

## IIFL Finance Limited (Revised)

March 12, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	400.00	CARE AA (RWD)	Placed on Rating Watch with Developing Implications
Long Term Long Term Instruments	100.00	CARE AA (RWD)	Placed on Rating Watch with Developing Implications
Non Convertible Debentures	537.50	CARE AA (RWD)	Placed on Rating Watch with Developing Implications

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned to the various long-term debt instruments and bank facilities of IIFL Finance Limited (IIFL) have been put on 'Rating watch with developing implications' on account of RBI's ("Regulator") order vide dated March 04, 2024, in which IIFL Finance has been directed to cease and desist, with immediate effect, from sanctioning or disbursing gold loans or assigning/ securitising/ selling any of its gold loans. RBI has allowed the company for usual collection and recovery processes of existing gold loans. The supervisory restrictions will be reviewed by the RBI post a special audit and after rectification by the company of the special audit findings and the findings of RBI inspection, to the satisfaction of RBI. CARE Ratings has also taken note of announcement by Fairfax of providing liquidity support of US\$ 200mn dated March 6, 2024.

Care will monitor the impact of the developments on its operations, liability franchise and liquidity. CARE will also continue to monitor the progress on the proposed special audit and the course of action taken by the company including the required corrective steps.

The detailed press release on IIFL Finance Limited is available here: [click here](#)

Detailed rating rationale is available on [www.careratings.com](http://www.careratings.com)

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Significant scale-up in retail business along with reduced exposure in the wholesale segment including investments.
- Improvement in profitability with return on total asset (ROTA) exceeding 3% on a consolidated level with stable asset quality parameters on sustained basis.
- Improvement in the overall consolidated gearing profile (including DA & securitisation).

#### Negative factors

- Negative impact of the RBI action on its operations, liability franchise and liquidity.
- Deterioration in asset quality with gross non-performing asset (GNPA) on consolidated level exceeding 4% on a sustained basis.
- Significant deterioration in the asset quality of developer and construction book impacting the capital and earning profile of the company.
- Deterioration in profitability with return on total asset (ROTA) falling below 1% on a sustained basis.
- Challenges in plans of the company to curtail a reasonable part of the developer finance portfolio, which is in the form of both, loans as well as investments.

### Analytical approach:

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

CARE Ratings has analysed the consolidated credit profile along with factoring linkages with the IIFL Group in terms of shared brand name and common promoters.

**Subsidiaries/JV considered as a part of consolidated financials (Refer Annexure-6):**

- IIFL Home Finance- 79.59% holding.
- IIFHL Sales Ltd- 100% subsidiary of IIFL Home Finance.
- IIFL Samasta Finance Ltd- 99.56% holding.
- IIFL OPEN Fintech Private Ltd- 51.02% holding.

**Outlook:** Not applicable.

**Liquidity:** Strong

The liquidity profile of the company is comfortable at the consolidated level. As per the asset liability maturity (ALM) statement for December 2023, there were no negative cumulative mismatches in any of the time brackets.

On a consolidated basis, as on March 05, 2024, the company had a total liquidity of ₹6,645 crore (including undrawn bank lines of Rs. 2,610 crores) as against the debt obligations of Rs. 5,016 crores for the next 4 months. With Fairfax India agreeing to provide liquidity support upto US\$ 200 Mn, the liquidity is expected to remain comfortable in the medium term.

**Environment, social, and governance (ESG) risks**

IIFL maintains transparency in its business ethics practices as can be inferred from the entity's disclosures regarding its grievance redressal, related party transactions, fair practice code, whistle blower policy, and prevention of sexual harassment policy. The company being in a service industry, is not significantly exposed to environmental risks. However, the company has various initiatives towards environmental risks like adoption of renewable energy, reduced usage of papers, installing rainwater harvesting system, funding to affordable green housing, etc. The company has also formulated ESG policy to address the climate risk.

With regards to social risks, the company undertakes various Corporate Social Responsibilities (CSR) activities for the development of rural and semi-urban areas.

The entity has the necessary Audit Committee, Nomination and Remuneration committee and Corporate Social Responsibility (CSR) committee in place. It has also constituted an ESG committee consisting of eight members.

**Applicable criteria**

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Non Banking Financial Companies](#)

[Factoring linkages in ratings- Sub JV Group](#)

[Rating methodology- consolidation](#)

**About the company and industry**

**Industry classification**

Macro Economic Indicator	Sector	Industry	Basic Industry
Financial Services	Financial Services	Finance	Non Banking Financial Company (NBFC)

IIFL Finance Limited (IIFL; erstwhile "IIFL Holdings Limited") is one of the leading players in the Indian financial services space. Prior to the Composite Scheme of Arrangement, IIFL was engaged in the business of financing, asset and wealth management, retail and institutional broking, financial products distribution and investment banking through its various subsidiaries.

The ratings for the company have been put on 'Rating watch with developing implications' on account of RBI's ("Regulator") order vide dated March 04, 2024, in which IIFL Finance has been directed to cease and desist, with immediate effect, from sanctioning or disbursing gold loans or assigning/ securitising/ selling any of its gold loans. RBI has allowed the company for usual collection and recovery processes of existing gold loans. The supervisory restrictions will be reviewed by the RBI post a special audit and after rectification by the company of the special audit findings and the findings of RBI inspection, to the satisfaction of RBI.

CARE Ratings has also taken note of announcement by Fairfax of providing liquidity support of \$ 200mn dated March 6, 2024.

RBI's action restricting the company from disbursing and sanctioning gold loans is expected to adversely affect the financial profile as the gold loan constituted 32% of the consol book (79% of standalone), in case the issue is not resolved in the near future.

### Consolidated

Brief Financials (₹ crore)	FY22 (A)	FY23 (A)	9MFY24 (UA)
Total income	7,006	8,447	7,588
PAT	1,188	1,608	1,544
Total assets*	45,622	52,875	58,860
Net NPA (%)	1.83	1.08	0.87
ROTA (%)^	2.76	3.26	3.68 <sup>#</sup>

A: Audited, UA: Unaudited. Note: The above results are the latest financial results available.

\*Total assets are net of intangibles and Deferred Tax Assets (DTA). All ratios are as per CARE Ratings' calculations.

<sup>#</sup>Annualised.

<sup>^</sup> Ratios have been computed based on average of annual opening and closing balances.

### Standalone

Brief Financials (₹ crore)	FY22 (A)	FY23 (A)	9MFY24 (UA)
Total income	4,089	4,089	3,251
PAT	745	805	420
Total assets*	22,976	24,047	NA
ROTA (%)^	3.31	3.43	NA

A: Audited, UA: Unaudited. Note: The above results are the latest financial results available.

NA: Not available

\*Total assets are net of intangibles and Deferred Tax Assets (DTA). All ratios are as per CARE Ratings' calculations.

<sup>^</sup> Ratios have been computed based on average of annual opening and closing balances.

### Status of non-cooperation with previous CRA: Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated:** Annexure-4

**Lender details:** Annexure-5

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Bank facilities- Fund-based- Long term	-	-	-	-	175.00	CARE AA; (RWD)
Bank facilities- Fund-based- Long term-Proposed	-	-	-	-	225.00	CARE AA; (RWD)
Subordinated debt	INE866I08246	21-Nov-17	8.70%	19-Nov-27	100.00	CARE AA; (RWD)
Non-convertible debenture-Proposed	-	-	-	-	537.50	CARE AA; (RWD)

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Preference Shares- Non Convertible Redeemable Preference Share	LT	-	-	-	-	-	1)Withdrawn (21-May-20)
2	Debt-Subordinate Debt	LT	100.00	CARE AA (RWD)	1)CARE AA; Stable (28-Sep-23)	1)CARE AA; Stable (06-Oct-22)	1)CARE AA; Stable (07-Oct-21)	1)CARE AA; Negative (05-Jan-21) 2)CARE AA; Negative (21-May-20)
3	Debentures-Non Convertible Debentures	LT	537.50	CARE AA (RWD)	1)CARE AA; Stable (28-Sep-23)	1)CARE AA; Stable (06-Oct-22)	1)CARE AA; Stable (07-Oct-21)	1)CARE AA; Negative (05-Jan-21) 2)CARE AA; Negative (21-May-20)
4	Fund-based-Long Term	LT	400.00	CARE AA (RWD)	1)CARE AA; Stable (28-Sep-23)	1)CARE AA; Stable (06-Oct-22)	1)CARE AA; Stable (07-Oct-21)	1)CARE AA; Negative (05-Jan-21) 2)CARE AA; Negative (21-May-20)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

### Annexure-3: Detailed explanation of covenants of the rated instruments/facilities

Not applicable

### Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Simple
2	Debt-Subordinate Debt	Complex
3	Fund-based-Long Term	Simple

### Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

### Annexure-6: List of all the entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	IIFL Home Finance	Full	Subsidiary
2	IIFHL Sales Ltd	Full	Step-down subsidiary
3	IIFL Samasta Finance Ltd	Full	Subsidiary
4	IIFL OPEN Fintech Private Ltd	Full	Subsidiary

**Note on the complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

## Contact Us

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### About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

### Disclaimer:

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