

August 30, 2019

Ref: IFL/Sect/BSE/2019-20/161

BSE Limited,  
Deptt. of Corporate Services,  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai – 400 001

**Re: Revision in Credit Rating**

Dear Sir/Madam,

Pursuant to Regulation 51(2) read with Part B of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform that Brickwork Rating has revised the Credit Rating of the Company. The revised Credit Rating is as follows:

Instrument	Rating	Previous Rating
Unsecured Non-Convertible Debenture	BWR BB+ (Pronounced as BWR Double B Plus) (Outlook: Stable)	BWR BBB (Pronounced as BWR Triple B) (Outlook:Stable)
Secured Non-Convertible Debenture	(downgrade)	

The communication received from Brickwork is enclosed herewith. You are requested to take the same on record.

Thanking you

Yours truly,  
For IFCI Factors Limited

Manidev Sadh  
Company Secretary  
encl: as above

**आई एफ सी आई फैक्टर्स लिमिटेड**

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सीआई एन : U74899DL1995GOI074649

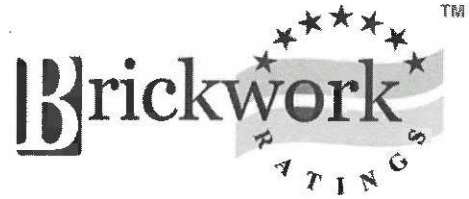
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CIN : U74899DL1995GOI074649



Rating Rationale

IFCI Factors Limited

9 Aug 2019

**Brickwork Ratings revises ratings for the Non-Convertible Debentures/Bonds Issue of ₹. 158.10 Crores of IFCI Factors Limited**

**Particulars**

Facility	Previous Amount (Rs. Crs)	Current Amount (Rs. Crs)	Tenor	Rating History (Aug 2018)	Rating Recommendation
Unsecured NCD	100	100	Long Term	BWR BBB (Pronounced as BWR Triple B) (Outlook: Stable)	BWR BB+ (Pronounced as BWR Double B Plus) (Outlook: Stable) (downgrade)
Secured NCD*	58.10	58.10			

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

**Rating Downgraded**

**Rationale/Description of Key Rating Drivers/Rating sensitivities:**

BWR has essentially relied upon the audited financial results up to FY19, publicly available information and information and clarifications provided by the Company.

The rating downgrade takes into account the weak financial performance during FY19, weak asset quality, additional slippages during last quarter and weakening in parent's financial profile.

The rating is further constrained by risky nature of business owing to factoring business majority of which is unsecured, moderate profile of the borrowers currently in standard category, decline in loan book and moderate capitalization. These factors are partially offset by comfortable liquidity position and robust provisioning of more than 90% for the stressed assets.

Going forward, the Company's ability to recover from the stressed assets, grow its asset book and bringing back profitability to the business shall remain the key rating sensitivities.

**Description of Key Rating Drivers**

**Credit Weakness**

- **Weak financial performance during FY19:** Overall AUM of the company went down from Rs. 705.41 Crs at the end of FY18 to Rs. 632.95 Crs at the end of FY19. Interest income of the



company also reported decline from Rs. 21.56 Crs in FY18 to Rs. 12.85 Crs during FY19. Further, the company reported a loss of Rs. 20.07 Crs against the projected profit after tax of Rs. 5.52 Crs for FY19.

- **Weak asset profile and additional slippages during June Quarter of FY20:** The company has more than 50% of the portfolio under stressed asset category. Gross NPA for the company stood at 52.95%. Though the company did not report any fresh slippages during 5 quarters ending March 2019, new delinquencies took place in the quarter ending June 2019. More than 80% of the portfolio is into factoring and around 79% of the portfolio is unsecured with majority of it being in the factoring business. The company also reported fresh delinquencies worth Rs. 12.68 Crs, which may further require additional provisioning. Though management is confident of recovering a large portion of the exposure, in the short run it can put downward pressure on the profitability margins.
- **Moderate capital adequacy:** Capital adequacy ratio for the company increased marginally from 15.95% as on 31<sup>st</sup> March 2018 to 17.32% as on 31<sup>st</sup> March 2019. Improvement in capital adequacy indicators was on account of conversion of Rs. 20 Crs of debt into equity. With CRAR marginally above the minimum requirement of 15%, there is a limited room available for any more losses unless fresh equity is infused. Any further losses can push the CRAR below the minimum requirement of 15%, which will also be a key monitorable going ahead.

#### **Credit Strengths:**

- **Comfortable liquidity position:** The company has comfortable liquidity position as indicated by positive cumulative mismatch across all the time buckets. The company as at June end had Rs. 80 Crs of un-utilized lines from banks. In addition to that the company also had around Rs. 19.26 Crs of cash balance as on 30<sup>th</sup> June 2019 against which the company had a fixed payment of Rs. 6.99 Crs of outstanding term loan and remaining facilities are working capital in nature which get rollover every year. The company also expects to recover around Rs. 40 Crs from stressed asset during the current fiscal.
- **Robust provisioning levels:** The company has further increased the provisioning from 80.72% as on 31<sup>st</sup> March 2018 to 90.67% as on 31<sup>st</sup> March 2019 bringing down the Net NPA from 18.54% to 9.50% during the same period. Any recovery from stressed assets is expected to help company improve its bottom line.

#### **Analytical Approach**

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).



**Rating Outlook: *Stable***

BWR believes the **IFCI Factors Limited** business risk profile will be maintained over the medium term. The ‘Stable’ outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to ‘Positive’ in case the company reports growth in the AUM with positive bottom line. The rating outlook may be revised to ‘Negative’ if the company continues to report losses with declining asset base.

**About the Company**

IFCI Factors Ltd (IFL) is a subsidiary of IFCI Ltd. IFCI Ltd holds 99.89% shares in the Company as on March 31, 2019. IFL is primarily in the business of factoring bills (recourse factoring), which are generally up to 120 days usance. IFLs advances are of short-term nature supported by credit facilities with fixed rate of interest for that tenor. IFL only factors 80%-90% of the invoice value to protect itself from any short payment by the debtor.

During FY18, Mr. E Sankara Rao (MD of IFCI Ltd) joined the Company’s Board as its Chairman and Mr. Bikash Kanti Roy is the Managing Director.

**Company Financial Performance**

The company reported an interest income of Rs. 12.85 Crs with a net loss of Rs. 20.07 Crs during FY19 as against an interest income of Rs. 21.56 Crs with a net loss of 35.93 Crs during FY18

**Key Financial Indicators**

Key Financial Figures			
Particulars	Unit	FY18(Audited)	FY19(Audited)
Gross AUM	Rs. Crores	705.41	632.95
Gross NPA	%	54.14%	52.95%
Net NPA	%	18.54%	9.50%
Net Interest Income	Rs. Crores	21.05	21.06
PAT	Rs. Crores	-35.93	-20.07
Equity & Reserves	Rs. Crores	127.28	127.18
CRAR	%	15.95%	17.32%



**Rating History for the last three years**

Sl. No.	Instrument	Current Rating (Aug 2018)			Rating History		
		Type	Amount (Rs Crs)	Rating	2017	2016	2015
1.	Secured NCD	Long Term	58.10	BWR BBB/Stable	BWR BBB+/Negative	BWR A- /Stable	BWR A- /Stable
2.	Unsecured NCD		100				
<b>Total</b>			<b>158.10</b>	<b>INR One Hundred Fifty-Eight Crores and Ten Lakhs Only</b>			

**Status of non-cooperation with previous CRA (if applicable)-NA**

**Hyperlink/Reference to applicable Criteria**

- General Criteria
- Approach to Financial Ratios

**For any other criteria obtain hyperlinks from website**

Analytical Contacts	Media & Investor Contact
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**For print and digital media**

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.



**Note on complexity levels of the rated instrument:**

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

**DISCLAIMER**

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.