

IFCI Ltd — 03 Dec 2024 Credit Rating Summary

| Section | Details |
|-------------------------------|---|
| Agency | CARE Ratings Ltd. |
| Rating Change | CARE BB (Placed on Rating Watch with Developing Implications) |
| Outlook (Current vs Previous) | RWD vs Negative |
| Key Drivers of Change | <ol style="list-style-type: none"> Consolidation Event: Proposed merger with Stockholding Corporation of India (SHCIL) and other subsidiaries; potential for structural balance sheet transformation. Govt. Support: GoI infused ₹500 Cr (FY24) and ₹400 Cr (FY23), increasing stake to 71.72%. NPA Recoveries: ₹51 Cr recovered in FY24, leading to a PAT of ₹128 Cr (vs. ₹288 Cr loss in FY23). Operational Pivot: Cessation of fresh lending (since FY22) to focus on advisory and recoveries. |
| Rated Instruments | <ul style="list-style-type: none"> NCDs: ₹695.35 Cr |
| Key Observations | <ul style="list-style-type: none"> (+) Turnaround: Reported RoTA of 1.61% in FY24 driven by impairment reversals, not core operations. (+) PCR: Provision Coverage Ratio improved to 90.62%. (-) Lethal Asset Quality: GNPA stands at a staggering 96.22%; loan book shrunk 27% to ₹1,306 Cr. (-) Capital Deficiency: CAR is -48.35% (Regulatory req: 15%), indicating total technical insolvency without GoI support. (-) Negative NII: Interest expense (₹573 Cr) exceeds interest income, resulting in NII of -₹143 Cr. (-) Liquidity Gap: Projected 1-year outflow of ₹2,147 Cr vs. inflows of ₹1,487 Cr (₹660 Cr deficit). |
| Investor Impact | <ul style="list-style-type: none"> Dilution Risk: Persistent need for GoI capital suggests ongoing equity dilution for minority holders. Growth: Zero growth in lending; stock is a "recovery play" rather than a financial services play. Merger Arbitrage: Valuation will shift from a standalone "zombie" NBFC to a consolidated entity with SHCIL's profitable fee-based business. |
| Agency / Cross Analysis | <p>Same Agency (CARE): Rating moved from "Negative" to "Watch" status. While financials (CAR, GNPA) remain at "D" (Default) levels of distress, the RWD reflects a pivot from <i>fundamental decline</i> to <i>structural reorganization</i>. The agency is waiting for the post-merger organizational structure to decide if the consolidated entity can sustain a higher rating.</p> |
| Final Inference | <p>IFCI is a "Zombie NBFC" kept alive solely by GoI equity and the liquidation of old assets. The merger is a strategic bailout to mask IFCI's capital erosion using the healthier balance sheets of subsidiaries like SHCIL.</p> |