



## RATING RATIONALE

24 Aug 2021

### IFCI Factors Limited

**Brickwork Ratings revises the ratings for the Non Convertible Debentures of Rs. 158.10 Crs. and withdraws Provisional Ratings of proposed Bank Loan facilities of Rs.100 Crs of IFCI Factors Limited**

#### Particulars

Facilities/ Instrument**	Amount (Rs. Crs)		Tenure	Rating*	
	Previous	Present		Previous	Present
Non Convertible Debentures (NCD)	158.10	<b>158.10</b>	Long Term	BWR BB+/Stable (24 Aug 20)	<b>BWR BB/Stable (Downgrade)</b>
Proposed Bank Loans	100.00	<b>0.00</b>	Long Term	Provisional BWR BBB+ (CE) / Stable (23 Nov 20)	<b>Withdrawn#</b>
Total	258.10	<b>158.10</b>	<b>Rs. One Hundred Fifty Eight Crores and Ten Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*\* Details of Instruments (NCDs) is provided in Annexure-II

#Withdrawn at the request of the Company and based on the confirmation from company that the facilities have not been raised

#### RATING ACTION / OUTLOOK

BWR has revised the rating of the NCDs of IFCI Factors Ltd. (IFL or ‘the Company’) from ‘BWR BB+/ Stable’ to ‘BWR BB/ Stable’, as tabulated above. The rating revision factors in the deterioration in financial performance with GNPA levels increasing from 60.01% (Rs.349.96 Crs) in FY 20 to 63.35% (Rs.344.41 Crs) in FY 21 and 70.39% (Rs. 357.26 Crs) at the end of Jun 2021 , degrowth in AUM over the past 3 years from Rs. 705.41 Crs in FY 18 to 543.68 Crs in FY 21 to Rs.507.57 Crs at the end of Jun 30th 2021, continued losses over the past 3 years with losses of 9.80 Crs at the end of FY 21 and 3.58 Crs at the end of Jun 30th 2021. Additionally BWR also notes the continued deterioration in performance of the parent entity, IFCI Ltd, basis which BWR had downgraded IFCI’s ratings from A+ (CE)/BBB+Negative, A2+ to BBB+/BBB- Negative, A3+ in July 2021.

Further, BWR has withdrawn Provisional ratings assigned to the proposed Bank Loan facilities of Rs.100 Crores, backed by Credit Enhancement, based on the request from the Company and based on the confirmation provided by the company that the facilities have not been raised. The withdrawal is in line with BWR’s internal policy on withdrawal of ratings.



## KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED - NA

### KEY RATING DRIVERS

#### Credit Strengths:-

- **Moderate Gearing** : The company's outstanding borrowings are in the form of working capital facilities and NCDs. The Working Capital Facilities are backed by Letter of Comfort from IFCI Ltd. The company has repaid all its term loans. The NCDs have the nearest maturity date in March 2023. Hence the Company has moderate obligations in the short term. The Debt Equity ratio of the company improved to 1.80 times as on March 31, 2021 from 1.96 times as on March 31, 2020, primarily due to repayment of term loans.
- **Experienced Board and Senior Management:** The company is headed by Mr. Bikash Roy (MD) who is deputed from IFCI Limited. He is accompanied by Mr. Manish Jain (CFO), a chartered accountant with over 10 years of experience in Banking and Finance Sector. The company's board consists of 2 nominee directors and 3 experienced directors along with Mr. Bikash Roy (MD) and Mr. Manoj Mittal (Chairman).

#### Credit Risks:-

- **Decline in AUM:** The AUM of the company has continued to decline year on year. As of March 31, 2021, the Portfolio was at Rs.543.68 Cr (PY:Rs.581.92 Cr). It has further decreased to Rs.507.57 Cr as on June 30, 2021 mainly due to limited fresh disbursements amid Covid-19 Pandemic. The portfolio at the end of June 2021 comprised of unsecured domestic factoring portfolio (~62% of portfolio), Corporate Loans Backed by Securities (~ 10%), Domestic Factoring Backed by Bank Guarantees (~9%), Domestic Factoring backed by securities other than BG (~7%), Corporate Loans Backed by BG and unsecured corporate loans (~6% each). The Company is now focused on the co-lending space and is in discussions with various banks/ NBFCs.
- **Weak Asset Quality and limited recoveries during FY 21:** The asset quality of the Company has been weakening over the years. GNPA as on March 31, 2021 was 63.35% (PY: 60.02%) and NNPA was 12.95% (PY:13.99%). As on June 30, 2021, GNPA has risen to 70.39% and NNPA was at 21.50%. The recoveries have been hampered during FY 21 wherein IFL could only recover Rs.3.87 Crs as against a recovery of Rs. 39.41 Crs in FY 19 and Rs.18.20 Crs during FY 20. Asset quality and improvement in recoveries would be monitorables.
- **Continued Losses:** The company has reported net losses of Rs.9.80 Cr for FY21 (PY:Rs.5.39 Crs). The loss is after considering deferred tax credits of Rs.6.42 cr (PY:Rs.2.42 Cr). IFL has continued to incur losses during Q1 of FY22 and had a net loss of Rs.3.58 Cr for the quarter ended June 30, 2021. The ability of the Company to improve its profitability would be a key rating monitorable.



- **Moderate Capitalisation:** With nil infusion of capital during the past 2 years, CRAR of the company as on March 31, 2021 has deteriorated to 15.61% from 18.88% as on March 31, 2020. CRAR is moderately above the regulatory requirements and additional capital infusion would be required to ensure future growth in business.

#### **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**

To arrive at its ratings, BWR has considered the standalone financials of IFCI Factors Ltd. BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

#### **RATING SENSITIVITIES**

**Positive:** The company's ability to grow its portfolio while substantially improving the asset quality, profitability, NPA recoveries and capitalisation are key rating positives.

**Negative:** The weakening of the asset quality and earnings profile and/or a deterioration in capitalisation and liquidity are key rating negatives.

**Coronavirus disease (COVID-19):** Coronavirus disease (COVID-19), declared a pandemic by the World Health Organisation (WHO), has become a full-blown crisis globally, including in India. BWR is actively engaging with its clients on a continuous basis and taking updates on the impact on its operations and liquidity situation. BWR will take appropriate rating actions as and when it deems necessary and will publish the same.

#### **LIQUIDITY INDICATORS (ADEQUATE)**

As on June 30, 2021, the company had unencumbered Cash/ Bank Balance of Rs.17.05 Cr and Unutilised working capital limits of Rs.76.20 Cr. The company has repaid all its term loans. The resource profile consists only of NCDs and working capital facilities. The NCDs have the nearest maturity date in March 2023. Therefore, liquidity seems adequate.

#### **COMPANY's / FIRM's PROFILE**

IFCI Factors Limited (erstwhile Foremost Factors Limited) was incorporated on 14/12/1995 and is a subsidiary of IFCI Limited. It has a Registered office and Corporate office at New Delhi and 6 regional offices across the country.

The company is engaged in lending business by way of Domestic Sales Bill Factoring, Purchase Bill Factoring, Export Sales Bills factoring and Corporate Loans. Corporate Loans / Short Term Loans are offered to the customers for general purpose / augmenting their working capital needs.

**KEY FINANCIAL INDICATORS - IFCI FACTORS LTD.**

		FY20	FY21
Result Type		Aud.	Aud.
Total AUM	Rs. Crores	<b>581.92</b>	<b>543.68</b>
Tangible Net Worth*	Rs. Crores	126.10	116.10
Revenue from Operations	Rs. Crores	38.18	29.81
PAT	Rs. Crores	-5.39	-9.80
Gearing	Times	1.96	1.80
GNPA%	%	60.02%	63.35%
NNPA%	%	13.99%	12.95%
Total CRAR%	%	18.88%	15.61%

\*before adjusting DTA

**NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY : NIL**

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

S.No.	Instrument	Current Rating			Rating History		
		Type	Amount Outstanding (Rs. Crs)	Rating	2020	2019 (14 Aug 19)	2018 (14 Aug 18)
1	NCD	Long Term	158.10	BWR BB/Stable (Downgrade)	BWR BB+/Stable (Reaffirmation) <b>(24 Aug 20)</b>	BWR BB+/Stable (Downgrade)	BWR BBB/ Stable (Downgrade)
2	Proposed Bank Loans	Long Term	--	--	Provisional BWR BBB+ (CE) / Stable <b>(23 Nov 20)</b>	-	-
	<b>Total</b>		<b>158.10</b>	<b>(Rupees One Hundred Fifty Eight Crore and Ten Lakh Only)</b>			

**COMPLEXITY LEVELS OF THE INSTRUMENTS:**

- NCDs of Rs.58.10 Crs (ISIN:INE494M09031 and INE494M09056) : **Complex** ;
- NCDs of Rs.100 Crs (ISIN:INE494M09072): **Simple**

For more information on complexity of instruments, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)



**Hyperlink/Reference to applicable Criteria**

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

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**IFCI Factors Ltd.**

**ANNEXURE I**

**Details of Bank Loan Facilities rated by BWR - NA (Proposed Bank Loan Ratings withdrawn)**

**ANNEXURE II**

**Details of NCDs rated by BWR**

Instrument	Allotment Date	Amount Rs. Crs.	Coupon Rate	Maturity Date	ISIN Particulars
NCD	March 28, 2013	17.00	10.25% (Fixed, Annual)	March 28, 2023	INE494M09031
NCD	April 23, 2013	41.10	10.20% (Fixed, Annual)	April 23, 2023	INE494M09056
NCD	May 17, 2013	100.00	10.24% (Fixed, Annual)	May 17, 2023	INE494M09072

**Rs. One Hundred and Fifty Eight Crs and Ten Lacs Only**

**ANNEXURE III**

**List of entities consolidated - NA**



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