

June 14, 2010

CARE REVISES THE RATING ASSIGNED BANK FACILITIES OF IFCI LTD.

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long Term Bank Facilities	3,000	'CARE A-' (Single A Minus)	Assigned
Long-term Bank Facilities	3,775 (Reduced from Rs.3,925 cr)	'CARE A-' (Single A Minus)	Upgraded from CARE BBB+ [Triple B]
Short-term Bank Facilities	400	'PR1' (PR One)	Upgraded from PR2 [PR Two]
Total Facilities	7,175		

Rating Rationale

The ratings revision takes into account increase in business operations with substantial improvement in disbursements, improved asset quality, comfortable liquidity & solvency position and adequate capitalization as per regulatory requirements. However, the ratings are constrained by limited track record of new business and risk inherent in new non- traditional business areas, significant proportion of legacy loans in total asset base exposing the company to credit and concentration risk. The ability of the company to scale up its operations in competitive business environment, to sustain profitability and liquidity while improving asset quality would be the key rating sensitivities.

Company Profile

IFCI, incorporated on July 1, 1948 has been categorized as Systemically Important Non Deposit taking Non Banking Financial Company (NBFC-ND-SI) by the Reserve Bank of India in FY08. During FY10, IFCI witnessed significant y-o-y improvement by 68% and 83% in total sanctions and disbursements respectively to Rs.6757 crore and Rs.6045 crore respectively. In FY10, IFCI recorded PAT of Rs.671 crore (Rs.657 crore in FY09) on total income of Rs.1679 crore (Rs.1485 crore). ROTA was satisfactory and stood at 4.53% for FY2010. Gross NPA ratio though declined was high at 25.68% as on March 31, 2010. However, due to extensive provisioning, net NPA ratio was low at 0.50% as on same date. IFCI had adequate capitalization level with Capital adequacy ratio of 17.86% as on March 31, 2010 which is well above prudential limit of 12% for NBFC-ND-SI.

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CARE classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

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