

December 03, 2024

IFCI Limited: Ratings placed 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+; Placed on Rating Watch with Developing Implications
Long-term bonds (incl. sub-debt)	913.10	913.10	[ICRA]B+; Placed on Rating Watch with Developing Implications
Bonds/NCD programme	973.35	973.35	[ICRA]B+; Placed on Rating Watch with Developing Implications
Commercial paper programme	500.00	500.00	[ICRA]A4; Placed on Rating Watch with Developing Implications
Total	2,686.45	2,686.45	

*Instrument details are provided in Annexure I; NCD – Non-convertible debenture

Rationale

Material Event

On November 22, 2024, IFCI Limited (IFCI) announced that it had received communication from the Department of Financial Services (DFS), Ministry of Finance, Government of India (GoI), granting in-principle approval to consider the consolidation of the IFCI Group¹ as a way forward for IFCI. This would entail the merger/amalgamation of IFCI and StockHolding Corporation of India Limited (SHCIL; rated [ICRA]AA-; RWD²) and other Group companies as detailed below:

1. Consolidation of SHCIL, 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 StockHolding Services Limited, IFCI Financial Services Limited, IFIN Commodities Limited and IFIN Credit Limited into a single entity, which will be a direct subsidiary of the resultant entity
3. Other Group entities – StockHolding Document Management Services Limited (rated [ICRA]A+(CE) RWD), StockHolding Securities IFSC Limited, IFIN Securities Finance Limited, IFCI Venture Capital Funds Limited and MPCON Limited may continue to remain direct subsidiaries of the resultant entity

DFS has advised IFCI to take further necessary action and commence the process in accordance with the applicable laws, rules and regulations. Accordingly, its board of directors gave in-principle approval to consider the aforementioned consolidation and commence the process in accordance with regulatory/statutory/applicable laws, rules, regulations, guidelines, framework, standards, etc.

Impact of material event

IFCI's liquidity remains stretched owing to its forthcoming debt maturities, which are sizeable in relation to its on-balance sheet liquidity and depends significantly upon recoveries from its non-performing loans or capital support from the GoI. The company's standalone debt was Rs. 5,134 crore as on September 30, 2024, while other Group companies remain largely debt-free. Post the proposed merger (as outlined above), in ICRA's assessment, IFCI will continue as the resultant entity and will

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

benefit from the sizeable stake held by SHCIL in the National Stock Exchange, thus improving its financial flexibility. In this regard, the timing and quantum of the monetisation of the NSE stake and the extent of reduction in IFCI's debt by the time of the consolidation would remain monitorable for the credit profile of the resultant entity. ICRA expects that Gol will continue to remain the single largest shareholder in the resultant entity. The rating watch could be resolved once the details of the transaction are finalised and clarity emerges on the resultant entity, its operational profile and financial metrics including capitalisation, leverage, liquidity, etc., as well as the Gol's stake in the resultant entity. Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position, rating sensitivities and key financial indicators: [Click Here](#)

Analytical approach

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

About the company

The Gol 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 to a company under the Indian Companies Act, 1956, from a statutory corporation. 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 has not lent since FY2022 due to capital and liquidity constraints.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2025)				Chronology of Rating History for the Past 3 Years				
		Type	Amount Rated	Date & Rating in FY2025		Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022		
			(Rs. crore)	Dec-03-2024	May-28-2024	May-29-2023	Aug-17-2022	Nov-30-2021	Aug-11-2021	Jun-28-2021
1	Fund-based bank limits	LT	0.00		-	-	[ICRA]B+ (Negative)	[ICRA]B+ (Negative)	[ICRA]BB (Negative)	[ICRA]BBB- (Negative)
2	Fund-based/Non- fund based bank limits – Unallocated	LT	300.00	[ICRA]B+; Rating Watch with Developing Implications	[ICRA]B+ (Negative)	[ICRA]B+ (Negative)	-	-	-	-
4	Long-term bonds (incl. sub-debt)	LT	913.10		[ICRA]B+ (Negative)	[ICRA]B+ (Negative)	[ICRA]B+ (Negative)	[ICRA]B+ (Negative)	[ICRA]BB (Negative)	[ICRA]BBB- (Negative)
			250.62		[ICRA]B+ (Negative) Withdrawn	[ICRA]B+ (Negative) Withdrawn	[ICRA]B+ (Negative); withdrawn	[ICRA]B+ (Negative); withdrawn	[ICRA]BB (Negative)	[ICRA]BBB- (Negative)
5	Bonds/NCD programme	LT	973.35		[ICRA]B+ (Negative)	[ICRA]B+ (Negative)	[ICRA]B+ (Negative)	[ICRA]B+ (Negative)	[ICRA]BB (Negative)	[ICRA]BBB- (Negative)
			-				[ICRA]B+ (Negative); withdrawn	[ICRA]B+ (Negative)	[ICRA]BB (Negative)	[ICRA]BBB- (Negative)
6	Commercial paper	ST	500.00	[ICRA]A4; Rating Watch with Developing Implications	[ICRA]A4	[ICRA]A4	[ICRA]A4	[ICRA]A4	[ICRA]A4	[ICRA]A3

^a As on September 30, 2024 (CP is NIL as the instrument has not been placed); 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
Bonds/NCD programme	Simple
Commercial paper	Very 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	
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*							
	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 November 29, 2024

[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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About ICRA Limited:

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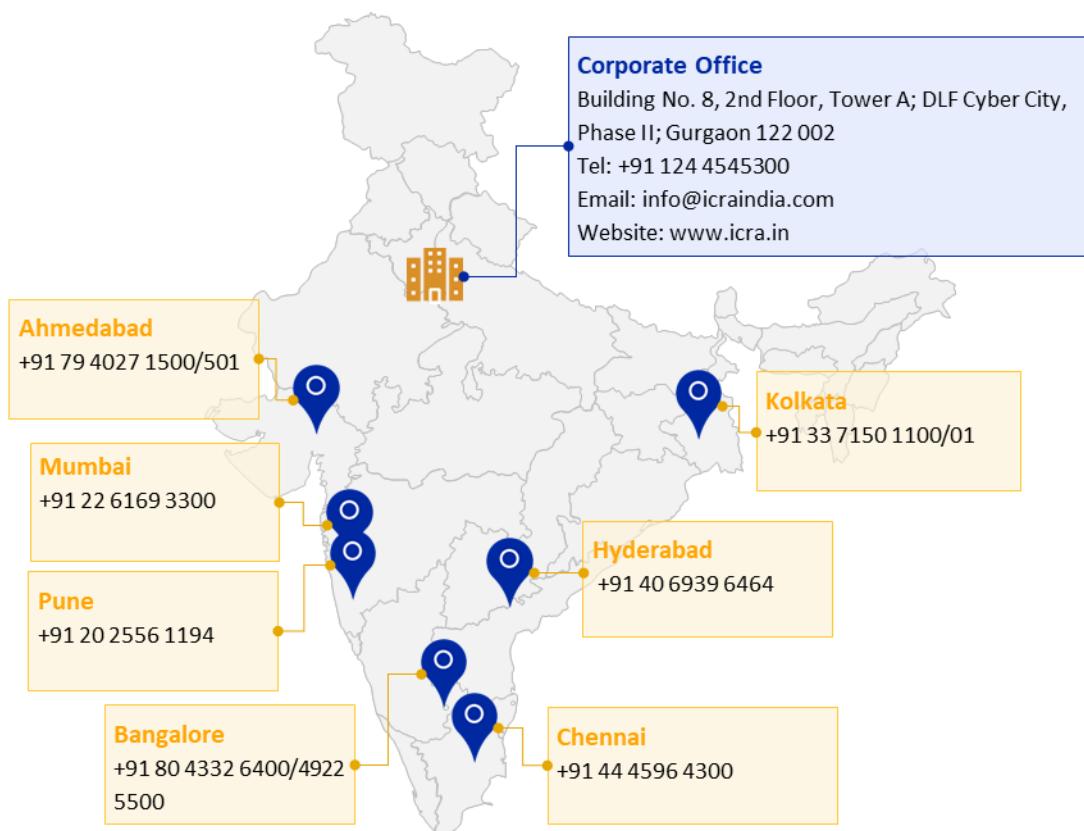
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