



Press Release

IDF Financial Services Private Limited (IDF FSPL)

October 25, 2021

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Bank Facilities – Term Loans	124.53	IVR BBB-/ Positive (IVR Triple B Minus with Positive Outlook)	Assigned
Long Term Bank Facilities (Proposed Term Loans)	65.47	IVR BBB-/ Positive (IVR Triple B Minus with Positive Outlook)	Assigned
Long Term Bank Facilities – Cash Credit	10.00	IVR BBB-/ Positive (IVR Triple B Minus with Positive Outlook)	Assigned
Total	200.00 (Two hundred Crore)		

Details of facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of IDF Financial Services Private Limited (IDF FSPL) derives strength from the experienced promoter & professional management team, moderate asset quality and comfortable capital adequacy ratio. However, these rating strengths are partially offset due to 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:



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

Moderate Asset Quality

IDF FSPL is lending under JLG model with tenure of loans ranging 12 to 18 months. The outstanding loan portfolio stood comfortable at Rs.155.92 crore (own portfolio of Rs.128.02 crore) as on 31st March 2021 as against Rs.149.89 crore (own portfolio of Rs.130.63 Crores) as on March 31st, 2020. The Company has been able to maintain its asset quality with the Gross NPA at 1.61% as on March 31, 2021 (0.89% PY). However, company has made adequate provisions which resulted to having Nil Net NAPs in FY21 as well as FY20.

Comfortable capital adequacy ratio

IDF FSPL has maintained a adequate capital adequacy ratio (CAR) over the years. As on March 31, 2021, CAR was adequate at 21.08% (20.19% as on March 31, 2020). However, company would require additional equity capital to grow at the envisaged pace while maintaining prudent capitalisation levels.

Key Rating Weaknesses



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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

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

Applicable Criteria:

Rating Methodology for Non-Banking Finance companies
Financial Ratios & Interpretation (Financial Sector)

Liquidity - Adequate

The company is adequately capitalized with a CAR (%) of 21.08% as on March 31st, 2021. Also, it has adequately matched asset liability profile, further company has unencumbered cash and liquid balances of Rs.6.39 crore as on March 31st, 2021. The working capital limits utilization remains low at an average of ~25% in the twelve months ended June 2021.

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	
	31-03-2020	31-03-2021
	Audited	Audited
Total Income	28.55	31.43
PAT	2.00	3.56
Total Debt	132.25	127.41
Tangible Net Worth	22.13	24.15
Total Loan Assets	130.63	128.02
Overall Gearing Ratio (x)	5.98	5.27
GNPA (%)	0.89	1.61
NNPA (%)	0.00	0.00
CAR (%)	20.19	21.08

* Classification as per Infomerics' standards

Details of Non-Co-operation with any other CRA: Nil

Any other information: N.A.

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Bank Facilities – Term Loans	Long Term	124.53	IVR BBB-/ Positive	-	-	-
2.	Long Term Bank Facilities – Proposed Term Loans	Long Term	65.47	IVR BBB-/ Positive	-	-	-



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3.	Long Term Bank Facilities – Cash Credit	Long Term	10.00	IVR BBB-/ Positive	-	-	-

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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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 Facility – Term Loans	-	-	Upto September 2024	124.53	IVR BBB-/ Positive
Long Term Fund Based Facility – Proposed Term Loans	-	-	-	65.47	IVR BBB-/ Positive
Long Term Bank Facilities – Cash Credit	-	-	-	10.00	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/IDF-financial-lenders-oct21.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Term Loans	Simple
2.	Cash Credit	Simple

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.