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**INDUSTRIAL FINANCE CORPORATION OF
INDIA LIMITED (IFCIL)**

**DEPARTMENT OF FINANCIAL SERVICES
(MINISTRY OF FINANCE)**

**COMMITTEE ON PUBLIC UNDERTAKINGS
(2024-25)**

**NINTH REPORT
(EIGHTEENTH LOK SABHA)**

MINISTRY OF FINANCE



**LOK SABHA SECRETARIAT
NEW DELHI**

**NINTH REPORT
COMMITTEE ON PUBLIC UNDERTAKINGS
(2024-25)**

(EIGHTEENTH LOK SABHA)

**INDUSTRIAL FINANCE CORPORATION OF INDIA
LIMITED (IFCIL)**

**DEPARTMENT OF FINANCIAL SERVICES
(MINISTRY OF FINANCE)**



*Presented to Lok Sabha on 27 March, 2025
Laid in Rajya Sabha on 27 March, 2025*

**LOK SABHA SECRETARIAT
NEW DELHI**

March, 2025/ Chaitra, 1947(Saka)

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COMPOSITION OF THE COMMITTEE ON PUBLIC UNDERTAKINGS (2024-25)

Shri Baijayant Panda - Chairperson

Members

LOK SABHA

2. Shri Tariq Anwar
3. Shri Sudip Bandyopadhyay
4. Shri R.K. Chaudhary
5. Shri Chandra Prakash Joshi
6. Smt. Kanimozhi Karunanidhi
7. Shri Kaushalendra Kumar
8. Shri Shankar Lalwani
9. Smt. Poonamben Hematbhai Maadam
10. Shri B.Y. Raghavendra
11. Shri Mukesh Rajput
12. Shri Sukhjinder Singh Randhawa
13. Shri Pratap Chandra Sarangi
14. Shri Kodikunnil Suresh
15. Shri Prabhakar Reddy Vemireddy

RAJYA SABHA

16. Shri Neeraj Dangi
17. Shri Milind Murli Deora
18. Shri Narain Dass Gupta
19. Dr. Bhagwat Karad
20. Shri Surendra Singh Nagar
21. Shri Debashish Samantaray
22. Shri Arun Singh

SECRETARIAT

1. Shri Neeraj Semwal - Joint Secretary
2. Smt. Jyochanmayi Sinha - Director
3. Smt. Mriganka Achal - Deputy Secretary
4. Shri Dhruv - Under Secretary

COMPOSITION OF COMMITTEE ON PUBLIC UNDERTAKINGS (2023-24)

Shri Santosh Kumar Gangwar - Chairperson

Members

Lok Sabha

2. Shri Sudip Banyopadhyay
3. Shri Anil Firojjiya*
4. Dr. Heena Vijaykumar Gavit
5. Shri Chandra Prakash Joshi
6. Smt. K. Kanimozhi
7. Shri Lavu Sri Krishna Devarayalu
8. Smt. Poonamben Hematbhai Maadam
9. Shri Arjunlal Meena
10. Shri Janardan Mishra
11. Shri Shri Nama Nageswara Rao
12. Dr. Arvind Kumar Sharma
13. Shri Ravneet Singh Bittu
14. Shri Sushil Kumar Singh
15. Shri Ramdas Chandrabhanji Tadas

Rajya Sabha

16. Dr. Radha Mohan Das Agrawal
17. Shri Syed Nasir Hussain
18. Dr. Anil Jain
19. Shri Prakash Javadekar
20. Dr. Amar Patnaik
21. Shri V. Vijayasai Reddy
22. Shri Binoy Viswam

*Elected as a Member of the Committee on Public Undertakings (2023-24) for the un-expired portion of the term of the Committee vide Bulletin Part-II Para No. 7765 dated 19.12.2023 vice Shri Uday Pratap Singh resigned as Member of Lok Sabha w.e.f. 06.12.2023

COMPOSITION OF COMMITTEE ON PUBLIC UNDERTAKINGS (2022-23)

Shri Santosh Kumar Gangwar - Chairperson

Members

Lok Sabha

2. Shri Sudip Banyopadhyay
3. Dr. Heena Vijaykumar Gavit
4. Shri Chandra Prakash Joshi
5. Smt. K. Kanimozhi
6. Shri Lavu Sri Krishna Devarayalu
7. Smt. Poonamben Hematbhai Maadam
8. Shri Arjunlal Meena
9. Shri Janardan Mishra
10. Shri Kinjarapu Ram Mohan Naidu
11. Dr. Arvind Kumar Sharma
12. Shri Ravneet Singh Bittu
13. Shri Sushil Kumar Singh
14. Shri Uday Pratap Singh
15. Shri Ramdas Chandrabhanji Tadas

Rajya Sabha

16. Shri Anil Desai
17. Ms. Indu Bala Goswami
18. Shri Syed Nasir Hussain
19. Dr. Anil Jain
20. Shri Prakash Javadekar
21. Dr. Amar Patnaik
22. Shri M. Shanmugam

COMPOSITION OF COMMITTEE ON PUBLIC UNDERTAKINGS (2021-22)

Shri Santosh Kumar Gangwar - Chairperson*

Members

Lok Sabha

2. Shri Lavu Sri Krishna Devarayalu
3. Dr. Heena Vijaykumar Gavit
4. Shri Chandra Prakash Joshi
5. Smt. K. Kanimozhi
6. Smt. Poonamben Hematbhai Maadam
7. Shri Arjunlal Meena
8. Shri Janardan Mishra
9. Shri Kinjarapu Ram Mohan Naidu
10. Shri Nama Nageswara Rao
11. Dr. Arvind Kumar Sharma
12. Shri Ravneet Singh
13. Shri Sushil Kumar Singh
14. Shri Uday Pratap Singh
15. Shri Ramdas Chandrabhanji Tadas

Rajya Sabha

16. Birendra Prasad Baishya
17. Shri Anil Desai
18. Shri Syed Nasir Hussain
19. Shri Om Prakash Mathur
20. Shri Surendra Singh Nagar
21. Shri K.C. Ramamurthy
22. Shri M. Shanmugam

***Shri Santosh Kumar Gangwar appointed as Chairperson, COPU w.e.f. 13 August, 2021 vice Smt. Meenakashi Lekhi appointed as Minister on 07 July, 2021.**

INTRODUCTION

I, the Chairperson, Committee on Public Undertakings (2024-25) having been authorized by the Committee to submit the Report on their behalf, present this Ninth Report (18th Lok Sabha) on 'Industrial Finance Corporation of India Limited (IFCIL)'.

2. The Committee on Public Undertakings (2021-22) (17th Lok Sabha) had selected the said subject for detailed examination. As the examination of the subject remained inconclusive during the previous Committee terms, the present Committee on Public Undertakings (2024-25) (18th Lok Sabha) decided to carry forward the subject so as to complete the unfinished task.

3. The Committee on Public Undertakings (2021-22) was briefed about the subject by the representatives of the Industrial Finance Corporation of India Limited on 16th February, 2022 and thereafter took their evidence on 20th October, 2022. The Committee also took oral evidence of the representatives of Department of Financial Services, Ministry of Finance on 23rd February, 2023.

4. The Committee (2024-25) considered and adopted the draft Report at their sitting held on 24 March, 2025.

5. The Committee wish to express their thanks to the representatives of Industrial Finance Corporation of India Limited (IFCIL) and Ministry of Finance for tendering evidence before the Committee and furnishing the requisite information to them in connection with examination of the subject.

6. The Committee wish to express their sincere thanks to the predecessor Committee for their valuable contribution in examination of the subject.

7. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in bold letters in Part-II of the Report.

New Delhi;
25 March, 2025
04 Chaitra, 1947(S)

BAIJAYANT PANDA
Chairperson
Committee on Public Undertakings

CHAPTER 1

INTRODUCTORY

A. BACKGROUND OF THE COMPANY

1.1 IFCI Limited (IFCI) was set up as a Statutory Corporation (“The Industrial Finance Corporation of India”) in 1948, as independent India’s first Development Financial Institution, for providing medium and long term finance to industry. In 1993, after repeal of the IFCI Act, IFCI became a Public Limited Company, registered under the Companies Act, 1956. Currently, IFCI is a Government Company with Government of India holding 72.57% of paid-up capital of IFCI (with total 1,95,52,77,096 number of equity shares). a notified Public Financial Institution under Section 2(72) of the Companies Act, 2013.

1.2 Over its journey of 75 years, besides lending, IFCI has played a pivotal role in financial institutional infrastructure development and has promoted various organizations *viz.* Tourism Finance Corporation of India (TFCI), Assets Care & Reconstruction Enterprise Ltd (ACRE), Infrastructure Development Finance Company Limited (IDFC), Power Trading Corporation of India Ltd. (PTC), Clearing Corporation of India Ltd. (CCIL), GIC Housing Finance Ltd., Securities Trading Corporation of India Limited (STCI), North Eastern Development Finance Corporation Ltd. (NEDFI), The OTC Exchange Of India (OTCEI), ICRA Ltd. (formerly known as Investment Information and Credit Rating Agency of India Limited (IICRA India)), National Stock Exchange (NSE), Stock Holding Corporation of India Limited (SHCIL), several Technical Consultancy Organizations (TCOs) and a few social sector institutions like Rashtriya Gramin Vikas Nidhi (RGVN), Guwahati, Management Development Institute(MDI), Gurgaon and Institute of Leadership Development (ILD), Jaipur.

B. FUNCTIONS OF THE COMPANY

1.3 To carry on the business of assisting enterprises in industrial and service sectors.

1.4 To provide financial assistance in the form of Short, Medium or Long Term loans or Working Capital facilities or Equity Participation, individually or in syndicates and in any form/scheme as may be deemed expedient.

1.5 To subscribe to or purchase, underwrite, invest in and acquire and hold and to sell, dispose of shares, stocks, debentures, debentures-stock, bonds, obligations and securities, Commercial Paper, Certificate of Deposit or any other money instruments issued or guaranteed by any company or body corporate or a trust or a Registered Society or a Cooperative Society or by a person or association.

1.6 To lend money with or without security and to make advances upon, hold in trust, issue, buy, sell or otherwise acquire or dispose of on commission or otherwise any of the securities or investments of the kinds before mentioned or to act as agent for any of the above or the like purpose.

1.7 To guarantee and ensure the due payment, fulfillment and performance of contracts and obligations of any kind or nature.

1.8 To carry on the business of leasing and hire purchase finance company and to acquire to provide on lease or to provide on hire purchases basis all types of industrial and office plant, equipment, machinery, vehicles, buildings and real estate, required for manufacturing, processing, transportation and trading business and other commercial and service business.

1.9 To borrow or raise money by way of loans or otherwise both in Rupees and foreign currencies or secure the payment of money by the issue, sale of debentures, debentures-stock, bonds, obligations, mortgages and securities of all kinds, either perpetual or terminable and either redeemable or other wise and to charge or secure the same by trust deed or otherwise on the undertaking of the Company including its uncalled capital, or upon any specific property and rights, present and future, of the company or otherwise, howsoever.

1.10 To receive/invest moneys on deposit on such terms and conditions as may be deemed expedient in the interest of the Company.

- 1.11 To draw, make, accept, endorse, discount, rediscount, negotiate, execute and issue bills of exchange, promissory notes and other negotiable or transferable instruments.
- 1.12 To act as Trustees of any deeds constituting or securing any debentures, debenture-stock, or other securities or obligations and to undertake and execute any other trusts, and also to undertake the office of or exercise the powers of executor, administrator, receiver, treasurer, custodian and trust Corporation.
- 1.13 To provide consultancy and merchant banking services in or outside India.
- 1.14 To perform and undertake activities pertaining to warehousing, bill marketing, factoring, custodial services and related fields.
- 1.15 To set up trusts, under the Indian Trust Act for establishment of mutual funds, venture capital funds and funds of any kind and to carry on and to provide related services.
- 1.16 To set up investment company to buy, underwrite, invest in and acquire and hold shares, stocks, debentures, debenture stock, bonds obligations and securities issued or guaranteed by any company constituted or carrying on business in India and debentures, debenture-stock, bonds, obligations and securities issued or guaranteed by any Government, State, Commissioners, public body or authority, supreme, municipal, local or otherwise firm or person and to deal with sell, dispose of and turn to account the same provided always that no investment imposing unlimited liability on the Company shall be made.

C. BOARD OF DIRECTORS AND SHAREHOLDING PATTERN

1.17 Shareholding pattern of IFCI Limited as on December 31, 2021:

Category	%age	No. of Shares	No. of Shareholders
Govt. of India	63.81	1,30,29,41,258	1
FII's, NRIs/ OCBs	3.14	6,41,67,574	3,016
Bank, FIs/, UTI and Mutual Fund	4.10	8,36,71,792	193
Insurance Companies	4.58	9,34,73,268	7
Indian Public. Trust & Foundation, IEPF	23.02	46,99,93,432	5,28,035
Body Corporate	1.35	2,77,31,169	1,992
Total	100.00	2,04,19,78,493	5,33,244

Note: Consequent to the infusion of equity share capital of Rs. 100 crore on 17.01.2022, shareholding of Government increase upon allotment of shares by IFCI Limited.

1.18 The details of the Board of Directors as on December 31, 2021 is as under:

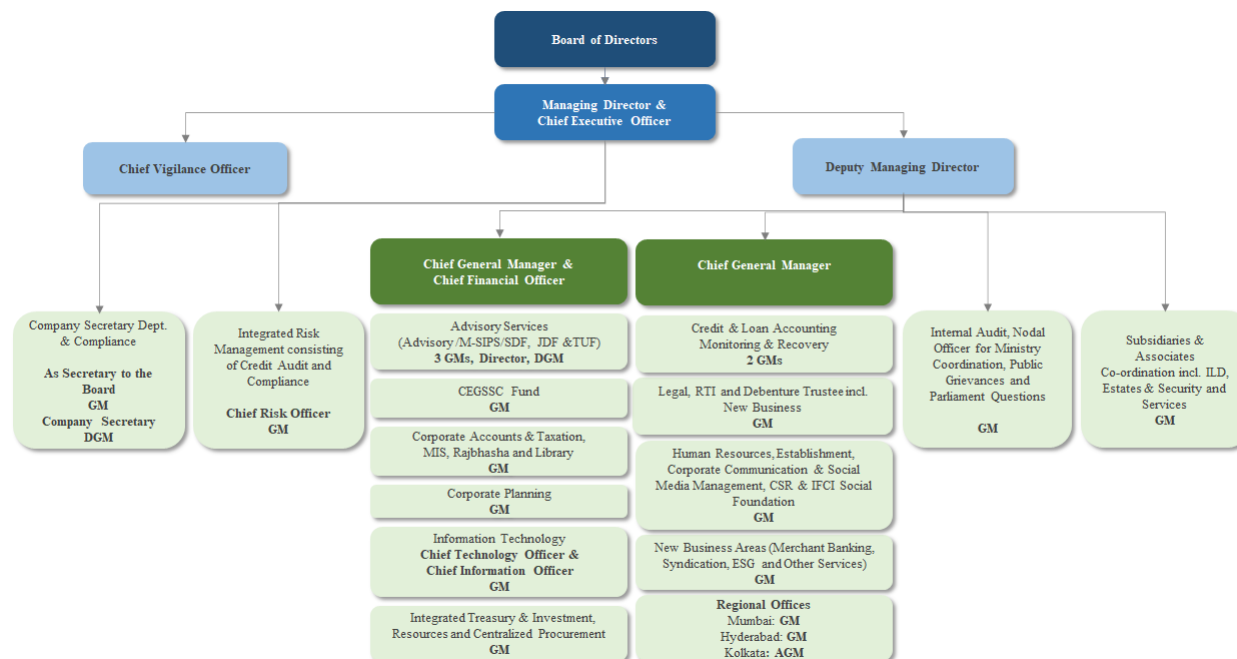
S. No.	Name of Director	Category
1.	Shri Manoj Mittal	Managing Director & Chief Executive Officer
2.	Shri Sunil Kumar Bansal	Deputy Mnaging Director
3.	Dr. Bhushan Kumar Sinha	Non-Executive Government Nominee Director
4.	Ms. Anindita Sinharay	Non-Executive Government Nominee Director
5.	Prof. N Balakrishnan	Non-Executive Director
6.	Prof. Arvind Sahay	Non-Executive Director
7.	Shri MML Verma	Non-Executive Director

D. ORGANISATION STRUCTRURE

1.19 IFCI is a Non-Banking Finance Company in the public sector having its Registered Office at New Delhi. It has 3 Regional Offices, located at Mumbai, Hyderabad and Kolkata.

IFCI has 117 regular employees, out of which 101 are posted at Head Office, 8 at Regional Offices and 8 on deputation in different organizations including subsidiaries.

The Organization Structure of IFCI Limited is as under: -



E. MARKETING INITIATIVES, MARKET SHARE AND MAJOR ACHIEVEMENTS

(a) Marketing Initiatives:

1.20 As informed by the Company, IFCI has adopted best business practices while financing the industry and infrastructure loans and leveraged its core-competencies in promoting sustainable industrial and infrastructure development in the Country. IFCI, since its inception, has cumulatively disbursed loans of ₹1,05,466 crore till 30th June, 2021. Out of this, Loans worth ₹98,520 crore were disbursed by IFCI in the post-liberalization era i.e. 1991 onwards. The major disbursements made in pre-liberalization period belongs to Textiles, Chemicals, Engineering Goods, Iron & Steel Products, Cement, Sugar, Food Items, Automotives, Power and Misc. sectors. Post liberalization, IFCI has majorly contributed towards Infrastructure growth of the Country and provided financial assistance for the diversified growth of Industries across the spectrum. The financing activities cover various kinds of projects such as airports, roads, telecom, power, real estate, manufacturing, services sector and such other allied industries. The Company has further informed that during its 75 years of existence, mega projects like Adani Mundra Ports, GMR Goa

International Airport, Salasar Highways, NRSS Transmission, Raichur Power Corporation etc have been setup with financial assistance of IFCI. IFCI has pan India reach through its regional offices and following subsidiaries:

1. Stock Holding Corporation of India Ltd. (SHCIL)
2. IFCI Infrastructure Development Ltd. (IIDL)
3. IFCI Venture Capital Fund Ltd. (IVCF)
4. IFCI Factors Ltd. (IFL)
5. IFCI Financial Services Ltd. (IFIN)
6. MPCON Ltd.

1.21 It has been submitted to the Committee that these subsidiaries are engaged in diversified activities which include infrastructure development in the form of residential and commercial space, broking, venture capital, financial advisory, stock broking, depository services and factoring, etc. SHCIL is one of the largest Depository Participant, besides being the Country's largest premier Custodian in terms of assets under custody. SHCIL also acts as a Central Record Keeping Agency (CRA) for collection of stamp duty in 23 States and Union Territories on Pan India basis and it is one of the largest Professional Clearing Member of the Country.

The Committee desired to know about the relevance of these companies, if any, in response, MD, IFCI, submitted the following:

(b) Market Share:

Market Share in the NBFC Sector

1.22 The Committee has been informed that IFCI's share in total borrowings of NBFC Sector and NBFC-ND-SI Sector (as on 30th September, 2021) is approximately 0.42% and 0.48%, respectively. IFCI's share in the total loans and advances of NBFC Sector and NBFC-ND-SI Sector (as on 30th September, 2021) is approximately 0.16% and 0.19%, respectively.

Market Share in Project Management of PLI Schemes

1.23 It was informed that IFCI is Project Management Agency (PMA) to Government of India for various Production Linked Incentive (PLI) schemes launched under the aegis of "Atmanirbhar Bharat". IFCI presently manages more than 66% of PLI schemes awarded by GOI (8 out of 12) in addition to various capex schemes and is also actively participating in

GOI schemes which are in pipeline. When asked about the impact of these activities, by the Company on their main business, MD, IFCI, during the evidence submitted as below.

Major Achievements:

1.24 When asked about the major achievement of the Company, it was submitted that since 1984, IFCI is the Nodal Agency for monitoring loans of Sugar Development Fund (SDF) projects related to modernization and expansion, co-generation of power and production of alcohol/ethanol in the private sector. This has resulted in employment generation to the tune of 20 lakh jobs and has supported the livelihood of 1 crore farmers and workers in allied industries. IFCI has also been appointed to act as Verification Agency for verification of limited number of claim applications under Modified Special Incentive Package Scheme (M-SIPS) of Ministry of Electronics & IT (MeitY), Government of India. The scheme was launched by Government of India with a view to promote large scale manufacturing in the Electronics System Design & Manufacturing (ESDM). Further, IFCI has also been appointed as the Project Management Agency (PMA) for the Scheme for Promotion of Manufacturing of Electronics Components and Semiconductors (SPECS) by MeitY.

CHAPTER-2

A. SANCTION AND DISBURSEMENT OF LOANS

2.1 Regarding sanction and disbursement of loans IFCI submitted that during the last five FYs, IFCI has disbursed loans amounting to ₹11,515.65 crore to projects in various sectors, majorly Infrastructure (49.27%), Manufacturing (15.42%) and Real Estate (13.85%) etc, other sectors included Retail, NBFC, EPC Construction etc. However, during FY 2020-21, while keeping in view the macroeconomic situation and impact of COVID pandemic, IFCI adopted a cautious approach and did not sanction any new loans since then.

2.2 The sector wise disbursement for the last 11 years is as follows:

Sector-wise Disbursement

(₹ crore)

Sector	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Manufacturing	1,400	322	2,974	2,659	2,668	645	753	602	83				12,106
Infra - Energy	2,537	695	1,113	524	1,014	676	1,384	962	208	51			9,163
Real Estate	510	245	2,443	2,326	1,687	550	802	220	87				8,870
Service Industry	797		888	1,335	928	50	210	273					4,482
Infra – Transport & Logistics	237	5	168	463	296	417	222	252	96	26			2,182
Other Infra				782	203	450	189	100					1,724
Holding Co.	250	217	585	81	174	110	50	64					1,531
Banking, Financial & Capital Market Services	20		25	25	20	30	625	200	268				1,213
Infra - Social & Commercial	200	12	18	20	150		200	250					850
Retail & Trading				40	340	125		225					730
Infra - Communication			300	200				91					591
Mining & Explorations		8	169	232	8								417
Grand Total	5,951	1,504	8,683	8,687	7,488	3,053	4,434	3,238	742	77	-	-	43,857

2.3 Details of sanction, disbursement and recovery from standard accounts, NPAs and security receipts (SR) redemption during the last 11 years (FY 11-12 onwards) are as under:

Year-wise Detail of Performance on Credit Parameters

(₹ Cr.)

FY	Sanction	Disbursement	Standard Recovery including Premature Payments	NPA Accretion	NPA Recovery including SR Redemption	Gross NPA O/s
2011-12	4,467	5,951	6,307	483	362	2,139
2012-13	2,192	1,504	5,676	1,435	219	3,063
2013-14	9,717	8,683	5,270	1,334	487	3,451
2014-15	12,230	8,687	4,425	337	732	2,617
2015-16	10,895	7,488	7,883	1,589	303	3,545
2016-17	7,923	3,053	7,538	4,895	818	7,553
2017-18	7,216	4,434	7,556	2,175	873	8,672
2018-19	3,760	3,238	5,657	2,166	1,762	8,610
2019-20	158	742	4,291	1,271	844	7,775
2020-21	0	77	2,108	438	516	7,801
2021-22	21	-	2,027	85	1381	6,515
Total	58,579	43,857	58,738	16,207	8,295	

2.4 As per the information, the Committee observed that IFCI lends money with or without security. when asked to clarify on this, the Company, in a written note submitted that though IFCI MOA includes lending without security, IFCI has not sanctioned any unsecured loan in the last decade. However, the details of unsecured loan disbursed during the year 2005 to Year 2012 and among these, how many have been downgraded to NPA classification and recovery status of these NPAs are given below:

(₹ in crores)

ConcernName	Sanctioned Amount	Last DisbursementDate	Disbursement Amount
Indian Farmers Fertilizer Co-operativeLtd	249	01-11-2005	130
ICICIBank Ltd	450	01-12-2006	350
HDFCLtd	1350	14-05-2007	750
Total	2,049		1,230

2.5 In view of these, the Committee desired to know whether IFCI has conducted any study/analysis to find out the reasons and factors responsible for non-payment of loans by defaulters. IFCI submitted as below:

“An analysis of standard loan assets slipping to Non-Performing Assets (NPA) category during 31/03/2013 to 31/03/2018 were presented before the Risk and Assets Liabilities Management Committee of Directors of IFCI Ltd. (RALMCD) in its meeting held on July 02, 2018. In this analysis, the downgraded accounts were classified into the following categories based on the reasons for slippage:

- a) Business related factors: This includes loss of competitive position following shrinking scale, worsening of cost structure, or delays in project commissioning resulting in reduced predictability of future cash flows.
- b) Deterioration in the capital structure or the liquidity profile: This consists of increase in working capital intensity, large debt-funded capital expenditure or investment outlay or asset-liability mismatch of the Obligor Company or parent company.
- c) Industry related factors: This pertains to weak prospects of volumetric demand or realizations in select sectors or unfavorable regulatory developments.
- d) Credit culture related issues: Managements of these entities were either not particular about timeliness of debt servicing or chose to put the interests of other stakeholders, ahead of lenders.
- e) Others: These include miscellaneous factors, including materialisation of some event risks. As per the above analysis, the broad reasons for downgrading of standard loan.”

2.6 IFCI has submitted the following to the Committee about the Committee/Group to identify parameters for due diligence while lending huge amounts:

“IFCI has General Lending Policy (GLP) guidelines which govern the lending process and portfolio management and is revised periodically with due approval of the Risk Management Committee and the Board of IFCI. It is done to align with the market realities, as also to keep up with the changes that are happening in the financial services sector. The operational guidelines w.r.t. to the valuation of securities, due diligence check lists, standardised documentation etc. are duly followed for disbursements.

It was further stated that a comprehensive standard format of appraisal is being followed which is divided into quantitative and qualitative checks. The former contains historical financial analysis, cash flow projections and assessment of repayment capacity with the help of financial and technical tools; while qualitative parameters include verification of various defaulters list, KYC compliances, news and public data browsing and management’s capability/integrity. The assessment note includes analysis of the Applicant Company, group, guarantor, peers, market and industry.

It was also submitted that IFCI has specific lending guidelines laid down in the Board approved General lending Policy which is reviewed from time to time. The GLP has detailed delegation for different Committees and their areas of jurisdiction are clearly stated. Hierarchy of Committee with delegation is provided below in descending order.

- a. *Board of Directors*: The Board approves IFCI's Lending Policy on periodic basis and modifications, as and when required, based on policy, regulatory and macro-economic changes, etc. For any other matter which is not specifically covered under the powers of the Executive Committee (EC) of Directors, the Board shall be the approving authority.
- b. *Executive Committee of Directors (EC)*: The decision to approve financial assistance (including underwriting), wherein incremental loans and debentures exposure will result in such fund and non-fund based total exposure to a borrower above ₹100 crore, in a single facility or multiple facilities, is taken by the EC on recommendation of the Credit Recommendation Committee (CRC). Further, the decision to sanction such financial assistance above ₹250 crore, to a borrower group, is taken by the EC on recommendation of Credit Recommendation Committee. EC is a sub-committee of the Board.
- c. *Credit & Investment Committee (CIC)*: The decision to sanction financial assistance (including underwriting) wherein total loans & debentures exposure, in fund and non-fund-based facilities, is up to ₹100 crore, in a single facility or multiple facilities to a borrower or up to ₹250 crore to a borrower group, is taken by the CIC on the recommendation of CRC. All proposals seeking relaxations/waivers in Operational Instructions are considered by the CIC, based on recommendation of CRC.
- d. *Credit Recommendation Committee (CRC)*: The Credit Recommendation Committee (CRC) is the Competent Authority for:
- Recommendation of loan proposals to CIC or to the EC (depending on quantum of assistance, as per extant delegation of powers), for sanction / approval, after detailed appraisal and risk assessment.
 - Recommendation of all proposals seeking relaxations/waiver in eligibility criteria to the CIC or the EC (depending on quantum of assistance, as per extant delegation of powers) for onward recommendation to the Board.
 - Recommendation of all proposals seeking relaxation/waiver in Operational Instructions to the CIC.
- e. *Screening Committee of Executives (SC)*: The Screening Committee of Executives (SC) is the Competent Authority for giving clearance for detailed appraisal or for rejection of any proposal seeking financial assistance, received by IFCI. All new proposals shall be considered by Screening Committee except for short term loans or loans to existing clients.
- All proposals are routed through Integrated Risk Management Department for their comments and Chief Risk Officer is a member of CIC. It is also submitted that IFCI is not doing fresh lending since FY 2019-20."

B. REGIONAL DISTRIBUTION OF LOANS

2.7 The Committee note that as per available data of regional distribution of the loan disbursement, major chunk of the loan had gone to western parts of the Country and eastern region is lagging behind to only 5% of the total disbursement, when asked by the Committee, about the reasons, IFCI submitted as under:

“The Western region houses the Indian Financial Capital i.e. Mumbai and the GDP of three western states wherein IFCI had/has its offices (Maharashtra, Gujarat and Rajasthan) constituted 26.72% share in India’s GDP during the period 2011-12 to 2019-20. However, GDP share of 3 Eastern States wherein IFCI had/has its offices (West Bengal, Odisha and Bihar) was only 11.25% during the same period.

Further, number of companies registered in these 3 Western States is approximately 3.71 lakh whereas the number of companies registered in 3 eastern states is approximately 1.60 lakh. It is also observed from the Handbook of Statistics of Indian States released by RBI in November 2021 that Credit Concentration in these 3 Western States and 3 Eastern States under consideration constituted 35.29% and 6.76% share in all India bank credit Outstanding during the period 2011-12 to 2020-21 which is commensurate with the lending done by IFCI in Western and Eastern regions.”

State-wise Disbursement

(₹ crore)

Andhra Pradesh					15						15
Bihar						11					11
Chandigarh				100	60		25				185
Chhattisgarh					25						25
Delhi	2,615	671	3,798	1,919	1,729	460	1,318	756	321	20	13,606
Gujarat	60	30	160	298	362	235	73	114	84		1,415
Karnataka	200	80	516	997	736	48	275	80			2,931
Kerala				25	25						50
Madhya Pradesh				20	97	31					147
Maharashtra	1,404	77	2,162	3,282	2,372	1,449	1,752	1,907	245	57	14,709
Orissa					100						100
Rajasthan				15	111	82	6	2	3		219
Tamil Nadu	460	10	914	625	467	107	250	254	57		3,145
Telangana	1,082	616	456	533	1,065	307	225	86			4,369
Uttar Pradesh				80	66	30	11	18	6		211
West Bengal	130	20	678	794	258	295	499	20	27		2,719
Grand Total	5,951	1,504	8,683	8,687	7,488	3,053	4,434	3,238	742	77	43,857

2.8 Regarding the rate of interest IFCI followed in medium and long term lending and its competitiveness in the market, in a written note, following was submitted to the Committee:

External Rating	IFCI IBR (%)	Spread over IBR (%)	IFCI effective rating-wise rate (%)
AAA	10.75	0.00	10.75
AA+	10.75	0.00	10.75
AA	10.75	0.00	10.75
AA-	10.75	0.00	10.75
A+	10.75	0.45	11.20
A	10.75	0.75	11.50
A-	10.75	1.05	11.80
BBB+	10.75	1.5	12.25
BBB	10.75	1.85	12.60
BBB-	10.75	2.30	13.05
BB+/BB	10.75	3.00	13.75

2.9 It was also informed to the Committee that presently, IFCI's long term benchmark lending rate is 10.75% and short-term benchmark lending rate is 9.30% (up to 1 year). IFCI's interest rate is comparatively less competitive than Banks, as Banks are the main source of borrowing for IFCI. Since banks have access to cheaper funds including current account saving account CASA, they can lend at lower rate and hence extend credit to borrowers at interest rates linked with their respective MCLR (**Marginal Cost of Funds based Lending Rate**), which is in the range of 6-9%. IFCI's weighted average cost of funds is roughly 9.23% which is significantly higher than the cost of funds for Banks. When intermediation cost of IFCI is added to the cost of funds, it becomes relatively less competitive to the market. IFCI has not been taking fresh loan exposure since FY 2019-20 onwards, however, IFCI's benchmark is reviewed on quarterly basis.

CHAPTER-3

FINANCIAL PERFORMANCE

A. FINANCIAL HIGHLIGHTS

3.1 The committee have been informed that period of last 10 years for IFCI could be divided into 2 parts. In the first phase, Asset base grew to highest ever ₹36,899 crore with income of ₹4,006 crore by the end of March 2016. In the next 5 years, IFCI saw a constant decline in the asset base to ₹13,028 crore (HYFY22) and sharp reduction in income to ₹1,397 crore in FY 2021 (H1FY22-Rs 332 crore) mainly on account of high NPAs and inability to sanction new loans.

Financial Information for the period 2011-12 to 2015-16

(in crore)

	As at 31st March, 2016	As at 31st March, 2015	As at 31st March, 2014	As at 31st March, 2013	As at 31 st March, 2012
LIABILITIES AND EQUITY					
Non-current Liabilities	22,741.00	22,494.23	17,500.56	14,369.73	17,711.40
Current Liabilities	6,956.49	5,328.08	4,508.15	4,830.72	4,936.65
Share Capital	1,925.43	1,925.37	1,924.96	1,925.88	1,001.68
Other Equity	5,276.90	5,220.28	5,055.64	4,757.31	4,534.07
	36,899.82	34,967.96	28,989.31	25,883.64	28,183.80
ASSETS					
Fixed Assets	1,037.21	1,121.50	1,147.12	1,172.59	1,165.92
Deferred Tax Assets	678.70	567.90	682.04	726.79	836.92
Non-current assets	28,705.81	26,354.89	22,538.57	16,718.87	18,763.93
Current Assets	6,478.10	6,923.67	4,621.58	7,265.39	7,417.03
	36,899.82	34,967.96	28,989.31	25,883.64	28,183.80

(in Crore)

	2015-2016	2014-2015	2013-2014	2012-2013	2011-2012
EARNINGS					
Total Income	4006.64	3346.08	2,953.29	2,759.30	2,850.20
Profit before Impairment	1338.01	1151.71	1180.84	829.27	845.03
Profit/(Loss) before Tax	443.48	718.02	660.45	664.12	957.74
Profit/(Loss) after tax	337.45	521.60	508.10	450.87	663.62

Financial Information for the period 2016-17 to 2020-21

(in Crore)

	As at 30th September, 2021	As at 31st March, 2021	As at 31st March, 2020	As at 31st March, 2019	As at 31st March, 2018	As at 31 st March, 2017
LIABILITIES AND EQUITY						
Financial Liabilities	11758.17	12764.68	14,195.64	17,945.78	22,044.20	24,696.29
Non-financial liabilities	130.56	82.6	125.87	84.47	242.06	242.42
Share Capital	2041.98	1895.99	1,695.99	1,695.99	1,695.99	1,662.04
Other equity	-902.66	476.11	2,411.78	2,529.31	3,022.28	2,732.23
	13,028.05	15,219.38	18,429.28	22,255.55	27,004.53	29,332.98
ASSETS						
Non-financial Assets	4752.16	4470.59	4,366.44	4,522.63	4,173.38	4,119.80
Financial assets	8275.85	10748.75	14,062.84	17,687.46	22,259.16	24,546.44
Assets classified as held for sale	0.04	0.04	-	45.46	571.99	666.74
	13,028.05	15,219.38	18,429.28	22,255.55	27,004.53	29,332.98

(in Crore)

	HY 1 - 2022	2020-2021	2019-2020	2018-2019	2017-2018	2016-17
EARNINGS						
Total Income	332.01	1,396.92	2,264.06	2,466.20	3,739.99	2874.24
Profit before Impairment	-246.69	124.40	281.05	393.54	1,434.62	412.59
Profit/(Loss) before Tax	(1,569.27)	(2,147.23)	(140.91)	(691.29)	500.25	-779.02
Profit/(Loss) after tax	(1,243.66)	(1,957.81)	(277.88)	(443.83)	468.37	(458.49)
Total comprehensive income	(1,232.79)	(1,935.68)	(317.53)	(483.18)	224.00	NA

B. INVESTMENTS AND DIVIDENDS

3.2 It was informed to the Committee that during the last decade, IFCI has sanctioned (Equity/Compulsorily Convertible Debenture (CCD) exposure) in five companies for project development purpose for an amount of ₹694 crore. Out of the same, ₹533 crore were invested in the companies controlled by the state government entities. These investments pertained to renewable energy, thermal power, oil & gas and diversified infrastructure. IFCI achieved XIRR of 10.27% on these investments. The details are as under:

Investment in Project Equity / CCDs

(₹ Cr.)

FY	Type	Amount invested	Returns		
			Prin	Coupon /Upside	Total
2011-12	Equity /CCD	594	558	362	920
2012-13	CCD	100	100	58	158
Total		694	658	420	1,078

During the last 11 years, IFCI also made equity investment in the following companies which are classified as subsidiaries as on date: -

Investments in Subsidiaries

(₹ Cr.)

FY	Name of Concern	Amount Invested	Remark
2011-12	Stock Holding Corporation of India Ltd. (SHCIL)	292	IFCI's stake in SHCIL increased from 16.96% to 33.91%.
2013-14		340	IFCI's stake in SHCIL increased from 33.91% to 52.86% and thereupon, SHCIL became subsidiary of IFCI.
2018-19	IFCI Factors Limited (IFL)	120	Consequent to conversion of CCPS and perpetual debt instrument to equity
2019-20		80	
	Total	832	

Dividend earned on investment in existing subsidiaries during the last 11 years is tabulated below:

Dividend received from Exiting Subsidiaries & Associate

(₹ Cr)

Subsidiary	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	30 th Sep 2022	Total
SHCIL	5.36	4.64	2.50	6.12	.23	21.15	13.63	7.18	3.90	7.41	27.05	11.52	117.69
IVCF	5.95	5.95	5.95	.95	5.95	5.95	-	1.49	-	-	-	-	37.19
IIDL*	-	-	11.93	-	-	3.82	-	-	13.24	14.95	-	-	43.94
IFL	5.54	5.54	-	-	-	-	-	-	-	-	-	-	11.08
MPCON	-	-	-	-	-	0.08	0.08	-	0.08	0.08	0.08	0.21	0.40
Total	16.85	16.13	20.38	12.07	13.18	31.00	13.71	8.67	17.22	22.44	27.13	11.73	210.51

(*) Buy-back of 5 crore shares took place in 2018 at a consideration of ₹54.10 crore. Also buy-back of 1.81 crore shares took place in March 2013 at a consideration of ₹18.13 crore.

Dividend earned on investment in Associates in last 11 financial years is as under:

Dividend received from Associates

(₹ Cr.)

Concern	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	Total
HARDICON*	0.01	0.06	0.01	0.01	0.01	0.01	-	-	0.10
HIMCON*	0.01	0.01	0.04	0.01	0.03	0.01	-	-	0.10
KITCO	-	-	-	-	0.30	0.30	0.30	0.30	1.20
NITCON*	0.01	0.01	0.03	0.04	0.04	0.04	-	-	0.16
TFCI*	3.96	4.12	4.12	7.27	5.68	2.23	4.21	-	27.63
Total	3.99	4.20	4.20	7.33	6.06	2.59	4.51	0.30	33.18

* IFCI exited these investments

Further, it was also informed to the committee that IFCI has also outstanding investment in the units of venture capital funds cumulating to ₹ 122 crore (inclusive units of VC Fund for SCs run by IVCF for an amount of about ₹ 74 crore). The internal rate of return on these investments varies up to 17%.

3.3 Regarding details of Funds infused by Gol into IFCI and Dividend earned by Gol from FCI, the DFS, in a written note submitted as below:

“Government of India granted restructuring package to IFCI aggregating to ₹5,310 crore, out of which IFCI availed assistance of 2,932.31 crore.

Details of restructuring package are as under:

A.1 Assistance availed by IFCI:

Gol Letter date	Amount(in ₹Crore)	Mode
28-Mar-03	523	Loan (later converted into equity in 2012)
23-Sep-03	1,573	Total Grant of ₹2,409.31 availed
29-Jul-04	75	
05-Jan-05	151	
16-Mar-05	90	
07-Jun-05	111	
06-Sep-05	146.33	
20-Mar-06	42.67	
14-Mar-07	220.31	
Total assistance availed	2,932.31	

A.2 Assistance un-availed by IFCI:

FY	Amount(in ₹Crore)
2007-08	1,300
2008-09	186
2009-10	168
2010-11	147
2011-12	576.69
Total un-availed Grant	2,377.69

A.3 Equity infusion by Gol into IFCI:

FY	Amount(in ₹Crore)
2017-18	100
2019-20	200
2020-21	200
2021-22	100
2022-23	500*
Total	1,100

**(Out of Rs. 500 crore, Rs 400 crore towards subscription to share capital is received by IFCI on 7th March 2023 for FY 2022-23 for which allotment of shares is under process).*

A.4 Dividend Earned by Gol from IFCI:

(in ₹Crore)

FY	Equity Shares	Pref. Shares
2012-13	92.30	-
2013-14	92.30	-
2014-15	138.45	-
2015-16	92.30	0.06
2016-17	-	0.06
2017-18	-	0.06
2018-19	-	0.02
Total	415.35	0.20

3.4 Further it was informed that total Gol's support in the form of equity to IFCI till date is ₹2,023 cr (₹923 cr was converted from loan to equity plus ₹1,100 crore additional equity provided from FY 2017-18 to FY 2022-23) against which ₹415.35 crore of dividend has been received.

CHAPTER- 4

NON-PERFORMING ASSETS

A. NPAs AND RECOVERY

4.1 The Committee note that the Company has incurred huge losses in recent years which clearly reflects that there are serious issues in recovery of loans and most of the dispersed funds have turned out to be bad loans. The Committee have been informed that in the past decade, IFCI has sanctioned and disbursed loans of ₹40,199 crore out of which loan exposure, 13,188 crore was turned into NPAs. IFCI could recover only 4338 crore and gross NPA still stands at ₹6,515 crore as on March 2022.

4.2 It was further submitted that during the last 10 FYs, recovery of ₹12,253 crore has been achieved by IFCI by way of NPA Recovery, redemption of Security Receipts and sale of unquoted equity investments. IFCI has been regular in debt servicing and during the last 5 FYs period debt servicing of ₹32,337.57 crore has been done by IFCI without any default or delay. IFCI has not raised any loan since January, 2018 onwards, except ₹200 crore that was raised by way of Unsecured Bond under Targeted Long Term Repo Operations (TLTRO) in June, 2020.

4.3 Regarding the status of NPA with the institution with major causes of its rising and core sectors which have been identified as stressed sectors, the Company submitted as below:

IFCI: financial performance											(in Cr.)
Particulars	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Gross NPAs	2139	3063	3451	2617	3545	7553	8672	8610	7775	7801	6515
Net NPAs	327	1454	2123	1758	2466	5882	5127	4069	3496	2817	2058
GNPA %	11.4%	19.2%	17.3%	10.3%	13.1%	31.9%	41.0%	48.9%	61.9%	72.7%	90.67%
NNPA %	1.9%	10.2%	11.4%	7.2%	9.5%	27.0%	29.6%	31.8%	42.7%	50.5%	75.48%
Provision Coverage Ratio %	87.5%	60.3%	54.0%	60.5%	57.3%	42.0%	55.5%	66.3%	72.4%	77.8%	82.7%
Total Recovery*	581	987	1339	1266	693	1134	1260	2607	1866	520	1381

*Including NPA Recovery, SR Redemptions and Exit from Unquoted equity

4.4 As informed by the Company there have been multiple reasons for accretion of high level of NPAs such as:

- Large exposure to Infrastructure Sector, specifically to Power and Highways sectors – sector specific issues impacted the asset quality of IFCI’s exposure to Infrastructure Sector
- Trapped in Vicious Circle – Once NPA level started rising, IFCI’s credit rating dropped making IFCI constrained in availing bank finance and accessing Bond Market. It further propelled a downsizing on IFCI’s standard asset portfolio on account of prepayments augmenting liquidity to meet scheduled liabilities and consequent sharp rise in NPA levels.
- Change in Law – The introduction of the Insolvency and Bankruptcy Code, 2016 led to recalibration of NPA resolution strategy. IFCI’s model of lending on the basis of exclusive security was not in synchronisation with the approach of pooling of securities for resolution under NCLT mechanism. Treatment of third party securities and guarantees under NCLT mechanism also does not work in IFCI’s favour.
- Deterioration in overall economic viability of the Businesses due to first and second wave of COVID-19 pandemic.

4.5 It was further submitted that IFCI identified following sectors as stressed sectors:

- Thermal Power sector: First, due to lower gas production from KG D6 Gas basin than envisaged, many gas based power projects which were developed to cater to envisage production from this gas field became stranded. Thereafter, de-allocation of coal mines coupled with delays in PPA execution etc. led to many coal based thermal power project accounts becoming stressed.
- Steel sector: IFCI traditionally has been taking significant exposure to Steel Sector notwithstanding the fact that the domestic steel industry is particularly exposed to global price shocks. The sharp decline in global steel prices in year 2015 led to deterioration in the financial health of Indian steel companies and the sector becoming stressed.

4.6 Regarding the Company’s top 20 NPAs and present status of recovery information is provided in **Annexure I**.

4.7 The Committee wanted to know the reasons about high NPAs in IFCI after becoming govt. Company in 2015, in a written note, the Company stated as below:

“IFCI became a Govt company when GoI shareholding crossed 51% post conversion of redeemable preference shares into equity. In FY 2016-17, NPA level of IFCI increased significantly (Net NPA 27%) mainly due to the following reasons:

- ✓ Change in Income Recognition and Asset Classification (IRAC) Norms by RBI for classification of NPAs and provisioning on Standard Assets
- ✓ Asset Quality Review exercise by RBI
- ✓ Sectoral Issues

Thus, the increase in NPA post IFCI became a govt company is purely coincidental in nature as sectoral issues and issues like change in IRAC norms and AQR review introduced by RBI also came in 2016-17 which led to increase in NPAs. It is pertinent to mention that post 2015, NPA levels increased across the banking industry also.”

4.8 Further, Representatives of IFCI, during the oral evidence stated the following:

"नेक्स्ट स्लाइड में हमने यह बताने की कोशिश की है क हम कस तरीके से एक व शयस साइकल में फंसे हुए हैं। हमारा हाई एनपीए लेवल हुआ, हमारी कैपिटल एडवेंचरी के जो नॉर्म्स हैं, वे ब्रीच हुए। इसके नाते हमारी रेटिंग डाउनग्रेड हुई, इसके नाते हमारी बाजार में साख कम हुई, हम बाजार में पैसा नहीं उठा पाए। अतः हम कोई फ्रेश लेंडिंग नहीं कर पाए। फ्रेश लेंडिंग न करने के बाद में एनपीए की परसेंटेज बढ़ती गई और हमें अपनी लक्विडिटी मेंटेन करने के लिए अपनी रिकवरी के साथ-साथ अपने स्टैंडर्ड एसेट्स को भी बेचना पड़ा। यह जो एक साइकल बनती चली गई, उसके नाते आज ऐसी अवस्था आ गई है क मेरे पास लगभग 90 परसेंट एनपीए है और केवल 10 परसेंट ही स्टैंडर्ड एसेट्स बचे हैं। 890 करोड़ रुपये के सर्फ स्टैंडर्ड एसेट्स बचे हैं। ऑपरेशनली नेगेटिव इन्ट्रेस्ट इनकम है। 600 करोड़ रुपये साल की हमारी ब्याज की अदायगी है, जो ब्याज हमें अपनी बॉरोइंग्स के ऊपर देना है। यह लगभग साल का 600 करोड़ रुपये है।"

4.9 IFCI has submitted to the Committee various constraints faced by the Company in early resolution of NPAs which are produced as under:

- The Covid-19 pandemic had an adverse effect on the overall recovery under various mechanisms due to muted cash flows available with the borrowers and investors in stressed assets and slowdown in the overall legal framework including NCLT.
- With more than 50% of the NPAs undergoing resolution under IBC, recovery in these accounts is dependent on progress of resolution proceedings under IBC. The COVID pandemic had impacted functioning of NCLT/NCLAT and slowed down resolution mechanism.
- Cases of personal insolvency not getting admitted on account of various orders/judgments of NCLT/NCLAT giving conflicting

- positions on initiating recovery against borrower when Corporate Debtor is not undergoing CIRP
- DRT-1 Delhi not having PO for the past 2 years resulted in considerable delays in cases.
 - No Appellate Authority constituted under PMLA to hear cases.
 - There have been delays in cases under DRT mechanism in other jurisdictions also.”

B. STRATEGIES TO DEAL WITH NPAs IN FUTURE

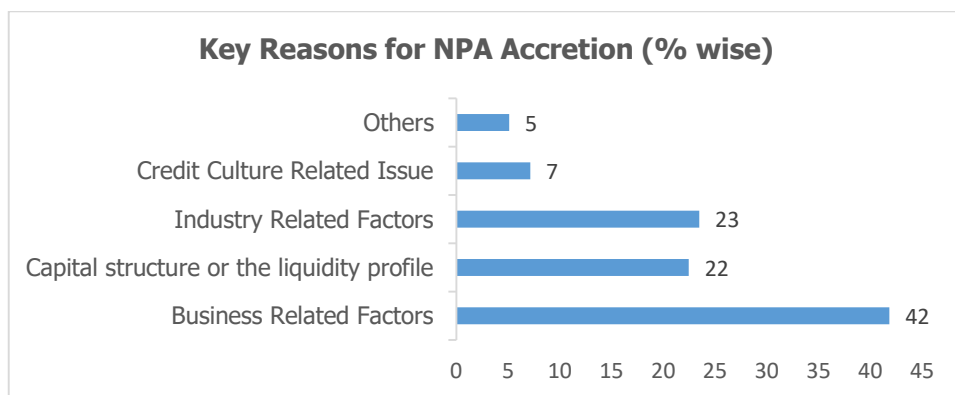
4.10 In a written note, IFCI further submitted that while efforts are being made for consolidation of business and NPA recovery, simultaneous aggressive effort is put on diversification of business to generate additional revenue with the available human resources. Due to such ongoing efforts, IFCI has been able to garner several projects for aggregate fee-based income of approximately ₹312 crore from advisory services which will be received in the next 6 to 8 years.

4.11 When enquired upon by the Committee whether IFCI has conducted any study/analysis to find out the reasons and factors responsible for non-payment of loans by defaulters, in response IFCI submitted following to the Committee:

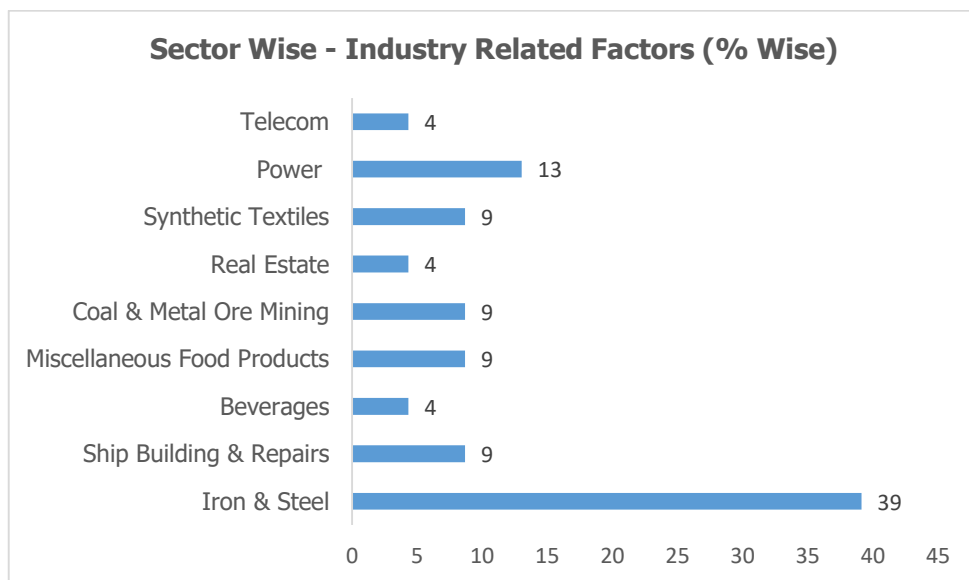
“An analysis of standard loan assets slipping to Non-Performing Assets (NPA) category during 31/03/2013 to 31/03/2018 were presented before the Risk and Assets Liabilities Management Committee of Directors of IFCI Ltd. (RALMCD) in its meeting held on July 02, 2018. In this analysis, the downgraded accounts were classified into the following categories based on the reasons for slippage:

- a) **Business related factors:** This includes loss of competitive position following shrinking scale, worsening of cost structure, or delays in project commissioning resulting in reduced predictability of future cash flows.
- b) **Deterioration in the capital structure or the liquidity profile:** This consists of increase in working capital intensity, large debt-funded capital expenditure or investment outlay or asset-liability mismatch of the Obligor Company or parent company.
- c) **Industry related factors:** This pertains to weak prospects of volumetric demand or realizations in select sectors or unfavourable regulatory developments.

- d) **Credit culture related issues:** Managements of these entities were either not particular about timeliness of debt servicing or chose to put the interests of other stakeholders, ahead of lenders.
- e) **Others:** These include miscellaneous factors, including materialisation of some event risks. As per the above analysis, the broad reasons for downgrading of standard loan accounts during the said period were as under:



4.12 Further, the Committee were informed the sector wise slippages on account of industry related factors were observed to be as mentioned in the chart below:



Thereafter, similar analysis was presented RALMCD from time to time.”

4.13 When asked by the Committee to explain the strategy being used by IFCI to make the recovery process effective and to address the issues of stressed assets, IFCI submitted as under:

“As IFCI is not doing fresh Credit, the entire focus of IFCI is on recovery from NPAs and stressed assets. With regards to management of NPA and strategy for future recovery IFCI has been focusing on resolution of stressed assets/NPAs by adopting multi-pronged strategies i.e. Resolution through –

- Settlements
- Restructuring
- Assignments
- Insolvency Resolution through NCLT
- Personal Insolvency against guarantors
- Enforcement of security under SARFAESI Act, 2002
- DRT/OL/other legal proceedings

4.14 Regarding various steps taken by IFCI are as follows: –

- I. Revision of Policies – IFCI has since implemented a single comprehensive Resolution and Recovery policy, encompassing the earlier 3 different policies, which govern various aspects of recovery such as settlement, assignment, restructuring etc. The Delegation of Power has also been revised to make the process flow operationally more efficient.
- II. Renewed focus on Compromise Settlements - Efforts are being made to enter into One Time settlement/Compromise Settlements wherever possible. Further time up to 12 months is being approved in some cases as per the revised policy, to maximize the recovery.
- III. Sale/Assignment of Loans/Investments – IFCI has already identified major accounts for sale, out of which 3 accounts have already been assigned and sale consideration received. Due diligence is being carried out by number of investors for purchase of some of other assets.
- IV. Other operational initiatives have also been taken which include videography of mortgaged assets to entice interest from prospective buyers.
- V. A database of ARCs, Stressed Asset Investors & Real Estate investors have also been compiled so as to share details of IFCI's NPAs to these investors, to facilitate early sale of NPAs and recovery.
- VI. Appointment of reputed advocates to represent IFCI in legal matters etc.

4.15 It was submitted to the Committee that due to the above focus on recovery, IFCI has been able to recover about ₹1,381 crore from NPAs in FY 2021-22 and ₹380 crore in first half year of FY 2022-23 from NPAs and SRs. With regards to the credit appraisal process, Committee have been informed that it has been strengthened over the years by way of continuous revisions in the Lending Policy and last such comprehensive revision was done in 2019. Highlights of the appraisal/sanction process, the Company submitted, are as under:

- a. Any relaxation in eligibility criteria w.r.t. lending policy requires sanction by Board.

- b. Minimum credit rating eligible for any funding is BBB (except for greenfield projects which is BBB-).
- c. For any short-term loans, the minimum rating is A1/A for new borrowers and A2+/A- for existing borrowers with satisfactory credit track record.
- d. A comprehensive standard format of appraisal is being followed.
- e. IFCI has focused on changing the product mix from long term loans to short term loans resulting in reduction in average tenure (including moratorium) of the new sanctions.

4.16 The Committee was further informed that all the above measures have resulted in the following outcomes:

- a. Improvement in the weighted average external rating of fresh sanctions from BBB- in FY2016 to A- in FY2020.
- b. NPA as % of disbursed amount for the respective year of sanction has gradually reduced from 33% approx. in FY2015 to 5% approx in FY2019.
- c. Also, it may not be out of place to mention that CAG in its Transaction Audit Reports for both FY2018-19 and FY2019-20 has **appreciated IFCI for improvement in the coverage of its lending policy, loan disbursement norms and recovery of loan disbursed during the period of audit.**

With regard to the post sanction monitoring, it was informed to the Committee that it is being done in various forms, i.e. regular interaction with the clients, assessment of internal/external rating, site visits, valuation of security on periodic basis, monitoring of escrow, security updation in the system on quarterly basis, financial covenant testing, red flagging of accounts wherever applicable, SMA reporting, feedback from the lenders, attending consortium meeting, annual review etc. Further, in project finance cases, for each disbursement, entire status of project, LIE report, status of clearances, etc. are reported in detail with disbursement note. “

4.18 During the oral evidence, representatives of IFCI have further explained their strategy about dealing with NPAs as below:

“ जो आमदनी है, वह अब लगभग 100 करोड़ रुपये ही साल की आएगी। 500 करोड़ रुपये की तो नेगेटिव इंटररेस्ट इनकम ही है। अतः लक्वि डटी के चैलेंजेज बनते हैं, जिनको हम को शश करते हैं क एसेट्स को मॉनिटाइज करके उसको दूर करते चलें। पछले साल रिकवरी बहुत अच्छी हुई, जिसके नाते यह हुआ। आगे, चूं क 600 करोड़ रुपये का ब्याज है, इस लए इसमें एक संभावना बन सकती है क अगर रिकवरी बहुत अच्छी न हुई तो इनसॉल्वेंसी की पॉ सबि लटी उसमें बनती है। स्ट्रैटिजी ऑन एनपीए रेजोल्यूशन के बारे में हमसे सवाल पूछा गया था। अतः हम एक **multi-pronged** स्ट्रैटिजी

लेकर चले हैं, जिसमें सेटलमेंट्स भी कर रहे हैं, एनबीएफसीज और एआरसीज को असाइनमेंट्स, एनसीएलटी का भी रूट हम ले रहे हैं। 50 प्रतिशत ऑफ एसेट्स एनसीएलटी में हैं, ले कन एनसीएलटी की अपनी ल मटेसंस हैं, जिससे उसमें काफी समय लग जा रहा है। जहां पर एसेट्स हैं, वहां सरफेसी वगैरह भी कर रहे हैं। इन रूट्स को हमने कार्यान्वित करने के लए अपनी कुछ पॉ लसीज चेंज की हैं, डेलीगेशन ऑफ पावर्स रिवाइज की हैं। इन सबके लए फॉर्मूला-बेस्ड तरीके निकाले हैं, जिसके नाते यह काम त्वरित गति से हो सकें और ऑपरेशनल लेवल पर इस चीज में कहीं बाधाएं न आएं।”

4.19 When the Committee enquired about the methods adopted by the Company for recovery of large size stressed assets and if the Company sees its successful execution, the Company in their written reply, submitted as under:

“Out of total NPA portfolio of IFCI, about 50% of the portfolio is in NCLT. Many of the cases are in advanced stage of resolution. In remaining accounts, multi-pronged approach for resolution is being adopted including one time settlement, assignment of exposure, enforcement of securities through SRFA&ESI and DRT route etc. Development in each account is being closely monitored by the management. This approach supported by enabling policy and decision-making framework yielded results in FY 2021-22 with recovery of about ₹1,381 crore from non-performing accounts and security receipts.

Stressed Standard cases are being monitored closely and efforts are on to exit such cases at the earliest.”

4.20 IFCI submitted the following additional information regarding modes of mechanism resolution and mode resolution used by the Company for resolution of NPAs during the last 10 fiscal years:

“A brief analysis of the efficacy of mode of NPA resolution form April 01, 2012 to September 30, 2022 is as under:

Non-Legal Routes	Assignment*	58%
	Settlement	77%
	Follow-up (incl. restructuring)	36%
Legal Routes	Legal (incl. DRT & SARFAESI)	27%
	NCLT	18%

* includes security receipts also

However, it may be noted that recovery from NPAs requires a multi-pronged approach and multiple recovery routes are followed simultaneously for resolution of NPAs.”

4.21 During the evidence of the Ministry of Finance, when asked about the NPA issues of the Company, representative of DFS submitted before the Committee as below:

“आईएफसीआई कोई फ्रेश लेंडिंग नहीं कर रही है, जो क मटमेंट था वह कर रहे थे, मार्केट से पैसा भी उठाना बंद कर दिया। लेकिन जब अगर हम देखेंगे, वर्ष 2006-07 से एक प्रोफिट बनाना शुरू किया, वर्ष 2006-07 में करीब 898 करोड़ रुपये बनाया, वर्ष 2007-08 में 1000 करोड़ रुपये का प्रोफिट बनाया, वर्ष 2008-09 में 657 करोड़ रुपये का प्रोफिट बनाया। इसके परिणामस्वरूप, नेट ऑन फंड पॉजिटिव हो गए, उसके बाद 2008-09 के बाद फर से रिसोर्स रेज करना शुरू कर दिया ताकि फ्रेश लेंडिंग जारी रख सके। वर्ष 2016-17 में देखा गया कि आईएफसीआई का एनपीए करीब 27 परसेंट हो गया। उस समय आरबीआई का एक नार्म आया था, इंटरिस्ट रिकॉग्निशन एंड असेट्स ट्रेफिकिंग नार्म्स, चूंकि बैंकों के लिए क्लॉस फकेशन नार्म्स आया था कि आप अपने ऋण को किस प्रकार क्लॉस सफाई करेंगे, एनपीए कब डिक्लेयर होगा तो उसमें कितना कैपिटल का प्रोवजन करना पड़ेगा, बैंकों के साथ उन्होंने एनबीएफसी के लिए भी लाया, उसमें मोटी-मोटी बात यह थी कि पहले हम एनपीए को एनबीएफसी में डिक्लेयर करते थे, जब छह महीने से ज्यादा रिपेमेंट नहीं होता था। उसको आरबीआई ने घटाकर तीन कैटेगरी में लाया, पांच महीने आउटस्टैंडिंग 2016 के थे, इस तरह एक फार्मूला था। एनपीए को प्रोवजनिंग करते हैं, उसको उन्होंने बढ़ाकर 0.25 परसेंट कर दिया। इसके परिणामस्वरूप यह हुआ कि बहुत सारे ऐसे लोन जो उनके बुक में थे वह एनपीए क्लॉस सफाई हो गए। हमारा एनपीए रेशियो 27 परसेंट हो गया। आरबीआई का जो नया गाइडलाइन था, दूसरे कुछ सेक्टरल इश्यूज थे, जहां-जहां जिससे सेक्टर में इन्होंने लेंडिंग कर रखा था, पावर, स्टील सेक्टर थे, कुछ सेक्टर स्पेसिफिक इश्यूज थे, वह भी कारण था, जिसकी वजह से लोन एनपीए हो गए। इसके परिणाम स्वरूप, इनका क्रेडिट रेटिंग भी डाउन हो गया। उसके बाद निर्णय लिया गया कि आगे कोई लेंडिंग नहीं करेंगे। वर्ष 2021-22 के बाद कोई लेंडिंग फ्रीज कर दी है, कि मटेड कुछ छोटे अमाउंट थे, उसको सिर्फ उन्होंने लेंड किया। इसके बाद, कन्सल्टेंट अप्वाइंट किए गए, इनका हमारे पास थोड़ा लायबिलिटी है, हमारे पास थोड़ा असेट्स भी बचा हुआ है। जो भी रिटेल इन्वेस्टर्स हैं, जो कि मटमेंट है उसको मीट करें। आईएफसीआई के लिए क्या ऑप्शन हो सकता है, कन्सल्टेंट ने तीन-चार ऑप्शन दिए हैं, हम दो स्ट्रीम देखें या तो उसको बंद किया जाए या उसको रिवाइवल कराया जा सकता है। मर्जर का भी ऑप्शन दिया है। जब मंत्रालय में हमने एग्जामिन किया तो हमें लगा कि आईएफसीआई एक लस्टेड एंटीटी है। लस्टेड एंटीटी होने के कारण जो

बांड इश्यू कर रहे हैं, सेबी के कुछ रेगुलेशन हैं, आरबीआई का भी रेगुलेशन है। चूंकि वह कंपनीज एक्ट में भी आते हैं, कुछ लीगल और रेगुलेशन इश्यूज हैं। उसको भी देखना पड़ेगा कि कस तरह से एड्रेस किया जाए। हरेक ऑप्शन का एक कास्ट होगा, ऑप्शन ए, बी और सी को करते हैं तो उसके लिए सरकार का कतना कास्ट आएगा। लॉन्ग टर्म वायबिलिटी क्या है? अगर हम डफरेंट ऑप्शन को लेते हैं तो इसका कैश फ्लो मॉडल कस तरह होगा। एक से सटिव एनालिसिस करने की जरूरत है। रेगुलेटरी इश्यूज बहुत जरूरी हैं। अगर हम एक ऑप्शन अडॉप्ट कर लें तो उसमें हमें सेबी से एग्जेंप्शन की जरूरत है, आरबीआई से एग्जेंप्शन की जरूरत है, कंपनी अफेयर्स के प्रावधान में चेंज करने की जरूरत है। इस मुद्दे को एड्रेस करके सरकार इस पर कॉल ले, हम लोग इस पर काम कर रहे हैं। हम लोगों ने आईएफसीआई से डाटा भी मांगा है। जो भी ऑप्शन होगा, हम सरकार के सामने प्रस्तुत करेंगे ताकि निर्णय लिया जा सके। हमारा करंट में फोकस क्या है, इनके एनपीए ज्यादा हैं, असेट्स कम हैं, इनको लायबिलिटी भी मीट करना है, इनके अपने ऑपरेशनल एक्सपेन्सेज हैं। हम लोगों का हमेशा ध्येय रहा है कि ऑपरेशनल एक्सपेंस निकाल सकें, डे-टू-डे एक्सपेंसेस हो रहे हैं। लें डंग बंद है, इनको कहा गया कि अपने काम को डाइवर्सिफाई करें, कुछ और एक्टिविटीज करें, जो पहले का एक्सपेरियंस है।”

4.22 The Committee desired to know about the findings of Asset quality review done by RBI for IFCI Ltd since 2016 till date, in this regard RBI, in a written note submitted as under:

“Asset Quality Review was not undertaken for the Non-Bank Finance Company (NBFC) sector. However, NBFCs are subject to RBI supervisory examination wherein compliance with prudential norms on asset classification is reviewed on a sample basis. The details of divergence observed in asset classification and provisioning requirements during the said inspections of IFCI Ltd. since 2018 are listed in Annex A.”

4.23 Regarding future business and status of regulatory compliance of IFCI Ltd. RBI submitted their comments as below:

“1. The company, being an NBFC-ICC, is required to maintain ₹2 crore of Net Own Fund (NOF) as on date. Further, it is required to achieve NOF of ₹10 crore by March 31, 2027. However, the company’s NOF has been depicted a declining trend over the years and has decreased from ₹2,623.43 crore as on March 31, 2017 to ₹ (-2874.66 crore) as on March 31, 2022. Thus, in terms of Section 45-IA of RBI Act, 1934, the company is not eligible to carry on business of Non-Bank Finance Company (NBFC).”

2. The company was meeting the Principal Business Criteria as on March 31, 2022, as its financial assets formed 59.63% of the total assets and its financial income was 94.45% of the total income.

3. The assessed total capital funds of the Company as on March 31, 2022 is ₹(2,869.60) crore. Hence, the company may need capital infusion of about ₹2,875 crore to meet its regulatory requirement. Further, anticipating a growth of 5% in its business, the additional capital requirement would be about ₹3,325 crore.

4. In terms of DOR.CRE.REC.No.60/03.10.001/2021-22, "Scale Based Regulation(SBR): A Revised Regulatory Framework for NBFC" dated October 22, 2021, the Company cannot invest/loan more than 25% and 40% of Tier 1 capital (NOF) in a single entity and group of entities, respectively. As the company's NOF is negative since March 31, 2021, it is not eligible to grant new loans or make investments.

5. Capital to Risk Weighted Assets Ratio (CRAR) of the Company is negative and does not meet the minimum requirement of 15%. It has been making losses since 2017 resulting in reduction of capital funds.

6. The composition of the Board as well as the Board level Committees is not in conformity with the Companies Act, 2013, SEBI's Listing Obligation and Disclosure Requirements (LODR) Regulations, 2015, due to absence of Independent Directors. (RBI)".

4.24 The Committee notes that non-compliance to various regulatory provisions by IFCI Ltd as mentioned above also led to an adverse impact on future business of IFCI Ltd.

CHAPTER-5

REVIVAL STRATEGY

5.1 The Committee desired to know that apart from the Government support and with/without liability restructuring, what intervention required from Central Government for making IFCI a profitable Company, in their response the Company submitted as below:

“IFCI is working closely with the Department of Financial Services, Ministry of Finance for evaluation of various options for revival of IFCI. Due to paucity of capital, IFCI, at present, is not able to lend and is focusing on recovery from NPAs and monetization of the non-core assets to boost its liquidity position. Simultaneously, IFCI is focusing on enhance its fee-based income from advisory services to sustain establishment expenses and to utilise its project appraisal expertise and experience. IFCI has been providing project monitoring agency (PMA) Service to 9 out of 13 (awarded) PLI schemes.”

5.2 IFCI, further had submitted to the Committee that keeping in view of the present macroeconomic scenario and bad financial position, IFCI Ltd. had appointed a consultant to formulate a revival strategy for the Company, when the Committee sought the status of the report of the consultant and its recommendations for information of the Committee, IFCI submitted as under:

“Keeping in view of the precarious financial position of IFCI, the company had appointed a consultant to suggest the way forward. Consultant had proposed the following options:

1. Continue as a going concern with government support and with / without liability restructuring
2. Outright sale / disinvestment of IFCI to private company
3. Soft / Hard closure of IFCI by monetizing assets and paying off liabilities
4. Consolidation of IFCI group without liability restructuring

Post a preliminary analysis of above options; few variants of the same were also identified. As the initial report required some more detailing, an option wise detailing exercise was carried out in consultation with IFCI officials from the following perspectives:

- Protection of interest of all stakeholders (shareholders, retail bondholders, other creditors, employees etc.)
- Fiscal burden on Government of India
- Regulatory & taxation implications
- Long term viability
- Optimum utilisation and reaping synergies of IFCI group resources

- Estimated time taken for completion of underlying process under each option

Further, an independent committee consisting of MD SBI, ex-ED PNB and EVP SBI Caps has been constituted by DFS to evaluate these options and submit its report suggesting a way forward.”

5.3 The Committee wanted to know about the strategies if any, prepared by IFCI to deal with huge public interest in the Company, IFCI in a written reply to the Committee submitted that:

“There are approximately 5.5 lakh public shareholders and about 92,000 retail bond holders as on September 30, 2022. There are approximately 1,400 provident funds/gratuity/retirement/pension funds which have outstanding investment of about ₹2,951 crore in IFCI. While evaluating the options, the issue of public interest has been suitably highlighted.”

5.4 Representatives of IFCI have further elaborated about the impact of closure of the Company during the course of oral evidence as under:

“How would it be impacted if we are going towards closure? Madam, this is certainly a point of consideration we have placed before the DFS ‘If you are closing us down, what happens is this PLI scheme?’ There has to be an alternative arrangement. अभी क्लोजर की बात नहीं आई है, It is just an option which has been discussed along with so many other options. But in that case, the whole business will not be stopped. Probably, it would go to some other agency. कोई दूसरी एजेंसी इस काम को संभालेगी, यह हो सकता है क यही टीम इस काम को संभाले। So, it may be just a change of the entity, but the business will continue unabated as it is. क्लोजर के अंदर काफी चैलेंज होते हैं, जो भी हमारी रिकवरी है, वह इफेक्ट होगी, जो पैसा हम रियलाइज कर सकते हैं, वह नहीं आता है। It goes into a kind of a fire sale. So, there are challenges on that front. रिवाइवल प्लान में हमारा मेन चैलेंज नेगेटिव इंटररेस्ट है। 500 करोड़ रुपये साल में देना पड़ता है। मेरा एवरेज बॉरोइंग की कॉस्ट 9.5 से 10 परसेंट के बीच है। इनकम अर्निंग एसेट्स नहीं है, इस प्रकार से हम चाहते हैं, I am not totally insolvent at this stage, there is a small amount of insolvency. Maybe, it is about Rs. 1,000 to Rs. 1,100 crore. If I can manage that, I have enough assets to liquidate and pay off my debts. But to pay the debts, I will need approval of the SEBI. क्लियर पेमेंट करानी पड़ेगी, ये बाइंड्स हैं, I cannot pay just like that. प्रायर पेमेंट कराने में सेबी का थोड़ा सहयोग लगेगा, लक्विडिटी आनी चाहिए, लक्विडिटी के लिए हम सरकार से सहयोग मांग रहे हैं,

जब हम कुछ चीजों को बेचेंगे तो अलग से अस्सिस्टेंस दीजिए so that I can square off these liabilities and become interest free. मैं भारत सरकार का ऋणी रहूंगा न क मार्केट का ऋणी रहूँ। In that case, about our expenditure of Rs. 10 crores per month, we have created models, fee-based models, which we are doing. We have about Rs. 9 crore to Rs. 10 crore model to take the income. So, the company will be relevant and contributing to the national-building. PMA scheme, PLI schemes, State Government and even Corporate Advisories are there. That is why it will continue. Still, we will settle everything to adjust our liability, which will take a year or two. After two years, we will know how much cash we are left with. लायबिलिटी को खत्म करेंगे, कैश बचेगा, We can be back in the lending game again because people will know their skills. They are already appraising their projects. आज फी लेकर कर रहे हैं, कल अपना पैसा लगाकर करेंगे। So, we do not want this company to die. We want those skills to remain there with the company. We want the company to be profitable. But, at this juncture, where there is a need of surgery for which we have gone to the Government of India. We have given them multiple options. They are evaluating them and they are discussing within themselves. As soon as that is done, things will be done. They have got our point. We have made everything very clear to them. एकदम सब कुछ साफ-साफ एक्सप्लेन किया है।”

5.5 MD, IFCI during their oral evidence before the Committee further added as below:

“यह स्लाइड रिवाइवल स्ट्रैटिजी के बारे में है। माननीय कमेटी ने जानना चाहा था क क्या प्रस्ताव हैं और उन पर हमारे क्या वचार हैं? कन्सलटेंट ने इन चार ऑप्शंस के ऊपर प्रस्ताव दिए हैं, जो डीएफएस के पास वचाराधीन है। इसके अंदर यह है क क्या हम एज-इट-इज चलें, अगर सरकार से हमें कुछ पूंजी, अंशदान मल जाता है, तो हम लोग बिना कसी री-स्ट्रक्चरिंग के, अपनी कै पटल ए डक्वेसी लाकर अपनी साख बढ़ाकर बाजार में अपना काम पुनः प्रारंभ कर सकते हैं या इसको कसी संस्था को बेच दिया जाए, इसके अंदर कोई और इन्वेस्टर आएगा, इस पर भी एक चर्चा हो रही है, वे लोग इसे इवैल्युएट कर रहे हैं। एक ऑप्शन यह भी है क क्या संस्था को बंद किया जाए? सॉफ्ट, हार्ड, क्लोजर के तरीके से किया जाए और इनसे क्या नुकसान है। पार्टिकुलरली जब संस्था के अंदर पब्लिक इंटरेस्ट है, शेयरहोल्डर्स हैं, बॉन्डहोल्डर्स हैं या पीएफ फंड्स के इन्वेस्टमेंट्स हैं। एक ऑप्शन यह भी था क क्या 14 कंपनियों को रखने की जरूरत है? इन 14 कंपनियों की जगह ग्रुप का कन्सॉ लडेशन कम कर दिया जाए? जैसा क आजकल सरकार का भी कहना है क इतनी पीएसयूज क्यों और उनके नीचे इतनी सब्सि डियरीज क्यों रखी जाएं? अतः ये प्रस्ताव भी वचाराधीन

हैं। डीएफएस के साथ डटेल में चर्चा हुई है। इस पर एक्टिवली काम किया जा रहा है। *DFS is fully involved with us on this.*”

5.6 Regarding the revival strategy of the Company, Representatives of IFCl, during the oral evidence have further submitted that:

“सर, रिवाइवल स्ट्रैटिजी - आपके सम्मुख हम लोग पहले भी प्रस्तुत हुए हैं। Different options have been discussed with Government of India which includes क हम एज इट इज कंटीन्यु करें। Can we continue as a lending institute? कै पटल रिक्वायरमेंट हमें कसमें ज्यादा पड़ेगी। Whether our liabilities can be re-structured or not; can it be sold outside? Should it be closed? जैसा बात हो रही थी क सॉफ्ट क्लोजर या हार्डक्लोजर इसका कस प्रकार से करें and also, if IFSC groups can be done; and these options are being discussed with the DFS. इस वीक में भी हम लोग सैक्रेट्री के साथ मलकर आए हैं। So, we are expecting some decisions from the DFS soon. At this juncture we do not have capital and RBI would not permit us to lend and we do not have enough money. हमारी कै पटल एडुकेसी नेगेटिव है। ऑलरेडी माइनस 75 पर्सेंट हमारी कै पटल एडुकेसी है। So, as per the RBI norms we cannot lend any money though we are maintaining a liquidity of Rs. 400 crore at this juncture. But we are not lending, rather using it to retire our liabilities prematurely.”

5.7 The Committee wanted to know about the corrective measures being undertaken by DFS and IFCl in view of the PCA framework that has become effective from 1 October 2002, and will apply on the basis of the financial position of NBFCs on or after 31 March 2022, DFS in this regard in a written reply to the Committee have submitted that:

“Reserve Bank of India had introduced a Prompt Corrective Action Framework (PCA) for Scheduled Commercial Banks in 2002. The objective of the PCA Framework is to enable Supervisory intervention at appropriate time and require the Supervised Entity to initiate and implement remedial measures in a timely manner to restore its financial health.

Accordingly, a PCA Framework for NBFCs has been introduced to further strengthen the supervisory tools applicable to NBFCs. The PCA Framework for NBFCs other than Government NBFCs, came into effect

from October 1, 2022, based on the financial position of NBFCs on or after March 31, 2022.

As IFCI is a Government owned NBFC, PCA framework is not applicable to it. Additionally, a separate circular is likely to be issued in due course with regard to applicability of PCA Framework to Government NBFCs. (Para No 3 of RBI circular dated December 14, 2021, RBI/2021-22/139) .

Despite not being subject to the PCA framework, IFCI has stopped taking fresh loan exposures and instituted robust credit monitoring mechanism in the spirit of PCA framework. IFCI has also undertaken cost cutting measures coupled with expediting recovery from NPAs, enhancing its advisory business income & monetisation of non core assets to improve its liquidity position.”

5.8 When the Committee asked about this to RBI that it has kept all NBFCs under Prompt Corrective Actions (PCA) framework except Govt. Companies and the reasons Government supported NBFCs has not been placed under PCA framework presently, RBI, in their written reply submitted as below:

“Prompt Corrective Action (PCA) Framework for NBFCs (copy enclosed) was introduced on December 14, 2021, to enable supervisory intervention at an appropriate time and require the NBFC to initiate and implement remedial measures in a timely manner, to restore its financial health. At the time of introduction, Government NBFCs were kept outside the PCA framework, as Government NBFCs were provided time upto March 31, 2022, to adhere to the capital adequacy norms in terms of extant regulations (copy enclosed). Currently, Reserve Bank is engaged with Department of Financial Services, Ministry of Finance, Government of India for extending PCA framework to Government NBFCs as well.”

5.9 Further, the Committee desired to know about the challenges lies for the Company in future as a NBFC, RBI, in their written reply submitted as below:

“The company, being an NBFC-ICC, is required to maintain ₹2 crore of Net Own Fund (NOF) as on date. Further, it is required to achieve NOF of ₹10 crore by March 31, 2027. However, the company’s NOF has depicted a declining trend over the years and has decreased from ₹2,623.43 crore as on March 31, 2017 to ₹(-) 2874.66 crore as on March 31, 2022. Thus, in terms of Section 45-IA of RBI Act, 1934, the company is not eligible to carry on business of NBFC. As the company’s NOF is negative since March 31, 2021, it is not eligible to grant new loans or make investments. As per information available, the loan portfolio of the company had started declining since FY 2012-13. It shrank from ₹14,530 crore as on March 31, 2013, to ₹12,703.28 crore as on March 31, 2021, and then significantly to ₹7,339.90 crore as on March 31, 2022. The company had not sanctioned any loan since FY 2019-20 and no amount was disbursed since June 2019 due to its poor financial health”.

5.10 The Committee enquired about the specific actions that have been taken by DFS to support the Company and diversify its mandate when the Company have been reporting losses for a few years and has been doing no business as per the mandate, DFS submitted to the Committee that:

“Government of India has infused ₹700 crore equity share capital in IFCI as under:

Financial Year	Capital infusion(₹ cr)
2017-18	100
2019-20	200
2020-21	200
2021-22	100
2022-23	100
Total	700

In addition, additional equity share capital support of ₹400 crore in FY 2022-23 has been budgeted to ensure that IFCI’s networth remains positive and IFCI continues as ‘going concern’.While the options on the way forward are being deliberated upon, it is imperative that IFCI focusses on NPA recovery, cutting down expenses and bolstreing the current advisory revenue stream. The same is being constantly monitored and supported by DFS through series of reviews in the department and its representatives on IFCI Board. Through concerted efforts, IFCI has been able to achieve avergae annual advisory revenues of Rs 55 Cr. In combination with better management of rental assets, IFCI has therefore been able to cover its non-interest operational expenses”

5.11 The Committee further enquired about the future plans of the Company because of the fact that since the Govt. of India became majority shareholder in IFCI in 2012, since then amount of Rs. 700 crores has been infused by the Government. Despite this, the NPAs of the Company have peaked during the period, in this context DFS have submitted to the Committee that:

“To ensure viability of IFCI, it is imperative that IFCI is able to honour its debt repayment commitments and not slip into the negative net worth domain. While options regarding further course of action are under evaluation, it is imperative that IFCI should be able to meet operational expenses, make robust NPA recoveries, ensure profitable operations of its subsidiaries and manage its assets. To that end, Government of India has pumped in equity from time to time to safeguard IFCI’s net worth and ensure that event of default is avoided. Additionally, DFS through its presence on the Board has encouraged IFCI to participate in government advisory role, initiate cost cutting measures and ensure resolution of legacy issues. Resultantly, IFCI has been able to achieve avergae annual advisory revenues of Rs 55 Cr. In combination with better management of

rental assets, IFCI has therefore been able to cover its non-interest operational expenses.”

5.14 DFS have further added on the nature of support that it may provide to restart the lending business and full strategic business plan of IFCI as below:

“To avoid the event of default, maintain accounting status of ‘going concern’ and retain liquidity, DFS is providing capital infusion support to IFCI. Issues of IFCI’s long term viability, business model and restarting of lending are likely to be addressed in the revival plan under evaluation”

5.15 Department of Financial Services, Ministry of Finance regarding the future of the Company, during the oral evidence has submitted following to the Committee:

“I would only make a point about capital infusion. As of today, capital infusion is being made only to service the debt of IFCI. If I were to take a parallel from the point that you have made, if Government were to take over the liability and close the entity, perhaps the situation would still be the same. If we take over their liability, we are actually paying IFCI only to the extent of their debt servicing requirements. Their operating expenses for 150-and-odd employees and everything else they are doing,..

Government being Government, I suppose we do not have the same flexibilities in terms of winding up a company as private promoter may have. I do not need to explain that to you. But your point is very well taken that yes, we are today keeping an entity alive which apparently, as of right now, does not seem to be doing what it was originally meant to do. They are doing advisory services. They are doing a good job with the advisory services. They have got some good important assignments. But should they be retained as an entity only to do advisory services? That is the big question on which a decision in the Government, we are hoping, will be taken in some time.....My point is, as of today, they are able to meet their operating expenses. As of today, whatever capital infusion is being done, it is going towards debt servicing. The larger point on the strategic view or what is to be done with the IFCI, as of right now, it is not yet decided by the Government. But we are expecting a decision would be taken. We are actually working actively on it..... Sir, we do not have a specific time frame yet on this issue....”

CHAPTER - 6
SUBSIDIARIES

6.1 Regarding the shareholding pattern of each organization in IFCI Ltd following was submitted to the Committee:

“IFCI has following six subsidiaries and seven step down subsidiaries:

Name of IFCI's Subsidiary	% shareholding of IFCI		Investment of IFCI (₹ crore)
Stock Holding Corporation of India Ltd. (SHCIL)	52.86%		637.62
IFCI Infrastructure Development Ltd. (IIDL)	100%		427.10
IFCI Venture Capital Fund Ltd. (IVCF)	98.59%		107.55
IFCI Factors Ltd. (IFL)	99.90%		290.19
IFCI Financial Services Ltd. (IFIN)	94.78%		83.15
MPCON Ltd.	79.72%		0.80

Name of Step Down Subsidiary	% of shareholding	Remarks
SHCIL Services Ltd.	100%	Wholly owned
Stockholding Document Management Services Limited	100%	by SHCIL
Stock Holding Securities IFCI Limited	100%	
IIDL Realtors Pvt. Ltd.	100%	Wholly owned by IIDL
IFIN Commodities Ltd.	100%	Wholly owned
IFIN Credit Ltd.	100%	by IFIN
IFIN Securities Finance Limited	100%	

6.2 It was informed to the Committee that in its endeavor to expand and add multiple revenue streams through differentiated products and offerings, IFCI gradually established 6 subsidiaries by way of acquisitions / fresh incorporations. The Committee also note from background note that, IFCI Ltd. has 13 subsidiaries including its step down subsidiaries. The details of subsidiaries / step-down subsidiaries are as follows:

a. Stockholding Corporation of India Ltd. (SHCIL)

In 1986, SHCIL was promoted by leading Financial Institutions and Insurance Companies, where IFCI also contributed 16.96% of share capital along with ICICI, IDBI, SUUTI, LIC etc. SHCIL was a growing entity in Custodian Business and considered to have immense potential as it was expanding in related field's also viz. stock broking. Therefore, IFCI further strategically enhanced its investment in SHCIL in tranches. Eventually, SHCIL became subsidiary of IFCI in 2014 when

the IFCI's investment in it surpassed 50% of its total equity shareholding. (Reply 1, Annexure)) Step down Subsidiaries of SHCIL as mentioned below:

i. Stockholding Services Ltd. (SSL)

SHCIL was into Custodian Services business and technically, a Custodian is not allowed to do stock broking activity. A separate registration, by a different entity, with SEBI was required to start broking business. Therefore, SSL was established by SHCIL to venture into Stock Broking Services to retail and institutional clients across the country. The company was incorporated in 1995 with a long-term view of doing broking business; however, it got fully operational in 2005-06. SSL offers services in Cash & F&O segment of BSE & NSE. SSL is a member of BSE, NSE and MSEI for equity segment.

ii. Stockholdings Document Management Services Limited (SDMS)

Stock Holding DMS, erstwhile SHCIL Projects, was established by SHCIL to venture into the business of Document Management and Digitization Services with a view that the segment has good potential and market in the era of digital transformation. SDMS is a Microsoft Gold certified partner for all its products and services and is ISO 9001:2008 and CMMI Level-3 certified company. SDMS provides services related to End-to-End Digitization and Document Management System.

iii. Stockholdings Securities IFSC Limited (SSIL)

SSIL was incorporated on July 16, 2018 to take advantage of the business opportunity at International Financial Services Centre (IFSC) Gift City, Gandhinagar, by offering a comprehensive bouquet of service solutions to all eligible investors at IFSC.

b. IFCI Infrastructure Development Ltd. (IIDL)

IIDL was set up as wholly owned (100%) subsidiary of IFCI in the year 2007 to venture into the real estate and infrastructure sector as an institutional player. The strategy was to get maximum value out of real estate assets acquired by IFCI through NPA resolution by developing them through IIDL. Certain real estate assets of IFCI were transferred to IIDL in lieu of equity shareholding. Stepdown Subsidiary of IIDL are as mentioned below:

i. IIDL Realtors Pvt. Ltd. (IRPL):

In order to expand its business, in 2010, IIDL acquired M/s Ambitious Realtors Pvt. Ltd. along with its properties and renamed it IRPL as a step-down subsidiary of IIDL. IRPL was engaged in the business of purchasing and selling of property

with or without construction and also for generating rental income from leasing out of its properties.

c. IFCI Venture Capital Funds Ltd. (IVCF)

IFCI Venture was set-up by IFCI in 1975 as a society, Risk Capital Foundation, with the objective to broaden entrepreneurship base in India by providing risk capital mainly to first generation entrepreneurs under “Risk Capital Scheme”, so that they can avail loan from Banks and FIs for their ventures at comfortable terms. In 1988, IFCI Venture launched “Technology Finance & Development Scheme”, to provide financial assistance for setting up projects aimed at commercialization of indigenous technologies, and it was corporatized as “Risk Capital and Technology Finance Corporation Ltd. which was renamed as IVCF in 2001.

IVCF, a subsidiary of IFCI had been managing SEBI registered private equity (PE) funds/Alternate Investment Funds (AIF) and presently manages Govt promoted VC Funds viz. Venture Capital Fund for Scheduled Castes (VCF-SC) and Venture Capital Fund for Backward Classes (VCF-BC).

d. IFCI Financial Services Ltd. (IFIN)

IFIN was set up in 1995, by IFCI, with registered office at New Delhi, to provide a wide range of financial products and services to institutional clients. In 2009, CR Finance Security Ltd. was merged with IFIN as an inorganic expansion in retail segment in terms of branches. Earlier IFIN had only two branches that too in Institutional segment only. After merger, the head office of IFIN was shifted to Chennai as most of the branches of CR Finance Security Ltd. were in that region only. IFIN is primarily involved in the business of Stock Broking, Currency Trading, Depository Participant Services, Merchant and Investment Banking, Insurance (Corporate agent for both life and General Insurance), Mutual Fund Products Distribution and Corporate Advisory Services. Presently, IFCI is planning to consolidate the businesses of IFIN & SHCIL by way of amalgamation, considering the similarities. The approval for the same from Govt. of India is awaited. Step down Subsidiaries of IFIN are as mentioned below:

- i. **IFIN Securities Finance Ltd (ISFL):** In order to have an NBFC in its services, in December 2010, IFIN acquired Narayan Sriram Investments Pvt Ltd. (NSIPL), a running NBFC, from Hindu Group of Chennai, to provide margin funding services etc. to its clients.
- ii. **IFIN Credit Ltd.:** CR Options Pvt. Ltd. was a subsidiary of CR Finance Securities, which ultimately became subsidiary of IFIN after merger and renamed as IFIN Credit. IFIN Credit is not engaged in any major business activity.

iii. **IFIN Commodities Ltd (ICOM):** ICOM, erstwhile CR Commodities Pvt. Ltd., was also a subsidiary of CR Finance Security Ltd. which became IFIN's subsidiary after merger in 2009.

e. **IFCI Factors Ltd. (IFL)**

IFL was strategically established by IFCI to foray into Factoring business, an addition to the basket of products offered by IFCI group. The Company, erstwhile Foremost Factors, started its operations in February, 1997 with domestic factoring activities. The Authorised Dealer's license was obtained for export factoring activities in November 1996. Export Factoring operations were initiated from the month of June, 1997. In April, 1999, IFCI subscribed to the share capital of the Company besides acquiring the shareholding of 20th Century Group, thus becoming the largest shareholder. Subsequently, IFCI also acquired the shareholding of Mohan Group and in 2009, Foremost Factors was renamed as IFCI Factors Limited. It is today a subsidiary of IFCI.

f. **MPCON Ltd. (MPCON)**

As a developmental activity IFCI along other State Level & National Level Institutions and Banks etc. contributed in promotion & establishment of various Technical Consultancy Organisations (TCOs) across India as it was strongly needed for Industrial Development. MPCON, a TCO headquartered in Bhopal was established in the year 1979 to promote entrepreneurship Development and help MSMEs. IFCI holds 79.72% shareholding in MPCON.

6.3 The Committee has been informed that the way forward on retention of above subsidiaries or otherwise shall be considered along with the decision on revival strategy of IFCI.

6.4 A brief snapshot of financials of the Subsidiaries is mentioned below:

SHCIL – Financial Performance

S. No.	Particulars	Stockholding Corporation of India Ltd.					
		(in ₹Crore)	2022-23	2021-22	2020-21	2019-20	2018-19
1	Share capital		21.05	21.05	21.05	21.05	21.05
2	Reserve & Surplus		5,934.97	4,531.94	2,663.15	2,214.57	2,260.47
3	Net Worth		5,956.02	4,552.99	2,684.20	2,235.62	2,281.52
4	Investment of IFCI						
	Amt		637.62	637.62	637.62	637.62	637.62
	%		52.86%	52.86%	52.86%	52.86%	52.86%
5	Total Balance sheet size		8,948.01	6,852.70	5,181.78	3,849.05	3,700.32
6	Gross Revenue		674.12	596.35	458.60	396.60	386.58
7	PAT		178.11	136.55	68.84	40.85	33.14

IIDL- Financial performance

S. No.	Particulars	IFCI Infrastructure Development Ltd.					
		(in ₹Crore)	2022-23	2021-22	2020-21	2019-20	2018-19
1	Share capital		427.10	427.10	427.10	427.10	427.10
2	Reserve & Surplus		95.79	79.71	77.93	86.64	86.74
3	Net Worth		522.89	506.81	505.03	513.74	513.84
4	Investment of IFCI						
	Amt (Equity + Premium)		427.10	427.10	427.10	427.10	427.10
	%		100%	100%	100%	100%	100%
5	Total Balance sheet size		550.25	539.16	541.94	552.00	557.10
6	Gross Revenue		40.42	42.59	58.75	72.70	95.52
7	PAT		16.13	8.32	6.13	13.11	9.87

IVCF – Financial Performance

S. No.	Particulars	IFCI Venture Capital Fund Ltd.				
		(in ₹Crore)	2022-23	2021-22	2020-21	2019-20
1	Share capital	60.37	60.37	60.37	60.37	60.37
2	Reserve & Surplus	111.86	106.37	109.19	106.62	106.14
3	Net Worth	172.23	166.74	169.56	166.99	166.51
4	Investment of IFCI					
	Amt (Equity + Premium)	107.55	107.55	107.55	107.55	107.55
	%	98.59%	98.59%	98.59%	98.59%	98.59%
5	Total Balance sheet size	179.06	183.79	246.84	281.99	323.51
6	Gross Revenue	29.33	20.60	36.05	34.22	97.48
7	PAT	5.42	-2.97	2.47	0.6	-28.99

IFIN – Financial Performance

S. No.	Particulars	IFCI Financial Services Ltd.				
		(in ₹Crore)	2022-23	2021-22	2020-21	2019-20
1	Share capital	41.53	41.53	41.53	41.53	41.53
2	Reserve & Surplus	24.89	29.18	27.82	29.02	30.19
3	Net Worth	66.42	70.71	69.35	70.55	71.72
4	Investment of IFCI					
	Amt (Equity + Premium)	83.15	83.15	83.15	83.15	83.15
	%	94.78%	94.78%	94.78%	94.78%	94.78%
5	Total Balance sheet size	85.39	100.50	95.56	88.44	95.13
6	Gross Revenue	15.94	20.87	15.93	16.53	17.87
7	PAT	-3.83	1.07	-1.32	-1.17	0.29

IFL – Financial Performance

S. No.	Particulars	IFCI Factors Ltd.				
		(in ₹Crore)	2022-23	2021-22	2020-21	2019-20
1	Share capital	279.44	279.44	279.44	279.44	274.44
2	Reserve & Surplus	-175.85	-172.99	-163.21	-153.24	-142.26
3	Net Worth	103.59	106.45	116.23	126.20	132.18
4	Investment of IFCI					
	Amt (Equity + Premium)	290.19	290.19	290.19	290.19	285.19
	%	99.90%	99.90%	99.90%	99.90%	99.88%
5	Total Balance sheet size	259.88	305.63	366.50	444.30	493.61
6	Gross Revenue	14.75	25.37	30.30	42.09	50.80
7	PAT	-4.22	-9.67	-9.80	-5.73	-20.08

MPCON – Financial Performance

S. No.	Particulars	MPCON Ltd.				
		(in ₹Crore)	2022-23	2021-22	2020-21	2019-20
1	Share capital	1.00	1.00	1.00	1.00	1.00
2	Reserve & Surplus	10.02	7.45	6.35	5.58	5.40
3	Net Worth	11.02	8.45	7.35	6.58	6.40
4	Investment of IFCI					
	Amt	0.80	0.80	0.80	0.80	0.80
	%	79.72%	79.72%	79.72%	79.72%	79.72%
5	Total Balance sheet size	20.70	17.90	18.49	22.72	19.07
6	Gross Revenue	179.60	76.39	71.26	55.87	46.13
7	PAT	4.41	1.20	0.98	0.30	-1.1

6.5 A brief snapshot of financials of stepdown subsidiary company is mentioned below:

StockHolding Services Ltd – Financial Performance

S. No.	Particulars	StockHolding Services Ltd.				
		(in ₹Crore)				
		2022-23	2021-22	2020-21	2019-20	2018-19
1	Share capital	6.09	6.09	6.09	6.09	6.09
2	Reserve & Surplus	88.99	85.64	73.13	63.26	59.94
3	Net Worth	95.08	91.73	79.22	69.35	66.03
4	Investment of IFCI					
	Amt	NA	NA	NA	NA	NA
	%	NA	NA	NA	NA	NA
5	Total Balance sheet size	267.68	481.96	390.56	261.17	183.29
6	Gross Revenue	95.32	118.79	95.74	53.05	50.98
7	PAT	13.88	21.35	17.17	5.93	8.59

StockHolding DMS – Financial Performance

S. No.	Particulars	StockHolding Documents Management Services Ltd.				
		(in ₹Crore)				
		2022-23	2021-22	2020-21	2019-20	2018-19
1	Share capital	55.75	55.75	55.75	55.75	55.75
2	Reserve & Surplus	-14.26	-19.12	-20.72	-7.73	26.87
3	Net Worth	41.49	36.63	35.03	48.02	82.62
4	Investment of IFCI					
	Amt	NA	NA	NA	NA	NA
	%	NA	NA	NA	NA	NA
5	Total Balance sheet size	172.48	156.93	161.95	165.05	142.67
6	Gross Revenue	84.71	67.77	42.55	53.30	51.78
7	PAT	4.95	1.56	-12.99	-29.62	-6.93

Stockholding Securities IFSC – Financial Performance

S. No.	Particulars	Stockholding Securities IFSC Ltd.				
		(in ₹Crore)				
		2022-23	2021-22	2020-21	2019-20	2018-19
1	Share capital	20.00	18.00	15.00	15.00	15.00
2	Reserve & Surplus	-5.76	-5.09	-3.26	-1.08	-0.67
3	Net Worth	14.24	12.91	11.74	13.92	14.33
4	Investment of IFCI					

S. No.	Particulars	Stockholding Securities IFSC Ltd.				
		(in ₹Crore)	2022-23	2021-22	2020-21	2019-20
	Amt	NA	NA	NA	NA	NA
	%	NA	NA	NA	NA	NA
5	Total Balance sheet size	17.44	26.78	-15.12	16.13	14.84
6	Gross Revenue	0.35	0.15	0.14	0.13	0
7	PAT	-1.86	-2.30	-1.84	-1.57	-0.5

IIDL Realtors Pvt. Ltd. – Financial Performance

S. No.	Particulars	IIDL Realtors Pvt. Ltd.				
		(in ₹Crore)	2022-23	2021-22	2020-21	2019-20
1	Share capital	0.01	0.01	0.01	0.01	0.01
2	Reserve & Surplus	8.81	7.51	6.79	7.81	19.82
3	Net Worth	8.82	7.52	6.80	7.82	19.83
4	Investment of IFCI					
	Amt (Equity + Premium)	NA	NA	NA	NA	NA
	%	NA	NA	NA	NA	NA
5	Total Balance sheet size	17.24	14.74	12.70	13.79	25.46
6	Gross Revenue	3.48	2.44	0.19	16.08	2.48
7	PAT	1.30	0.70	-1.01	3.55	0.81

IFIN Securities Finance Ltd.- Financial Performance

S. No.	Particulars	IFIN Securities Finance Ltd.				
		(in ₹Crore)	2022-23	2021-22	2020-21	2019-20
1	Share capital	30.01	30.01	30.01	30.01	30.01
2	Reserve & Surplus	-0.66	-1.05	-1.35	-1.42	-1.2
3	Net Worth	29.35	28.96	28.66	28.59	28.81
4	Investment of IFCI					
	Amt (Equity + Premium)	NA	NA	NA	NA	NA
	%	NA	NA	NA	NA	NA
5	Total Balance sheet size	29.49	29.30	29.21	29.00	29.48
6	Gross Revenue	2.35	2.44	1.63	2.40	5.41
7	PAT	0.39	0.31	0.19	-0.22	-4.35

IFIN Credit Ltd.- Financial Performance

S. No.	Particulars (in ₹Crore)	IFIN Credit Ltd.				
		2022-23	2021-22	2020-21	2019-20	2018-19
1	Share capital	2.50	2.50	2.50	2.50	2.50
2	Reserve & Surplus	-0.51	-0.52	-0.52	-0.52	-0.56
3	Net Worth	1.99	1.98	1.98	1.98	1.94
4	Investment of IFCI					
	Amt (Equity + Premium)	NA	NA	NA	NA	NA
	%	NA	NA	NA	NA	NA
5	Total Balance sheet size	1.99	1.98	1.98	2.00	2.10
6	Gross Revenue	0.09	0.08	0.09	0.15	0.14
7	PAT	0.01	0.00	-0.01	0.04	-0.02

IFIN Commodities Ltd. – Financial Performance

S. No.	Particulars (in ₹Crore)	IFIN Commodities Ltd.				
		2022-23	2021-22	2020-21	2019-20	2018-19
1	Share capital	5.00	5.00	5.00	5.00	5.00
2	Reserve & Surplus	-1.57	-0.87	0.25	0.15	0.42
3	Net Worth	3.43	4.13	5.25	5.15	5.42
4	Investment of IFCI					
	Amt (Equity + Premium)	NA	NA	NA	NA	NA
	%	NA	NA	NA	NA	NA
5	Total Balance sheet size	6.07	5.56	6.61	7.51	8.80
6	Gross Revenue	0.47	0.63	0.92	1.20	1.99
7	PAT	-0.66	-0.66	-0.38	-0.27	0.37

6.6 In response to another query of the Committee the the company submitted that IFCI through its subsidiary, StockHolding Corporation of India Limited (SHCIL), is contributing towards promotion of digital economy. SHCIL is one of the largest Depository Participants, besides being country's premier Custodian in terms of assets under custody (market share: 6.66% as on 30.11.2022). SHCIL also acts as a Central Record Keeping Agency for collection of stamp duty, e-court fee and e-registration in various States and Union Territories. As on December 31, 2022, e-stamping services were operational in 23 States and UTs. SHCIL

mobilised an amount of ₹38,214 crore (amount of e-stamps issued) in first nine months of FY 2022-23.

6.7 IFCI, through its subsidiary IFCI Venture Capital Funds Limited (IVCF), caters to capacity building in social sector and presently manages Venture Capital Fund for Scheduled Castes (VCF-SC) and Venture Capital Fund for Backward Classes (VCF-BC), both initiatives of Ministry of Social Justice and Empowerment (MoSJE) to promote entrepreneurship among the deprived segments of the society by providing concessional finance.

6.8 When the Committee desired to know if Govt. is considering merger of subsidiaries of IFCI Ltd to bring the Company out of crisis, the Company stated that consolidation of IFCI Group is one of the options under evaluation. The way forward for IFCI will be decided after taking into consideration report of the independent committee.

CHAPTER-7

ROLE AND RELEVANCE OF IFCI

7.1 In view of the financial and physical performance of the Company in recent years, and overall economic and commercial development of the Country when many bank/Financial Institutions are extending credit for the purpose mandated to the Company, the Committee asked very pertinent question from the Department of Financial Services(DFS), Ministry of Finance, the Administrative Ministry about the relevance of IFCI in the present financial ecosystem of India and why should not IFCI be closed, in their written reply, DFS stated as following:

“Since its setting up in 1948 as first Development Financial Institution, IFCI has contributed significantly to industrial and infrastructure financing in the Country and in developing institutional framework by co-promoting various institutions such as National Stock Exchange of India Limited, ICRA, Stock Holding Corporation of India Limited, Assets Care & Reconstruction Enterprise Limited, Tourism Finance Corporation of India Limited, Management Development Institute etc. IFCI, has so far extended credit aggregating to ₹1,05,466 crore to various sectors of the economy. However, fresh lending has been stopped by IFCI since 2020-21.

It was further stated that, IFCI has rich experience in project and corporate finance though lack of capital has constrained IFCI from taking fresh loan exposures, IFCI has been leveraging its project appraisal skill set by acting as a Project Monitoring Agency (PMA)/ Nodal Agency for 11 out of 15 awarded Performance Linked Incentive (PLI) Schemes and other government schemes poised to give significant boost to manufacturing capacity of the Country. The PLI scheme, which aims to make domestic manufacturing globally competitive, was rolled out with an outlay of about Rs 2 lakh crore for 14 sectors to create national manufacturing champions and create 60 lakh new jobs. Major sectors include mobile, electronics and IT hardware, medical devices, automobiles and auto components, white

goods, pharma, textiles, Food Products, high efficiency solar PV modules, drones, advance chemistry cell etc. “

7.2 It was also informed that IFCI has been appointed as Verification Agency for claim applications under Modified Special Incentive Package Scheme (M-SIPS) of Ministry of Electronics & IT (MeitY), Government of India. Further, IFCI has also been appointed as agency for techno financial appraisal, due diligence and verification for three schemes of strategic importance by India Semiconductor Mission (ISM) viz. (i) Setting up of Semiconductor Fabs in India (ii) Setting up of Display Fabs in India, and (iii) Setting up of Compound, Semiconductors/Silicon Photonics / Sensors Fab and Semiconductor Assembly, Testing, Marking and Packaging (ATMP) /OSAT facilities in India.

7.3 DFS, in their written statement, further stated that IFCI, through its subsidiary, Stock Holding Corporation of India Limited (SHCIL), is contributing towards promotion of digital economy. SHCIL is one of the largest Depository Participants, besides being Country's premier Custodian in terms of assets under custody (market share: 6.66% as on 30.11.2022). SHCIL also acts as a Central Record Keeping Agency for collection of stamp duty, e-court fee and e-registration in various States and Union Territories. As on December 31, 2022, e-stamping services were operational in 23 States and UTs. SHCIL mobilised an amount of ₹38,214 crore (amount of e-stamps issued) in first nine months of FY 2022-23.

7.4 IFCI, through its subsidiary IFCI Venture Capital Funds Limited (IVCF), caters to capacity building in social sector and presently manages Venture Capital Fund for Scheduled Castes (VCF-SC) and Venture Capital Fund for Backward Classes (VCF-BC), both initiatives of Ministry of Social Justice and Empowerment (MoSJE) to promote entrepreneurship among the deprived segments of the society by providing concessional finance.

7.5 Since 1984, IFCI is the Nodal Agency for monitoring loans of Sugar Development Fund (SDF) projects related to modernization/expansion, co-generation of power and production of alcohol/ethanol in the private sector. This has resulted in employment generation to the tune of 20 lakh and has supported livelihood of 1 crore farmers and workers in allied industries. The reply further stated that though IFCI is not disbursing fresh loans, it continues to be a player of prominence and critical eminence in areas such as techno financial appraisals and project monitoring in various Government schemes of significant

import. These schemes are critical in boosting manufacturing capacity of the Country and creation of new jobs in sunrise sectors. Further, IFCI through its subsidiaries plays a pivotal role in areas of e-stamping, Depository Participation, Custodian services, Central Record Keeping and promoting entrepreneurship in the marginalised sections of society.

7.6 The scheme wise Break-up (as per the scheme document) for targeted employment generation & incentive payment handled by IFCI are as under (excluding standing deposit facility, SDF):

S.No	Scheme	Scheme Amount (₹ in crore)	Scheme Tenure	Date of work order	Employment Generation
1	PLI Scheme for Large Scale Electronics Manufacturing	38,601	6 years	02 June 2020	2,00,000
2	PLI – Medical Devices	3,420	8 years	05 August 2020	6,411
3	PLI – KSM / DI / API (Bulk Drugs)	6,940	10 years	05 August 2020	10,598
4	PLI – Food Processing	10,900	7 years	29 January 2021	2,47,730
5	PLI – IT Hardware	7,325	4 years	16 March 2021	1,80,000
6	PLI – Automobiles & Auto Components	25,938	5 years	27 October 2021	1,45,197
7	PLI – Textile	10,683	9 years	24 December 2021	7,50,000
8	PLI – White Goods	6,238	5 years	12 April 2021	4,00,000
9	Modified Special Incentive Package Scheme (M-SIPS)	10,000	6 years	17 May 2017	Not Available
10	Project Management Agency (PMA) for the Scheme for Promotion of Manufacturing of Electronics Components and Semiconductors (SPECS)	3,285	8 years	27 May 2020	Not Available
11	Medical Device Parks	400	5 years	21 October 2020	33,750
12	PLI – Drone & Drone Components	120	3 years	07 October 2022	Details to be assessed
13	Bulk Drugs Parks	3,000	5 years	21 October 2020	1,38,807
14	Techno Financial Consultant for Scheme for Semiconductor Fab	34,850	6 years	13 September 2022	Details to be assessed
15	Techno Financial Consultant for Scheme for Display Fab	24,000	6 years	13 September 2022	Details to be assessed
16	Techno Financial Consultant for Scheme for Compound	4,150	8 years	13 September 2022	Details to be assessed

S.No	Scheme	Scheme Amount (₹ in crore)	Scheme Tenure	Date of work order	Employment Generation
	Semiconductor/ ATMP Scheme				
17	PLI - Toys	3,489	10 years	02 January 2023	Details to be assessed
18	PLI – Advanced Chemistry Cell (ACC)	18,100	5 Years	04 January 2023	Details to be assessed
19	The Faster Adoption and Manufacturing of Hybrid & Electric Vehicles (FAME II)	10,000	5 Years	03 February 2023	Details to be assessed
	Total	2,21,439			21,12,493

7.7 When asked by the Committee to give their views on the role of IFCI Ltd. as an Institutional Industrial finance company and Non-banking finance Company especially when the Company has turned its focus on advisory role as Project Management Agency (PMA) instead of providing loans, Department of Financial Services have submitted to the Committee:

“IFCI is a NBFC- ND-SI (Non Deposit, Systemically Important). While in the past IFCI has had a significant role in infrastructure/industrial financing, currently IFCI is facing liquidity challenges. Therefore fresh lending has been stopped since FY 2020-21. At present, IFCI’s operational income is sufficient in relation to its non-interest operating expenses, but needs support to meet scheduled liability repayments. Government of India has infused ₹700 crore equity share capital in IFCI since 2017-18.”

Following Challenges are being faced by IFCI:

1. Honouring scheduled liability payments to the tune of Rs 6,621 Cr (as on 31.12.2022) through a combination of operational cash flows/asset monetization/NPA recovery
2. Retaining human resources and deploying them in profitable revenue streams
3. Managing of extant legal/operational issues while traversing the way forward
4. Restructuring the group to leverage significant synergies and exit from unrelated / non profitable ventures

Below are the opportunities before IFCI:

1. Forray into advisory role across multiple sectors has enabled IFCI to retain its connect with industry and concurrently leverage its appraisal skill set to benefit the industry.
2. While current revenue stream from advisory and rental is able to sustain the non-interest operational expenses of IFCI, there is a significant opportunity in terms of enhancing revenues by scaling up advisory business thereby minimising reliance on rental income and contributing to liability repayment.
3. Possible corporate restructuring may allow IFCI to leverage synergies across the group and emerge as a lean organisation with higher per capita employee contribution to the bottom line.”

7.10 During the Course of Oral evidence, representatives of IFCI explaining to the Committee about what the Company is doing that other banks and institutions are not doing, submitted as under:

“सर, सबसे मुश्किल प्रश्न है, ले कन उत्तर देने का प्रयास करता हूँ। यह सत्य है क कै पटल अभी आज की तारीख में हमारा ह्रास हो चुका है तो हम लेंडिंग करने की अवस्था में तो नहीं है। बाजार में बहुत बड़े-बड़े लेंडर्स हैं और अच्छा कर रहे हैं। इस लए पछले दो वर्षों में आईएफसीआई ने अपना फोकस एडवाइजरी सर्वसेस की ओर कर दिया है, खासतौर पर भारत सरकार की एडवाइजरी की तरफ कर दिया है। आज जो पूरा पीएलआई मूवमेंट चल रहा है, उसमें 13 में से 9 स्कीम्स को हम लोग मैनेज कर रहे हैं। *We are the backroom boys.* हम पूरी स्कीम मैनेज करते हैं और इसके अंदर जो चार लाख करोड़ रुपये के आसपास इनवेस्टमेंट होना है, उसके लए हमारी पूरी टीम है। हमें लेंडिंग में कुछ देना नहीं है, हम सर्फ रिकवरी कर रहे हैं। इंडस्ट्रियल प्रोजेक्ट्स को अप्रेज करने में ऑफिसर्स की जो स्किल्स हैं, उनको मैनेज करने की और उनको मॉनिटर करने की सारी स्किल्स हमने एडवाइजरी में ली हैं। मैं आपको स्लाइड में दिखाऊंगा क हमने 158 में से लगभग 75 लोग एडवाइजरी फंक्शन में डाल दिए हैं और इसी एडवाइजरी फंक्शन को हम आगे बढ़ा रहे हैं। पूंजी नहीं है, *but we are providing it as a service.* जो पीएलआई वाला काम है, वह देश और संस्था के लए काफी महत्वपूर्ण काम है। आज की तारीख में पीएलआई के क्षेत्र में भारत सरकार की और अभी बहुत सारी योजनाएं राज्य सरकारों की भी आ रही हैं। उनको एडवाइज करने का और उनमें इनवेस्टमेंट प्रमोशन करने का काम चल रहा है। इन्वेस्ट इंडिया आपको एडवाइजरी देता है और सूचना देता है। हम उस सूचना के माध्यम से आगे प्रोजेक्ट का क्रयान्वयन कराने में भी आगे बढ़ रहे हैं। हमें यह थोड़ा इस्टिमिंग वश करता है *in comparison with any other lending institution.* मेरी निगाह में आज भारत सरकार के जो भी कार्यक्रम चल रहे हैं, उसमें रिलेवेंट रहने का हमारा सबसे बड़ा जो साधन है, वह यह है क 500 करोड़ रुपये का

हमारा रेवेन्यू कॉन्ट्रैक्ट हो चुका है। It is sufficient to take care of the salary. हमारे जितने भी इस्टैब्लिशमेंट एक्सपेंसेस हैं, हम अपने आप उसे कर लेने में सक्षम हैं। जो चैलेंज है, वह हमारा कैपिटल का है, कैपिटल स्ट्रक्चर का है, लाइबिलिटीज का है। उसके लिए हमारे पास कुछ एसेट्स हैं। प्रॉब्लम को दो पार्ट्स में डवाइड करके आगे बढ़ेंगे तो संस्था भी रिलेवेंट रहेगी और काफी कुछ योगदान देश की अर्थव्यवस्था में देती रहेगी।

फाइनेंशियल परफॉर्मेंस कंपनी ने स्टॉक होल्डिंग में लगभग 150 करोड़ रुपये का प्रॉफिट किया है, इसमें लगभग 1600 लोग कार्यरत हैं। आईएफआईएन शेयर ब्रोकरेज कंपनी है, इसमें लगभग 150 लोग कार्यरत हैं, बाकी कंपनियों में छोटी-छोटी संख्या है। आईएफसीआई एक फेक्टर्स है जो लॉस में है, बाकी सब्सिडरीज प्रॉफिट में हैं। आईएफसीआई ने इतने समय में कस एरिया में मेन काम क्या था? हम भारत सरकार की एजेंसी हैं, इसके बारे में थोड़ा डिटेल से बताऊंगा। सब्सिडरीज स्कीम में शुगर डेवलपमेंट फंड और पीएमटीयू पीएलआई चल रहे हैं, बहुत सारी भारत सरकार की दूसरी स्कीम्स भी हैं। हम टोटल 17 स्कीम्स को मैनेज करते हैं। बहुत सारे इंस्टिट्यूशन में हम ओरिजिनल पार्टनर रहे हैं, जिसमें रेटिंग एजेंसी है, एसेट्स रिकवरी एजेंसी, जिसमें हम लॉन्ग टर्म डेट देते आए हैं। भारत सरकार के साथ हम लोग इसके प्रोसेस को मैनेज करते हैं, प्रोग्राम को ऑपरेट करते हैं। अगर स्कीम्स को देखें तो इन्वेस्टमेंट स्कीम मिलाकर 3 लाख 88 हजार करोड़ रुपये की इन्वेस्टमेंट एन वजज्ड है। हमारे पास जो डाटा है, उसके हिसाब से लगभग 51 हजार करोड़ रुपये की इन्वेस्टमेंट हो चुकी है। लगभग 9 लाख करोड़ रुपये की एडानल सेल्स अचीव हुई है, इम्प्लॉयमेंट जेनरेटेड लगभग 5 लाख है, ओवरऑल लगभग 28 लाख लोगों का इम्प्लॉयमेंट एन वजज्ड है। जितना प्रोग्रेस हुआ है, उसके हिसाब से 5 लाख लोगों का एडानल इम्प्लॉयमेंट जेनरेट हुआ है। हमारी फीस अभी तक 468 करोड़ रुपये का कॉन्ट्रैक्ट हुआ है, इसमें 413 करोड़ रुपये बकाया है और 60 करोड़ रुपये ले चुके हैं। वेंचर फंड फॉर शेड्यूल कास्ट मनिस्ट्री ऑफ सोशल जस्टिस के सौजन्य से चलाते हैं, यह उसका ब्योरा है। लगभग 115 कंपनियों को 325 करोड़ रुपये दे चुके हैं। यहां पर शेड्यूल कास्ट के बच्चों को 30 लाख रुपये तक की प्रेफरेंशियल कैपिटल दी जाती है।”

7.11 When asked by the Committee to provide the status of funds infused by Gol in IFCI and dividend earned thereof by Gol, the following was submitted to the Committee:

Dividend Earned by Gol from IFCI (In ₹Crore)

FY	Equity Shares	Pref. Shares
2012-13	92.30	-
2013-14	92.30	-
2014-15	138.45	-
2015-16	92.30	0.06
2016-17	-	0.06
2017-18	-	0.06
2018-19	-	0.02
Total	415.35	0.20

Total Gol's support in the form of equity to IFCI till date is ₹2,023 cr (₹923 cr was converted from loan to equity plus ₹1,100 crore additional equity provided from FY 2017-18 to FY 2022-23) against which ₹415.35 cr of dividend has been received.

CHAPTER-8

MANPOWER

8.1 Regarding the manpower of the Company it is submitted that the manpower strength of IFCI has varied as per the requirements of the organization and also other contributing factors from time to time. For the past 13 years, the current employee strength of 117 regular employees is lowest. IFCI has been trying to engage more closely with specialized and professionally competent employees in order to retain them. Such employees are being exposed to challenging assignments wherein they also see their own growth of knowledge and skills. IFCI has set up cross functional Working Groups to address identified issues requiring multidimensional examination, which have broadened the perspectives of employees.

8.2 There were 174 regular employees as on December 31, 2021 and the figure has further come down to 158 regular employees as on September 30, 2022. When asked about the reasons it was informed that Manpower strength of regular employees has been coming down in IFCI for various reasons. Since April 2020, the attrition has happened by way of the following:

Manpower Separation FY 2020-21, FY 2021-22 & FY 2022-23 (up to 30/09/2022)

Sl. No.	Mode of Separation	Number
1	Superannuation	28
2	Voluntary Retirements	7
3	Resignations	25
4	Deaths	3

8.3 When Committee enquired, whether IFCI Ltd's personnel fully skilled to deal with the lending and recoveries and if any training been imparted to the employees to enhance the skill for the same. IFCI, in this context submitted the following information to the Committee:

“Credit related business has been mainstay of IFCI functioning for most of its history and IFCI has the skilled manpower for lending and recovery domains. Employees are also exposed to various trainings to enhance skill sets from the same. Indicators of training conducted during the past 5 years are as under:

Details of Training Imparted to Employees

Sr. No.	Financial Year	No. of Programs	Nominations	Man-hours
1	2017-18	69	377	6140
2	2018-19	72	414	5488
3	2019-20	75	654	5110
4	2020-21*	40	255	2235
5	2021-22*	24	137	1079
6	2022-23 (upto 30/09/2022)	17	111	1520

***COVID years**

It was further stated that, due to weak financials of IFCI, recruitment for regular post has not taken place in IFCI since 2016. However, IFCI is formulating its revival plan and once the future road map is clear, IFCI will take necessary steps to fill skill gaps by way of recruitments."

- 8.4 IFCI has submitted the following with regard to scientific deployment of manpower for recovery of the NPAs to the Committee:

"Regular review of manpower deployment is undertaken and employees with expertise and experience in their respective fields, including on matters pertaining to recovery of unresolved and chronic NPA cases, are deployed after due consideration.

As IFCI has not sanctioned any new facility for the past 3 years, the experienced professionals of Credit team have also been deployed in as part of the recovery team. All the team members have minimum 5-6 years of experience of working in Credit Functions and are well versed with various recovery tools available to the lenders.

Further, Officers from the legal function have also been posted in the core monitoring & recovery team to have a Composite Department with diverse skills and knowledge set. Credit and Legal acumen are being utilized to maximize recovery. This is also reflected in recovery of more than ₹1,381 crore in FY 2021-22."

- 8.5 While dealing with NPA issues and recovery status w.r.t. to 44 NPA accounts which may also include status of staff accountability in these cases the committee desired to know regarding disciplinary proceedings which have been initiated against IFCI employees and the current status of disciplinary proceedings at IFCI. In their written reply, DFS submitted as below:

"It is submitted that 44 accounts as mentioned in query no 13 pertains to Sugar Development Fund (SDF). IFCI is a Nodal Agency for the Ministry of Consumer

Affairs, Food and Public Distribution for the Sugar Development Fund (SDF). Funds are disbursed directly by the Ministry and the exposure is not on the books of IFCI. There is no concept of NPA classification in SDF. All these accounts are at various stages of litigation across DRTs and recovery is subject to receiving favorable orders in these cases.

Further, in respect of IFCI, it is mentioned that with Government of India becoming major shareholder in IFCI, Staff Accountability Policy was formulated in the year 2014 which has been amended from time to time. After the Staff Accountability policy was put in place, staff accountability was examined in 163 non-performing accounts. In 4 loan accounts, irregularities/lapses were attributed to the staff. In 3 such accounts, major penalty was imposed in respect of 6 officers, out of which 1 officer was removed from service. Major penalty was also imposed on 1 more officer as a result of Staff Accountability exercise.”

8.6 In regard to improve the appraisal expertise of employees, the Company submitted that the focus of IFCI’s business model has been shifting towards Advisory Services in last few years. However, in order to keep officers abreast with best practices, several trainings have been organized in relevant business areas of Financial Modelling, Advanced Valuation Technique, Asset-Liability Management, Liquidity Risk Management, etc.

PART-II

OBSERVATIONS/RECOMMENDATIONS OF THE COMMITTEE

OVERVIEW

1. The Committee note that as the first independent development financial institution in India, IFCI Limited was founded in 1948 as a Statutory Corporation ("The Industrial Finance Corporation of India") with the purpose of providing medium- and long-term financing to industry. Further, after the repeal of IFCI Act in 1993, IFCI registered as a public limited company under the Companies Act of 1956. IFCI is a government company since 2015, with the Indian government owning 72.57% of the company's paid-up capital (1,95,52,77,096). The Committee further note that IFCI is also registered with the Reserve Bank of India (RBI) as a Systemically Important Non-Deposit Taking Non-Banking Finance Company (NBFC-ND-SI). The Committee understand that non-banking finance sector has played a crucial role in development of our Country since independence and has the potential of contributing towards the future as well. However, to realize this potential, it is important to provide the sector a conducive environment for growth. IFCI being a government owned NBFC has an even more critical role in shaping the future of the Country.

2. The Committee observe that since inception in 1948 as first Development Financial Institution to till date, IFCI has disbursed loans of ₹1,05,466 crore. IFCI has contributed significantly to industrial and infrastructure financing in the Country and in developing institutional framework by co-promoting various institutions such as National Stock Exchange of India Limited, ICRA, StockHolding Corporation of India Limited, Assets Care & Reconstruction Enterprise Limited, Tourism Finance Corporation of India Limited, Management Development Institute etc. The Committee note that since 1984, IFCI has served as the Nodal Agency for overseeing loans for Sugar Development Fund (SDF) projects involving modernisation, expansion, cogeneration of electricity, and private sector ethanol and alcohol production creating 20 lakh jobs and supporting the livelihood of 1 crore farmers and employees of related companies. The Committee observe that as part of the Modified Special Incentive Package Scheme (M-SIPS) of the Ministry of Electronics & IT (MeitY), Government of India, Government has designated IFCI to serve as the Verification Agency to encourage large-scale production in the field of electronics system design and

manufacturing (ESDM). The Committee further note that approximately 0.42% of NBFC sector and 0.48% of NBFC-ND-SI sector, borrowings are held by IFCI. The proportion of IFCI in the overall loans and advances made by the NBFC sector and the NBFC-ND-SI sector is around 0.16% and 0.19, respectively. Along with that, the IFCI are presently managing more than 73% of PLI schemes awarded by GOI (11 out of 15) in addition to various capex schemes and are also actively participating in GOI schemes which are in pipeline. Currently IFCI is facing liquidity challenges. Therefore fresh lending has been stopped since FY 2020-21. At present, IFCI's operational income is sufficient in relation to its non-interest operating expenses, but needs support to meet scheduled liability repayments. The Committee are well aware that there are many big private lenders in the market and they are doing very well. The Committee also observe the following Challenges and Opportunities of IFCI

Challenges

- 1. Honouring scheduled liability payments to the tune of Rs 6,621 Cr (as on 31.12.2022) through a combination of operational cash flows/asset monetization/NPA recovery**
- 2. Retaining human resources and deploying them in profitable revenue streams**
- 3. Managing of extant legal/operational issues while traversing the way forward**
- 4. Restructuring the group to leverage significant synergies and exit from unrelated / non profitable ventures**

Opportunities

- 1. Foray into advisory role across multiple sectors has enabled IFCI to retain its connect with industry and concurrently leverage its appraisal skill set to benefit the industry.**
- 2. While current revenue stream from advisory and rental is able to sustain the non-interest operational expenses of IFCI, there is a significant opportunity in terms of enhancing revenues by scaling up advisory business thereby minimising reliance on rental income and contributing to liability repayment.**
- 3. Possible corporate restructuring may allow IFCI to leverage synergies across the group and emerge as a lean organisation with higher per capita employee contribution to the bottom line.**

In view of the above, the Committee appreciate the fact that the Company realising its worth, and in view of strong competition has shifted their focus towards advisory services, especially advisory to the Government of India. In view of the said information the Committee can safely conclude that IFCI continues to be a prominent and esteemed player in fields such as technical financial appraisals and project monitoring in numerous important government programmes, despite the fact that it is not currently disbursing new loans. These programmes are essential for increasing the nation's manufacturing capacity and producing new jobs in emerging industries. Additionally, IFCI, through its subsidiaries, is instrumental in e-stamping, depository participation, custodian services, central record keeping, and encouraging entrepreneurship among underserved groups of the population. In the present report, the Committee have touched upon many important issues and have given their observations/recommendations and hope that these will be implemented in right perspective by the IFCI so as to improve the functioning and performance of the Company. The Committee hope that observations/ recommendations given by them in this Report will be implemented in right spirit.

SANCTION & DISBURSEMENTS OF LOANS

3. Lending Practices and Strategy

The Committee observe that IFCI's lending process and portfolio management are governed by its General Lending Policy (GLP) guidelines which are being, updated regularly with the approval of Risk Management Committee and Board's approval. Despite this, the company has faced substantial losses, with many loans turning into NPAs to the tune of Rs,6515 from the year 2011-12 to 2021-22. During FY 2020-21, IFCI adopted a cautious approach and refrained from sanctioning new loans due to macroeconomic conditions and regulatory constraints. The Reserve Bank of India's "Scale-Based Regulation" framework further restricts IFCI from granting new loans or investments due to its negative Net Owned Funds (NOF). The Committee also note IFCI's substantial exposure to large corporate groups such as Reliance ADAG, Jaiprakash, Videocon, Amtek, Alok, IL&FS, Essel, and IVRCL, were severely affected by the RBI's Asset Quality Review (AQR) in 2015. These exposures significantly contributed to IFCI's rising NPAs, underscoring the inadequacies in its credit risk

assessment during that period. In view of this Committee recommend that IFCI should continue to suspend lending during its restructuring phases. The Committee further desire that the Company must prioritize the followings to prevent similar losses in the future:

- (i) overhauling its credit appraisal and monitoring frameworks,
- (ii) enhanced due diligence processes,
- (iii) stricter exposure limits, and
- (iv) Institution of robust stress-testing mechanisms

Additionally, in future IFCI should diversify its portfolio and focus on lending to only resilient sectors with lower default risks. The Company should also adopt a cautious approach toward lending to large corporate groups, ensuring such exposures are backed by robust guarantees and securities.

4. Regional Distribution of Loans

The Committee note a highly skewed regional pattern in IFCI's loan disbursements. Maharashtra and Delhi alone accounted for approximately 65% of total disbursements, while states like Uttar Pradesh, Bihar, Chhattisgarh, Madhya Pradesh, and Andhra Pradesh received less than 0.5% each. The Committee after analysing the regional pattern of distribution observe that loans were disbursed to the following States in the decreasing order as : Maharashtra (33.54%); Delhi(31.02%); Telangana(9.96%); Tamil Nadu (7.17%); Karnataka(6.68%); West Bengal(6.20%); Gujarat(3.32%); Rajasthan(.5%); Uttar Pradesh (.48%); Chandigarh(.42%); Madhya Pradesh(.34%); Orissa(.23%); Kerala(.11%); Chhattisgarh (.06%); Andhra Pradesh(.03%) and Bihar (.03%). Maharashtra and Delhi combined got around 65% of total loans disbursed by the Company amounting to Rs. 28,315 crores since 2011-12 and the States such as Uttar Pradesh, Andhra Pradesh, Bihar, Chhattisgarh, Madhya Pradesh etc. all received less than 50% percent of total loan disbursements. This regional disparity contradicts the principles of equitable financial development and inclusion. The Committee strongly recommends that IFCI adopt a more balanced approach to regional loan distribution upon resuming its lending operations. The Committee further advise that efforts should be made to channel resources toward underserved states by promoting targeted schemes, identifying viable projects, and

collaborating with local enterprises. Establishing regional offices in low-access areas and designing incentives for projects in these regions would ensure that IFCI's operations contribute to inclusive national development.

5. Sectoral Analysis of Loan Disbursements

The Committee observea sectoral concentration in IFCI's loan disbursements. IFCI has disbursed loans amounting to ₹11,515.65 crore to projects in various sectors, majorly Infrastructure (49.27%), Manufacturing (15.42%) and Real Estate (13.85%) etc, other sectors included Retail, NBFC, EPC Construction etc. Manufacturing accounted for over a quarter of the total loans disbursed since 2011-12, followed by energy infrastructure and real estate. Conversely, critical sectors such as Social & Commercial Infrastructure, Communication Infrastructure, Retail & Trading, and Mining & Explorations received less than 2% of total disbursements combined, amounting to ₹2,588 crores. Furthermore, IFCI's exposure to large corporate groups in the manufacturing sector was adversely impacted by the RBI's Asset Quality Review (AQR) in 2015, leading to significant credit losses. Despite this, manufacturing loans have remained resilient compared to other sectors. The Committee recommend that once IFCI resumes lending, it should prioritize sectoral diversification. Greater attention must be given to underfunded but high-potential sectors such as Communication Infrastructure, Retail, and Social Infrastructure, which align with the principles of financial inclusion and long-term economic development.

NON PERFORMING ASSETS (NPAs) AND THEIR RECOVERY

6. The Committee observe that during the past decade, IFCI sanctioned and disbursed loans totalling ₹40,199 crore, of which ₹13,188 crore (32.8% of total disbursements) were downgraded to non-performing account (NPA) status. IFCI managed to recover ₹4,338 crore from such NPAs, but as of March 31, 2022, the Gross NPAs still stand at ₹6,515 crore, reflecting a significant burden on the company's financial health. The Committee note that IFCI's NPA ratio has increased significantly from 11.4% in FY 2011-12 to 90.67% as of FY 2021-22, reflecting a sharp deterioration over the past decade. This is also to be seen in the context of the banking sector, which witnessed a decline in Non-Performing Assets (NPAs) in the last decade. This increase is

attributed to its inability to disburse fresh loans and the necessity to sell standard assets alongside NPA recovery efforts to maintain liquidity. Additionally, IFCI's interest income is negative, with annual interest payments on borrowings amounting to ₹600 crore. This has resulted in a vicious cycle, with IFCI holding only 10% conventional assets while over 90% of its portfolio is comprised of non-performing loans. Despite these challenges, the Committee notes that IFCI has been proactive in maintaining consistent debt repayments. By leveraging cash generated from NPA recoveries and prepayments of standard assets, IFCI collected ₹725.46 crore in FY 2020–21 through recoveries from NPAs and Security Receipts (SRs). Furthermore, IFCI repaid ₹3,151.74 crore in rupee-denominated debt and ₹32.4 crore in foreign-currency debt without any delays or defaults. The Committee appreciates IFCI's diligent efforts in securing projects that are expected to generate approximately ₹312 crore in fee-based income from advisory services over the next 6 to 8 years. These achievements underscore IFCI's potential for revenue diversification and resilience in difficult financial circumstances. To strengthen IFCI's recovery strategies and improve financial performance, the Committee recommends several measures aimed at addressing the challenges posed by high levels of NPAs and optimizing the recovery process. Firstly, IFCI should conduct comprehensive and periodic analyses of NPAs. These analyses must focus on identifying trends, underlying causes, and emerging patterns. Secondly, the Committee emphasizes the importance of risk segmentation. IFCI should classify NPAs based on factors such as severity, recovery potential, and prevailing industry trends. By segmenting NPAs, the Company can prioritize recovery efforts for accounts with high financial recovery potential or significant portfolio impact, ensuring resources are allocated effectively. Thirdly, the Committee emphasizes the need to strengthen legal frameworks, mechanisms like the NCLT and SARFAESI Act play a critical role in recovering NPAs. IFCI should enhance its legal capabilities by investing in a robust legal team, expediting case closures, and coordinating effectively with external legal experts. Additionally, IFCI should focus on expanding its asset base through synergies with external investors. Lastly, the Committee recommends biannual reporting of IFCI's NPA status. These updates should provide a comprehensive overview of recovery progress, legal resolutions, and strategic adjustments in NPA management.

REVIVAL STRATEGIES

7. Fresh Lending Ceased Since FY 2020-21

The Committee observe that IFCI, due to significant asset-liability mismatch (ALM) issues, ceased its fresh lending operations starting from FY 2020-21. Committee understand that the cessation of fresh lending was a necessary step to address the severe ALM issues. However, this has halted the company's ability to generate new income from lending, thereby exacerbating its financial strain. The Committee note that this decision has limited IFCI's operational flexibility and future growth prospects. The Committee suggest that, while the pause in lending was necessary for financial stability, IFCI should now focus on restructuring its ALM and exploring alternative sources of revenue. This could include expanding its advisory services, leveraging existing infrastructure, and enhancing the effectiveness of its project financing capabilities. The Committee also emphasize that IFCI should continue assessing the feasibility of resuming lending once its financial position stabilizes.

8. Leveraging Project Appraisal Expertise

The Committee note that IFCI has been acting as the Project Monitoring Agency (PMA) for 11 of the 15 awarded Performance Linked Incentive (PLI) schemes, and as the Verification Agency for the Modified Special Incentive Package Scheme (M-SIPS). These roles highlight IFCI's deep expertise in project financing and monitoring. The Committee believe that Company's experience in evaluating projects under Government schemes positions it as a valuable player in national development projects, even if its core lending function has been paused. The Committee commend IFCI for its proactive approach in diversifying its activities and leveraging its strengths. The Committee recommend that IFCI continue to strengthen its position as a PMA and verification agency and explore additional government schemes where its expertise can be applied. Additionally, IFCI should increase collaboration with other government and private sector entities to expand its advisory role, ensuring a broader portfolio of projects and enhancing fee-based income.

9. Techno-Financial Appraisal for India Semiconductor Mission (ISM)

The Committee note that IFCI has been appointed to perform techno-financial appraisals and due diligence for three critical schemes under the India Semiconductor Mission (ISM), including setting up semiconductor fabs, display fabs, and ATMP facilities. The India Semiconductor Mission is a strategic initiative aimed at strengthening India's capabilities in semiconductor manufacturing, which is vital for the nation's technology and electronics sectors. The Committee recommend that IFCI expand its role in such national initiatives by proactively identifying additional strategic sectors where it can provide techno-financial support. These efforts align with the government's development agenda and offer opportunities for IFCI to enhance its financial position through service fees and advisory roles. The Committeewould also suggest that IFCI explore partnerships with global players in these sectors to maximize its expertise and resources.

10. Role as Nodal Agency for Sugar Development Fund (SDF)

The Committee note that since 1984, IFCI has been the Nodal Agency for monitoring loans under the Sugar Development Fund (SDF), which supports modernization, co-generation, and ethanol production, creating 20 lakh jobs and supporting 1 crore farmers and workers. The Committee observe that IFCI's long-standing role in the SDF underscores its deep expertise in managing sector-specific development funds, contributing significantly to rural employment and economic stability. While recognizing IFCI's substantial contribution to national development through the SDF program, the Committee recommend that IFCI continue to focus on managing such funds while exploring ways to expand its involvement in other industry-specific funds. Additionally, IFCI should consider for establishing dedicated units for managing sectoral funds to improve operational efficiency and attract more business from government and private sectors.

11. Financial Decline – Negative Net Owned Fund (NOF)

The Committee observe that IFCI's Net Owned Fund (NOF) has drastically declined from ₹2,623.43 crore in FY 2017 to a negative ₹2,874.66 crore as of FY 2022. This significant decline has resulted in IFCI being ineligible to operate as a Non-Banking Financial Company (NBFC) under Section 45-IA of the RBI Act, 1934. Moreover, IFCI's loan portfolio has also shrunk from ₹14,530 crore in FY 2013 to ₹7,339.90 crore in FY 2022, reflecting its inability to sanction new loans since FY 2019-20, further compounded by the growing NPAs, which stood at ₹6,515 crore as of FY 2022. The sharp decline in IFCI's NOF, coupled with its growing NPAs and shrinking loan portfolio, signals a deepening financial crisis that is restricting the company's ability to maintain solvency. While the loss of regulatory eligibility to operate as an NBFC has severely impacted IFCI's core lending operations, the Committee acknowledge that IFCI's role as an NBFC has historically been vital to its capacity to raise funds, access capital markets, and contribute to national development projects. The Company's expertise in project financing, advisory services, and government scheme implementation remains significant, even amid its financial challenges. The Committee recommend that the Government should reassess the feasibility of maintaining IFCI's NBFC status, even with the current negative NOF, due to its strategic importance and the potential benefits it offers to the broader financial ecosystem. IFCI's long-standing role in providing financial services, including project financing and government scheme support, is crucial to its ability to attract funding from various sources, including bond markets, institutional investors, and development finance initiatives. Maintaining NBFC status will allow the Company to continue accessing these funding avenues and support the government's development agenda. By retaining its NBFC status, IFCI can ensure its presence an integral part of the government's development initiatives.

Finally, the Committee believe that IFCI should retain its NBFC status, despite the current challenges posed by the negative Net Owned Funds (NOF). The Company's long-standing role as an NBFC provides it with essential access to capital markets and funding channels that are critical to sustaining its operations and supporting national growth initiatives. The Committee would again recommend that the Ministry work with IFCI to explore avenues for restoring the company's NOF and regulatory

compliance, while maintaining its NBFC status, so that it can continue playing a key role in the country's financial ecosystem. The Committee expect to be informed of the actions taken in response to these recommendations and look forward to the implementation of a strategic framework that ensures IFCI's long-term viability and continued contribution to India's development.

12. Exploring Government Support for Revival

The Committee have been informed that the Government has already provided substantial capital support to IFCI, with an emphasis on evaluating further options for revival. Additionally, a consultant has been hired to explore possible strategies for IFCI's revival. The government is involved in actively reviewing these options and is looking into ways to continue supporting the company's recovery. Over the years, government capital infusion has been necessary to maintain the company's solvency, especially given its significant challenges related to Non-Performing Assets (NPAs) and a declining loan portfolio. As mentioned above, IFCI's Net Owned Fund (NOF) stands at negative ₹2,874.66 crore, down from ₹2,623.43 crore in FY 2017. Furthermore, IFCI's loan portfolio has shrunk significantly, from ₹14,530 crore in FY 2013 to ₹7,339.90 crore as of March 31, 2022, reflecting the company's inability to sanction new loans due to poor financial health. The Gross NPAs as of March 31, 2022, stand at ₹6,515 crore, with ₹13,188 crore (32.8%) of total disbursed loans having been downgraded to NPA status. While Government support has been crucial for IFCI's survival, there is a pressing need to assess the long-term sustainability of such support. The reliance on continuous capital infusion, without clear strategies for improving IFCI's financial health, could result in a recurring dependency on government funding. This reliance could undermine the company's ability to recover autonomously, making it vulnerable to financial instability in the future. The interest expenses on borrowings have been around ₹600 crore annually, which exacerbates the company's financial pressure, as it struggles to generate enough income to cover its liabilities. This cycle of borrowing to pay off interest creates a challenging financial environment for IFCI, hindering its ability to resume lending activities and limiting its potential for growth. The Committee recommend that any future Government support be conditional on IFCI demonstrating a clear and sustainable financial recovery plan. This plan should include strategies for improving revenue streams, such as

expanding its advisory and consultancy roles in Government schemes, which can generate fee-based income. The Company should also focus on monetizing non-core assets to improve liquidity. The funds raised from asset monetization can be used to repay outstanding liabilities and improve IFCI's capital base, which currently suffers from its negative Net Owned Funds. Furthermore, the Committee suggeststhat IFCI explore strategic partnerships with private investors and financial institutions to diversify its sources of capital, ensuring that the Company is not solely reliant on government support. The Government's capital infusion should be part of a broader, long-term strategy for stabilizing and revitalizing the company, with clear milestones for financial health improvement.

13. Stakeholder Protection in Disinvestment

The Committee observe that the disinvestment or sale of IFCI will directly or indirectly impact the interests of 5.5 lakh public shareholders, 92,000 retail bondholders, and 1,400 provident, gratuity, retirement, and pension funds invested in IFCI. Given the large number of stakeholders involved, the disinvestment process must be carried out transparently and equitably to ensure no investor suffers financial loss. The Committee highlight the importance of protecting the interests of retail investors and public shareholders, who may be disproportionately impacted by the sale. The Committee recommend that any disinvestment or sale of IFCI be conducted with a transparent, well-documented process that ensures fair value for all stakeholders. The valuation process should account for both the company's financial health and its strategic role in national development. Furthermore, the Government should ensure that safeguards are in place to protect small investors and prevent any unfair loss of investment.

ROLE OF IFCI AND ITS SUBSIDIARIES

14. The Committee observe that IFCI and its 13 subsidiaries/step-down subsidiaries serve a broad range of sectors and play a significant role in various financial and developmental functions. Stock Holding Corporation of India Limited (SHCIL), for example, is a leader in the custodial services sector, holding the position of the country's premier custodian in terms of assets under custody. SHCIL also serves as a Central Record Keeping Agency (CRKA) for the collection of stamp duty, e-court fees, and e-registration across various states and union territories. The

company has shown consistent growth in net worth and has a strong presence in the custodian and stock broking businesses, providing critical infrastructure for the financial sector. The Committee recognize SHCIL's robust position, and recommends that IFCI continue to support and expand SHCIL's operations, ensuring it remains a key player in the custodial services market.

15. IFCI Infrastructure Development Ltd. (IIDL) has also demonstrated steady net worth growth over the years, with a profit of ₹8.32 crore in FY 2021-22. IIDL's involvement in real estate and infrastructure projects further highlights its potential for revenue generation, which is crucial in the ongoing economic recovery. The Committee suggest that IFCI should continue to capitalize on IIDL's growth prospects by expanding its footprint in the infrastructure sector, especially in emerging urban development projects. Another important subsidiary, IFCI Venture Capital Funds Ltd. (IVCF), manages specialized funds like the Venture Capital Fund for Scheduled Castes (VCF-SC) and Venture Capital Fund for Backward Classes (VCF-BC), aiming to promote entrepreneurship among deprived segments of society. While IVCF's net worth has remained consistent, its role in promoting entrepreneurship through concessional finance is of immense social value. The Committee recommend that IFCI should continue to support IVCF's initiatives, ensuring it is adequately capitalized to maintain its focus on funding startups and small businesses in underserved communities.

16. IFCI Financial Services Ltd. (IFIN) provides a wide range of financial products and services. Although its performance has been mixed, it is planning to consolidate its businesses with SHCIL. The Committee believe that the consolidation of IFIN and SHCIL's businesses should be further evaluated, considering potential synergies and challenges. If executed effectively, this consolidation could lead to a more streamlined operation and improved financial performance. The Committee urge IFCI and the Ministry to conduct a detailed feasibility study of this consolidation, assessing both the risks and benefits, and to explore how the combined entity can better serve the financial sector.

17. On the other hand, IFCI Factors Ltd. (IFL) has faced significant challenges, including negative net worth in recent years. Despite its role in providing factoring services, it is crucial for IFCI to address the issue of negative net worth and explore

avenues for recovery. The Committee recommend that IFCI develop a restructuring or turnaround plan for IFL, including operational improvements and potential capital infusion, to restore its financial health. Similarly, Stock Holding Document Management Services Ltd. (SDMS) has faced substantial financial difficulties, reflected in its negative reserves and ongoing losses. The Committee believe that SDMS's performance needs to be addressed urgently, and it suggests that IFCI critically assess its viability in the current market conditions. The Committee recommends that strategies be devised to either revive SDMS or, if necessary, consider its divestment. Stock Holding Securities IFSC Ltd. (SSIL) has had a positive net worth but has faced losses in recent years. The Committee advise that IFCI develop strategies to ensure sustainable growth for SSIL, with a focus on cost reduction, market diversification, and service innovation. It is crucial to address operational inefficiencies that may be affecting SSIL's profitability. MPCON Ltd. (MPCON) has shown an increase in its net worth and contributes positively to entrepreneurship development and MSME support, operating in a developmental role. The Committee support the continued operations of MPCON and recommendsthat IFCI explore further opportunities for expansion in the MSME and industrial development sectors, which are vital to India's economic growth. Other subsidiaries such as IFIN Securities Finance Ltd., IFIN Credit Ltd., and IFIN Commodities Ltd. have shown mixed financial performances. While some have faced losses and challenges, others have continued to operate within the financial services industry. The Committee recommend a detailed performance review of these subsidiaries and suggest that IFCI should focus on those with consistent profitability, while critically evaluating and potentially divesting from those with sustained financial difficulties.

18. In light of the diverse performance outcomes across its subsidiaries, the Committee strongly recommend that the Ministry focus on strengthening and expanding the core businesses of subsidiaries that have shown consistent growth and profitability, such as SHCIL, IIDL, and select subsidiaries of IFIN. For subsidiaries with negative net worth or losses, such as IFL, SDMS, SSIL, and some IFIN subsidiaries, IFCI should consider divesting from non-performing or non-core subsidiaries, provided it is in the best interest of IFCI and its stakeholders. The proposed consolidation of IFIN and SHCIL should be evaluated carefully to assess

synergies and challenges that may arise from merging these two entities. IFCI must ensure that the consolidation process is well-structured and will lead to greater operational efficiency and improved financial outcomes for the company. Furthermore, the Committee recommend the establishment of a regular monitoring and review mechanism for all subsidiaries, in collaboration with the Ministry. This mechanism should be designed to communicate IFCI's strategy, goals, and performance expectations clearly to all subsidiaries, ensuring a unified approach towards growth and financial stability. Regular reviews will help in assessing the subsidiaries' progress and ensuring their financial health in the increasingly competitive market environment. Finally, the Committee observes that a detailed review of the operations and strategies of IFCI and its subsidiaries is necessary to turn around the performance of underperforming entities or consider the consolidation of the entire IFCI group. The Committee expects that the independent committee's report will provide insights into the way forward for IFCI, and it would like to be informed of the actions taken based on this report at the next stage.

ROLE AND RELEVANCE OF IFCI

19. The Committee acknowledge that IFCI has played a pioneering role in development financing since its establishment in 1948, as India's first Development Financial Institution (DFI). Over the decades, IFCI has not only been instrumental in direct financing but has also co-promoted key institutions that have significantly strengthened India's financial and capital markets, including the National Stock Exchange of India Limited (NSE), ICRA, and StockHolding Corporation of India Limited (SHCIL). These institutions have played vital roles in deepening financial inclusion, improving market efficiency, and enhancing the overall functioning of India's financial markets. The Committee appreciate these contributions and underscores IFCI's continued importance in shaping India's financial landscape. Additionally, the Committee note that IFCI's extensive experience in project and corporate finance has positioned the company as a skilled project appraisal agency. It has effectively utilized this expertise in roles such as acting as a Project Monitoring Agency for several significant Government schemes, including the Performance Linked Incentive (PLI) schemes. These schemes aim to bolster manufacturing capacity, promote job creation, and enhance India's industrial capabilities in critical

sectors. The Committee further recognize IFCI's appointment as a Verification Agency for claims under the Modified Special Incentive Package Scheme (M-SIPS) and its role in the India Semiconductor Mission (ISM), which supports the government's focus on promoting domestic manufacturing and technological advancements. These responsibilities align well with India's growth strategy, positioning IFCI as a key contributor to the country's future development, especially in fostering domestic capabilities in electronics and IT hardware, medical devices, and other strategic sectors. The Committee also take note of IFCI's subsidiaries, such as StockHolding Corporation of India Limited (SHCIL) and IFCI Venture Capital Funds Limited (IVCF), which significantly contribute to the digital economy. SHCIL's services, including e-stamping, depository participation, and central record-keeping, have facilitated seamless and efficient financial transactions, enhancing the integrity and transparency of the financial system. Furthermore, SHCIL's role in the social sector through initiatives like managing venture capital funds for Scheduled Castes (VCF-SC) and Backward Classes (VCF-BC) demonstrates IFCI's commitment to promoting entrepreneurship and economic empowerment among marginalized sections of society. These initiatives are vital for fostering inclusive growth and supporting the government's agenda of financial inclusion and entrepreneurship development. The Committee is also well aware of IFCI's involvement in Sugar Development Fund (SDF) projects and its contributions to job creation and economic growth through schemes in sectors such as sugar, electronics, IT hardware, medical devices, automobiles, and textiles. The Committee commend IFCI for its continued efforts to contribute to critical sectors of the economy, which align with national priorities and have a lasting impact on job creation and sectoral growth.

20. Despite these contributions, the Committee acknowledge the significant challenges faced by IFCI. Among the foremost challenges is honoring scheduled liability payments amid liquidity constraints. While the government's equity capital infusion has provided some support, the Committee understands that managing liquidity and monetizing assets will be critical for IFCI's survival. Moreover, as IFCI transitions from a traditional lending institution to an advisory role, the retention and effective deployment of its skilled professionals will be key to generating profitable revenue streams that enhance long-term sustainability. The Committee recommend

that IFCI should explore corporate restructuring to leverage synergies within its group and address underperforming subsidiaries. This restructuring should focus on divesting from non-profitable ventures, reducing organizational complexity, and creating a leaner organization with a stronger bottom line. The Committee suggest that IFCI prioritize expanding its advisory services, a sector that offers a significant opportunity for revenue enhancement. Expanding advisory business across multiple sectors will not only diversify income streams but also reduce reliance on rental income, thus ensuring that IFCI can meet its liability repayments and sustain its operations. The Committee also acknowledge that IFCI has already signed a revenue contract of ₹500 crore with the Government of India. This contract, along with IFCI's transformation into an advisory entity, positions the company uniquely within India's financial landscape. With its rich history, expertise in project appraisal, and continued involvement in critical government initiatives, IFCI remains a vital player in shaping India's economic and commercial development. By addressing its challenges, capitalizing on emerging opportunities, and effectively managing its core strengths, IFCI can continue to play a prominent role in the country's growth trajectory. In light of these considerations, the Committee strongly recommend that the Ministry and IFCI jointly assess and implement a balanced strategy for the company's long-term sustainability. This strategy should not rely on ad-hoc solutions but should involve a comprehensive restructuring of IFCI's operations and processes. The restructuring process must be aligned with the recommendations of the independent consultant's report and consistent with the Ministry's policy directions.

MANPOWER

21. The Committee note that the present staff strength of 117 regular employees at IFCI is the lowest in the last 13 years and manpower strength of regular employees has been coming down in IFCI for various reasons such as superannuation voluntary retirements, resignations, deaths etc. The Committee believe that working with limited human capital is very challenging thus retaining the skilled personnel is of key importance for the Company. The Committee note that in order to keep skilled and professional personnel, IFCI have taken many steps such as cross-functional Working Groups job rotation, job enrichment etc. But at the same time Committee are aware of the fact that recovery of unresolved and chronic NPA cases, is of utmost importance

for IFCI, and to achieve this objective, versatile, skilled and professional manpower is required. The Committee, though have observed that the Company has taken steps towards retaining skilled manpower but due to its depleting human resources and the Company's foray into various new fields it may feel resource crunch. Therefore, the Committee would like to recommend that to the controlling Ministry and IFCI management to strengthen recruitment process with robust mechanism and take appropriate steps to invite required skills to deal with Company's professional need in current situation. The Committee has further observed from the reply of the Ministry that Government of India becoming major shareholder in IFCI, Staff Accountability Policy was formulated in the year 2014 which has been amended from time to time. After the Staff Accountability policy was put in place, staff accountability was examined in 163 non-performing accounts. In 4 loan accounts, irregularities/lapses were attributed to the staff. In 3 such accounts, major penalty was imposed in respect of 6 officers, out of which 1 officer was removed from service. Major penalty was also imposed on 1 more officer as a result of Staff Accountability exercise. The Committee hope that the policy will strengthen staff/officers accountability towards the Company and will result into less NPAs and lapses on Company's part.

New Delhi;
25 March, 2025
04 Chaitra, 1947(S)

BAIJAYANT PANDA
Chairperson
Committee on Public Undertakings

Annexure I

Details of Top 20 NPAs

SN	Concern Name	NPA Date	Total Ledger OS as on Date of NPA	Prin OS	Intt O/s	Tot O/s	% share in Top 20 NPAs	Recovery after A/c downgraded to NPA till 30/09/2022	Status Update
1	PIONEER GAS POWER LIMITED	31-Mar-18	434.73	434.73	-	434.73	11.08%	-	<ul style="list-style-type: none"> Recovery Suit/ OA has been filed against PGPL and its Guarantors before DRT, Hyderabad. The Insolvency Petition u/s 7 of IBC 2016 against M/sPioneer Gas Power Limited has been filed before NCLT Hyderabad and the same is pending admission. Simultaneously, efforts are being made on behalf of the lenders' consortium, to assign the lenders debt.
2	VIDEOCON INDUSTRIES LTD	30-Jun-17	383.50	383.50	0.14	383.64	9.78%	3.38	<ul style="list-style-type: none"> The consortium of lenders of Videocon Industries had invited fresh expressions of interest for after the insolvency appellate tribunal rejected the approval of ₹2,692 crore bid by Twin Star Technologies. However, Twin Star had appealed against NCLAT order that prompted lenders to restart the sale of Videocon Industries and its 12 units. Thereafter, The Supreme Court stayed the resolution process of Videocon Industries and its 12 units.
3	JAIPRAKASH ASSOCIATES LIMITED	30-Jun-16	534.45	327.19	-	327.19	8.34%	17.96	<ul style="list-style-type: none"> The debt restructuring is being delayed because of the issues related to certain securities, which is under litigation with YEIDA. SBI has filed an Insolvency Petition before Allahabad NCLT. The lenders have also decided to showcase the debt exposure to NARCL to elicit some EoI/offer.
3a	JAIPRAKASH ASSOCIATES LIMITED (WCTL)	31-Mar-19	40.00	40.00	-	40.00	1.02%	1.09	
4	COASTAL ENERGEN PRIVATE LTD	30-Jun-18	332.44	298.72	-	298.72	7.61%	83.45	<ul style="list-style-type: none"> The company is admitted to NCLT to undergo Corporate Insolvency Resolution Process (CIRP) since 04/02/2022. There is an interim stay on the process by NCLAT, but the moratorium still continues because of which no further actions could be initiated by the lenders. In addition, the Enforcement Directorate (ED) had issued a provisional attachment order in Apr 2022, against which SBI (on behalf of all lenders) appealed, but the Adjudicating Authority

SN	Concern Name	NPA Date	Total Ledger OS as on Date of NPA	Prin OS	Intt O/s	Tot O/s	% share in Top 20 NPAs	Recovery after A/c downgraded to NPA till 30/09/2022	Status Update
									under PMLA, agreed with the ED order, vide the order dt.29/09/2022. In view of the same, the recovery out of this loan account is now in a limbo. <ul style="list-style-type: none"> Further, since IFCI's exposure is in consortium with common security, no separate legal actions are pursued by IFCI, except for enforcement of the exclusive security which is at Tuticorin.
5	SHIGA ENERGY PRIVATE LIMITED	30-Jun-18	288.76	237.57	-	237.57	6.05%	138.18	<ul style="list-style-type: none"> In view of change in management of SEPL, the company has come forward and submitted a restructuring plan to PFC and IFCI with a view to actively pursue upgradation of account so that an offer of settlement to IFCI may be given and the facility can be refinanced. The matter is being deliberated between IFCI and SEPL.
6	SUPERTECH LIMITED	30-Jun-18	197.30	186.46	0.00	186.46	4.75%	13.67	<ul style="list-style-type: none"> For RTL –IFCI along with other lender is making efforts to monetise the mortgaged property.
7	EMC LTD.	30-Sep-18	179.13	176.51	-	176.51	4.50%	6.40	<ul style="list-style-type: none"> NCLT action initiated against all 3 corporate guarantors.
8	SREI INFRASTRUCTURE FINANCE LIMITED (SIFL)	31-Mar-21	168.73	168.73	-	168.73	4.30%	-	<ul style="list-style-type: none"> Company is undergoing CIRP under IBC. RFRP has been circulated. Various PRAs have shown interest and undertaking due diligence.
9	BARWA ADDA EXPRESS WAY LIMITED	30-Jun-19	166.04	166.04	-	166.04	4.23%	0.12	<ul style="list-style-type: none"> Lenders are making efforts to exercise of right of substitution
10	MADHUCON INFRA LTD.	30-Jun-16	165.00	151.50	0.10	151.60	3.86%	13.56	<ul style="list-style-type: none"> The OTS proposal is being examined and shall be put up to the Competent Authority for approval.
11	JAYPEE INFRASTRUCTURE LIMITED	30-Sep-16	230.06	150.00	0.12	150.12	3.83%	6.00	<ul style="list-style-type: none"> Resolved under NCLT, but the COC approved resolution plan is yet to be approved by NCLT. The newly formed National Asset Reconstruction Company Ltd (NARCL) had extended a binding offer to the which is being subjected to the Swiss Challenge by the lenders.
12	RELIANCE NAVAL AND ENGINEERING LIMITED	31-Mar-18	147.00	147.00	0.22	147.22	3.75%	1.61	<ul style="list-style-type: none"> Resolution plan under CIRP is has been approved by COC and is under consideration before NCLT. The matter is sub judice.
13	PAN INDIA NETWORK LIMITED	30-Sep-19	145.00	145.00	-	145.00	3.69%	1.38	<ul style="list-style-type: none"> Lenders are making efforts to sell the mortgaged property under SARFA&ESI Act.

SN	Concern Name	NPA Date	Total Ledger OS as on Date of NPA	Prin OS	Intt O/s	Tot O/s	% share in Top 20 NPAs	Recovery after A/c downgraded to NPA till 30/09/2022	Status Update
14	SEYA INDUSTRIES LIMITED	31-Dec-19	141.94	141.94	0.64	142.58	3.63%	0.31	<ul style="list-style-type: none"> The company was admitted to NCLT on 03.08.2021. However, there was a stay from Hon'ble Supreme Court of India due to settlement between the company and Beacon Trusteeship which had filed application in NCLT and later SC has directed NCLT to take up the settlement application. The lenders are contemplating to oppose the settlement application in NCLT. IFCI has also initiated PIRP against the personal guarantors which are at nascent stage.
15	GRAN ELECTRONICS PRIVATE LIMITED	30-Jun-18	135.81	135.81	-	135.81	3.46%	13.14	<ul style="list-style-type: none"> The company was under liquidation and its assets have been auctioned. IFCI being the sole financial creditor has received INR 14.79 crore out of liquidation. Further, another ₹40 crore is expected to be received from the corporate guarantor Videocon Industries Limited (VIL) in lieu of the land of VIL which was mortgaged to secure the loan in Gran at the time of sanction but was pooled with all other assets of VIL during the ongoing CIRP of VIL.
16	RELIANCE COMMUNICATIONS LTD	31-Mar-18	200.00	135.00	0.05	135.05	3.44%	-	<ul style="list-style-type: none"> CIRP of Reliance Communications Ltd. (Borrower), Reliance Infratel Pvt. Ltd. (security provider); Reliance Telecom Ltd. (security provider) and Reliance Communications Infrastructure Limited (security provider) is going on. The resolution plans UVARC for RCOM and RTL have been approved by COC. However, the plans are yet to be approved by NCLT and are awaiting resolution of matter of DOT dues. The matter is sub judice at NCLAT. Further, the Resolution Plan for RITL has been approved by COC as also by NCLT, but the plan is yet to be implemented. However, in an application filed by Doha Bank, NCLAT has ordered reconstitution of COC. The present COC is contemplating filing appeal before the Supreme Court of India. Further, the plan submitted for RCIL has been approved by COC and NCLT approval is awaited. The plan envisages recovery upto ₹3.65 crore to IFCI.

SN	Concern Name	NPA Date	Total Ledger OS as on Date of NPA	Prin OS	Intt O/s	Tot O/s	% share in Top 20 NPAs	Recovery after A/c downgraded to NPA till 30/09/2022	Status Update
17	UTTAM GALVA METALLIC S LIMITED	30-Jun-18	140.00	126.57	0.00	126.58	3.23%	18.40	<ul style="list-style-type: none"> IFCI has since received an amount of Rs 11.66 crore (upfront) alongwith NCDs of ₹28 crore(which are being serviced regularly) and FCDs of ₹12 lakh(Since converted to equity) under the NCLT approved resolution plan. Further, IFCI has initiated SARFAESI action for selling the mortgaged property. However, the proceedings have been stayed by the Civil Court. In the meantime, resolution through settlement with the co-borrower is being explored.
18	IVRCL INDORE GUJARAT TOLLWAY S LIMITED	30-Jun-17	125.00	125.00	0.00	125.00	3.19%	-	<ul style="list-style-type: none"> IFCI had filed insolvency petition before NCLT Hyderabad, which is yet to be admitted.
19	IVRCL CHENGAP ALLI TOLLWAY S LIMITED	31-Mar-16	124.99	124.99	0.00	124.99	3.19%	0.00	<ul style="list-style-type: none"> IFCI has filed its claim in the CIRP of ICTL, which commenced on 20.04.2022 before NCLT, Hyderabad. Since the claim filed by IFCI has not been admitted by RP, IFCI is taking appropriate steps before competent forum for consideration of its claim as financial debt in the CIRP of ICTL. Further, IFCI is also exploring the assignment route so that the asset can be timely resolved.
20	BS LIMITED	30-Sep-16	121.88	120.65	0.12	120.77	3.08%	15.29	<ul style="list-style-type: none"> At present, BS Limited is under Liquidation and IFCI has filed its claim before the Liquidator. IFCI has not relinquished its security interest to the liquidator. Resolution through sale of mortgaged assets under SARFAESI/ assignment of debt is being explored simultaneously.
	Total for above		4,401.76	3,922.91	1.39	3,924.3	100.00%	533.94	

APPENDIX I
COMMITTEE ON PUBLIC UNDERTAKINGS
(2021-22)

MINUTES OF THE TWENTY SECOND SITTING OF THE COMMITTEE

The Committee sat on Monday, the 24th January, 2022 from 1100 hrs. to 1130 hrs. in Committee Room 'D', Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

Shri Santosh Kumar Gangwar - Chairperson

MEMBERS

Lok Sabha

2. Shri Lavu Sri Krishna Devarayalu
3. Shri Nama Nageswara Rao

Rajya Sabha

4. Shri Syed Nasir Hussain

SECRETARIAT

1. Shri R.C. Tiwari - Joint Secretary
2. Shri Srinivasalu Gunda - Director
3. Shri G.C. Prasad - Additional Director
4. Smt Mriganka Achal - Deputy Secretary

**REPRESENTATIVES OF INDUSTRIAL FINANCE CORPORATION OF INDIA
LIMITED (IFCIL)**

1. Shri Manoj Mittal - Managing Director and Chief Executive Officer
2. Shri Sunil Kumar Bansal - Deputy Managing Director
3. Shri Prasoon - Chief Financial Officer
4. Shri Sachikant Mishra - Chief General Manager

2. At the outset, Hon'ble Chairperson welcomed the Members of the Committee on Public Undertakings and the representatives of Industrial Finance Corporation of India Limited (IFCIL) to the sitting of the Committee convened to have a briefing by the representatives of Industrial Finance Corporation of India Limited (IFCIL) in connection with its comprehensive examination. Hon'ble Chairperson informed that due to lack of quorum, the sitting of the Committee will have to be adjourned in terms of Rule 259 (2) of Rules of Procedure and Conduct of Business in Lok Sabha. The sitting was accordingly adjourned.

3. The Chairperson thanked the Members present and the Officers of IFCIL and directed that a sitting on the subject be held soon during the forthcoming session of Parliament.

The Committee then adjourned.

APPENDIX II
COMMITTEE ON PUBLIC UNDERTAKINGS
(2021-22)
MINUTES OF THE TWENTY THIRD SITTING OF COMMITTEE

The Committee sat on Wednesday, the 16th February, 2022 from 1500 hrs. to 1630 hrs. in Committee room 'D', Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

Shri Santosh Kumar Gangwar - Chairperson

MEMBERS

Lok Sabha

2. Shri Arjunlal Meena
3. Shri Nama Nageswara Rao
4. Shri Sushil Kumar Singh

Rajya Sabha

5. Shri Anil Desai
6. Shri Syed Nasir Hussain
7. Shri Om Prakash Mathur
8. Shri K.C. Ramamurthy

SECRETARIAT

- | | | | |
|----|------------------------|---|----------------------|
| 1. | Shri R.C. Tiwari | - | Additional Secretary |
| 2. | Shri Srinivasulu Gunda | - | Director |
| 3. | Shri G.C. Prasad | - | Additional Director |
| 4. | Smt. Mriganka Achal | - | Deputy Secretary |

2. At the outset, the Hon'ble Chairperson welcomed the Members to the sitting of the Committee convened for consideration and adoption of the three draft Action Taken Reports and to have briefing on the subject 'Industrial Finance Corporation of India (IFCI) Limited' in connection with its comprehensive examination. The three draft action taken reports pertained to:-

- (i) Action Taken by the Government on the Observations/Recommendations of

- the Committee contained in the Fourth Report of the Committee on Public Undertakings (17th Lok Sabha) on Hindustan Antibiotics Limited.
- (ii) Action Taken by the Government on the Observations/Recommendations of the Committee contained in the Fifth Report of the Committee on Public Undertakings (17th Lok Sabha) on NBCC (India) Limited.
 - (iii) Action Taken by the Government on the Observations/Recommendations of the Committee contained in the Ninth Report of the Committee on Public Undertakings (17th Lok Sabha) titled 'Loss due to Imprudent underwriting and lack of proper risk assessment (based on para no. 3.2 of C&AG Report no. 13 of 2019) related to on New India Assurance Company Limited (NIACL).

3. The Committee considered these draft action taken reports and adopted it without any changes/ modifications. The Committee thereafter authorized the Chairperson to finalize the report on the basis of factual verification by the concerned Ministry/Department and consider for presenting the reports to Parliament in the coming session.

4. The Committee Secretariat then made a Power-point Presentation on the major issues related to the agenda of the sitting.

(The representatives of IFCI Limited were then called in)

5. The Hon'ble Chairperson welcomed the representatives of the 'Industrial Finance Corporation (IFCI) Limited' to the sitting convened to take evidence of the representatives of 'Industrial Finance Corporation (IFCI) Limited' and drew their attention to Direction 55(1) of the 'Directions by the Speaker' regarding confidentiality of evidence tendered before the Parliamentary Committees.

6. In his welcome remarks the Chairperson sought information on various issues pertaining to the Company which viz. sectors where long term loans have been disbursed and amount recovered against it, returns on investment made by the company, number of vacancy in Board of Directors, reasons for consistent losses to the company, CSR endeavors and initiatives undertaken for utilization of unspent amount and reasons for small IFCI's share in total borrowings and advances of NBFC sector, etc.

7. Thereafter, the representatives of IFCIL made a power point presentation about history and performance of the Company since its inception and briefed about the share of Government of India which is 63.8 % at present alongwith Rs.100 crores given in the

current year. Other major issues which were discussed *inter-alia* included revival plan of the company, promotion of institutions like MDI, Housing Financial Agencies, IDFC, NSE, Tourism Finance Corporation etc., company's physical and financial performance, major sectors like thermal, hydro solar where loans were disbursed, issues related to NPAs and capital inadequacy, negative interest income, issues related to liquidity and possibilities of insolvency and manpower in the company.

8. After the Presentation, Members raised various issues related to the Company which *inter-alia* included role of the company in sugar development fund, details of PLA scheme, reasons for NPA in manufacturing sector, performance of the subsidiaries, reasons for their continuous loss, NPA recoveries made so far, diversification of business by the company, strategy for revival and future road map of the Company. Members also raised concerns about performance and reasons for having thirteen subsidiaries when IFCI's financial performance is not so good, Profit/Loss earned by the IFCI limited through these subsidiaries, consistency in manpower strength if company is in continuous loss, information on any legal process started for loan recoveries against big companies and at its status, asset monetization issues and total investment made by the company in real estate.

9. The representatives of IFCIL clarified the issues on which information was readily available with them. In respect of points for which information was not readily available; the Chairperson directed that written replies may be furnished to the Committee within 15 days.

***The Committee then adjourned.
(A verbatim record of the proceedings has been kept separately.)***

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APPENDIX III
COMMITTEE ON PUBLIC UNDERTAKINGS
(2021-22)

MINUTES OF THE TWENTY-EIGHTH SITTING OF THE COMMITTEE

The Committee sat on Tuesday, the 12th April, 2022 from 1510 hrs. to 1600 hrs. in Committee Room 'B', Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

Shri Santosh Kumar Gangwar- Chairperson

MEMBERS

Lok Sabha

2. Shri Chandra Prakash Joshi
3. Shri Nama Nageswara Rao
4. Shri Ravneet Singh
5. Shri Sushil Kumar Singh

Rajya Sabha

6. Shri Syed Nasir Hussain

SECRETARIAT

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|----|------------------------|---|---------------------|
| 1. | Shri V.K. Tripathy | - | Joint Secretary |
| 2. | Shri Srinivasulu Gunda | - | Director |
| 3. | Shri G.C. Prasad | - | Additional Director |
| 4. | Smt. Mriganka Achal | - | Deputy Secretary |

REPRESENTATIVES OF INDUSTRIAL FINANCE CORPORATION OF INDIA LIMITED

- | | | | |
|----|-------------------------|---|---|
| 1. | Shri Manoj Mittal | - | Managing Director and Chief Executive Officer |
| 2. | Shri Sunil Kumar Bansal | - | Deputy Managing Director |
| 3. | Shri Prasoon | - | Chief Financial Officer |
| 4. | Shri Sachikant Mishra | - | Chief General Manager |

2. At the outset, Hon'ble Chairperson welcomed the Members of the Committee at the sitting convened to have briefing by the representatives of "Industrial Finance Corporation of India Limited (IFCIL)" in connection with its comprehensive examination. Hon'ble Chairperson observed that seven Members were required to fulfil the requirement of Quorum in the sitting. As six Members were already present at the sitting and eight Members had confirmed to attend the sitting, he directed the Committee Secretariat to make the power point presentation explaining important issues related to the examination of the subject.

3. Hon'ble Chairperson, while expressing his concern and taking into consideration the preparation done by the representatives of IFCIL, decided to hear the officers of IFCIL and present their views on the subject, in anticipation of more Members joining later during the course of discussion.

4. Hon'ble Chairperson welcomed the representatives of the IFCIL to the sitting convened for briefing on the subject 'Industrial Finance Corporation of India Limited' in connection with its comprehensive examination. The attention of the officials were drawn to Direction 55(1) of the 'Directions by the Speaker' regarding maintaining confidentiality of evidence tendered before the Parliamentary Committees.

5. Continuing, Hon'ble Chairperson, in his Introductory Remarks emphasized on important aspects of IFCIL and *inter-alia* sought to be apprised on (i) huge losses in recent years reflecting serious issues in recovery of loans and dispersed funds turning into bad loans and NPAs; (ii) four posts of Independent Directors lying vacant for more than 5 years; (iii) NSE and BSE levying fines on IFCIL for non-compliance of SEBI Regulations; (iv) absence of adequate number of Board Members to hold required Committee meetings of Audit Committee, Remuneration Committee, etc.; (v) strategic business plan in next 3-4 years and support required by IFCIL from the Government of India to come out of losses. Thereafter, Members also sought explanation on other issues pertaining to the subject.

6. The representatives of the IFCIL made a short Power Point Presentation while addressing the issues raised by the Chairperson and Members of the Committee.

7. During the course of the discussion, Hon'ble Chairperson observed that the required quorum to continue the meeting could not be met. As such, he decided to adjourn the meeting of the Committee with IFCIL to a future date and time. He also directed the officers to furnish written replies to the queries/issues raised by the Members within 10 days.

The Committee adjourned due to lack of Quorum.

(A verbatim copy of the proceedings has been kept on record.)

APPENDIX IV
COMMITTEE ON PUBLIC UNDERTAKINGS
(2022-23)

MINUTES OF THE SEVENTEENTH SITTING OF THE COMMITTEE

The Committee sat on Thursday, the 20 October, 2022 from 1100 hrs. to 1205 hrs. in Committee Room No. '1', Ground Floor, Block A, Extension to Parliament House Annexe (EPHA), New Delhi.

PRESENT

Shri Santosh Kumar Gangwar - Chairperson

MEMBERS

Lok Sabha

2. Shri Chandra Prakash Joshi
3. Smt. K. Kanimozhi
4. Shri Lavu Sri Krishna Devarayalu
5. Shri Arjunlal Meena
6. Shri Janardan Mishra
7. Shri Kinjarapu Ram Mohan Naidu
8. Shri Ramdas Chandrabhanji Tadas

Rajya Sabha

9. Shri Anil Desai
10. Shri Syed Nasir Hussain
11. Dr. Anil Jain
12. Shri Prakash Javadekar
13. Shri M. Shanmugam

SECRETARIAT

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|----|---------------------|---|---------------------|
| 1. | Shri Santosh Kumar | - | Director |
| 2. | Shri G.C. Dobhal | - | Additional Director |
| 3. | Smt. Mriganka Achal | - | Deputy Secretary |

REPRESENTATIVES OF INDUSTRIAL FINANCE CORPORATION OF INDIA (IFCI) LIMITED

- | | | | |
|----|------------------------|---|----------|
| 1. | Shri Manoj Mittal | - | MD & CEO |
| 2. | Shri Prasoon | - | CFO |
| 3. | Shri Sachikanta Mishra | - | CGM |

2. The Chairperson welcomed the Members of the Committee at the sitting convened to take evidence of the representatives of the Industrial Finance Corporation of India (IFCI) Limited and brief the agenda of the meeting which also included a Power Point Presentation by the Committee Secretariat before the witnesses were called in.

[The representatives of IFCI Ltd. were, then, called in]

3. The Chairperson welcomed the representatives of the Industrial Finance Corporation of India (IFCI) Limited at the sitting and drew their attention to Direction 55(1) of the '*Directions by the Speaker*' regarding confidentiality of evidence before the Parliamentary Committee. The Chairperson recalled the previous meeting with the representatives of the Company held on 16th February, 2022 and emphasized on important aspects of IFCI Ltd. viz. recovery of loans, tendency of bad loans and the concrete steps taken/being taken by the Company for recovery of loans in general and NPA in particular; non-compliance of SEBI Regulations; absence of adequate number of Board Members; penalty levied by NSE/BSE. The Chairperson also sought clarifications on declining IFCI's share in total borrowing and advances of NBFC sector; reasons for declining income of the Company; cases identified by Department of Financial Services for forensic audit; issues related to manpower of the Company; implementation of reservation policy by IFCI for its employees, etc.

4. Thereafter, the representatives of IFCI Ltd. introduced themselves and then made a presentation before the Committee on the subject highlighting therein the genesis and business profile of the Company; its poor financial standing in NBFC market; role of the Company in Production Linked Incentive Schemes (PLI) and Project Management Agency (PMA) in various Government of India's projects, etc.

5. The Members, then, raised various issues pertaining to high rate of NPA; non-approval of loans after 2019-20; waiving off high profile loans; fraud cases, if any, during 2005 and 2014; alternative measures for one-time settlements; disinvestments in IFCI and its subsidiaries; various issues coming in the way of timely recovery of loans; list of 20 major defaulters; details of unsecured loans disbursed during 2005-2012; delay in pursuing NPA cases in Courts/Tribunals; response of IFCI on latest RBI's guidelines on regulation of Prompt Corrective Action (PCA) for all NBFCs; status of NPA cases referred to ARC and NCLAT; issues related to management of Sugar Development Fund (SDF) of Government including

Court cases; status of action on the options suggested by Consultant; etc.

6. The representatives of IFCI Ltd. clarified issues on which information was readily available with them. In respect of some points for which information was not readily available, the Chairperson desired that written replies may be furnished to the Committee Secretariat within 10 days. In his concluding remarks, the Chairperson thanked all the Members, representatives of IFCI Ltd. and the Committee Secretariat and wished them for a prosperous and happy Diwali festival.

[The representatives of IFCI Ltd., then, withdrew]

The Chairperson, then announced about next sittings of the Committee on 7th & 15th November, 2022.

The Committee, then, adjourned.

A copy of the verbatim proceedings has been kept for record.

APPENDIX V
COMMITTEE ON PUBLIC UNDERTAKINGS
(2022-23)

MINUTES OF THE TWENTY- SEVENTH SITTING OF THE COMMITTEE

The Committee sat on Thursday, the 23rd February, 2023 from 1100 hrs. to 1235 hrs. in Committee Room '2', Ground Floor, Extension to Parliament House Annexe (EPHA), New Delhi.

PRESENT

Shri Santosh Kumar Gangwar - Chairperson

MEMBERS

Lok Sabha

2. Shri Ravneet Singh Bittu
3. Shri Sushil Kumar Singh

Rajya Sabha

4. Shri Anil Desai
5. Shri Syed Nasir Hussain
6. Dr. Anil Jain
7. Shri Prakash Javadekar
- 8.. Dr. Amar Patnaik

SECRETARIAT

- | | | | |
|----|---------------------|---|---------------------|
| 1. | Shri Chander Mohan | - | Joint Secretary |
| 2. | Shri Santosh Kumar | - | Director |
| 3. | Shri G.C. Dobhal | - | Additional Director |
| 4. | Smt. Mriganka Achal | - | Deputy Secretary |

**REPRESENTATIVES OF DEPARTMENT OF FINANCIAL SERVICES,
MINISTRY OF FINANCE**

- | | | | |
|----|--------------------------|---|----------------------|
| 1. | Shri Suchindra Misra | - | Additional Secretary |
| 2. | Shri Bhushan Kumar Sinha | - | Joint Secretary |
| 3. | Shri Kartikeya Misra | - | Director |

2. At the outset, the Chairperson welcomed the Members of the Committee and apprised them about the agenda for the sitting. The Committee then considered and adopted the Draft Report on “Audit Para No. 5.1 of C&AG Report No. 18 of 2020 regarding Review of Loans to Road Projects relating to India Infrastructure Finance Company Limited” without any change/modification. The Committee authorized the Chairperson to finalize the report on the basis of factual verification by the C&AG and concerned Ministry/Department and thereafter, presenting the same during the current session of Parliament. The Committee Secretariat, then, made a power point presentation on important issues related to examination of the subject.

(The witnesses were, then, called in)

3. Hon'ble Chairperson welcomed the representatives of Department of Financial Services to the sitting convened to have evidence of the representatives of Department of Financial Services, Ministry of Finance in connection with comprehensive examination of the subject Industrial Finance Corporation of India (IFCI) Limited and drew their attention to Direction 55(1) of the 'Directions by the Speaker' regarding confidentiality of evidence before the Parliamentary Committees. In the welcome address, Hon'ble Chairperson highlighted main issues involved in the subject and sought clarifications from DFS on the constructive steps taken by the Department for recovery of loans and the effective monitoring mechanism to make IFCI viable, concrete steps taken by DFS on their part to address vacancy of Independent Directors in the Company, penalty levied on the Company for violation of SEBI regulations and also asked to share their views on the future plan of the company and report of the Consultants hired in this regard.

4. The representatives of DFS thereafter made a Power Point Presentation on the subject and briefly apprised the Committee of the journey of IFCI Ltd. since 1948, financial difficulties faced by the Company in 2002-2003 and restructuring package by the Government thereon, asset quality review done by RBI in 2016-17, tightening of NPA recognition norms and as a resultant liquidity issues with the Company, reasons for no fresh lending by IFCI Ltd., Company's focus on mainly providing advisory services and different options available for the future of the Company.

5. Members, thereafter, raised important issues and sought information on reasons for regular capital infusion in the company by the Government, role of Government nominee

Directors in Board meetings, assets and liabilities of the Company, issues related to role of NBFCs in general when various Banks are already in market for the same purpose, relevance of IFCI Ltd. in presence of Emergency Credit Line Guarantee Scheme (ECLGS) and National Bank for Financing Infrastructure and Development (NBFID). The other issues which came up for discussion were NPAs and its recoveries by the Company, collateral issues and asset quality mismatch with the Company, value of Bonds/shares of IFCI Ltd, closure of IFCI Ltd and owning the responsibility by Government, criminal cases against fraud loan accounts and disciplinary actions taken, if any, against IFCI Ltd. Officials, resolution of conflicts in NCLT within time limits, action taken on guarantors of loan in cases of non-payments, status of disputed cases under DRT & SARFAESI.

6. The representatives of DFS clarified on some of the issues on which information was readily available with them. Thereafter, the Chairperson thanked the representatives of the Department for the valuable information deposited before the Committee and desired that in respect of points on which information was not readily available, the same may be furnished to the Committee Secretariat within 10 days.

The Committee, then, adjourned

(A copy of the verbatim proceedings has been kept for record)

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APPENDIX VI
COMMITTEE ON PUBLIC UNDERTAKINGS (2024-2025)

MINUTES OF THE THIRTY SECOND SITTING OF THE COMMITTEE

The Committee sat on Monday, 24 March, 2025 from 1530 hrs. to 1705 hrs. in Committee Room '1', Extension to Parliament House Annexe, New Delhi.

PRESENT

Shri Baijayant Panda - Chairperson

MEMBERS

LOK SABHA

2. Shri C.P. Joshi
3. Shri Shankar Lalwani
4. Shri Mukesh Rajput
5. Shri Sukhjinder Singh Randhawa
6. Shri Pratap Chandra Sarangi
7. Shri Prabhakar Reddy Vemireddy

RAJYA SABHA

8. Shri Neeraj Dangi
9. Shri Milind Murli Deora
10. Shri Narain Dass Gupta
11. Dr. Bhagwat Karad
12. Shri Debashish Samantaray
13. Dr. Arun Singh

SECRETARIAT

- | | | | |
|----|------------------------|---|------------------|
| 1. | Shri Anjani Kumar | - | Joint Secretary |
| 2. | Smt. Jyochnamayi Sinha | - | Director |
| 2. | Smt. Mriganka Achal | - | Deputy Secretary |

PART-A:

2. At the outset, the Hon'ble Chairperson welcomed the Members to the sitting and briefly apprised the Members about the following draft Reports to be considered:

- (i) IFCI Limited;
- (ii) xxxxxxxxx
- (iii) xxxxxxxxx
- (iv) xxxxxxxxx

3 The Committee then considered and adopted the draft Reports, without any changes/modifications. The Committee authorized the Chairperson to finalize the draft Reports on the basis of factual verification as suggested by the concerned Ministries/Departments and C&AG and present the Reports during the ongoing session of Parliament.
