

Chapter 2: Planning

2.1 Business planning

The Company prepares an annual business plan specifying the targets for sanctions, disbursement, recovery etc. for the ensuing year which is then approved by the Board of Directors. The plan also describes the actual performance of the Company against the targets set for the previous year and discusses the variances and reasons thereof.

2.2 Targets and Achievements

The targets and achievements thereof by the Company during the last four years are as given below:

Table-2: Targets and Achievements

Amount (₹in crore)

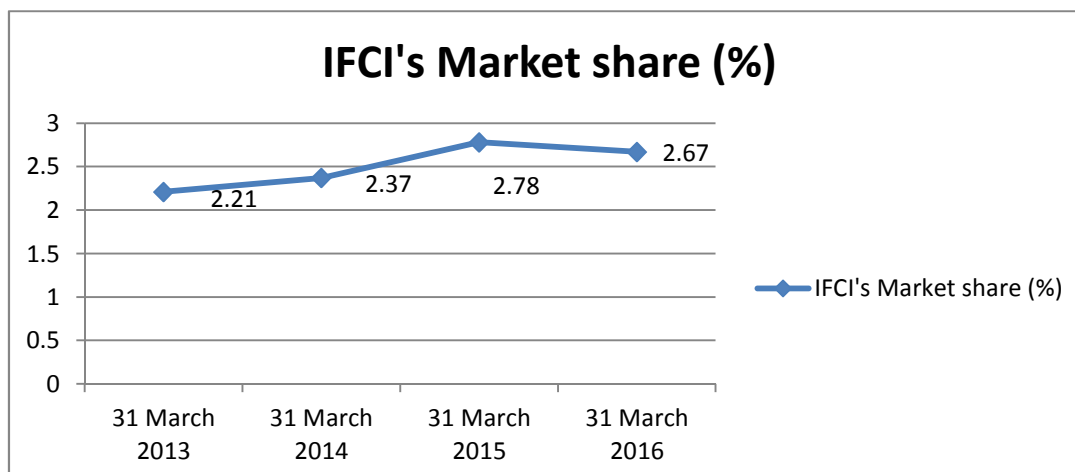
| Year / Particulars | | Sanctioned amount | Disbursed amount | Recovery | |
|--------------------|----------|-------------------|------------------|-----------------|------------|
| | | | | Standard Assets | NPAs |
| 2012-13 | Target | 5000.00 | 4000.00 | 4500.00 | 170.00 |
| | Actual | 1911.53 | 1504.00 | 5482.00 | 126.00 |
| | Variance | (-) 3088.47 | (-) 2496.00 | (+) 982.00 | (-) 44.00 |
| 2013-14 | Target | 10000.00 | 8000.00 | 5227.00 | 741.00 |
| | Actual | 10098.00 | 8683.00 | 5724.63 | 884.43 |
| | Variance | (+) 98.00 | (+) 683.00 | (+) 497.63 | (+) 143.43 |
| 2014-15 | Target | 13600.00 | 11220.00 | 4642.41 | 807.57 |
| | Actual | 12230.00 | 8687.03 | 4863.78 | 827.59 |
| | Variance | (-) 1370.00 | (-) 2532.97 | (+) 221.37 | (+) 20.02 |
| 2015-16 | Target | 14000.00 | 11500.00 | NA | 618.11 |
| | Actual | 10894.69 | 7488.30 | 7802.33 | 421.40 |
| | Variance | (-) 3105.31 | (-) 4011.70 | NA | (-) 196.71 |

The Company made recoveries from standard assets as well as from NPAs beyond the targets except for the year 2012-13 and 2015-16 in respect of NPAs. However, it could not achieve the target in respect of sanctions and disbursements except in the year 2013-14.

2.3 Performance of IFCI vis-à-vis performance of Industry (NBFC-ND-SI)

Review of market share data revealed that IFCI's market share increased from 2.21 per cent in 2013 to 2.67 per cent in 2016 as shown in Chart-1:

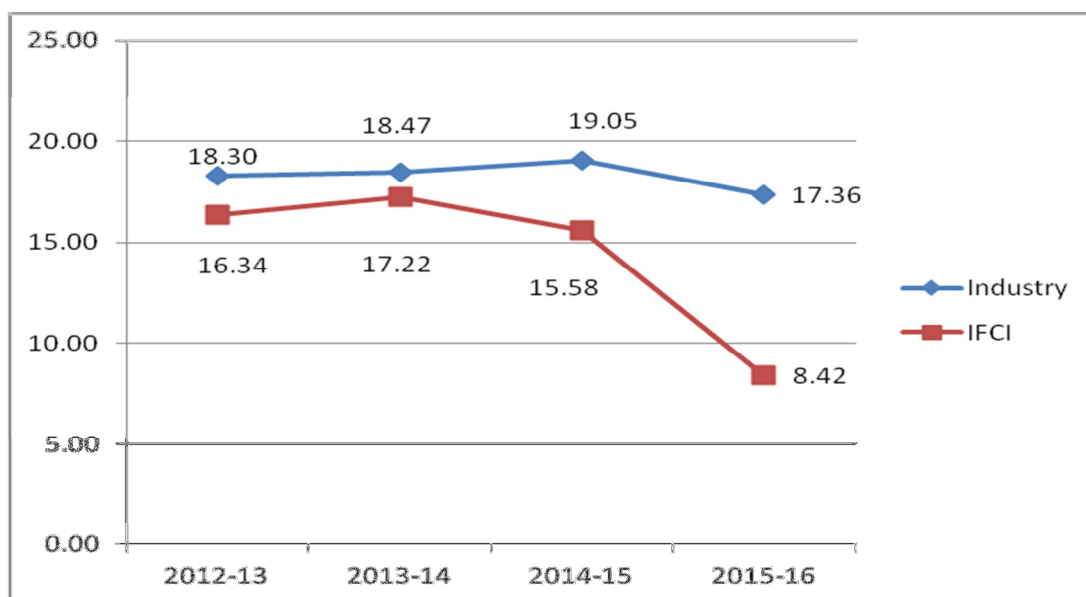
Chart-1: Market share of IFCI (based on total assets)



Source: RBI Reports on Trend and Progress of Banking in India and IFCI's Annual Reports (industry data for 31 March 2016 was provisional)

Review of IFCI's performance vis-à-vis that of the industry (NBFC-ND-SI) revealed that profitability of the industry declined marginally whereas that of IFCI declined sharply as shown in Chart-2:

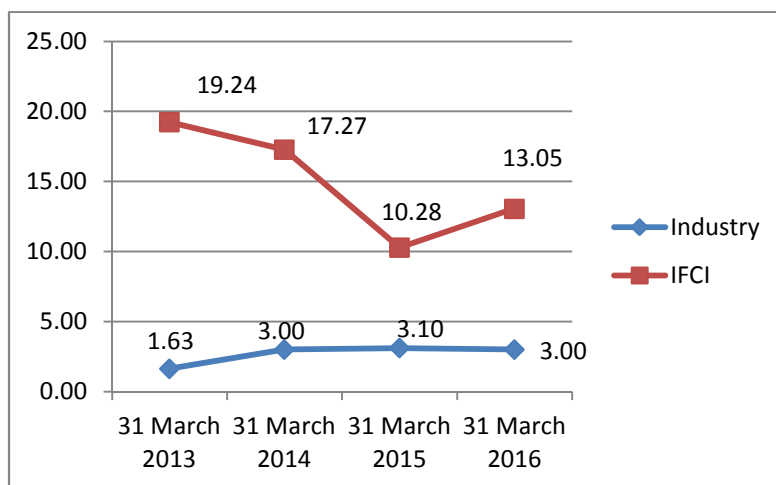
Chart-2: Comparison of profitability (Net Profit to Total income in percentage terms)



Source: RBI Reports on Trend and Progress of Banking in India and IFCI's Annual Reports (industry data for 31 March 2016 was provisional)

The asset quality of IFCI also deteriorated in comparison to that of the Industry as shown in Chart-3:

Chart-3: Comparison of Asset Quality (Gross NPA to total loans outstanding ratio)



Source: RBI Reports on Trend and Progress of Banking in India and IFCI's Annual Reports

As evident from the above, though the Company increased its lending operations and thereby its market share, it failed to control its asset quality since its Gross NPA ratio exceeded that of the Industry indicating poor quality of loans extended. This was also evident from the sharp decline in its profitability as against the profitability of the industry which dropped only marginally.

The Ministry stated (February 2017) that the NBFCs like IFCI Limited should be compared with other NBFCs engaged in the same business of corporate lending. It further stated that L&T Infra, Srei Infra Finance Limited and India Infrastructure Finance Company Limited were comparable entities to IFCI Limited in view of similar balance sheet size and advances and Gross NPA of these NBFCs was 3.77 per cent for 2015-16.