be able to meet the regulatory minimum requirements in terms of the capital and to restart the lending business.

Being a majority-owned entity by GoI, the availability of adequate, timely and regular support from the government in terms of capital infusion, resource raising and other regulatory matters remains a key rating sensitivity, going ahead.

Liquidity: Stretched

The liquidity profile of the company remains stretched. Until June 2025, the company's outflows are around ₹2147 crore against which the company has scheduled inflows at around ₹1,487 crore, including inflows from investments and bank balances as on March 31, 2024, thus resulting in a stretched liquidity position. However, the liquidity profile of the company could be supported by timely recoveries from NPA (expected recovery of ₹525 crore in FY25) and capital support from the government if required.

CARE Ratings notes that, supported by the NPA recovery of ₹951 crore during FY24 and capital infusion from GoI, IFCI prepaid bonds of ₹30 crore in FY24. Further foreign currency loan of ₹332.66 crore from KfW Development Bank was prepaid in April 2024.

Applicable criteria

Definition of Default
Rating Outlook and Rating Watch
Financial Ratios - Financial Sector
Non Banking Financial Companies
Factoring Linkages- Government Support
Withdrawal Policy

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Financial Services	Financial Services	Finance	Non-Banking Financial Company (NBFC)

Incorporated on July 01, 1948, through a special Act of Parliament, IFCI is the oldest development financial institution of India. The constitution of the company was changed from a statutory corporation to a public limited company in 1993. Subsequently, the name of the company was also changed to its present name with effect from October 1999. IFCI has been categorised as systemically important non-deposit taking non-banking financial company (NBFC-ND-SI) by the Reserve Bank of India in FY08. In the early 2000s, IFCI witnessed deterioration in asset quality, resulting in high losses. Thereafter, the Government of India (GoI) in 2002-03, in consultation with the other stakeholders, worked out a financial rescue package for IFCI, which included restructuring of its liabilities. IFCI resumed its lending operations in the year 2008 and is since engaged in providing corporate loans and project-specific loans to corporates. In addition, IFCI also invests in the companies through equity, preference shares and debt instruments. In April 2015, IFCI became a government company u/s 2(45) of the Companies Act, 2013 after the government acquired ₹60 crore of preference share equity in the company from existing shareholders. GoI holds 71.72% equity shares in IFCI as on April 30, 2024.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	1011.64	754.76	895.94
PAT	-1,991.34	-287.58	128.25
Interest coverage (times)	-0.93	0.71	1.2
Total Assets*	7,217.00	7,191	8,701
Net NPA (%)	75.43	75.99	83.80
ROTA (%)	-19.61	-3.99	1.61

A: Audited; Note: 'the above results are latest financial results available'
*Excluding DTA

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of Instrument	ISIN	Date of issuance	Coupon Rate	Maturity Date	Size of Issue (₹, crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan (proposed)	-	-	-	-	200.00	CARE BB; Negative
Total					**200.00**	
Redeemable Unsecured NCD - taxable	INE039A09MC4	13-Jul-10	9.75%	13-Jul-30	250.00	CARE BB; Negative
Unsecured redeemable non-convertible bonds	INE039A09PI4	08-Oct-12	10.12%	08-Oct-27	19.59	CARE BB; Negative
	INE039A09PJ2	08-Oct-12	10.10%	08-Oct-27	5.15	CARE BB; Negative
	INE039A09PN4	05-Nov-12	9.90%	05-Nov-27	106.875	CARE BB; Negative
	INE039A09PO2	05-Nov-12	9.90%	05-Nov-32	106.875	CARE BB; Negative
	INE039A09PP9	05-Nov-12	9.90%	05-Nov-37	106.875	CARE BB; Negative
	INE039A09PR5	26-Apr-13	9.75%	26-Apr-28	350.00	CARE BB; Negative
Infra Bonds	INE039A09NZ3	12-Dec-11	8.75%	12-Dec-26	7.69	CARE BB; Negative
	INE039A09OA4	12-Dec-11	8.75%	12-Dec-26	2.6	CARE BB; Negative
	INE039A09OG1	15-Feb-12	9.16%	15-Feb-27	30.99	CARE BB; Negative
	INE039A09OH9	15-Feb-12	9.16%	15-Feb-27	9.03	CARE BB; Negative
	INE039A09OU2	31-Mar-12	8.50%	31-Mar-24	0.00	Withdrawn
	INE039A09OV0	31-Mar-12	8.50%	31-Mar-24	0.00	Withdrawn
	INE039A09OW8	31-Mar-12	8.72%	31-Mar-27	17.28	CARE BB; Negative
	INE039A09OX6	31-Mar-12	8.72%	31-Mar-27	5.83	CARE BB; Negative
Tax free bonds	INE039A09PT1	31-Mar-14	8.39%	31-Mar-24	0.00	Withdrawn
	INE039A09PU9	31-Mar-14	8.76%	31-Mar-29	145.00	CARE BB; Negative
Subordinated Bonds	INE039A09NL3	01-Aug-11	10.75%	01-Aug-26	403.59	CARE BB; Negative
	INE039A09NM1	01-Aug-11	10.75%	01-Aug-26	64.96	CARE BB; Negative
	INE039A09NW0	31-Oct-11	10.75%	31-Oct-26	102.49	CARE BB; Negative
Total					**1734.82**	

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (17-Aug-21)
2	Bonds-Unsecured Reedemable	LT	250.00	CARE BB; Negative	-	1)CARE BB; Negative (05-Jul-23)	1)CARE BB; Negative (06-Jul-22)	1)CARE BB; Negative (17-Aug-21)
3	Fund-based - LT-Term Loan	LT	200.00	CARE BB; Negative	-	1)CARE BB; Negative (05-Jul-23)	1)CARE BB; Negative (06-Jul-22)	1)CARE BB; Negative (17-Aug-21)
4	Bonds-Subordinated	LT	571.04	CARE BB; Negative	-	1)CARE BB; Negative (05-Jul-23)	1)CARE BB; Negative (06-Jul-22)	1)CARE BB; Negative (17-Aug-21)
5	Bonds	LT	73.42	CARE BB; Negative	-	1)CARE BB; Negative (05-Jul-23)	1)CARE BB; Negative (06-Jul-22)	1)CARE BB; Negative (17-Aug-21)
6	Debentures-Non Convertible Debentures	LT	145.00	CARE BB; Negative	-	1)CARE BB; Negative (05-Jul-23)	1)CARE BB; Negative (06-Jul-22)	1)CARE BB; Negative (17-Aug-21)
7	Debentures-Non Convertible Debentures	LT	695.35	CARE BB; Negative	-	1)CARE BB; Negative (05-Jul-23)	1)CARE BB; Negative (06-Jul-22)	1)CARE BB; Negative (17-Aug-21)
8	Bonds	LT	-	-	-	-	1)Withdrawn (06-Jul-22)	1)CARE BB+; Negative (17-Aug-21)

*Long term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Bonds-Subordinated	Complex
2	Bonds-Unsecured Redeemable	Simple
3	Bonds	Simple
4	Debentures-Non-Convertible Debentures	Simple
5	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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