

No. IFCI/CS/2018-446

May 30, 2018

BSE Limited

Department of Corporate Services
Phiroze JeeJeebhoy Tower
Dalal Street, Fort
Mumbai – 400001

CODE: 500106

Dear Sir / Madam,

Re: Revision in Credit Rating and Rating Rationale

This is to inform that the Rating Agency, ICRA Limited (ICRA), has revised the ratings of debt instruments of IFCI Limited, as under:-

Fund Based Bank Limits from '[ICRA] A-' to '[ICRA] BBB+', Long Term Bonds (including Subordinate Debt) from '[ICRA] A-' to [ICRA] BBB+', Bonds / NCD (Public Issue) from '[ICRA] A-' to '[ICRA] BBB+'. The outlook on these Long Term Ratings are negative.

The rating on Short Term Instruments-Commercial Papers has been revised from '[ICRA] A1' to '[ICRA] A2+'.

Rating Rationale:

The rating downgrade considers the continued deterioration in IFCI's profitability and Capitalisation ratios despite the sizeable divestment of non-core investments, resources and cost control measures undertaken by the company during FY2018. Net interest income (NII) remained negative because of elevated non-performing assets (NPAs) during FY2018. This, along with continued fresh slippages, surge in credit provisions and limited increase in recoveries, resulted in sizeable losses for IFCI during the year. Even as IFCI stepped up the divestment of non-core assets during the year, the increase in income from the sale of these assets was not commensurate with the losses from lending operations. The capital infusion during the year was also much lower than the losses during the year, leading to erosion in the capital base and Capitalisation levels being below regulatory requirements. Given the capital constraints, IFCI has been consistently focusing on the reduction of risk-weighted assets (RWAs) by scaling down its business and adopting other measures. Accordingly, its standard earning advances also continue to decline.

Going forward, ICRA expects incremental slippages to continue during FY2019 but to be much lower than slippages during FY2018 and FY2017.

आई एफ सी आई लिमिटेड

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However, profitability from lending operations will remain under pressure mainly due to a) capital constraints leading to a decline in earning advances and, hence, NII; b) credit provisions on an elevated level of net NPAs. The company's ability to restore the capital ratios above the regulatory levels by further stepping up divestments or raising equity capital to offset losses is critical for sustainable operations. In the absence of requisite divestments or capital infusion, IFCI's ability to absorb expected credit provisions will remain weak, leading to further erosion in the capital position. This will also impact its ability to grow the business. With the Government of India's (GoI) shareholding at 56.42%, IFCI is highly dependent on capital infusion from the GoI, in the absence of which, the breach in capital ratios may be expected to continue.

This is for your information and record.

Yours faithfully
For **IFCI Limited**

(**Rupa Sarkar**)
Company Secretary