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INDUSTRIAL FINANCE CORPORATION OF INDIA LIMITED (IFCI LIMITED)

DEPARTMENT OF FINANCIAL SERVICES (MINISTRY OF FINANCE)

COMMITTEE ON PUBLIC UNDERTAKINGS (2025-26)

TWENTY-FIFTH REPORT

(EIGHTEENTH LOK SABHA)

LOK SABHA SECRETARIAT

NEW DELHI

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COMMITTEE ON PUBLIC UNDERTAKINGS
(2025-26)

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INDUSTRIAL FINANCE CORPORATION OF INDIA LIMITED (IFCI LIMITED)

DEPARTMENT OF FINANCIAL SERVICES (MINISTRY OF FINANCE)

[Action taken by the Government on the Observations/Recommendations contained in the Ninth Report of the Committee on Public Undertakings (18th Lok Sabha) on IFCI Limited]

Presented to Lok Sabha on 11, December 2025

Laid in Rajya Sabha on 11, December 2025

LOK SABHA SECRETARIAT
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1. Shri Anjani Kumar - Joint Secretary
2. Ms. Mriganka Achal - Director
3. Shri Tenzin Gyaltsen - Deputy Secretary
4. Shri Dhruv - Under Secretary

INTRODUCTION

I, the Chairperson, Committee on Public Undertakings (2025-26) having been authorized by the Committee to submit the Report on their behalf, present this Twenty-Fifth Report on Action Taken by the Government on the Observations/Recommendations contained in the Ninth Report of the Committee on Public Undertakings (18th Lok Sabha) on 'Industrial Finance Corporation Limited (IFCI Limited)'.

2. The Ninth Report of the Committee on Public Undertakings (18th Lok Sabha) was presented to Lok Sabha and laid on the Table of Rajya Sabha on 27 March, 2025. The Action taken Replies to all the 21 recommendations contained in the Report were received from the Department of Financial Services, Ministry of Finance on 16 July, 2025.

3. The Committee considered and adopted the draft Report at their sitting held on, 05th December, 2025. The Minutes of the sitting are given in Appendix-I.

4. An analysis of the action taken by the Government on the Observations/ Recommendations contained in the Ninth Report of the Committee (18th Lok Sabha) is given in Appendix -II.

New Delhi;	**Baijayant Panda**
08 December, 2025	**Chairperson**
17 Agrahayana, 1947(S)	**Committee on Public Undertakings**

REPORT

CHAPTER I

This Report of the Committee deals with the action taken by the Government on the Observations/Recommendations contained in the Ninth Report of the Committee on Public Undertakings on “Industrial Finance Corporation of India Limited (IFCIL)”, which was presented to Lok Sabha on 27.03.2025. It contained 21 observations/recommendations.

2. Action Taken notes have been received from the Government in respect the 19 of the 21 observations/recommendations of the Committee. The introductory paragraphs (Sr. Nos. 1 and 2) were general observations, on which the Ministry did not offer specific comments.

(i)	Observation/Recommendations which have been accepted by the Government Sl. Nos. 1,2, 6, 7, 8, 9, 10, 13, 14, 15, 16, and 17	**(Chapter II)** **(Total: 12)**
(ii)	Observations/Recommendations which the Committee do not desire to pursue in view of the Government's replies. Sl. No. Nil	**(Chapter III)** **(Total: 00)**
(iii)	Observations/Recommendations in respect of which replies of Government had not been accepted by the Committee and which require reiteration. Sl. No. Nil	**(Chapter IV)** **(Total: 00)**
(iv)	Observations/Recommendations to which the Government has furnished interim replies and final replies are still awaited. Sl. Nos. 3, 4, 5, 11,12, 18,19, 20, and 21.	**(Chapter V)** **(Total: 09)**

3. The Committee desire the Ministry of Finance (Department of Financial Services) to furnish final Action Taken Notes/replies in respect of observations/recommendations contained in Chapter I of the Report. The Committee further desire that the final replies in respect of Observations/Recommendations contained in Chapter V for which only interim replies have been given by Government, should be furnished to the Committee expeditiously.

4. The Committee will now deal with the Action Taken by the Government on some of the Observations/Recommendations in succeeding paragraphs.

SANCTION & DISBURSEMENTS OF LOANS
(Recommendation No. 3 -Lending Practices and Strategy)

5. The Committee, in their Ninth Report, had recommended an overhaul of IFCI's lending strategy and portfolio management as under:

> "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."

6. The Ministry, in their action taken reply, have stated as follows:

> " It is informed that lending remains suspended as on date.
> As regards the way forward for the IFCI Group, an Independent Committee of Experts appointed by Department of Financial Services (DFS), chaired by Shri Challa Sreenivasulu Setty (Presently SBI Chairman) recommended "Consolidation of IFCI Group" from a multi stakeholder's perspective with a focus on safeguarding shareholder's interest.
> The same was communicated by DFS to IFCI Ltd on November 22, 2024. Pursuant to the said communication, IFCI appointed M/s SBI Capital Markets Limited as Transaction Advisor/consultant for consolidation/way forward of the IFCI Group. The same entails preparation of a robust Business Plan, which shall address the observations of the COPU alongside. The consultant shall assess the lending landscape along with IFCI's past experience and expertise; on the basis of which sectoral exposures shall be proposed. The consultant shall also review / formulate policies / SOP based on business requirements, applicable Regulatory / Statutory framework and best industry practices. IFCI shall be guided by the said plan."

SANCTION & DISBURSEMENTS OF LOANS
(Recommendation No. 4 - Regional Distribution of Loans)

7. The Committee, in their Report, had observed the following regarding 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.”

8. The Ministry, in their action taken reply, have stated as follows:

> " Noted for suitable consideration, if found viable as part of the business plan being formulized by IFCI."

SANCTION & DISBURSEMENTS OF LOANS
(Recommendation No. 5 - Sectoral Analysis of Loan Disbursements)

9. The Committee, in their Report, had recommended the following regarding sectoral distribution of loans:

> " The Committee observe 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."

10. The Ministry, in their action taken reply, have stated as follows:

" Noted for suitable consideration, if found viable as part of the business plan being formulized by IFCI."

11. The Committee in its original report had pointed out that IFCI had incurred substantial losses, with many of the loans turning into NPAs amounting to Rs. 6515 crore from 2011-12 to 2021-22. Further, the Committee observed that this was despite the IFCI's lending process and portfolio management being governed by General lending policy (GLP) guidelines. To this extent, the Committee had recommended overhauling of IFCI's credit appraisal and monitoring framework, enhanced due diligence process, stricter exposure limits including institution of robust stress-testing mechanisms, while IFCI continue to keep its lending activity in suspension during its restructuring phase. Further, the Committee had also pointed out the issues regarding uneven regional pattern along with sectoral concentration visible in IFCI's loan disbursement approach. In this context, the committee noted that regional disparities do not align with the broader goals of equitable financial development and inclusion. Accordingly, it encouraged IFCI to consider a more balanced strategy, with greater emphasis on sectoral diversification, as it resumes its lending activities. The Committee note that lending operations remain suspended while the core revival strategy shall revolve around the formulation of a new Business Plan by an appointed consultant. Accordingly, the respective plan is also expected to take cognizance of the Committee's concerns regarding credit appraisal, risk management, and issues such as regional and sectoral diversification. Since a substantial part of the entire future lending strategy is contingent on the finalization of this Business Plan, the Committee treat this reply as interim. The Committee, therefore, expect that the new plan will incorporate not only stringent risk mitigation frameworks, but also a clear and equitable strategy for balanced regional and sectoral lending. The Committee desire to be apprised of the key features of the approved Business Plan, as and when the same is available.

NON-PERFORMING ASSETS (NPAs) AND THEIR RECOVERY
(Recommendation No. 6)

12. The Committee, in their Report, had noted the status of Non-Performing Assets (NPAs) and recommended:

> " 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 note 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 appreciate 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 recommend 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 emphasize 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 emphasize 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 recommend 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**."**

13. The Ministry, in their action taken reply, have stated as follows:

> " IFCI undertakes comprehensive and quarterly review of entire NPA portfolio and places it to the Board of Directors for information and direction. Recently, during the Board meeting dated May 15, 2025, the Board was apprised of the NPA portfolio

as on March 31, 2025.
As regards emerging patterns / trends of NPAs, it is submitted that IFCI has not taken fresh exposures since December 2020 and the Gross NPA of IFCI has been declining since FY 2019. Standard accounts have been either closed / prepaid and the proceeds have been utilised towards IFCI's debt servicing obligations.
As regards segmenting of NPAs, it is submitted that as on March 31, 2025, IFCI's portfolio of NPA has Standalone, Consortium & Multiple Banking Accounts which comprise 8%, 24% and 68% of the portfolio respectively. Further, 69% of the NPA accounts are under IBC while 31% of the NPAs are non-IBC. As regards the prioritising of recovery efforts from these accounts, it is submitted that IFCI has been focusing on resolution of stressed assets/NPAs by adopting multi-pronged approaches. These routes through which IFCI pursues recovery include:

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

Recovery from NPAs has been a major means of augmenting the liquidity of IFCI over the past few years, which has aided in the company's debt servicing.
Since FY 2019, IFCI has recovered ₹6,746 crore from NPAs through the following modes of recovery:

Recovery Modes	FY2019	FY2020	FY2021	FY2022	FY 2023	FY 2024	FY2025	Total
Assignment	12	0	7	127	97	414	58	715
SRs	555	47	27	257	74	50	59	1,069
Follow Up	187	283	204	421	162	73	57	1,387
SARFAESI, DRT, OL	8	91	59	3	24	92	59	336
NCLT	448	222	73	123	185	161	250	1,462
Settlement	553	202	147	449	172	158	97	1,778
Total NPA	**1,762**	**845**	**516**	**1,381**	**714**	**948**	**580**	**6,746**

As regards the legal capabilities and robustness of the legal team, it is submitted that as on March 31, 2025, IFCI has 117 employees which comprises 16 Officers with legal qualification and expertise. Accordingly, ~14% of the officers of IFCI have legal expertise.
As regards, expanding the assets base through synergies with external investors, it is submitted that once the contours of the business plan are finalised, IFCI shall explore collaboration with external investors.
IFCI undertakes comprehensive and quarterly review of entire NPA portfolio and places it to a sub-committee of Board for review and to the Board of Directors for information and direction. As advised by COPU, IFCI shall report the same on biannual basis."

14. The Committee take positive note of IFCI's proactive and multi-pronged approach to NPA management, which has resulted in swift resolution of stressed assets/ NPAs and augmenting liquidity of IFCI alongwith significant recovery of ₹6,746 crore since FY 2019. The Committee further note that detailed and mode-wise recovery data demonstrates a diligent and persistent effort to resolve all lingering issues. The Committee are content to note that IFCI has readily accepted their recommendation for biannual reporting of its NPA status. The Committee, therefore, are of the view that such actions reflect a strong commitment of the Government and IFCI towards improving financial health and transparency, and therefore urge IFCI to continue such effective recovery efforts.

FINANCIAL DECLINE – NEGATIVE NET OWNED FUND (NOF)
(Recommendation No. 11)

15. The Committee, in their Report, had noted the negative net owned fund of the Company and recommended:

> " 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."

16. The Ministry, in their action taken reply, have stated as follows:

" As regards the augmentation of Net owned fund of IFCI it may be noted that GoI has infused ₹2,100 crore as equity share capital between FY 2018 and FY 2025. While the NOF of IFCI as on March 31, 2025 is negative ₹811 crore (Net-worth of ₹1,736 crore), the business plan formulated by the consultant/TA shall factor compliance with the regulatory requirements within a specified timeframe acceptable to the Regulator.

The aspects mentioned alongside such as IFCI's long term viability, role in the country's financial ecosystem, maintaining NBFC status, assessing funding avenues and supporting the Government's development initiatives shall be comprehensively covered as part of the Business plan being formulated by the consultant."

EXPLORING GOVERNMENT SUPPORT FOR REVIVAL
(Recommendation No. 12)

17. The Committee, in their Ninth Report, stressed upon the need for a sustainable revival plan and recommended:

" 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 suggest that 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."

18. The Ministry, in their action taken reply, have stated as follows:

" As detailed in response to COPU recommendation 7 and 11."

19. The Committee while taking cognizance of the steps such as appointment of consultant, capital infusion, proposal for a comprehensive business plan etc. by the Government, are still concerned regarding the persistent negative Net Owned Fund (NOF), alongside other ongoing issues which affects IFCI's normal functioning and regulatory status as a NBFC. Further, the Committee while acknowledging the assurance given by the Ministry expounding that the forthcoming Business Plan addresses the issue of restoration of NOF, While the response offers general direction, a more defined and time-sensitive strategy could enhance its impact. The Committee, therefore, treat this as an interim reply and strongly urge the Ministry to ensure that the final Business Plan encompasses a clear and time bound roadmap for resolving all issues along with making the NOF positive. The Committee further desire that any future Government support be aligned to the successful implementation of this roadmap.

ROLE OF IFCI AND ITS SUBSIDIARIES
(Recommendation No. 18)

20. The Committee, in their Ninth Report, had recommended a detailed review and restructuring of the IFCI group:

" 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."

21. The Ministry, in their action taken reply, have stated as follows:

" As regards the way forward for the IFCI Group, an Independent Committee of Experts appointed by Department of Financial Services (DFS), chaired by Shri Challa Sreenivasulu Setty (Presently SBI Chairman) recommended "Consolidation of IFCI Group" from a multi stakeholder's perspective with a focus on safeguarding shareholder's interest.

The same was communicated by DFS on November 22, 2024. Pursuant to the said communication, IFCI has appointed M/s SBI Capital Markets Limited as a consultant/Transaction Advisor for consolidation /way forward of the IFCI Group. The same entails preparation of a robust Business Plan, which shall address the observations alongside.

As advised by COPU, once the contours of the business plan / way forward are finalized, the same shall be informed."

ROLE AND RELEVANCE OF IFCI
(Recommendation No. 19 and 20)

22. The Committee, in their Ninth Report, had recommended the following regarding the role and relevance of IFCI:

" 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 Stock Holding 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.

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."

23. The Ministry, in their action taken reply, have stated as follows:

"The aspects mentioned alongside shall be comprehensively covered as part of the Business plan being formulated by the consultant."

MANPOWER
(Recommendation No.21)

24. The Committee, in their Ninth Report, had recommended the following regarding the human resource management in the Company:

" 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."

25. The Ministry, in their action taken reply, have stated as follows:

"As part of the business plan, the consultant shall map the skill set / knowledge base of resources across IFCI Group, post which need based recruitment shall be taken up. "

26. The Committee note that the strategic way forward, as recommended by an Independent Committee of Experts, is the "Consolidation of the IFCI Group". This is a significant decision that addresses the Committee's recommendations for a comprehensive review, restructuring, and future manpower planning. However, as the detailed Business Plan for this consolidation is currently being formulated by the appointed consultant and is yet to be finalized, the Committee consider this reply to be interim. The Committee urge that the final plan address not only the corporate and subsidiary structure but also the critical need for retaining and recruiting skilled manpower to execute the new strategy effectively. The Committee look forward to being apprised of the final consolidation and manpower plan.

CHAPTER II

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

NON-PERFORMING ASSETS (NPAs) AND THEIR RECOVERY

Recommendation (No. 6)

1. The Committee observe that during the past decade, IFCI sanctioned and disbursed loans totaling ₹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 note 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 appreciate 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 recommend 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 emphasize 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 emphasize 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 recommend 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.

Reply of the Government

"IFCI undertakes comprehensive and quarterly review of entire NPA portfolio and places it to the Board of Directors for information and direction. Recently, during the Board meeting dated May 15, 2025, the Board was apprised of the NPA portfolio as on March 31, 2025.

As regards emerging patterns / trends of NPAs, it is submitted that IFCI has not taken fresh exposures since December 2020 and the Gross NPA of IFCI has been declining since FY 2019. Standard accounts have been either closed / prepaid and the proceeds have been utilised towards IFCI's debt servicing obligations.

As regards segmenting of NPAs, it is submitted that as on March 31, 2025, IFCI's portfolio of NPA has Standalone, Consortium & Multiple Banking Accounts which comprise 8%, 24% and 68% of the portfolio respectively. Further, 69% of the NPA accounts are under IBC while 31% of the NPAs are non-IBC. As regards the prioritising of recovery efforts from these accounts, it is submitted that IFCI has been focusing on resolution of stressed assets/NPAs by adopting multi-pronged approaches. These routes through which IFCI pursues recovery include:

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

Recovery from NPAs has been a major means of augmenting the liquidity of IFCI over the past few years, which has aided in the company's debt servicing.

Since FY 2019, IFCI has recovered ₹6,746 crore from NPAs through the following modes of recovery:

Recovery Modes	FY2019	FY2020	FY2021	FY2022	FY 2023	FY 2024	FY2025	Total
Assignment	12	0	7	127	97	414	58	715
SRs	555	47	27	257	74	50	59	1,069
Follow Up	187	283	204	421	162	73	57	1,387
SARFAESI, DRT, OL	8	91	59	3	24	92	59	336
NCLT	448	222	73	123	185	161	250	1,462
Settlement	553	202	147	449	172	158	97	1,778
Total NPA	**1,762**	**845**	**516**	**1,381**	**714**	**948**	**580**	**6,746**

As regards the legal capabilities and robustness of the legal team, it is submitted that as on March 31, 2025, IFCI has 117 employees which comprises 16 Officers with legal qualification and expertise. Accordingly, ~14% of the officers of IFCI have legal expertise.

As regards, expanding the assets base through synergies with external investors, it is submitted

that once the contours of the business plan are finalised, IFCI shall explore collaboration with external investors.
IFCI undertakes comprehensive and quarterly review of entire NPA portfolio and places it to a sub-committee of Board for review and to the Board of Directors for information and direction. As advised by COPU, IFCI shall report the same on biannual basis."

[Ministry of Finance, Department of Financial Services]
(O.M. No. 15/19/2021-IF-I Dated 16th July, 2025)

Comments of the Committee
(Please see para 14 of Chapter I of the Report)

Fresh Lending Ceased Since FY 2020-21

Recommendation (No. 7)

2. 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.

Reply of the Government

"IFCI has been augmenting its revenue streams by expanding its advisory services. As on March 31, 2025, IFCI is serving as Project Management Advisor (PMA) / consultant to GoI for 21 schemes mentioned as under:

S.No.	Scheme
	Ministry of Electronics & Information Technology
1	SPECS
2	PLI Scheme for Large Scale Electronics Manufacturing
3	Scheme for Semiconductor Fab
4	Scheme for Display Fab
5	Scheme for Compound Semiconductor/ ATMP

	Scheme
6	PLI Scheme – IT Hardware
7	Modified Special Incentive Package Scheme (M-SIPS)
	Ministry of Chemicals and Fertilizers
8	Medical Device Parks
9	PLI – KSM / DI / API (Bulk Drugs)
10	PLI – Medical Devices
11	Bulk Drugs Parks
	Ministry of Heavy Industries
12	PLI – Advanced Chemistry Cell (ACC)
13	PLI – Automobiles & Auto Components
14	The Faster Adoption and Manufacturing of Hybrid & Electric Vehicles (FAME II)
15	Scheme to Promote Manufacturing of Electric Passenger Cars (SMEC)
16	PM E-DRIVE
	Ministry of Commerce & Industry
17	PLI – White Goods
	Ministry of Food Processing Industries
18	PLI – Food Processing
	Ministry of Textiles
19	PLI – Textile
	Ministry of Civil Aviation
20	PLI – Drone & Drone Components
	Ministry of Consumer Affairs, Food and Public Distribution
21	Sugar Development Fund

IFCI has also ventured into advisory services to State Government. Further, IFCI has been leveraging its project financing capabilities by rendering advisory services to Corporates including large PSUs. These include Power Grid Corporation of India Limited, NTPC Limited, Shakti Sugars Limited, Singareni Collieries Company Limited (SCCL), Technology Development Board, etc.

During FY 2025 IFCI has earned ~₹68.56 crore through advisory services. Over the past three years, revenue from advisory services increased substantially from ~₹43.24 crore for FY 2022 to ~₹68.56 crore for FY 2025.

It may also be noted that IFCI has set up an ESG Department and has developed a comprehensive ESG Dashboard for banks and corporates for 21 sectors, in collaboration with TERI-SAS. The dashboard has been deliberated by Management Committee of Indian Banks' Association (IBA), Reserve Bank of India (RBI), Ministry of Environment, Forest and Climate Change (MoEFCC) and Banks such as SBI, IDBI, Union Bank of India, HDFC Bank. IFCI is at an advanced stage of discussion with few banks for procurement of the

application.
As regards leveraging infrastructure, it is submitted that IFCI has taken steps for optimal utilization of its real estate assets and has earned rental income of ₹44.17 crore during FY 2025. Further, monetization of surplus assets shall form part of the Business plan being formulated by the Consultant. Simultaneously, IFCI is exploring monetization of underutilized real estate assets. The proceeds of monetization shall be utilized to augment liquidity for debt servicing and new business.
It may be noted that on analysing IFCI's lending portfolio, the Transaction advisor noted IFCI's expertise in financing renewable energy projects, particularly in Solar and Wind, with no delinquencies - all accounts were fully repaid or prepaid. Given India's 'Net Zero' emission targets and the substantial funding needs of the renewable energy sector, the Transaction advisor suggested that IFCI revive its lending operations post-merger, focusing on renewables with a strategic growth plan. This would also align with IFCI's ESG initiatives. Accordingly, the Transaction Advisor has proposed that the merged entity, comprising IFCI Limited and SHCIL, may continue NBFC operations i.e. lending along with advisory business."

[Ministry of Finance, Department of Financial Services]
(O.M. No. 15/19/2021-IF-I Dated 16th July, 2025)

<u>Leveraging Project Appraisal Expertise</u>

Recommendation (No. 8)

3. 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.

Reply of the Government

"IFCI has been augmenting its revenue streams by expanding its advisory services. As on March 31, 2025, IFCI is serving as Project Management Advisor (PMA) / consultant to GoI for 21 schemes mentioned as under:

S.No.	Scheme
	Ministry of Electronics & Information Technology
1	SPECS
2	PLI Scheme for Large Scale Electronics Manufacturing
3	Scheme for Semiconductor Fab
4	Scheme for Display Fab
5	Scheme for Compound Semiconductor/ ATMP Scheme
6	PLI Scheme – IT Hardware
7	Modified Special Incentive Package Scheme (M-SIPS)
	Ministry of Chemicals and Fertilizers
8	Medical Device Parks
9	PLI – KSM / DI / API (Bulk Drugs)
10	PLI – Medical Devices
11	Bulk Drugs Parks
	Ministry of Heavy Industries
12	PLI – Advanced Chemistry Cell (ACC)
13	PLI – Automobiles & Auto Components
14	The Faster Adoption and Manufacturing of Hybrid & Electric Vehicles (FAME II)
15	Scheme to Promote Manufacturing of Electric Passenger Cars (SMEC)
16	PM E-DRIVE
	Ministry of Commerce & Industry
17	PLI – White Goods
	Ministry of Food Processing Industries
18	PLI – Food Processing
	Ministry of Textiles
19	PLI – Textile
	Ministry of Civil Aviation
20	PLI – Drone & Drone Components
	Ministry of Consumer Affairs, Food and Public Distribution
21	Sugar Development Fund

IFCI has also ventured into advisory services to State Government. Further, IFCI has been leveraging its project financing capabilities by rendering advisory services to Corporates including large PSUs. These include Power Grid Corporation of India Limited, NTPC Limited, Shakti Sugars Limited, Singareni Collieries Company Limited (SCCL), Technology

Development Board, etc.
During FY 2025 IFCI has earned ~₹68.56 crore through advisory services. Over the past three years, revenue from advisory services increased substantially from ~₹43.24 crore for FY 2022 to ~₹68.56 crore for FY 2025.
It may also be noted that IFCI has set up an ESG Department and has developed a comprehensive ESG Dashboard for banks and corporates for 21 sectors, in collaboration with TERI-SAS. The dashboard has been deliberated by Management Committee of Indian Banks' Association (IBA), Reserve Bank of India (RBI), Ministry of Environment, Forest and Climate Change (MoEFCC) and Banks such as SBI, IDBI, Union Bank of India, HDFC Bank. IFCI is at an advanced stage of discussion with few banks for procurement of the application.
As regards leveraging infrastructure, it is submitted that IFCI has taken steps for optimal utilization of its real estate assets and has earned rental income of ₹44.17 crore during FY 2025. Further, monetization of surplus assets shall form part of the Business plan being formulated by the Consultant. Simultaneously, IFCI is exploring monetization of underutilized real estate assets. The proceeds of monetization shall be utilized to augment liquidity for debt servicing and new business.
It may be noted that on analysing IFCI's lending portfolio, the Transaction advisor noted IFCI's expertise in financing renewable energy projects, particularly in Solar and Wind, with no delinquencies - all accounts were fully repaid or prepaid. Given India's 'Net Zero' emission targets and the substantial funding needs of the renewable energy sector, the Transaction advisor suggested that IFCI revive its lending operations post-merger, focusing on renewables with a strategic growth plan. This would also align with IFCI's ESG initiatives. Accordingly, the Transaction Advisor has proposed that the merged entity, comprising IFCI Limited and SHCIL, may continue NBFC operations i.e. lending along with advisory business."

[Ministry of Finance, Department of Financial Services]
(O.M. No. 15/19/2021-IF-I Dated 16th July, 2025)

TECHNO-FINANCIAL APPRAISAL FOR INDIA SEMICONDUCTOR MISSION (ISM)

Recommendation (No. 9)

4. 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 Committee would also suggest that IFCI explore partnerships with global players in these sectors to maximize its expertise and resources.

Reply of the Government

"In addition to schemes detailed at response to COPU recommendation 7 above, IFCI has been actively working with other Ministries to identify and support additional sectors in line with national missions such as National Critical Mineral Mission, Net Zero emission by 2070 etc. IFCI collaborates with Sector/Industry Experts for assessment of various schemes. In the case of India Semiconductor Mission (ISM), the Ministry / ISM has constituted a Techno Financial Advisory Group (TFAG) comprising of experts in the fields of semiconductor technology and finance to screen all the applications and give in-principle clearance before IFCI takes up the applications for detailed appraisal. IFCI is undertaking Techno Financial appraisal for the ISM scheme to this effect, it is also exploring partnerships with other global agencies such as Semiconductor Equipment and Materials International (SEMI) and Dun & Bradstreet."

[Ministry of Finance, Department of Financial Services]
(O.M. No. 15/19/2021-IF-I Dated 16th July, 2025)

ROLE AS NODAL AGENCY FOR SUGAR DEVELOPMENT FUND (SDF)

Recommendation (No.10)

5. 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.

Reply of the Government

"IFCI through its subsidiary i.e. IFCI Venture Capital Funds Limited (IVCF) has floated Alternative Investment Funds (AIF) which play a socially relevant role in uplifting the marginalised sections of society.

IFCI Venture manages the Venture Capital Fund for Scheduled Castes (VCF-SC), Ambedkar Social Innovation Incubation Mission (ASIIM) and Venture Capital Fund for Backward Classes (VCF-BC). The aim of VCF-SC & VCF-BC is to promote entrepreneurship amongst SCs and BCs whereas the aim for ASIIM is to facilitate innovations amongst SC youth.

The total corpus of the Venture Capital Funds dedicated for SC and BC community is ₹908.85

crore which has been sanctioned to 244 companies having majority stake by SC/BC. The major industries being supported are manufacturing, services, industrial products, and food processing. IFCI Venture also manages SAGE Venture Fund with a target corpus of ₹106 crore (present corpus is ₹21.52 crores). The scheme encourages startups providing innovative solutions and services for senior citizens in India.

IFCI Venture also manages the Venture Capital Fund for Scheduled Tribes (VCFST), with a target corpus of ₹50 crore. The scheme promotes entrepreneurship amongst scheduled tribes."

[Ministry of Finance, Department of Financial Services]
(O.M. No. 15/19/2021-IF-I Dated 16th July, 2025)

STAKEHOLDER PROTECTION IN DISINVESTMENT

Recommendation (No.13)

6. 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.

Reply of the Government

"Divestment is currently not envisaged as a way forward for IFCI Limited. As per the recommendation of the Independent Committee of Experts, Department of Financial Services (DFS) has accorded in-principle approval for "Consolidation of IFCI Group". As regards, investors of the debentures of IFCI, it is submitted that IFCI has been regular in servicing its debt obligations on due dates. Further, the business plan is being formulated by the consultant and the same shall focus on safeguarding the interest of maximum stakeholders. "

[Ministry of Finance, Department of Financial Services]
(O.M. No. 15/19/2021-IF-I Dated 16th July, 2025)

ROLE OF IFCI AND ITS SUBSIDIARIES

Recommendation (No.14)

7. 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.

Reply of the Government

"IFCI has informed that SHCIL has taken various measures to expand the services offerings under the custody segment.

The SHCIL's Management has been undertaking various measures and strategies which are being implemented to improve the performance of the custody business and a quarterly update is submitted to the Board for information and guidance. Further, SHCIL has revamped its trading platform encouraging paperless client onboarding and also onboard all corporates to NPS digitally. SHCIL has also launched a Digidoc system to enable seamless online document execution by citizens."

[Ministry of Finance, Department of Financial Services]
(O.M. No. 15/19/2021-IF-I Dated 16th July, 2025)

ROLE OF IFCI AND ITS SUBSIDIARIES
Recommendation (No.15)

8. 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.

Reply of the Government

“IFCI through its subsidiary i.e. IFCI Venture Capital Funds Limited (IVCF) has floated Alternative Investment Funds (AIF) which play a socially relevant role in uplifting the marginalised sections of society.

IFCI Venture manages the Venture Capital Fund for Scheduled Castes (VCF-SC), Ambedkar Social Innovation Incubation Mission (ASIIM) and Venture Capital Fund for Backward Classes (VCF-BC). The aim of VCF-SC & VCF-BC is to promote entrepreneurship amongst SCs and BCs whereas the aim for ASIIM is to facilitate innovations amongst SC youth.

The total corpus of the Venture Capital Funds dedicated for SC and BC community is ₹908.85 crore which has been sanctioned to 244 companies having majority stake by SC/BC. The major industries being supported are manufacturing, services, industrial products, and food processing.

IFCI Venture also manages SAGE Venture Fund with a target corpus of ₹106 crore (present corpus is ₹21.52 crores). The scheme encourages startups providing innovative solutions and services for senior citizens in India.

IFCI Venture also manages the Venture Capital Fund for Scheduled Tribes (VCFST), with a target corpus of ₹50 crore. The scheme promotes entrepreneurship amongst scheduled tribes.”

[Ministry of Finance, Department of Financial Services]
(O.M. No. 15/19/2021-IF-I Dated 16th July, 2025)

Recommendation (No.16)

9. 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.

Reply of the Government

‘’The Independent Committee of Experts appointed by Department of Financial Services (DFS), chaired by Shri Challa Sreenivasulu Setty (Presently SBI Chairman), *inter-alia*, observed that subsidiaries of IFCI have a mix of offerings which overlap with other subsidiaries. Therefore, the Committee recommended that IFCI may optimize the value by consolidation of subsidiaries with similar or complementary offerings. Accordingly, the Committee recommended consolidation of IFIN with StockHolding Services Limited.

IFCI Limited has informed that there is an overlap in the capital market businesses segments of StockHolding Services Limited and IFCI Financial Services Limited and these businesses would continue in the merged entity while exploring rationalization of branches and resources.”

[Ministry of Finance, Department of Financial Services]
(O.M. No. 15/19/2021-IF-I Dated 16th July, 2025)

Recommendation (No.17)

10. 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 recommends that 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.

Reply of the Government

" As per DFS communication dated November 22, 2024, the consultant is examining the consolidation of IFL with IFCI.

The business challenges and performance aspects of SDMS continue to be assessed from time to time and the Company has been reviewing its service offerings and taking various measures to customise the services and also to enhance the operational efficiency.

As a result of the initiatives undertaken during 2019- 2021, performance of SDMS has improved as under:

Rs. Crore

Particulars	F.Y 2022-23	F.Y 2023-24	FY 2024-25
Income	85	100	100
Profit After Taxes (PAT)	5	8	8

IFCI through SHCIL will continue to review its performance and business opportunities and devise suitable strategies in line to improvise the business performance.

SSIL is based at GIFT IFSC, Gift City, Gandhinagar. It offers Trading, Clearing and Depository Services at the International Financial Services Centre (IFSC), Gift City, Gujarat and is regulated by the IFSCA.

The Union Government has over the last few budgets have taken various measures to develop the jurisdiction with various tax provisions to support the business environment at GIFT IFSC. Similarly, the regulators have been closely co-ordinating for development of the products and enhancing the attractiveness of IFSC as a jurisdiction to market participants.

SSIL has enabled itself with requisite business licenses to offer services across diverse and permissible business segments across all the three exchanges.

SSIL was the first entity to be registered as a Segregated Nominee Account Provider at Gift IFSC. Recently, along with 2 other banks (HDFC & IDFC), SSIL has obtained its registration with the IFSCA for distribution of Insurance Products.

Way forward for MPCON shall form part of the Business plan being formulated by the Consultant. As per DFS communication dated November 22, 2024, the consultant is examining the consolidation of IFIN, IFIN Credit Limited and IFIN Commodities Limited with StockHolding Services Ltd."

[Ministry of Finance, Department of Financial Services]

(O.M. No. 15/19/2021-IF-I Dated 16th July, 2025)

CHAPTER III

OBSERVATIONS/RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES

- Nil -

CHAPTER IV

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

- Nil -

CHAPTER V

OBSERVATIONS/RECOMMENDATIONS TO WHICH THE GOVERNMENT HAS FURNISHED INTERIM REPLIES AND REPLIES ARE STILL AWAITED

Lending Practices and Strategy

Recommendation (No. 3)

1. 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.

Reply of the Government

"It is informed that lending remains suspended as on date. As regards the way forward for the IFCI Group, an Independent Committee of Experts appointed by Department of Financial Services (DFS), chaired by Shri Challa Sreenivasulu Setty (Presently SBI Chairman) recommended "Consolidation of IFCI Group" from a multi stakeholder's perspective with a focus on safeguarding shareholder's interest.

The same was communicated by DFS to IFCI Ltd on November 22, 2024. Pursuant to the said communication, IFCI appointed M/s SBI Capital Markets Limited as Transaction Advisor/consultant for consolidation/way forward of the IFCI Group. The same entails preparation of a robust Business Plan, which shall address the observations of the COPU alongside. The consultant shall assess the lending landscape along with IFCI's past experience and expertise; on the basis of which sectoral exposures shall be proposed. The consultant shall also review / formulate policies / SOP based on business requirements, applicable Regulatory / Statutory framework and best industry practices. IFCI shall be guided by the said plan.”

[Ministry of Finance, Department of Financial Services]
(O.M. No. 15/19/2021-IF-I Dated 16th July, 2025)

Comments of the Committee
(Please see para 11 of Chapter I of the Report)

Regional distribution of Loans

Recommendation (No. 4)

2. 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.

Reply of the Government

Noted for suitable consideration, if found viable as part of the business plan being formulised by IFCI.

[Ministry of Finance, Department of Financial Services]
(O.M. No. 15/19/2021-IF-I Dated 16th July, 2025)

Comments of the Committee
(Please see para 11 of Chapter I of the Report)

SECTORAL ANALYSIS OF LOAN DISBURSEMENTS

Recommendation (No. 5)

3. The Committee observe 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.

Reply of the Government

"Noted for suitable consideration, if found viable as part of the business plan being formulised by IFCI."

[Ministry of Finance, Department of Financial Services]

(O.M. No. 15/19/2021-IF-I Dated 16th July, 2025)

Comments of the Committee

(Please see para 11 of Chapter I of the Report)

FINANCIAL DECLINE – NEGATIVE NET OWNED FUND (NOF)

Recommendation (No. 11)

4. 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.

Reply of the Government

" As regards the augmentation of Net owned fund of IFCI it may be noted that GoI has infused ₹2,100 crore as equity share capital between FY 2018 and FY 2025. While the NOF of IFCI as on March 31, 2025 is negative ₹811 crore (Net-worth of ₹1,736 crore), the business plan formulated by the consultant/TA shall factor compliance with the regulatory requirements within a specified timeframe acceptable to the Regulator.

The aspects mentioned alongside such as IFCI's long term viability, role in the country's financial ecosystem, maintaining NBFC status, assessing funding avenues and supporting the Government's development initiatives shall be comprehensively covered as part of the Business plan being formulated by the consultant."

[Ministry of Finance, Department of Financial Services]

(O.M. No. 15/19/2021-IF-I Dated 16th July, 2025)

Comments of the Committee

(Please see para 19 of Chapter I of the Report)

EXPLORING GOVERNMENT SUPPORT FOR REVIVAL

Recommendation (No. 12)

5. 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 suggest that 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.

Reply of the Government

“ As regards the augmentation of Net owned fund of IFCI it may be noted that GoI has infused ₹2,100 crore as equity share capital between FY 2018 and FY 2025. While the NOF of IFCI as on March 31, 2025 is negative ₹811 crore (Net-worth of ₹1,736 crore), the business plan formulated by the consultant/TA shall factor compliance with the regulatory requirements within a specified timeframe acceptable to the Regulator.

The aspects mentioned alongside such as IFCI’s long term viability, role in the country’s financial ecosystem, maintaining NBFC status, assessing funding avenues and supporting the Government’s development initiatives shall be comprehensively covered as part of the Business plan being formulated by the consultant.”

[Ministry of Finance, Department of Financial Services]

(O.M. No. 15/19/2021-IF-I Dated 16th July, 2025)

ROLE OF IFCI AND ITS SUBSIDARIES

Recommendation (No. 18)

6. 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.

Reply of the Government

" As regards the way forward for the IFCI Group, an Independent Committee of Experts appointed by Department of Financial Services (DFS), chaired by Shri Challa Sreenivasulu Setty (Presently SBI Chairman) recommended "Consolidation of IFCI Group" from a multi stakeholder's perspective with a focus on safeguarding shareholder's interest.

The same was communicated by DFS on November 22, 2024. Pursuant to the said communication, IFCI has appointed M/s SBI Capital Markets Limited as a consultant/Transaction Advisor for consolidation /way forward of the IFCI Group. The same entails preparation of a robust Business Plan, which shall address the observations alongside.

As advised by COPU, once the contours of the business plan / way forward are finalized, the same shall be informed."

[Ministry of Finance, Department of Financial Services]
(O.M. No. 15/19/2021-IF-I Dated 16th July, 2025)

Comments of the Committee
(Please see para 26 of Chapter I of the Report)

ROLE AND RELEVANCE OF IFCI

Recommendation (No. 19)

7. 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 72 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.

Reply of the Government

"The aspects mentioned alongside shall be comprehensively covered as part of the Business plan being formulated by the consultant."

[Ministry of Finance, Department of Financial Services]

(O.M. No. 15/19/2021-IF-I Dated 16th July, 2025)

Comments of the Committee
(Please see para 26 of Chapter I of the Report)

Recommendation (No. 20)

8. 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.

Reply of the Government

"The aspects mentioned alongside shall be comprehensively covered as part of the Business plan being formulated by the consultant."

[Ministry of Finance, Department of Financial Services]
(O.M. No. 15/19/2021-IF-I Dated 16th July, 2025)

Comments of the Committee
(Please see para 26 of Chapter I of the Report)

MANPOWER
Recommendation (No. 21)

9. 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.

Reply of the Government

"As part of the business plan, the consultant shall map the skill set / knowledge base of resources across IFCI Group, post which need based recruitment shall be taken up."

[Ministry of Finance, Department of Financial Services]
(O.M. No. 15/19/2021-IF-I Dated 16th July, 2025)

Comments of the Committee
(Please see para 26 of Chapter I of the Report)

New Delhi;
08 December, 2025
17 Agrahayana, 1947(S)

Baijayant Panda
Chairperson
Committee on Public Undertakings

APPENDIX I

COMMITTEE ON PUBLIC UNDERTAKINGS
(2025-26)

MINUTES OF THE FIFTEENTH SITTING OF THE COMMITTEE

The Committee sat on Friday, the 5th December, 2025 from 1000 hrs. to 1045 hrs. in Committee Room No. '2', Ground Floor, Extension to Parliament House Annexe, New Delhi.

PRESENT

Shri Baijayant Panda - Chairperson

MEMBERS

LOK SABHA

2. Shri Tariq Anwar
3. Shri Chandra Prakash Joshi
4. Shri Kaushalendra Kumar
5. Shri Shankar Lalwani
6. Shri B.Y. Raghavendra
7. Shri Mukesh Rajput
8. Shri Sukhjinder Singh Randhawa
9. Shri Prabhakar Reddy Vemireddy
10. Shri Lalji Verma

RAJYA SABHA

11. Dr. John Brittas
12. Shri Neeraj Dangi
13. Shri Milind Murli Deora
14. Dr. Bhagwat Karad
15. Shri Surendra Singh Nagar
16. Shri Debashish Samantaray
17. Shri Arun Singh

SECRETARIAT

1. Shri Anjani Kumar - Joint Secretary
2. Smt. Mriganka Achal - Director
3. Shri Tenzin Gyaltsen - Deputy Secretary

2. The Hon'ble Chairperson briefly apprised the Members on the Eleven draft Reports. The Committee then considered and adopted the following draft reports, without any changes/modifications: -

i. Sagarmala Finance Corporation Limited (SFCL) (Comprehensive Examination);
ii. Rural Electrification Corporation Limited (REC Limited) (Comprehensive Examination);
iii. Nuclear Power Corporation of India Limited (NPCIL) (Comprehensive Examination);
iv. Review of Performance of Petroleum & Natural Gas Sector CPSUs (Horizontal Examination);
v. "Para No. 2.4 of C&AG Report No. 14 of 2021 regarding 'Loss due to flaring of High-pressure gas' relating to Oil & Natural Gas Corporation (ONGC) Limited. (Audit Based Examination);

vi. Action Taken by the Government on the Observations/ Recommendations contained in the First Report (18th Lok Sabha) on "Procurement of hardware/software item to the tune of Rs. 890.34 Crores through strategic alliance" relating to National Informatics Centre Services Inc. (NICSI)" [Based on Audit Para No. 6.1 of C&AG Report No. 03 of 2021];

vii. Action Taken by the Government on the Observations/ Recommendations contained in the Third Report (18th Lok Sabha) on "Undue enrichment through recovery of turnover tax from consumer" relating to Indian Oil Corporation Limited (IOCL) [Based on Audit Para No. 2.1 of C&AG Report No. 14 of 2021];

viii. Action Taken by the Government on the Observations/ Recommendations contained in the Ninth Report (18th Lok Sabha) on "Industrial Finance Corporation of India Limited (IFCI ltd)";

ix. Action Taken by the Government on the Observations/ Recommendations contained in the Tenth Report (18th Lok Sabha) on "Design and Development (D&D) in Hindustan Aeronautics Limited (HAL)" [Based on Chapter-II of C&AG Report No. 18 of 2023];

x. Action Taken by the Government on the Observations/ Recommendations contained in the Eleventh Report (18th Lok Sabha) on "Reviewing timely submission of Action Taken Notes (ATNs) on C&AG Paras/Reports (Commercial) by the Ministries/Departments"; and

xi. Action Taken by the Government on the Observations/ Recommendations contained in the twelfth Report (18th Lok Sabha) on "IREL (India) Limited".

3. The Committee authorized the Chairperson to finalize the draft Reports on the basis of factual verification as suggested by the concerned CPSUs/Ministry/Department/C&AG and presentation of the same during the current session of Parliament.

The Committee, then, adjourned.

/-------/

APPENDIX-II

(Vide para 4 of the Introduction)

Analysis of the Action Taken by Government on the Observations/ Recommendations contained in the Ninth Report of the Committee on Public Undertakings (18th LS) on "IFCI Limited"

I	Total number of recommendations	21
II	Observations/Recommendations that have been accepted by the Government [vide Recommendations [*vide* Recommendations at Sl. Nos. 1,2, 6, 7, 8, 9, 10, 13, 14, 15, 16 and 17]	Total - 12 Percentage- 57.14%
III	Observations/Recommendation which the Committee do not desire to pursue in view of Government's replies.- Nil	Total - 00 Percentage–0.00%
IV	Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and need reiteration.- Nil	Total - 00 Percentage–0.00%
V	Observations/Recommendations to which the Government has furnished interim replies. [*vide* Recommendations at Sl. Nos. 3, 4, 5, 11,12, 18,19, 20, and 21]	Total - 09 Percentage–42.86%