



Press Release

IDF Financial Services Private Limited

January 29, 2024

Ratings

Facilities	Amount (Rs. crore)	Current Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Bank Facilities – Term Loan	191.46 (Increased from 151.71)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed and outlook revised	Simple
Long Term Fund Based Bank Facilities – Proposed	46.92 (Increased from 42.29)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed and outlook revised	Simple
Long Term Fund Based Bank Facilities – Cash Credit	11.62 (Increased from 6.00)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed and outlook revised	Simple
Total	250.00	(Rupees Two hundred and fifty crore only)		

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 stable asset quality, comfortable capital adequacy ratio experienced promoter & professional management team. However, these rating strengths remain constrained by the 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.

Detailed Description of Key Rating Drivers



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Key Rating Strengths

Stable Asset Quality

The GNPA and NNPA remained ~ 1.11% and 0.00% respectively in H1FY24. IDF FSPL though remains exposed to risks associated with the MFI business, but it has been able to maintain a stable asset quality backed by its strong loan monitoring and adequate credit appraisal process. IDF FSPL's ability to improve and maintain the asset quality in the new originations and maintaining field discipline will be important from a credit perspective.

Comfortable capital adequacy ratio

IDF FSPL has maintained an adequate capital adequacy ratio (CAR) over the years. As on September 30, 2023, CAR was adequate at 24.46% (22.11% as on March 31, 2023). However, the company would require additional equity capital to grow at the envisaged pace while maintaining prudent capitalization levels.

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

Competitive nature of industry

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



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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

IDF FSPL is adequately capitalized with a CAR (%) of 24.46% as on September 30, 2023. Also, it has adequately matched asset liability profile, further IDF FSPL has unencumbered cash and liquid balances of Rs. 14.22 crore as on March 31st, 2023. The working capital limits utilisation remains low at an average of ~30% in the twelve months ended December 2023.

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. 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)

INR in Crore



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For the year ended* As on	31-03-2022	31-03-2023
	Audited	Audited
Total Income	29.44	39.03
PAT	2.78	5.47
Total Debt	132.02	192.60
Tangible Networth	25.04	28.62
Total AUM	190.78	263.76
Overall Gearing Ratio (x)	5.27	6.73
Gross NPA (%)	1.33	1.70
Net NPA (%)	0.00	0.68
Overall CAR (%)	21.24	22.11

* 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:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Fund based facility – Term Loan	Long Term	191.46	IVR BBB- / Stable	IVR BBB- / Positive	IVR BBB- / Positive	-
2.	Fund based facility – Proposed	Long Term	46.92	IVR BBB- / Stable	IVR BBB- / Positive	IVR BBB- / Positive	-
3.	Fund based facility – Cash Credit	Long Term	11.62	IVR BBB- / Stable	IVR BBB- / Positive	IVR BBB- / Positive	-

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About Infomerics:

Infomerics Valuation and Rating Private Limited (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
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Long Term Fund Based Bank Facilities – Term Loan	-	-	-	191.46	IVR BBB-/ Stable
Long Term Fund Based Bank Facilities – Proposed	-	-	-	46.92	IVR BBB-/ Stable
Long Term Fund Based Bank Facilities – Cash Credit	-	-	-	11.62	IVR BBB-/ Stable

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-jan24.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.