



## Press Release

### IDF Financial Services Private Limited (IDF FSPL)

**February 13, 2025**

#### Ratings

Instrument Facility /	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Fund Based Long Term Bank Facilities – Term Loans	224.04 (increased from 191.16)	IVR BBB-/Stable (IVR Triple B Minus with stable outlook)	IVR BBB-/Stable (IVR Triple B Minus with stable outlook)	Rating reaffirmed	Simple
Fund Based Long Term Bank Facilities – Proposed Term Loans	14.24 (decreased from 46.92)	IVR BBB-/Stable (IVR Triple B Minus with stable outlook)	IVR BBB-/Stable (IVR Triple B Minus with stable outlook)	Rating reaffirmed	Simple
Fund Based Long Term Bank Facilities – Cash Credit	11.62	IVR BBB-/Stable (IVR Triple B Minus with stable outlook)	IVR BBB-/Stable (IVR Triple B Minus with stable outlook)	Rating reaffirmed	Simple
<b>Total</b>	<b>250.00</b> <b>(Rupees Two hundred Fifty Crores Only)</b>				

**Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.**

#### Detailed Rationale

Infomerics Ratings has reaffirmed its rating assigned to the Bank facilities of IDF FSPL as it continues to derive strength from comfortable capitalisation, stable earnings profile, experienced promoter and professional management team. However, the rating are constrained by average asset quality, moderate scale of operations given the regional concentration and exposure to regulatory & socio-political risks inherent in the industry.

Infomerics has assigned stable outlook considering the consistent growth in earnings profile, sustained growth in scale of operations amidst the ongoing stress faced by MFI industry and expected growth in the scale of operations on the back of comfortable capitalisation.

#### Key Rating Sensitivities:

##### Upward Factors

- Substantial and sustained growth in scale of operations while maintaining healthy asset quality, profitability, liquidity and comfortable capitalisation.

##### Downward Factors

- Substantial decline in the scale of operations, profitability and capitalisation levels.



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- Adverse movements in collection efficiencies impacting the asset quality of the company.

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### Comfortable capitalisation

IDF FSPL has maintained an adequate capital adequacy ratio (CRAR) over the years. As on December 31, 2024, total CRAR stood comfortable at 23.13% (22.10% as on March 31, 2024). However, the company would require additional equity capital to grow at the envisaged pace while maintaining prudent capitalization levels.

##### Stable earnings profile

IDF FSLs earnings profile remained stable with consistent growth in income and profitability. Total income of the company stood at Rs 49.18 crore for FY24 (period refers from 01<sup>st</sup> April 2023 to 31<sup>st</sup> March 2024) when compared to Rs 39.03 crore in FY23, a YoY growth of ~26%. Profitability of the company has been stable with reported PAT of Rs 5.91 crore for FY24 (Rs 5.37 crore for FY23). Total income and PAT for 9MFY25 stood at Rs 41.89 crore and Rs 4.10 crore respectively.

##### Experienced Promoter & professional management team

The company is headed by Mr. Vivekanand N Salimath, the chairman of IDF FSPL. He is the Member-MFI Standing Committee of RBI, Bangalore and has more than three decades of experience in microfinance industry. The company has professional management team, involved in the field of microfinancing, which helps in placing prudent lending practices with stringent credit assessment and monitoring.

#### Key Rating Weaknesses

##### Average asset quality

Amidst the ongoing stress faced by the MFI industry in terms of collection efficiency, IDF FSPLs asset quality has deteriorated with GNPA and NNPA increasing to 2.67% and 1.71%



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respectively in 9MFY25 (1.71% and 0.71% respectively in FY24). IDF FSPL's ability to improve and maintain healthy asset quality in the new originations and maintaining field discipline will be important from a credit perspective.

### **Moderate scale of operations given the regional concentration**

Despite the consistent growth, the AUM levels remain moderate at Rs 283.23 crore in FY24 (Rs 263.76 crore in FY23) as the operations of the company are highly concentrated with Karnataka contributing to ~70% of total AUM followed by Maharashtra which contributes to ~24% of total AUM. For 9MFY25, the AUM levels have marginally moderated to Rs 272.36 crore on account of curtailed disbursements as the company is more focussed on improving/maintaining its collection efficiency.

### **Exposure to regulatory & socio-political risks inherent in the industry**

MFI industry is highly prone to regulatory risks & socio-political risks mainly on account of its unique collateral free debt nature. Earlier events like demonetization, COVID and environmental changes have largely affected the industry and recently the general elections and other external factors, where the collection efficiencies of the MFI's were severely impacted. However, given the market potential due to demand of micro loans in rural segments, the sector is likely to maintain its high growth.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Financial Institutions/Non-Banking Finance companies](#)

[Policy on Default Recognition and Post – Default Curing Period](#)

[Criteria of assigning Rating Outlook](#)

[Complexity level of rated instruments/Facilities](#)

[Financial Ratios & Interpretation \(Financial Sector\)](#)



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### **Liquidity – Adequate**

IDF FSPL is adequately capitalized with total CRAR (%) of 23.13% as on December 31, 2024. Also, it has adequately matched asset liability profile, further IDF FSPL has unencumbered cash and liquid balances of Rs. 12.37 crore as on December 31, 2024. The working capital limits utilisation remains low at an average of ~9% in the last twelve months ending September 2024.

### **About the Company**

IDF Financial Services Private Limited (IDF FSPL) is a Bengaluru based Non-Banking Finance Company-Micro Finance Institution (NBFC-MFI) providing Micro finance to Micro Self-Help Groups.

IDF's Micro Finance journey started in 2001 with promotion of NGO by name “**Initiatives for Development Foundation (IDF)**” a registered Trust. In April, 2009 the members of the governing and management team of IDF acquired an existing NBFC, “Dhavalagiri Arthik Financial Services Pvt Ltd” to carry out micro finance services. Subsequently, the name of the company was changed to “IDF Financial Services Pvt Ltd” (IDF FSPL) with the approval of RBI.

### **Financials (Standalone):**

For the year ended* / As on	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Income	39.03	49.18
PAT	5.37	5.91
Tangible Net worth	28.62	32.67
AUM	263.76	283.23
<b>Ratios</b>		
NIM (%)	8.45	7.50
ROTA (%)	2.84	2.48
Interest Coverage (times)	1.39	1.30
Total CRAR (%)	22.11%	22.10%
Gross NPA [Stage III] (%)	1.70%	1.71%
Net NPA [Stage III] (%)	0.68%	0.71%

*\* Classification as per Infomerics' standards*

**Status of non-cooperation with previous CRA: None**



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**Any other information:**

**Rating History for last three years:**

Sr. No.	Name of Security/Facilities	Current Ratings (2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					29 January 2024	01 December 2022	25 October 2021
1.	Term Loans	Long Term	224.04	IVR BBB-/Stable	IVR BBB-/Stable	IVR BBB-/Positive	IVR BBB-/Stable
2.	Proposed Term Loans	Long Term	14.34	IVR BBB-/Stable	IVR BBB-/Stable	IVR BBB-/Positive	IVR BBB-/Stable
3.	Cash Credit	Long Term	11.62	IVR BBB-/Stable	IVR BBB-/Stable	IVR BBB-/Positive	IVR BBB-/Stable

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**About Infomerics:**

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.





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For more information and definition of ratings please visit [www.infomerics.com](http://www.infomerics.com).

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### Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Listing status	Rating Assigned/ Outlook
Term loans	NA	NA	NA	Upto Dec 2027	224.04	NA	IVR BBB- /Stable
Proposed Term Loans	NA	NA	NA	NA	14.34	NA	IVR BBB- /Stable
Cash Credit	NA	NA	NA	NA	11.62	NA	IVR BBB- /Stable

### Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-IDF-Financial-13feb25.pdf>

**Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable**

**Annexure 4: List of companies considered for consolidated/Combined analysis: Not applicable**

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com)