



RATING RATIONALE

IFCI Ltd.

20 July 2021

Brickwork Ratings revises the Long Term Ratings of Bonds/NCDs to BWR BBB-, Secured NCDs to BWR BBB+ while maintaining the Negative Outlook and Short Term Rating of Commercial Papers to BWR A3+ of IFCI Ltd.

Particulars

Instrument~	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (June 2020)	Present
Long term debt instruments (Bonds/NCD)	7802.32	7802.32**	Long Term	BWR BBB+ (Negative)	BWR BBB-/Negative (Downgraded)
	7286.68&	0.00&		BWR BBB+ (Negative)	Withdrawn
Proposed NCD	200.00	200.00		BWR BBB+ (Negative)	BWR BBB-/Negative (Downgraded)
Secured NCD#	575.00	575.00		BWR A+ (CE) (Negative)	BWR BBB+/Negative (Downgraded)
Proposed Commercial Paper	500.00	500.00	Short Term	BWR A2+	BWR A3+ (Downgraded)
Total	16,364.00	9077.32	Rupees Nine Thousand and Seventy Seven Crores and Thirty Two Lakhs Only		

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

**Bonds Outstanding as on 30 June 2021

& Withdrawn upon redemption

Based on Credit enhancement by way of structured payment mechanism backed by G-Secs (Special Security issued by Government of India) of Rs.400 cr, with lien marked in favour of debenture trustee on the G-Sec cash flows.

~Instrument-wise details furnished in Annexures I and II

RATING ACTION / OUTLOOK:

Brickwork Ratings (BWR) downgrades the long term ratings for the Bonds/NCDs and Proposed NCDs to 'BWR BBB-/Negative', the long term ratings of Secured NCDs to BWR BBB+/Negative and short term rating for proposed commercial papers to BWR A3+ as tabulated above. The rating downgrade factors in the deterioration in the financial performance of the company in terms of degrowth in the loan portfolio from Rs. 12,553.45 Crs in FY 20 to Rs.10,581.71 Crs in FY 21, continued losses (Rs.277.88 Crs in FY 20 and Rs.1957.81 Crs in FY 21), increased financial leverage (3.00x in FY 20 and 4.58x in FY 21), continued deterioration in asset quality (GNPA of 61.93% in FY 20 and 73.72% in FY 21), negative CRAR of 10.81% as



on 31st March 2021 and stretched liquidity. The rating however continues to draw comfort from the ownership and consistent support from the Government of India (GoI), and the company's diversified resource profile. The Government of India has supported the Company with an equity infusion of Rs. 200.00 Crs in FY 21. The Company has submitted a request to the Government for an equity raise of ~Rs. 2000 Crs, Guarantees of ~Rs. 3000 Crs to enable fund raise, and divestment/ pledge of its ~52 % stake in its subsidiary Stock Holding Corporation of India Ltd. towards supporting its debt repayment obligations and sustaining future operations. Continued funding support from the Government would be a key rating monitorable. The Company is also focused on NPA recoveries with a recovery of Rs. 520.00 Crs in FY21 and Rs.285.00 Crs in Q1 FY 22. IFCI Ltd. expects NPA recoveries in the range of Rs. 800-1000 Crs in FY 22. Additionally, the Company has also started focusing on the advisory business with orders of Rs.250.00 Crs from GoI under the Production Linked Incentive (PLI) scheme.

BWR has withdrawn the ratings of NCDs aggregating to Rs.7286.68 Crs. on account of redemption as per the company's request and the same is as per BWR's withdrawal policy.

The rating for the structured NCD amounting to Rs.575 crore at BWR BBB+ Negative is based on the internal credit enhancement in the form of a structured payment mechanism backed by Government Securities (G-Sec) of Rs.400 Crs., with lien marked in favour of the debenture trustee on the cash flows from the above mentioned G-secs. BWR has discontinued the CE suffix in line with the extant regulatory guidelines as well as BWR's policy with respect to Credit Enhancement.

The negative outlook reflects liquidity pressures on the Company in the next 6-12 months if the planned divestments/ fund raise and NPA recoveries do not materialise. The rating outlook may be revised to Stable in case the company manages to improve its asset quality and profitability, and raise adequate capital for improved asset cover and also to augment growth.

Description of Key Rating Drivers

Credit Strengths:-

- **Ownership and support from Government of India :** IFCI Ltd is promoted by the Government of India, and it holds the majority stake in the company. The GoI provides capital support to the company through budgetary allocation. During FY 21, the government infused equity of Rs. 200 Crs and the GoI stake stood at 61.02% as on 31 March 2021. BWR believes the GoI will continue to have the majority shareholding in the company and provide capital support when required over the medium term.
- **Diversified resource profile:** IFCI Ltd's borrowing profile is well-diversified with Private Placement Bonds (35.97% of overall borrowings), Tax Free Bonds (12.84%), of Bank Loans (17.44%) , Infrastructure Bonds (4.27%), Public NCDs (10.64%), SLR bonds (3.04%), and Foreign Currency Debt (3.76%). The cost of borrowing continued to remain fairly competitive at 9.10% for FY21, given it is a predominantly government-owned company.

Credit Risks:-

- Weak Asset Quality:** The asset quality of IFCI Ltd continues to remain weak with a high quantum of GNPA at Rs. 7801.01 Crs as on 31 March 2021(Rs. 7774.68 Crs as on 31 March 2020) and NNPA of Rs. 2816.72 Crs as on 31 March 2021 (Rs. 3495.93 Crs as on 31 March 2020). Given the degrowth in AUM to Rs. 10,581.71 Crs as on 31 March 2021 from Rs. 12,553.45 Crs as on 31 March 2020, the GNPA% and NNPA% rose to 73.72% and 50.50% respectively at the end of FY 21. The degrowth in the portfolio was on account of prepayment of loans of Rs. 1000 Crs and also due to muted disbursements of Rs. 76.98 Crs in FY 21 vis a vis Rs. 741.00 Crs in FY 20.
- Negative CRAR and weak financial performance:** The CRAR as on 31 March 2021 was at -10.81% well below the minimum requirement of 15% on account of the losses. The operating income declined to Rs.1184.74 Crs. in FY21 Vs Rs.2243.66 Crs. in FY20 on account of prepayment of loans of more than Rs.1000 Crs. The company recorded a loss of Rs.1957.81 Crs in FY21 as compared to loss of Rs.277.88 Crs. mainly on account of impairment of financial instruments.The TNW has declined in FY21 to Rs.2372.00 Crs Vs Rs.4108 Crs in FY20 on account of losses.The capital structure is leveraged with Debt/Equity ratio increasing to 4.58x in FY21 as compared to 3.00x in FY20.
- Stretched Liquidity Position:**The liquidity position of IFCI Ltd is stretched as the company has repayment obligations of ~Rs.4100 Crs from July 2021 to March 2022 as against the liquidity of ~Rs.1733 Crs as on 29 June 2021. The liquidity of Rs. 1733 Crs comprises of liquid Mutual Fund investments of Rs.803.00 Crs, ultrashort Mutual Funds of Rs.400.00 Crs,Commercial papers of Rs.297.00 Crs along with OD limits of Rs.174.00 Crs. However the company has focussed on NPA recovery in recent times wherein it has recovered about Rs.285 Crs in Q1FY22 & expects to recover about ~800 to 1000 Crs during FY22. IFCI Ltd further plans to divest/ pledge its shares in Stock Holding Corporation of India Ltd. (~52% equity stake) and mobilise about Rs.2600 Crs subject to GOI approval. IFCI Ltd has submitted a proposal to GOI for infusion of Rs. 2000 Crs and issuance of guarantees of ~Rs. 3000 Crs towards debt issuances. The liquidity position may improve with additional Government support and NPA recovery .

Analytical Approach

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

RATING SENSITIVITIES

The company's ability to manage asset quality and profitability while maintaining liquidity, improving the overall financial risk profile and raising capital will be key rating sensitivities.

Positive: The rating outlook may be revised to Stable if there is a significant improvement in asset quality and profitability, and the company is able to maintain liquidity and capitalisation.



Negative: The rating may be downgraded if a further deterioration in asset quality or weakening in the financial risk profile is recorded.

Liquidity Profile: Stretched

As on 29 June 2021, IFCI Ltd has repayment obligations of ~Rs.4100 Crs from July 2021 to March 2022 as against the liquidity of Rs.1733 Crs indicating stretched liquidity position. As per the ALM position as on March 31, 2021, the company has negative cumulative mismatches in the 6-12 month bucket.

About the Company

IFCI, previously Industrial Finance Corporation of India, is an Indian Government owned finance company established 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 a higher degree of operational flexibility. It provides medium and long-term financial assistance to large-scale industrial undertakings. IFCI Ltd has five subsidiaries, namely IFCI Factors Ltd (BWR BB+/Stable), IFCI Venture Capital Funds Ltd (BWR BB+/Negative), IFCI Financial Services Ltd, IFCI Infrastructure Development Ltd, MPCON Ltd and Stock Holding Corporation of India Ltd.

IFCI is listed on both the BSE and NSE, and the GoI owns 61.02% of the shares in the company.

Company Financial Performance

	Units	2020	2021
Key Parameters		Audited	Audited
Portfolio	Rs. Crores	12,553.45	10,581.71
Total Income	Rs. Crores	2,264.06	1,396.92
PAT	Rs. Crores	-277.88	-1,957.81
Tangible Net Worth	Rs. Crores	4,108.00	2,372.00
CRAR	%	13.54%	-10.81%
Gross NPA	%	61.93	73.72
Net NPA	%	42.70	50.50

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal & suspended]

Instrument	Current Rating		Rating History					
	Type	Amount (₹ Crs)	Rating	23 June 2020	10 July 2019	2018		
						4 July 2018	20 June 2018	4 May 2018
Proposed NCD/Bonds	Long Term	200.00	BWR BBB-(Negative) (Downgraded)	BWR BBB+/(Negative Assigned)	NA	NA		
Long Term Debt (NCD/Bonds)		0.00	Withdrawn*	BWR BBB+/(Negative) (Reaffirmed)	BWR BBB+/(Negative) (Downgraded)	NA	BWR A-/Stable (Downgraded) (Outlook changed)	BWR A+/Negative (Reaffirmation)
		7802.32	BWR BBB-(Negative) (Downgraded)					
Secured NCD		575.00	BWR BBB+(Negative) (Downgraded)	BWR A+(CE) (Negative) (Reaffirmed)	BWR A+(CE) (Negative) (Downgraded)	BWR AA-(SO) (Stable) (Downgraded)	BWR AA+(SO) (Stable) (Reaffirmation)	
Commercial Paper	Short Term	500.00	BWR A3+ (Downgraded)	BWR A2+ (Reaffirmed)	BWR A2+ (Downgraded)	BWR A1 (Assigned)	NA	NA
Total (excluding withdrawn)		9077.32	Rupees Nine Thousand and Seventy Seven Crores and Thirty Two Lakhs Only					

*Withdrawn on redemption

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NIL

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY :NIL

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Banks and Financial Institutions](#)
- [Short Term Debt](#)

Analytical Contacts	
Nagesh Kadu Rating Analyst Board: +91 22 2831 1426, + 91 22 2831 1439 Ext: 619 nagesh.k@brickworkratings.com	Ramya Muraledharan Director - Ratings +91 22 6745 6660 ramya.m@brickworkratings.com
1-860-425-2742 media@brickworkratings.com	

Annexure-I

INSTRUMENT (Bonds/NCDs) DETAILS

Sr no.	Issue Date	Amount	Coupon	Maturity date	ISIN
1	1/25/2010	2,000,000,000.00	9.75	1/25/2025	INE039A09LC6
2	3/5/2010	2,000,000,000.00	9.55	3/5/2025	INE039A09LG7
3	4/13/2010	2,250,000,000.00	9.55	4/13/2025	INE039A09LK9
4	5/4/2010	2,500,000,000.00	9.70	5/4/2030	INE039A09LL7
5	5/18/2010	2,500,000,000.00	9.70	5/18/2030	INE039A09LM5
6	7/13/2010	2,500,000,000.00	9.75	7/13/2030	INE039A09MC4
7	7/16/2010	5,000,000,000.00	9.75	7/16/2030	INE039A09MD2
8	10/29/2010	2,500,000,000.00	9.98	10/29/2030	INE039A09MN1
9	4/26/2013	3,500,000,000.00	9.75	4/26/2028	INE039A09PR5
10	5/3/2016	5,750,000,000.00	8.55	11/3/2021	INE039A07868
11	7/7/2010	176,534,109	9.75	7/7/2040	INE039A09LS2
12	7/7/2010	193,714,764	9.75	7/7/2039	INE039A09LT0
13	7/7/2010	212,625,014	9.75	7/7/2038	INE039A09LU8
14	7/7/2010	233,380,168	9.75	7/7/2037	INE039A09LV6
15	7/7/2010	256,210,836	9.75	7/7/2036	INE039A09LW4
16	7/7/2010	281,232,326	9.75	7/7/2035	INE039A09LX2
17	7/7/2010	308,559,945	9.75	7/7/2034	INE039A09LY0
18	7/7/2010	338,654,917	9.75	7/7/2033	INE039A09LZ7
19	7/7/2010	371,747,856	9.75	7/7/2032	INE039A09MA8
20	7/7/2010	408,069,374	9.75	7/7/2031	INE039A09MB6
21	6/26/2012	28,000,000.00	10.15	6/26/2022	INE039A09PA1
22	9/28/2012	82,000,000.00	10.50	9/28/2022	INE039A09PE3
23	10/8/2012	54,100,000.00	9.95	10/8/2022	INE039A09PF0
24	10/8/2012	195,900,000.00	10.12	10/8/2022	INE039A09PI4
25	10/8/2012	51,500,000.00	10.10	10/8/2022	INE039A09PJ2



26	11/5/2012	1,068,750,000.00	9.90	11/5/2022	INE039A09PM6
27	11/5/2012	1,068,750,000.00	9.90	11/5/2027	INE039A09PN4
28	11/5/2012	1,068,750,000.00	9.90	11/5/2032	INE039A09PO2
29	11/5/2012	1,068,750,000.00	9.90	11/5/2037	INE039A09PP9
30	8/19/1991	1,473,733,000.00	8.26	8/19/2021	INE039A09179
31	1/13/1992	1,382,500,000.00	8.19	1/13/2022	INE039A09187
32	3/3/1992	462,185,000.00	8.22	3/3/2022	INE039A09195
33	1/25/2002	2,000,000,000.00	6.00	1/25/2022	INE039A09DN0
34	1/1/2014	4,181,885,274.00	9.37	4/1/2022	INE039A09PV7
35	12/12/2011	467,380,000.00	8.50	12/12/2021	INE039A09NX8
36	12/12/2011	190,170,000.00	8.50	12/12/2021	INE039A09NY6
37	12/12/2011	83,095,000.00	8.75	12/12/2026	INE039A09NZ3
38	12/12/2011	27,155,000.00	8.75	12/12/2026	INE039A09OA4
39	2/15/2012	1,909,155,000.00	9.09	2/15/2022	INE039A09OE6
40	2/15/2012	465,390,000.00	9.09	2/15/2022	INE039A09OF3
41	2/15/2012	334,520,000.00	9.16	2/15/2027	INE039A09OG1
42	2/15/2012	91,045,000.00	9.16	2/15/2027	INE039A09OH9
43	3/31/2012	662,870,000.00	8.50	3/31/2024	INE039A09OU2
44	3/31/2012	189,465,000.00	8.50	3/31/2024	INE039A09OV0
45	3/31/2012	181,805,000.00	8.72	3/31/2027	INE039A09OW8
46	3/31/2012	59,815,000.00	8.72	3/31/2027	INE039A09OX6
47	3/31/2012	8,900,000.00	10.25	3/31/2022	INE039A09OT4
48	12/31/2011	17,500,000.00	10.60	12/31/2021	INE039A09OK3
49	8/31/2011	63,800,000.00	10.50	8/31/2021	INE039A09NS8
50	2/28/2012	4,000,000.00	10.25	2/28/2022	INE039A09OR8
51	11/30/2011	3,000,000.00	10.60	11/30/2021	INE039A09OD8
52	12/1/2014	1,767,869,000.00	9.90	12/1/2021	INE039A07785
53	12/1/2014	112,229,000.00	9.90	12/1/2021	INE039A07793
54	12/1/2014	6,061,652,000.00	9.90	12/1/2024	INE039A07801
55	12/1/2014	418,232,000.00	9.90	12/1/2024	INE039A07819
56	2/13/2015	3,028,145,000.00	9.40	2/13/2025	INE039A07843
57	2/13/2015	225,510,000.00	9.40	2/13/2025	INE039A07850
58	8/1/2011	1,696,290,000.00	10.50	8/1/2021	INE039A09NJ7
59	8/1/2011	216,850,000.00	10.50	8/1/2021	INE039A09NK5
60	8/1/2011	4,035,900,000.00	10.75	8/1/2026	INE039A09NL3
61	8/1/2011	649,570,000.00	10.75	8/1/2026	INE039A09NM1
62	8/25/2011	2,000,000,000.00	10.55	8/25/2021	INE039A09NP4
63	10/31/2011	38,910,000.00	10.60	10/31/2021	INE039A09NT6
64	10/31/2011	42,250,000.00	10.60	10/31/2021	INE039A09NU4

65	10/31/2011	745,060,000.00	10.50	10/31/2021	INE039A09NV2
66	10/31/2011	1,024,880,000.00	10.75	10/31/2026	INE039A09NW0
67	2/28/2012	646,950,000.00	10.50	2/28/2022	INE039A09OL1
68	2/28/2012	1,236,340,000.00	10.70	2/28/2027	INE039A09OM9
69	9/18/2012	500,000,000.00	9.98	9/18/2037	INE039A09PD5
70	10/5/2012	200,000,000.00	9.98	10/5/2037	INE039A09PH6
71	10/15/2012	100,000,000.00	9.98	10/15/2032	INE039A09PL8
72	3/31/2014	1,650,000,000.00	8.39	3/31/2024	INE039A09PT1
73	3/31/2014	1,450,000,000.00	8.76	3/31/2029	INE039A09PU9
74	6/29/2020	2,000,000,000.00	9.40	4/21/2023	INE039A08189
75	10/22/2002	500,000,000.00		12/1/2022	
76	9/27/2002	450,000,000.00		11/1/2022	
77	11/18/2002	250,000,000.00		10/1/2022	
78	12/10/2002	500,000,000.00		9/1/2022	

ANNEXURE II

Details of Commercial Papers

Instrument	Issue Date	Amount Rs. Crs.	Coupon Rate	Maturity Date	ISIN Particulars
Proposed CP (Yet to be raised)	-	-	-	-	-



For print and digital media

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