IFCI Ltd — 18 Aug 2025 Credit Rating Summary

Section	Details
Agency	CARE Ratings Ltd.
Rating Change	**CARE BB (RWD)** • No change in notch; remains on Rating Watch with Developing Implications.
Outlook (Current vs Previous)	**RWD** (Current) vs **Negative** (assigned prior to Dec 2024 merger announcement).
Key Drivers of Change	1. **Proposed Group Merger:** Amalgamation with Stockholding Corp and other subsidiaries recommended to GoI; potential for fundamental balance sheet reset. 2. **Capital Infusion:** ₹1,000 Cr equity from GoI in FY25 turned Tangible Net Worth (TNW) positive to ₹766 Cr (from -₹92 Cr). 3. **Extreme Asset Stress:** GNPA remains critical at 95.98% (FY25); the lending business is effectively dormant. 4. **Operational Stagnation:** Zero new disbursements for 4 consecutive years; Interest Income dropped 18% to ₹351 Cr.
Rated Instruments	1. **NCDs:** ₹695.37 Cr (CARE BB, RWD) 2. **Subordinated Bonds:** ₹571.04 Cr (CARE BB, RWD) 3. **Unsecured Redeemable NCDs:** ₹250.00 Cr (CARE BB, RWD) 4. **Bank Facilities:** ₹200.00 Cr (CARE BB, RWD)
Key Observations	**Positives:** • Sovereign Support: 72.57% GoI ownership is the primary rating floor. • Recovery Momentum: Recovered ₹580 Cr from NPAs in FY25. • Positive TNW: Equity infusion fixed the eroded net worth. **Risks:** • Solvency: CAR is still deeply negative at -23.04% (despite infusion). • Asset Quality: 95.98% GNPA and 79.69% NNPA indicate a legacy toxic book. • Profitability: PAT dropped 65% to ₹43.8 Cr; ROTA moderated to 0.51% (from 1.61%). • Liquidity: Stretched; ₹499 Cr debt outflow vs. uncertain NPA recovery timelines.
Investor Impact	• **Growth:** Non-existent; the company is in "recovery mode" rather than "lending mode." • **Margins:** NIM is negative (-2.18%); high interest costs on legacy debt eat into shrinking income. • **Dilution Risk:** Very High; "substantial" further equity needed to meet regulatory CAR and restart lending. • **Leverage:** Technical insolvency continues if GoI support is excluded.
Agency / Cross Analysis	**Same Agency:** CARE maintained the BB notch but shifted from 'Negative' to 'RWD' in Dec 2024 following the merger news. While financials (ROTA, PAT) deteriorated in FY25, the rating is held steady by the ₹1,000 Cr GoI infusion and the pending consolidation catalyst. **Conclusion: Deterioration** in core operations/yields, but **Improvement** in survival probability due to merger/GoI capital.
Final Inference	IFCI is a "Sovereign-backed Zombie Entity." For equity investors, the value is not in the loan book (which is 96% dead) but in the **merger-led restructuring** and potential for GoI to convert it back into a functional DFI.