September 16, 2025

IFCI Limited: Ratings continues on watch with developing implications

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Fund-based/Non-fund based bank limits	300.00	300.00	[ICRA]B+; Rating continues on watch with developing implications
Long-term bonds (incl. sub-debt)	913.10	913.10	[ICRA]B+; Rating continues on watch with developing implications
Bonds/NCD programme	973.35	-	[ICRA]B+; Rating continues on watch with developing implications and withdrawn
Commercial paper programme	500.00	500.00	[ICRA]A4; Rating continues on watch with developing implications
Total	**2,686.45**	**1,713.10**	

**Instrument details are provided in Annexure I*

Rationale

The ratings remain on Watch with Developing Implications as clarity is still awaited on the approval, structure and timelines of the proposed consolidation of the IFCI Group[1], which includes the merger/amalgamation of IFCI Limited (IFCI) and Stock Holding Corporation of India Limited (StockHolding; rated [ICRA]AA-; RWD[2]) and other Group companies. StockHolding is a subsidiary of IFCI (52.86% stake as on June 30, 2025). IFCI had received in-principle approval from the Department of Financial Services (DFS), Ministry of Finance, to explore the consolidation of the IFCI Group in November 2024. Subsequently, a transaction advisor was appointed, and based on their evaluation, IFCI's board, in its meeting held on July 14, 2025, recommended the Group consolidation to the Government of India (GoI) for approval. The proposed merger includes:

1. Consolidation of StockHolding, IFCI Factors Limited, IFCI Infrastructure Development Limited, and IIDL Realtors Limited with IFCI (referred to as the resultant entity);
2. Consolidation of the broking businesses housed under Stock Holding Services Limited, IFCI Financial Services Limited, IFIN Commodities Limited, IFIN Credit Limited and IFIN Securities Finance Limited into a single entity, which will be a direct subsidiary of the resultant entity;
3. Other Group entities – Stock Holding Document Management Services Limited (rated [ICRA]A+(CE) RWD), Stock Holding Securities IFSC Limited, IFCI Venture Capital Funds Limited and MPCON Limited may continue to remain direct subsidiaries of the resultant entity;
4. IFCI's board has recommended the divestment of its shareholding in MPCON Limited to the GoI for approval.

Once IFCI receives GoI approval, the consolidation process would begin, including obtaining various other regulatory/statutory approvals.

Post-merger, ICRA expects IFCI to continue as the resultant entity with the GoI expected to remain the single largest shareholder. ICRA notes that StockHolding has a 4.44% stake in National Stock Exchange Limited, which adds significant financial flexibility to StockHolding. However, the timing of the consolidation of the IFCI Group, the timing and quantum of NSE stake monetisation and the extent of IFCI's debt reduction by the time of consolidation will be key monitorable factors.

The rating watch may be resolved once there is clarity on the timeline for the implementation of the consolidation, transaction structure, operational profile, financial metrics, and the GoI's stake in the merged entity.

[1] *IFCI Limited and its subsidiaries and associates are collectively referred to as the IFCI Group or the Group*

[2] *RWD – Rating Watch with Developing Implications*

The ratings continue to factor in IFCI Limited's weak financial profile as reflected in the Tier I capital of -21.85% as on June 30, 2025 (-23.04% as on March 31, 2025, -48.36% as on March 31, 2024). IFCI has managed its debt repayments during the last few years by running down its standard loan book, making recoveries from non-performing assets (NPAs), divesting its non-core assets and capital infusions by the GoI. ICRA notes that the company has enough liquidity on its balance sheet to manage the debt servicing obligations falling due in FY2026, as there are no sizeable debt maturities in the near term. Nevertheless, with a negligible standard loan book, the long-term repayment obligations remain dependent on IFCI's ability to effect recoveries against its NPAs and divest its non-core assets along with timely financial support from the GoI.

Cumulatively, the GoI has infused capital of Rs. 2,000 crore over FY2020-FY2025 (Rs. 500 crore each in FY2025, FY2024 and FY2023, Rs. 100 crore in FY2022 and Rs. 200 crore each in FY2021 and FY2020). However, the quantum of capital remains limited in relation to the company's capital requirements, given its negative Tier I capital and the high level of stressed assets. However, its ability to manage debt repayments can improve considerably once the proposed consolidation takes place, which will depend on the extent of reduction in IFCI's own debt and the quantum of stake in NSE held by StockHolding at the time of the merger.

ICRA has withdrawn the rating assigned to the Rs. 973.35-crore bonds/non-convertible debenture (NCD) programme as these have been fully redeemed with no amount outstanding against the same. The rating was withdrawn in accordance with ICRA's withdrawal policy (click here for the policy).

Key rating drivers and their description

Credit strengths

Not applicable

Credit challenges

Liquidity risk persists – IFCI remains highly dependent on recoveries from its stage 3 assets to service its total debt obligations. It recovered Rs. 121 crore from its NPAs[3] in Q1 FY2026 (Rs. 580 crore in FY2025, Rs. 991 crore in FY2024) compared to debt servicing obligations of Rs. 268 crore in FY2026. As on June 30, 2025, IFCI's standard loan book (net stage 1 and stage 2) stood at Rs. 78 crore (Rs. 80 crore as on March 31, 2025 and Rs. 83 crore as on March 31, 2024) due to continuing repayments/prepayments and a pause on incremental disbursements. Consequently, cash flows from standard assets will be limited on an incremental basis.

For the rest of FY2026, the company has enough liquidity (around Rs. 550 crore as on August 20, 2025) on its balance sheet to manage its debt servicing obligations as no sizeable debt maturity is falling due this fiscal. Nevertheless, the overall total debt outstanding was Rs. 4,362 crore (including interest accrued but not due) as on March 31, 2025. In the absence of the proposed consolidation going through, there remains uncertainty regarding the source of funds for meeting the said debt servicing obligations.

Timely support from GoI continues to remain critical– As on June 30, 2025, the GoI held a majority stake (72.57%) in IFCI. With regular capital infusions, the stake increased from 56% as on March 31, 2020. The GoI has not yet allocated any equity capital infusion for IFCI for FY2026 and the same may not be required (except for any, if planned, as per the consolidation scheme), given the proposed consolidation and the presence of enough liquidity to meet the debt servicing obligations in FY2026. Nevertheless, ICRA maintains that IFCI's capital requirement is high, given the sizeable debt levels in relation to standard advances. Therefore, timely and meaningful support from the GoI will remain critical. As a step towards its revival, the proposed group consolidation plan appears to be progressing, though any other plan or option by the DFS cannot be ruled out.

Weak asset quality and capital position – IFCI's asset quality remains weak, with gross stage 3 assets of Rs. 4,202[4] crore (98.15% of gross loans) as on June 30, 2025 against Rs. 4,286 crore (98.15% of gross loans) as on March 31, 2025 (Rs. 4,942 crore as on March 31, 2024) because of negligible fresh disbursements in the last few years and the rundown of the loan book

[3] *This Data is including NPA Recovery/SR receipt/ Project Equity Divestment*
[4] *Gross stage 3 assets include assets classified under stage 3, reclassified security receipts and income recognised on stage 3 assets*

to meet debt repayments. Furthermore, IFCI's share of net stage 3 assets in the overall net loans and advances stood at 93.77% as on June 30, 2025 and 94.03% as on March 31, 2025 (94.53% as on March 31, 2024).

Since the December 2020 quarter, the Tier I capital remained negative and stood at -Rs. 719 crore or -21.85% as on June 30, 2025 compared to -Rs. 811 crore or -23.04% as on March 31, 2025. The Tier I capital position remains much lower than the reported net worth of Rs. 1,743 crore as on June 30, 2025, as it excludes net deferred tax assets and investments in subsidiaries. Government-owned non-banking financial companies (NBFCs) are required to maintain Tier I of 10% and a capital-to-risk weighted assets ratio (CRAR) of 15%. Unless the proposed consolidation goes through, IFCI's weak asset quality and capital position are unlikely to improve without a substantial capital infusion.

Earnings profile to remain weak amid declining loan book and high level of stressed assets – With a standard net loan book of Rs. 80 crore and debt of Rs. 4,362 crore (including interest accrued but not due) as on March 31, 2025, IFCI's interest-bearing assets are much lower than its interest-bearing liabilities. Hence, the net interest income (NII) is negative on a cash basis. Although the company reported a net profit of Rs. 44 crore in FY2025 (Rs. 128 crore in FY2024), driven by recoveries from stage 3 assets and non-interest income (dividend income, fee/commission income, rental and other income), the same will continue to be driven by recoveries from NPAs.

Given its weak funding profile and stretched liquidity position, IFCI's fresh net sanctions and disbursements remained nil in FY2025. Hence, the declining standard loan book and funding constraints, which have limited fresh business activity, continue to affect the earnings profile. Upon the approval and implementation of the proposed plan submitted to the GoI, clarity on IFCI's long-term business plan will also be a driver of its credit profile.

Liquidity position: Stretched

The company carries sufficient liquidity as on date to meet its near-term debt servicing obligations for FY2026. It had cash and cash equivalents of ~Rs. 550 crore as on August 20, 2025 against debt servicing obligations of Rs. 268 crore during the rest of FY2026. However, the debt servicing ability subsequently remains contingent on its ability to ensure meaningful recoveries from its sizeable NPA pool along with capital support from the GoI.

Rating sensitivities

Positive factors – The rating watch may be resolved once there is clarity on the transaction structure, operational profile, financial metrics, and the GoI's stake in the merged entity. Further, given the current significantly weak capital position, liquidity, solvency profile and earnings outlook, the ratings could be upgraded if IFCI's strategic importance to the GoI increases significantly.

Negative factors – The ratings could be downgraded on further weakening of the liquidity position in the absence of the conclusion of the proposed consolidation plan.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	ICRA's Credit Rating Methodology for Non-banking Finance Companies ICRA's Policy on Withdrawal of Credit Ratings
Parent/Group support	The ratings factor in IFCI's sovereign ownership and the track record of capital infusions by the GoI.
Consolidation/Standalone	To arrive at the ratings, ICRA has considered IFCI's standalone financials.

About the company

The GoI established the Industrial Finance Corporation of India (IFCI) on July 01, 1948 as a development financial institution (a statutory corporation) to cater to the long-term financial needs of the industrial sector. IFCI's constitution was changed in 1993, transitioning from a statutory corporation to a company under the Indian Companies Act, 1956. Subsequently, its name was changed to IFCI Limited with effect from October 1999. The company's financing activities covered various kinds of projects spanning airports, roads, telecom, power, real estate, manufacturing, services and other such allied industries. However, IFCI's lending operations stopped in FY2022 due to capital and liquidity constraints.

Key financial indicators (standalone)

IFCI Limited	FY2024	FY2025	Q1 FY2026
Total income	709	737	122
PAT	128	44	7
Total managed assets	10,007	9,386	7,036
Return on managed assets	1.35%	0.45%	0.36%^
Reported gearing (Debt/Net worth; times)	4.49	2.18	2.04
Gross stage 3	97.94%	98.15%	98.15%
CRAR	(48.35%)	(23.04%)	(21.85%)

Source: IFCI, ICRA Research
Total income = Gross interest income + Non-interest income (excluding net gain on fair value changes)
Note: Amount in Rs. crore; All calculations are as per ICRA Research; ^ Calculated on annualised basis

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years			
		Type	Amount rated	Date & rating in FY2026	Date & rating in FY2025		Date & rating in FY2024	Date & rating in FY2023
			(Rs. crore)	Sep-16-2025	Dec-03-2024	May-28-2024	May-29-2023	Aug-17-2022
1	Fund-based bank limits	LT	-	-	-	-	-	[ICRA]B+ (Negative)
2	Fund-based/Non-fund based bank limits – Unallocated	LT	300.00	[ICRA]B+; Rating Watch with Developing Implications	[ICRA]B+; Rating Watch with Developing Implications	[ICRA]B+ (Negative)	[ICRA]B+ (Negative)	-
3	Long-term bonds (incl. sub-debt)	LT	913.10			[ICRA]B+ (Negative)	[ICRA]B+ (Negative)	[ICRA]B+ (Negative)
			-	-	-	[ICRA]B+ (Negative); withdrawn	[ICRA]B+ (Negative); withdrawn	[ICRA]B+ (Negative); withdrawn
4	Bonds/NCD programme	LT	973.35	[ICRA]B+; Rating Watch with Developing Implications withdrawn	[ICRA]B+; Rating Watch with Developing Implications	[ICRA]B+ (Negative)	[ICRA]B+ (Negative)	[ICRA]B+ (Negative)
			-	-	-	-	-	[ICRA]B+ (Negative); withdrawn
5	Commercial paper	ST	500.00	[ICRA]A4; Rating Watch with Developing Implications	[ICRA]A4; Rating Watch with Developing Implications	[ICRA]A4	[ICRA]A4	[ICRA]A4

LT – Long term; ST – Short term

Complexity level of the rated instruments

Instrument	Complexity indicator
Unallocated bank limits	Not applicable
Long-term bonds (incl. sub-debt)	Simple
Commercial paper	Very simple
Bonds/NCD programme	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance/ Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
Long-term bonds (incl. subordinated debt)						
INE039A09NZ3	Infra Bonds Series-III OP- III - Cumulative	Dec-12-2011	8.75%	Dec-12-2026	7.70	[ICRA]B+; Rating Watch with Developing Implications
INE039A09OA4	Infra Bonds Series-III OP- IV - Annual	Dec-12-2011	8.75%	Dec-12-2026	2.60	
INE039A09OG1	Infra Bonds Series-IV OP- III - Cumulative	Feb-15-2012	9.16%	Feb-15-2027	30.99	
INE039A09OH9	Infra Bonds Series-IV OP- IV - Annual	Feb-15-2012	9.16%	Feb-15-2027	9.03	
INE039A09OW8	Infra Bonds Series-V OP- III - Cumulative	Mar-31-2012	8.72%	Mar-31-2027	17.28	
INE039A09OX6	Infra Bonds Series-V OP- IV - Annual	Mar-31-2012	8.72%	Mar-31-2027	5.83	
INE039A09NL3	Sub Bonds Series- I OP- III - Annual	Aug-01-2011	10.75%	Aug-01-2026	403.59	
INE039A09NM1	Sub Bonds Series- I OP- IV - Cumulative	Aug-01-2011	10.75%	Aug-01-2026	64.96	
INE039A09NW0	Sub Bonds Series- III OP- IV - Annual	Oct-31-2011	10.75%	Oct-31-2026	102.49	
INE039A09OM9	Sub Bonds Series- IV OP- II - Annual	Feb-28-2012	10.70%	Feb-28-2027	123.63	
INE039A09PU9	Tax Free Bonds I-OP B	Mar-31-2014	8.76%	Mar-31-2029	145.00	
	Total				**913.10**	
Bonds/NCD programme						
INE039A07801	Public issue-Tranche I	Dec-01-2014	9.90%	Dec-01-2024	606.17	[ICRA]B+; Rating Watch with Developing Implications withdrawn
INE039A07819		Dec-01-2014	9.90%	Dec-01-2024	41.82	
INE039A07843	Public issue-Tranche II	Feb-13-2015	9.40%	Feb-13-2025	302.81	
INE039A07850		Feb-13-2015	9.40%	Feb-13-2025	22.55	
	Total				**973.35**	
Fund-based/Non-fund based bank limits*						
NA	Fund-based/Non-fund based bank limits – Unallocated				**300.00**	[ICRA]B+; Rating Watch with Developing Implications
Commercial paper						
Unplaced*	**Commercial paper**	-	-	-	**500.00**	[ICRA]A4; Rating Watch with Developing Implications

**As on Aug 31, 2025*

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Not applicable

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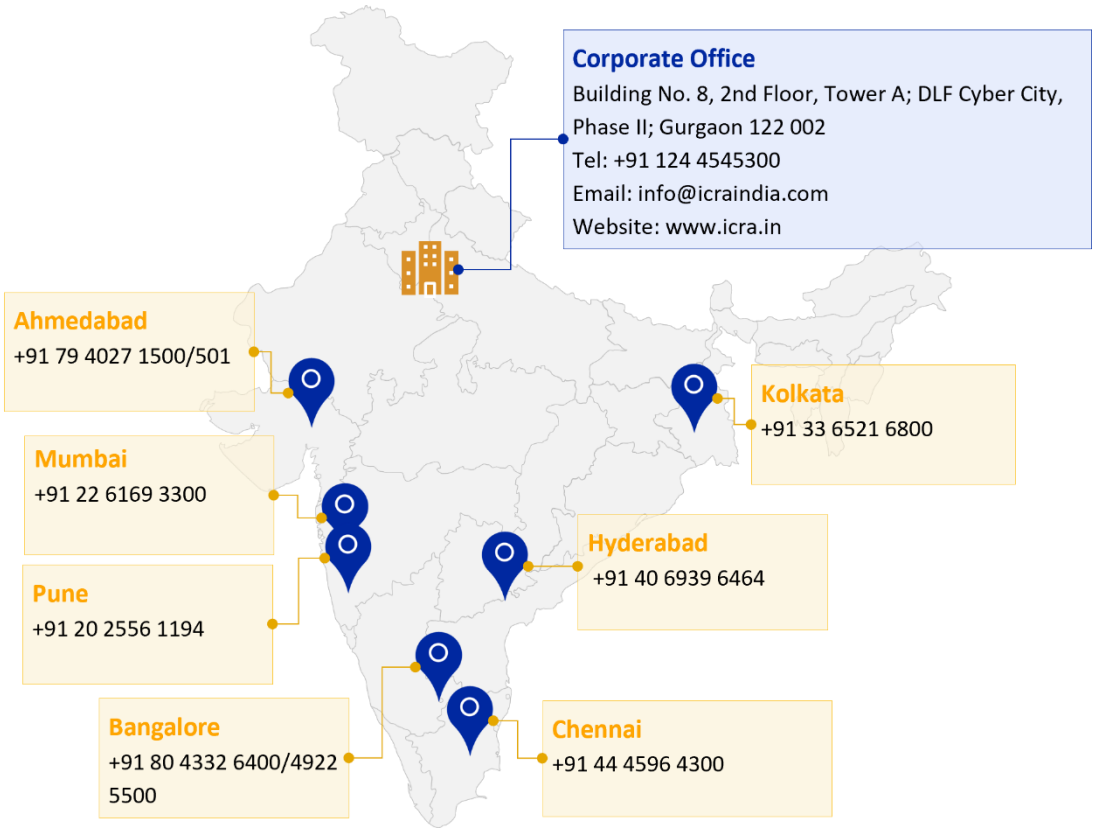

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