



Rating Rationale

IFCI Ltd.

10 July 2019

Brickwork Ratings revises ratings for the Non-Convertible Debentures/Bonds Issue of Rs. 15700 Crs, secured NCD of Rs. 575 Crs & Commercial Paper Issue of Rs. 500 Crs of IFCI Ltd. and changes the outlook to negative.

Particulars

Instrument	Issue Size (Rs. Crs)	Tenure	Previous Rating	Review Rating*
Long term Debt instruments NCD/ Bonds	2000.00	Long Term	BWR A- Pronounced as BWR Single A Minus (Outlook: Stable)	BWR BBB+ (Pronounced as BWR Triple B Plus) (Outlook: Negative) (Downgrade)
	700.00			
	3000.00			
	Upto 10000			
Secured NCD	575.00		BWR AA-(SO) (Pronounced as BWR Double A) (Structured Obligation) (Outlook: Stable)	BWR A+(SO) (Pronounced as BWR Single A Plus) (Structured Obligation) (Outlook: Negative) (Downgrade)
CP	500.00		BWR A1 (Pronounced as BWR A One)	BWR A2+ (Pronounced as BWR A Two Plus) (Downgrade)
Total	16775.00	INR Sixteen Thousand Seven Hundred Seventy-Five Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rating Downgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:

Rating downgrade takes into consideration the decline in the asset quality as indicated by an increase in the GNPA as on 31 March 2019, stressed liquidity position, declining asset base, weakening in earning



profile, decline in capital adequacy much below the stipulated benchmark, concentration risk visible in the asset base, and fresh slippages during the year. The rating also takes into account the large payout in the form of debt repayment during the current year.

These risks are partially offset by sovereign ownership of the company with a proven track record of capital infusion in the past, improvement in asset quality of the incremental portfolio owing to the improved procedures and increase in recoveries.

Description of Key Rating Drivers

Credit Strengths:

- **GoI Ownership:** The Government of India has majority stake in the company at 56.42% as on 31 March 2019 and has kept infusing capital in the past. As per the budget allocation, the company was supposed to get Rs. 200 Crs of equity, which was delayed due to various reasons including the ongoing election process and is expected to be transferred to the company this fiscal. This will however not be sufficient to meet the capital requirement by 31 March 2020. The funds available through divestment from its investments and real estate along with additional infusion from the government will be a key monitorable.
- **Improvement in the processes helping better selection and improved incremental asset base:** During the last fiscal, the company sanctioned loans worth Rs. 3760 Crs. out of which net sanctioned amount stood at Rs. 2820 Crs. The company has strengthened its procedures and are targeting better quality assets which has resulted in zero delinquency out of Rs. 2820 Crs sanctioned during the year (8% during FY18). The company has sanctioned 87% of the loans to borrowers having rating of A and above from various rating agencies and the average rating of the portfolio has moved up from A- during FY18 to A+ during FY19.
- **Improvement in recoveries and divestments:** Over the last year, the company has shown considerable improvement in recoveries from stressed assets and through divestments. The company received Rs. 1440 Crs from divestment of non-core assets & project equity during FY19 up from Rs. 723 Crs during FY18, whereas recoveries from the stressed assets stood at Rs. 1207 Crs. during FY19 up from Rs. 856 Crs. during FY18.

Credit Risks:

- **Weak asset quality with deterioration in the overall financial profile of the company:** Asset profile of the company further weakened during the last financial year as Gross NPA rose to 48.93% as on 31 March 2019 as against 40.97% as on 31 March 2018. The jump in Gross NPA was contributed by fresh slippages from the standard assets and decline in the overall size of the portfolio as the company met its financial obligation by monetizing its asset base. Though in nominal terms NPAs came down marginally from Rs. 8672 Crs at the year end FY18 to Rs. 8609



Crs at the last fiscal year end, the decline was due to recoveries from the stressed accounts and write off of more than 1800 Crs during FY19.

Gross Stage III assets for the company increased from 12,735 Crs as on 31 March 2018 to Rs. 12,997 Crs as on 31 March 2019. As the company moved to Ind AS, it reported and expected loss of 60.45% as on 31 March 2019 down from 64.22% as on 31 March 2018. During the last quarter there was considerable decline in the asset quality with around Rs. 843.30 Crs worth of assets moving from stage I to stage II making a total of Rs. 1602.37 Crs of assets under stage II and around Rs. 351 Crs of assets moved into stage III category from Stage II. Hence, further worsening from the current book can not be ruled out. Going ahead, ability of the company to contain further slippages will be a key monitorable.

Even after high provisioning of 60.72% as on 31 March 2019 against 52.73% as on 31 March 2018, there was considerable increase in net stage III assets.

- **Concentration risks towards high risk sectors:** Even though the company is trying to diversify its portfolio to various sectors, asset book continues to remain weak owing to high exposure to vulnerable sectors like real estate and infrastructure. Top 10 Stage I assets account for 35% of the total stage I assets. Concentration is expected to remain high owing to the nature of the business as the company is lending to large ticket size companies whereas overall portfolio of the company has been shrinking.
- **Weakening in capital adequacy profile owing to losses in FY19:** Capital risk adequacy ratio (CRAR) deteriorated further from 11.97 % as on 31 March 2018 to 7.97% as on 31 March 2019. Tier I capital adequacy also slipped from 7.41% to 5.31% during the same period. As it is a government owned NBFC, minimum capital requirement for 31 March 2020 for the company is 12% with 8% from Tier I capital. Expected infusion of Rs. 200 Crs will not suffice the requirement. The company has to look for liquidation of its non-core assets, accelerated recoveries from NPAs and divestment from subsidiaries which will be a key sensitive area going ahead.
- **High refinance requirement in FY20:** The company has to service ~Rs.5140 Crs during the current fiscal. Against this, the company has current liquidity position of around Rs. 1000 Crs with Rs. 200 Crs of equity infusion expected during the current year.
- **Decline in the lending portfolio:** Continuous decline in the portfolio is a concern for the company. YOY decline in fresh sanctions and disbursements coupled with high debt repayments has forced the company to bring down its standard portfolio. The rise in borrowing costs coupled with a fall in portfolio yield owing to a shift towards lending to higher rated companies, will result in shrinkage in margins.



Liquidity: - During May 2019, the company had around Rs. 1,000 Crs of funds available in the form of cash and liquid investments. The company is also expected to receive Rs. 200.00 Crs from the government during FY20. Cumulative mismatch for the company is negative for majority of the tenure. The company is expected to use funds from divestments of non-core assets & subsidiaries and recoveries from stressed assets to bridge the gap.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: *Negative*

BWR believes the **IFCI Ltd.** business risk profile will be under pressure from the weak asset profile, degrowing book, rising borrowing costs with declining yield, difficulties in raising funds, sizeable repayment coming due, which may force the company to further liquidate its standard assets in the coming period.

The rating outlook may be revised to stable in case the company manages to contain fresh slippages, grow its standard book, recover from stressed assets and raise cash from the divestment in non core assets and subsidiaries subject approval from GoI. The rating may further be downgraded in case the company faces fresh slippages from its standard book, degrowth in the portfolio, decline in profitability.

About the Company

IFCI, previously Industrial Finance Corporation of India, is an Indian Government owned Finance Company to cater to the long-term finance needs of the industrial sector. It was the first Development Financial Institution established by the Indian government after independence in 1948. In 1993, it was reconstituted as a company to impart higher degree of operational flexibility. It provides medium and long term financial assistance to large scale industrial undertakings.

IFCI is listed on both BSE and NSE and GoI owns 56.54% shares in the company. During FY18, Mr. E Sankara Rao (previously associated with IIFCL, IDBI and IDFC) joined the company as its Managing Director & CEO in August 2017.

Company Financial Performance

As per the new accounting standards, the company reported net income from operations of Rs. 401.09 Crs during FY19 against 653.80 Crs during FY18. Net loss for the company stood at Rs. 443.83 Crs during FY19 as against PAT of Rs. 468.37 Crs. Profitability during FY18 was majorly contributed by fair value gains on certain investments.

Key financial figures are mentioned in the table below:

Key Financial Figures			
Particulars	Unit	FY18 (A)(Ind AS)	FY19 (A)(Ind AS)
Portfolio	Rs. Crores	21170	17594
Gross NPA	%	40.97	48.93
Net NPA	%	29.56	31.77
PAT	Rs. Crores	468.37	(443.83)
Tangible Net Worth	Rs. Crores	4718.27	4225.30
CRAR	%	14.02	7.97%

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2017)			Rating History				
		Type	Amount (₹ Crs)	Rating	July 2018	June 2018	April 2018	May 2017	Feb 2016
Fund Based									
1.	Long Term Debt NCD/Bond	Long Term	2000.00	BWR BBB+ (Pronounced as BWR Triple B Plus) (Outlook: Negative)	BWR A- Pronounced as BWR Single A Minus (Stable)		BWR A+ (Pronounced as BWR Single A Plus) (Negative)		
2.			700.00						
3.			3000.00						
4.			Upto 10000						
5.	Secured NCD		575.00	BWR A+ (Pronounced as BWR Single A Plus) (Outlook: Negative)	BWR AA- (Pronounced as BWR Double A Minus) (SO)/Stable		BWR AA+ Pronounced as Double A Minus (SO) (Stable)		
6.	CP	Short Term	500.00	BWR A2+ Pronounced as BWR A Two)	BWR A1	NA	NA	NA	NA

Total	16775.00	INR Sixteen Thousand Seven Hundred Seventy-Five Crores Only
-------	----------	-------------------------------------------------------------

Status of non-cooperation with previous CRA (if applicable)- NA

Instrument Wise Details

Sr no	ISIN	Interest rate	Principal Amount	Maturity date
1	INE039A09GP8	6.00	25,00,00,000.00	15-02-2021
2	INE039A09KT2	10.20	75,00,00,000.00	20-06-2019
3	INE039A09LC6	9.75	2,00,00,00,000.00	25-01-2025
4	INE039A09LG7	9.55	2,00,00,00,000.00	05-03-2025
5	INE039A09LK9	9.55	2,25,00,00,000.00	13-04-2025
6	INE039A09LL7	9.70	2,50,00,00,000.00	04-05-2030
7	INE039A09LM5	9.70	2,50,00,00,000.00	18-05-2030
8	INE039A09MC4	9.75	2,50,00,00,000.00	13-07-2030
9	INE039A09MD2	9.75	5,00,00,00,000.00	16-07-2030
10	INE039A09MN1	9.98	2,50,00,00,000.00	29-10-2030
11	INE039A09PQ7	9.90	1,51,20,00,000.00	11-01-2021
12	INE039A09PR5	9.75	3,50,00,00,000.00	26-04-2028
13	INE039A07868	8.55	5,75,00,00,000.00	03-11-2021
14	INE039A09542	6.00	50,00,000.00	07-06-2019
15	INE039A09GG7	6.00	5,00,00,000.00	18-05-2020
16	INE039A09AL0	6.00	12,50,00,000.00	21-09-2020
18	INE039A09KU0	10.20	50,40,00,000.00	30-06-2019
21	INE039A09LS2	9.75	33,12,23,784.00	07-07-2040
22	INE039A09LT0	9.75	30,17,42,153.00	07-07-2039
23	INE039A09LU8	9.75	27,48,81,112.00	07-07-2038
24	INE039A09LV6	9.75	25,04,53,475.00	07-07-2037
25	INE039A09LW4	9.75	22,82,72,057.00	07-07-2036
26	INE039A09LX2	9.75	20,79,62,489.00	07-07-2035
27	INE039A09LY0	9.75	18,94,31,178.00	07-07-2034
28	INE039A09LZ7	9.75	17,25,84,532.00	07-07-2033
29	INE039A09MA8	9.75	15,72,35,365.00	07-07-2032
30	INE039A09MB6	9.75	14,32,90,086.00	07-07-2031
32	INE039A09112	6.70	1,53,39,80,000.00	30-05-2019

33	INE039A09120	7.07	99,41,75,000.00	19-09-2019
34	INE039A09138	7.69	58,38,70,000.00	26-12-2019
35	INE039A09PA1	10.15	2,80,00,000.00	26-06-2022
36	INE039A09146	7.65	1,63,82,31,000.00	26-06-2020
37	INE039A09PE3	10.50	8,20,00,000.00	28-09-2022
38	INE039A09PF0	9.95	5,41,00,000.00	08-10-2022
39	INE039A09PI4	10.12	19,59,00,000.00	08-10-2022
40	INE039A09PJ2	10.10	5,15,00,000.00	08-10-2022
41	INE039A09153	7.87	1,10,70,00,000.00	24-09-2020
42	INE039A09PM6	9.90	1,06,87,50,000.00	05-11-2022
43	INE039A09PN4	9.90	1,06,87,50,000.00	05-11-2027
44	INE039A09PO2	9.90	1,06,87,50,000.00	05-11-2032
45	INE039A09PP9	9.90	1,06,87,50,000.00	05-11-2037
46	INE039A09161	7.90	56,84,74,000.00	26-12-2020
47	INE039A09179	8.26	1,47,37,33,000.00	19-08-2021
48	INE039A09187	8.19	1,38,25,00,000.00	13-01-2022
49	INE039A09195	8.22	46,21,85,000.00	03-03-2022
50	INE039A09DNO	6.00	2,00,00,00,000.00	25-01-2022
51	INE039A09PV7	9.37	4,18,18,85,274.00	01-04-2022
52	INE039A08114	7.85	12,44,65,000.00	15-09-2020
53	INE039A08122	7.85	16,59,40,000.00	15-09-2020
54	INE039A08130	7.95	1,39,50,000.00	15-09-2020
55	INE039A08148	7.95	3,10,65,000.00	15-09-2020
56	INE039A09MT8	8.00	47,53,55,000.00	31-01-2021
57	INE039A09MU6	8.00	1,45,92,20,000.00	31-01-2021
58	INE039A09MV4	8.25	4,54,00,000.00	31-01-2021
59	INE039A09MW 2	8.25	22,01,10,000.00	31-01-2021
60	INE039A09NX8	8.50	46,73,80,000.00	12-12-2021
61	INE039A09NY6	8.50	19,01,70,000.00	12-12-2021
62	INE039A09NZ3	8.75	8,30,95,000.00	12-12-2026
63	INE039A09OA4	8.75	2,71,55,000.00	12-12-2026
64	INE039A09OE6	9.09	1,90,91,55,000.00	15-02-2022
65	INE039A09OF3	9.09	46,53,90,000.00	15-02-2022
66	INE039A09OG1	9.16	33,45,20,000.00	15-02-2027
67	INE039A09OH9	9.16	9,10,45,000.00	15-02-2027
68	INE039A09OU2	8.50	66,28,70,000.00	31-03-2024
69	INE039A09OV0	8.50	18,94,65,000.00	31-03-2024
70	INE039A09OW 8	8.72	18,18,05,000.00	31-03-2027

71	INE039A09OX6	8.72	5,98,15,000.00	31-03-2027
73	INE039A09KV8	9.75	77,50,00,000.00	31-07-2019
74	INE039A09LF9	8.75	26,67,00,000.00	31-01-2020
75	INE039A09LB8	9.40	31,86,00,000.00	30-11-2019
76	INE039A09LJ1	9.15	11,55,00,000.00	31-03-2020
77	INE039A09MM3	9.25	7,70,00,000.00	30-09-2020
78	INE039A09LR4	9.25	72,00,000.00	01-06-2020
79	INE039A09MQ4	9.25	6,85,00,000.00	30-11-2020
80	INE039A09MZ5	9.50	7,91,00,000.00	31-01-2021
81	INE039A09LO1	9.15	45,00,000.00	30-04-2020
82	INE039A09NA6	10.00	5,81,00,000.00	31-03-2021
83	INE039A09MH3	9.25	1,06,00,000.00	31-08-2020
84	INE039A09MP6	9.25	6,50,00,000.00	31-10-2020
85	INE039A09ME0	9.25	11,16,00,000.00	31-07-2020
87	INE039A09NF5	10.20	30,00,000.00	31-05-2021
90	INE039A09OT4	10.25	89,00,000.00	31-03-2022
93	INE039A09OK3	10.60	1,75,00,000.00	31-12-2021
94	INE039A09NS8	10.50	6,38,00,000.00	31-08-2021
95	INE039A09OR8	10.25	40,00,000.00	28-02-2022
96	INE039A09OD8	10.60	30,00,000.00	30-11-2021
97	INE039A09ND0	10.00	26,20,00,000.00	30-04-2021
98	INE039A07751	9.80	2,96,54,39,000.00	01-12-2019
99	INE039A07769	9.80	19,45,87,000.00	01-12-2019
100	INE039A07777	9.40	57,18,62,000.00	01-12-2019
101	INE039A07785	9.90	1,76,78,69,000.00	01-12-2021
102	INE039A07793	9.90	11,22,29,000.00	01-12-2021
103	INE039A07801	9.90	6,06,16,52,000.00	01-12-2024
104	INE039A07819	9.90	41,82,32,000.00	01-12-2024
105	INE039A07827	9.35	4,01,12,79,000.00	13-02-2020
106	INE039A07835	9.35	36,57,89,000.00	13-02-2020
107	INE039A07843	9.40	3,02,81,45,000.00	13-02-2025
108	INE039A07850	9.40	22,55,10,000.00	13-02-2025
109	INE039A09NJ7	10.50	1,69,62,90,000.00	01-08-2021
110	INE039A09NK5	10.50	21,68,50,000.00	01-08-2021
111	INE039A09NL3	10.75	4,03,59,00,000.00	01-08-2026
112	INE039A09NM1	10.75	64,95,70,000.00	01-08-2026
113	INE039A09NP4	10.55	2,00,00,00,000.00	25-08-2021
114	INE039A09NT6	10.60	3,89,10,000.00	31-10-2021
115	INE039A09NU4	10.60	4,22,50,000.00	31-10-2021
116	INE039A09NV2	10.50	74,50,60,000.00	31-10-2021

117	INE039A09NW0	10.75	1,02,48,80,000.00	31-10-2026
118	INE039A09OL1	10.50	64,69,50,000.00	28-02-2022
119	INE039A09OM9	10.70	1,23,63,40,000.00	28-02-2027
120	INE039A09PD5	9.98	50,00,00,000.00	18-09-2037
121	INE039A09PH6	9.98	20,00,00,000.00	05-10-2037
122	INE039A09PL8	9.98	10,00,00,000.00	15-10-2032
123	INE039A09PT1	8.39	1,65,00,00,000.00	31-03-2024
124	INE039A09PU9	8.76	1,45,00,00,000.00	31-03-2029

Hyperlink/Reference to applicable Criteria:

- [General Criteria](#)
- [Structured Obligation Instruments](#)
- [Banks & Financial Institutions](#)

For any other criteria obtain hyperlinks from website

Analytical Contacts	Investor Contacts
<p>Rajat Bahl Chief Analytical Officer & Head - Financial Sector Ratings B :+91 22 2831 1426, +91 22 2831 1439 rajat.b@brickworkratings.com</p> <p>Dishank Wadhwa Senior Ratings Analyst B :+91 11 2341 2232 dishank.w@brickworkratings.com</p>	<p>Satish Nair Director - Global Market Development & Investor Relations M : +91 7738875550 B : +91 22 6745 6666 satish.n@brickworkratings.com</p>
1-860-425-2742	

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.



About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.