



RATING RATIONALE

01 Dec 2023

IIFL Finance Limited

Brickwork Ratings withdraws the ratings of the Public Issues of Non Convertible Debentures (NCDs) of Rs. 378.96 Crores, Secured NCDs of Rs. 5.00 Crores and NCDs of Rs. 415.25 Crores and reaffirms the ratings for the outstanding NCDs of IIFL Finance Ltd. with a revision in outlook.

Particulars:

Facility/ Instrument **	Amount (in Rs Cr)		Tenure	Rating*	
	Previous	Present		Previous (05 Aug 2022)	Present
NCDs Public Issue	1134.88	1134.88	Long Term	BWR AA + / Negative (Reaffirmed)	BWR AA + / Stable /Reaffirmation with revision in outlook
NCDs Public Issue	378.96	NIL	Long Term	BWR AA + / Negative (Reaffirmed)	Withdrawn on full redemption
NCDs	78.18	78.18	Long Term	BWR AA + / Negative (Reaffirmed)	BWR AA + / Stable /Reaffirmation with revision in outlook
NCDs	415.25	NIL	Long Term	BWR AA + / Negative (Reaffirmed)	Withdrawn on full redemption
Secured NCDs	5.00	NIL	Long Term	BWR AA + / Negative (Reaffirmed)	Withdrawn on full redemption
Total	2,012.27	1,213.06	Rupees One Thousand Two Hundred and Thirteen Crores and Six Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for the definition of the ratings

**Details of rated facilities / instruments are provided in Annexures II

RATING ACTION/OUTLOOK

The rating review considers a consolidated view on IIFL Finance Limited and its subsidiaries having strong operational, financial and managerial linkages.

The rating reaffirmation of outstanding NCD issuances of IIFL Finance Ltd. (“IIFL” or “the Company”) continues to factor in the diversified portfolio of the lending entities of the group, growth in the AUM, improvement in operating income and profitability, adequate capitalization and experienced board and management.

The revision in outlook from Negative to Stable takes into account the continuous growth in AUM in diversified segments along with a sustained improvement in the asset quality and gearing.



BWR withdraws ratings of the Public Issues of Non Convertible Debentures (NCDs) of Rs. 378.96 Crores, Secured NCDs of Rs. 5.00 Crores and NCDs of Rs. 415.25 Crores, on full redemption. The rating withdrawal is in line with the BWR policy for withdrawal of ratings.

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: Provided in Annexure II

KEY RATING DRIVERS:

Credit Strengths:-

- **Diversified portfolio with a shift towards asset-light model:** The group has diversified portfolio spread across 27 states and 5 Union Territories of India consisting of different asset classes as on 30 Sep 2023 with AUM comprising of Home loans (32.86% of total AUM), Gold loans (32.42% of total AUM), Business loans (14.69% of total AUM), Microfinance formed (15.48% of total AUM), CRE loans (3.86% of total AUM) and Capital market finance (0.69% of total AUM). Thus, there is a nominal Sector concentration risk.
- **Experienced management and strong ownership:** The board of IIFL Finance consists of five Independent Directors. Further, the senior management team of IIFL Finance Ltd. include professionals and experienced officials in the financial sector who are in the key roles of CFO and CRO. IIFL Finance is a listed company in which promoters held 24.8%, Fairfax group held 20.9%, Capital Group held 7.9% and Public & Institutional Investor holding and others stood at 46.4% as on 30 September 2023.
- **Comfortable Capitalisation Levels:** The group's lending entities had a comfortable capital to risk weighted asset ratio (CRAR) level as on 30 September 2023. At a standalone level, IIFL Finance Ltd had a CRAR of 20.5% . On a consolidated basis, the debt to equity ratio of IIFL Finance Ltd. had improved from 4.2 times as on 31 Mar 22 to 3.5 times as on 31 Mar 23 and further to 3.3 times as on 30 Jun 23 and 30 Sep 23. The total net worth of IIFL Finance Ltd had increased to Rs. 9,640 Crs as on 30 Sep 2023 from Rs. 8,172 Crs as on 30 Sep 2022 mainly on account of retention of profits. Going forward the company's ability to maintain the gearing levels while expanding the portfolio would be a rating monitorable.
- **Steady Growth in the operations and profitability:** The AUM of the company has seen a continuous growth over the years and it has registered a growth of ~32% from Q2FY23 to Q2FY24. The AUM of the group was Rs. 64,638 Crs for FY23 and further increased to Rs.68,178 Crs as at 30 June 2023 and Rs. 73,066 Crs as at 30 Sep 2023. The growth in AUM has been attributed to the increase in disbursements i.e. Rs.58,143 Crs for FY23, Rs. 15,519 Crs for Q1FY24 and Rs. 16,928 Crs for Q2FY24. While the own book has grown to Rs. 44,061 Crs as on 30 Sep 2023 from Rs. 41,515 Crs as on 30 June 2023 and Rs. 40,102 Crs as at the end of FY23, the Assigned assets and Co-lending have increased to Rs. 29,005 Crs as on 30 Sep 2023 from Rs.26,663 Crs as on 30 Jun 2023 from Rs.24,536 Crs as at the end of FY23.



On a consolidated basis, the total income of the company grew by 20.70% to Rs. 8,477 Crs for FY23 from Rs.7,023 Crs for FY22. For Q1FY24 it stood at Rs. 2,371 Crs and for Q2FY24 it stood at Rs. 2,534 Crs. The profitability of the group has been improving on account of a steady average yield albeit with an above average cost of borrowings. The company registered a net profit after tax at Rs. 1,608 Crs in FY23 as against Rs.1188 Crs for FY22. PAT for the quarter ended 30 June 2023 and 30 Sep 2023 stood at Rs. 473 Crs and Rs. 526 Crs respectively.

Credit Risks:-

- **Moderate Asset Quality:** Asset quality of the group had weakened since FY20, considering the regulatory changes during the year on asset classification norms. As on 31 Mar 2023 GNPA ratio stood at 1.84% which was a significant improvement from GNPA ratio of 3.15% as on 31 Mar 2022. Net Non Performing Assets (NNPA) ratio stood at 1.08% for FY23, improved from 1.83% in FY22 (GNPA ratio of 1.98% and NNPA of 0.89% at the end of FY21). Consolidated GNPA% remained steady for Q1FY24 and Q2FY24 at 1.84% while the NNPA% for the quarter ended June 2023 was 1.06% and for the quarter ended Sep 2023 it improved to 1.02%. Further, there were no restructured accounts as on March 31, 2023 & June 30, 2023. Write-offs amounted to Rs. 936 Crs in FY23 and Rs. 207 Crs in Q1FY24. During Q1 FY24, stress book is majorly from microfinance segment & MSME loans in which AUM has grown considerably. Going forward, the group's ability to rationalize the asset quality would remain the key rating monitorable.
- **Diversified resource profile:** There has been a rise in cost of borrowings over the years to keep up with the growing AUM levels. Cost of borrowings has risen to 9.03% in Q2FY24 from 8.63% in Q2FY23. It stood at 8.93% for FY23. Resource profile consisted of term loans (58%), bonds (25%), refinancing (15%) and others (2%) as on 30 June 2023. The company's ability to diversify its resource profile while lowering the credit cost would remain a key rating monitorable.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has taken a consolidated view on IIFL Finance Limited and its subsidiaries as detailed on Annexure III. The rating also factors in the synergies the IIFL Finance Group derives from IIFL Wealth Management Limited and IIFL Securities Limited, given the common promoters and shared brand name. BWR has applied its rating methodology as detailed in the Rating Criteria below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Positive:

- Ability to increase the share of retail business along with sustained growth in all the segments.
- Ability to diversify resource profile while maintaining consolidated borrowing costs under 8% p.a.



Negative:

- Fall in asset quality with Consolidated GNPA levels exceeding 4%.
- Decrease in RoMA and overall profitability from the current levels.

LIQUIDITY POSITION: STRONG

As on 30 Sep 2023, the consolidated liquidity was strong with no mismatches across the buckets. The Consolidated available liquidity stood at Rs 9,078 Crs (Cash & Bank Balance was Rs 4,196 Crs). Hence, the liquidity is sufficient to meet the debt obligations (principal and interest) of Rs. 7,440 Crs for the 6 months ending March 2024.

About the Company

IIFL Finance Limited is the holding company for lending businesses of IIFL Group. IIFL Finance Limited is a Systemically Important Non-Banking Financial Company not accepting public deposits registered with the RBI. IIFL Finance Ltd is a retail focused diversified NBFC, engaged in the business of loans and mortgages along with its subsidiaries - IIFL Home Finance Limited and IIFL Samasta Finance Limited. IIFL Finance, through its subsidiaries, offers a wide spectrum of products such as Home loan, Gold loan, Business loan, Microfinance, Capital Market finance and Developer & Construction finance to a vast customer base of over 8 million customers. IIFL Finance has widened its pan-India reach through an extensive network of branches spread across the country and various digital channels.

Key Financial Performance - IIFL Finance Ltd. (Consolidated)

Particulars	Units	FY22	FY23	H1FY24
		Audited	Audited	Unaudited
AUM	Rs.in Crores	51,210	64,638	73,066
Total Income	Rs.in Crores	7,023	8,447	4,904
PAT	Rs.in Crores	1,188	1,608	998
Total Debt	Rs.in Crores	35,725	39,603	40,375
Net Worth	Rs.in Crores	6,469	10,202	11,218
Total Debt / Net Worth	Times	5.52	3.88	3.60
GNPA*	%	3.15	1.84	1.84
NNPA*	%	1.83	1.08	1.02

**Excluding discontinued segments*



Key Financial Performance - IIFL Finance Ltd. (Standalone)

Particulars	Units	FY22	FY23	H1FY24
		Audited	Audited	Unaudited
Total Income	Rs. in Crore	4,106	4,089	2,103
PAT	Rs. in Crore	745	806	288
Total Debt	Rs. in Crore	16,246	17,380	16,684
Net Worth	Rs. in Crore	4,427	5,114	5,427
Total Debt/NW	Times	3.67	3.40	3.07

COMPLEXITY LEVELS OF THE INSTRUMENTS

NCDs bearing ISINs INE866I07CD6; INE866I07CF1; INE866I08279 and INE866I08295:
Complex

Other NCDs: **Simple**

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY: Nil

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]

Sr. No.	Name of Instrument	Current Rating (2023)			Rating History for the past 3 years								
		Type	Amount (Rs. Crs)	Rating	2022			2021			2020		
1	NCDs ^	Long Term	1134.88*	BWR AA+/ Negative	05.04.2022			31.03.2021			30.06.2020		
					Long Term	1513.84*	BWR AA+/ Negative	Long Term	5000	BWR AA+/ Negative	Long Term	5000	BWR AA+/ Negative
					28.06.2022						22.04.2020		
					Long Term	1513.84	BWR AA+/ Negative				NA	NA	
					05.08.2022								
					Long Term	1513.84	BWR AA+/ Negative						
2	NCDs	Long Term	78.18*	BWR AA+/ Negative	05.04.2022			31.03.2021			30.06.2020		
					Long Term	842.26	BWR AA+/ Negative	Long Term	1340	BWR AA+/ Negative	Long Term	1438	BWR AA+/ Negative
					28.06.2022						22.04.2020		
					Long Term	493.43*	BWR AA+/ Negative				Long Term	1438	BWR AA+/ Negative
					05.08.2022								
					Long Term	493.43	BWR AA+/ Negative						
3	Secured NCDs	Long Term	0.00	Withdrawn	05.04.2022			31.03.2021			30.06.2020		
					Long Term	5.00	BWR AA+/ Negative	Long Term	50	BWR AA+/ Negative	Long Term	50	BWR AA+/ Negative
					28.06.2022						22.04.2020		
					Long Term	5.00	BWR AA+/ Negative				Long Term	50	BWR AA+/ Negative
					05.08.2022								
					Long Term	5.00	BWR AA+/ Negative						
4	Proposed NCD	-	-	-	28.06.2022			NA			NA		
					Long Term	5000.00	BWR AA + / Negative (Assigned)						
					05.08.2022								
					Long Term	5000.00*	Withdrawn						
	Total		1,213.06	Rupees One Thousand Two Hundred and Thirteen Crores and Six Lakhs Only									

^Public Issue; Interchangeable between secured and subordinated debt.

* Reduction in present rated amount is on account of redemption of NCD/non utilization of proposed facilities.



Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Banks and Financial Institutions](#)
- [Consolidation of Companies](#)
- [Policy on Rating Withdrawal](#)

For any other criteria obtain hyperlinks from website

Analytical Contacts	
Monika Jadigenahalli Rating Analyst +91 080 40409343 monika.j@brickworkratings.com	Vidya Shankar Principal Director - Ratings Board: 022 6745 6660 vidyashankar@brickworkratings.com
1-860-425-2742	I media@brickworkratings.com



ANNEXURE I
Details of Bank Loan Facilities rated by BWR: N.A.

ANNEXURE II
Details of NCDs rated by BWR

Instrument	Issue Date	Rated Amount (Rs. Crs.)*	Coupon Rate/Yield	Maturity Date	ISIN Particulars
NCD Public Issue	24-Mar-21	274.69	10.00%	24-Jun-28	INE530B08094
NCD Public Issue	24-Mar-21	328.02	9.60%	24-Jun-28	INE530B08102
NCD Public Issue	24-Mar-21	68.14	ZCB	24-Jun-28	INE530B08110
NCD Public Issue	14-Oct-21	307.53	8.25%	14-Oct-23	INE530B07120#
NCD Public Issue	14-Oct-21	71.43	ZCB	14-Oct-23	INE530B07138#
NCD Public Issue	14-Oct-21	94.08	8.50%	14-Oct-24	INE530B07146
NCD Public Issue	14-Oct-21	57.31	ZCB	14-Oct-24	INE530B07153
NCD Public Issue	14-Oct-21	147.25	8.42%	14-Oct-26	INE530B07161
NCD Public Issue	14-Oct-21	136.08	8.75%	14-Oct-26	INE530B07179
NCD Public Issue	14-Oct-21	29.31	ZCB	14-Oct-26	INE530B07187
NCD	7-Feb-19	174.36	ZCB	7-Feb-24	INE866I07CD6#
NCD	7-Feb-19	126.47	10.20%	7-Feb-24	INE866I07CF1#
NCD	7-Feb-19	31.02	10.00%	7-Feb-29	INE866I08279
NCD	7-Feb-19	15.45	10.50%	7-Feb-29	INE866I08295
NCD	6-Sep-19	37.30	9.50%	6-Dec-22	INE866I07CK1#
NCD	6-Sep-19	12.01	ZCB	6-Dec-22	INE866I07CL9#
NCD	6-Sep-19	65.11	9.85%	6-Dec-22	INE866I07CM7#
NCD	6-Sep-19	25.93	10.00%	6-Jun-25	INE866I08303
NCD	6-Sep-19	5.78	10.50%	6-Jun-25	INE866I08311
Secured NCD	17-Sep-19	5.00	9.85%	17-Jan-23	INE866I07CO3#
		2,012.27	Rupees Two Thousand Twelve Crores and Twenty Seven Lakh Only		

*outstanding as on 30 September 2023

#Fully redeemed on various dates. Balance outstanding is NIL. Total redeemed NCDs:Rs. 799.21 Crs.



ANNEXURE III

List of Entities Consolidated in IIFL Finance Ltd.

Sr. No.	Name of Subsidiaries/ Associate	Rationale for Consolidation
1	IIFL Home Finance Limited	Subsidiary
2	IIFL Samasta Finance Limited (Formerly, Samasta Microfinance Limited)	Subsidiary
3	IIHFL Sales Limited	Step-down Subsidiary
4	IIFL Open Fintech Private Limited (w.e.f 17 May 2022)	Subsidiary

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