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# IL&FS financial arm reports net loss of ₹13,272 cr in FY19

**SUBRATA PANDA**

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The financial services arm of the beleaguered Infrastructure Leasing & Financial Services — IL&FS Financial Services (IFIN) — reported a staggering net loss of ₹13,272 crore in 2018-19 (FY19), compared to a net profit of ₹9.5 crore in the preceding financial year (2017-18, or FY18), revealed the annual report of IFIN for FY19.

Its net revenue also nosedived

87.22 per cent in FY19 to ₹288.88 crore, from ₹2261.93 crore in FY18. Furthermore, its exposure to loans — marked non-performing — is of ₹12,429 crore.

As of March 2019, IFIN has a loan book of ₹12,945 crore, of which 96 per cent of the loans are non-performing. The under-performing loans are ₹35.12 crore, and standard loans are ₹480.44 crore. Its liabilities as of end-March 2019 are ₹16,635.72 crore. IFIN has been classified 'red' by the board of IL&FS; it is not in a position to meet its debt obli-

gations — secured or unsecured.

The company's total borrowings as of March 2019 from various avenues, such as debt securities, bank loans, commercial papers, and intercorporate deposits, stood at ₹14,916 crore.

Furthermore for FY19, the board of IFIN factored in losses vis-à-vis balance of loans, receivables, investments, and other financial assets aggregating to ₹4,798 crore, ₹79.8 crore, ₹252.8 crore, and ₹405.1 crore, respectively, and also recorded a net loss on fair value change

of ₹283.7 crore on financial assets.

The audit report by the statutory auditors of IFIN — Mukund M Chitale & Co — said with huge losses and liabilities, along with consistent rating downgrades, the firm's ability to raise funds has been substantially impaired, with normal business operations being curtailed. Also, it has breached its conditions for holding a certificate of registration as a NBFC, issued by the RBI.

IFIN has breached the minimum capital ratio of Tier 1 and Tier 2 capital.

The company's capital adequacy ratio is -520.29 per cent.

According to the RBI norms, the firm is required to maintain regulated capital adequacy ratio of minimum 15 per cent, with minimum Tier 1 capital of 10 per cent. Tier 1 capital is also referred to as the 'net-owned fund' and IFIN has reported negative net-owned funds for FY19, although according to a RBI mandate, a company is required to have a net-owned fund of ₹2 crore to hold an NBFC licence.