



Press Release

IDF Financial Services Private Limited (IDF FSPL)

December 01, 2022

Ratings

Facilities	Amount (Rs. crore)	Current Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Fund Based Bank Facilities – Term Loan	151.71 (Increased from 124.53)	IVR BBB-/ Positive (IVR Triple B Minus with Positive Outlook)	Reaffirmed	Simple
Long Term Fund Based Bank Facilities – Proposed	42.29 (Reduced from 65.47)	IVR BBB-/ Positive (IVR Triple B Minus with Positive Outlook)	Reaffirmed	Simple
Long Term Fund Based Bank Facilities – Cash Credit	6.00 (Reduced from 10.00)	IVR BBB-/ Positive (IVR Triple B Minus with Positive Outlook)	Reaffirmed	Simple
Total	200.00			

Details of facilities are in Annexure 1

Detailed Rationale

The rating reaffirmed to the bank facilities of IDF Financial Services Private Limited (IDF FSPL) continues to derive comfort from experienced promoter & professional management team, stable asset quality and comfortable capital adequacy ratio. However, these rating strengths remain constrained by competitive nature of industry and exposure to regulatory & socio-political risks inherent in the industry.

Key Rating Sensitivities:

Upward Factor:

- Growth in scale of operations and growth in asset under management with improvement in profitability while maintaining its asset quality on a sustained basis.
- Improvement in capital structure with improvement in leverage ratios.

Downward Factor:

- Moderation in scale of operations with decline in profitability on a sustained basis • Deterioration in the asset quality.



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- Failure to infuse required equity as envisaged and/or more than expected moderation in the capital structure.

Detailed Description of Key Rating Drivers

Key Rating Strengths

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. Further Mr. Naganagouda M Patil is a managing director of IDF FDPL and he has more than two decades of experience. The company has professional management team, involved in the field of microfinancing, which has helped the company in placing prudent lending practices with stringent credit assessment and monitoring.

Stable Asset Quality

IDF FSPL has managed to keep its collection efficiency ~98% in the last twelve months ended September 2022 despite spread of pandemic and thereby lockdown coupled with turmoil in the domestic MFI sector. IDF FSPL though remain exposed to risks associated with the MFI business able to maintain a stable asset quality backed by its strong loan monitoring and adequate credit appraisal process. The GNPA and NNPA remained ~ 1.53% and 0.00% respectively in H1FY23. The company's ability to improve and maintain the asset quality in the new originations and maintain field discipline will be important from a credit perspective.

Comfortable capital adequacy ratio

IDF FSPL has maintained a adequate capital adequacy ratio (CAR) over the years. As on September 30, 2022, CAR was adequate at 21.50% (21.24% as on March 31, 2022). However, company would require additional equity capital to grow at the envisaged pace while maintaining prudent capitalisation levels.

Key Rating Weaknesses

Competitive nature of industry



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IDF FSPL is exposed to stiff competition from other varied sized NBFC-MFIs. The lending industry focused around SMEs and small ticket unsecured loans is highly fragmented with unorganized lenders also vying for the same set of borrowers. However, IDF FSPL professional management and focused approach towards JLG lending followed by other SME lending and conservative underwriting policy standards is expected to grow its business while mitigating the risks.

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 have affected the industry to a great extent where the collection efficiency of the MFI's has got 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 Approach

Applicable Criteria:

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

[Criteria on assigning rating Outlook](#)

Liquidity - Adequate

The company is adequately capitalized with a CAR (%) of 21.50% as on September 30, 2022. Also, it has adequately matched asset liability profile, further company has unencumbered cash and liquid balances of Rs.6.73 crore as on March 31st, 2022. The working capital limits utilisation remains low at an average of ~5.58% in the twelve months ended October 2022.

About the Company

IDF Financial Services Private Limited (IDF FSPL) is a Non-Banking Finance Company-Micro Finance Institution (NBFC-MFI) providing Micro finance to Micro Self-Help Groups (SHGs with 4-7 members) formed and nurtured by it. IDF's Micro Finance journey started in 2001 with promotion of NGO by name "Initiatives for Development Foundation (IDF)" a registered Trust.



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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	INR in Crore	
	31-03-2021	31-03-2022
	Audited	Audited
Total Income	31.43	29.44
PAT	3.56	2.78
Total Debt	127.41	132.02
Tangible Networth	24.15	25.04
Total AUM	155.92	190.78
Overall Gearing Ratio (x)	5.27	5.27
Gross NPA (%)	1.61	1.33
Net NPA (%)	0.00	0.00
Overall CAR (%)	21.08	21.24

* Classification as per Infomerics' standards

Details of Non-Co-operation with any other CRA: N.A.

Any other information: N.A.

Rating History for last three years:



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (Dated October 25, 2021)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Fund based facility – Term Loan	Long Term	151.71	IVR BBB- / Positive	IVR BBB- / Positive	-	-
2.	Fund based facility – Proposed	Long Term	42.29	IVR BBB- / Positive	IVR BBB- / Positive	-	-
3.	Fund based facility – Cash Credit	Long Term	6.00	IVR BBB- / Positive	IVR BBB- / Positive	-	-

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations. For more information visit www.infomerics.com

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Bank Facilities – Term Loan	-	-	-	151.71	IVR BBB-/ Positive
Long Term Fund Based Bank Facilities – Proposed	-	-	-	42.29	IVR BBB-/ Positive
Long Term Fund Based Bank Facilities – Cash Credit	-	-	-	6.00	IVR BBB-/ Positive

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-IDF-Financial-dec22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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.