

## RATING RATIONALE

15 Sep 2025

### IIFL Finance Limited

Brickwork Ratings reaffirms the long term rating of the non-convertible debentures (NCDs) amounting to Rs. 1,022.04 crores of IIFL Finance Ltd and assigns the long term rating of proposed Perpetual Debt Instruments amounting to Rs. 500.00 crores of IIFL Finance Limited as tabulated below.

#### Particulars:

Instrument	Amount (Rs Crs)		Tenure	Rating	
	Previous	Present		Previous (30th Sept 2024)	Present
NCDs Public Issue	1125.05	<b>975.82</b>	Long Term	BWR AA+/Stable (Reaffirmed and removed Rating Watch with Negative Implications)	<b>BWR AA+/Stable (Reaffirmed)</b>
NCDs	78.18	<b>46.22</b>	Long Term		<b>BWR AA+/Stable (Reaffirmed)</b>
Proposed Perpetual Debt Instrument (PDI)	-	<b>500.00</b>	Long Term	-	<b>BWR AA/Stable (Assigned)</b>
<b>Total</b>	1,203.23	<b>1,522.04</b>	<b>Rupees One Thousand Five Hundred and Twenty Two Crores and Four Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for the definition of the ratings

#Details of rated instruments are provided in Annexures II

\*\*NCDs outstanding as confirmed by the Debenture Trustee

#### RATING ACTION/OUTLOOK: REAFFIRMATION/ASSIGNMENT/ STABLE

Brickwork Ratings reaffirms the long term rating of the non-convertible debentures (NCDs) of IIFL Finance Ltd. at BWR AA+/Stable and assigns long term rating of Perpetual Debt Instruments (PDIs) at BWR AA/Stable.

The rating reaffirmation of existing NCDs and the assignment of rating to the proposed PDIs continues to factor in the business turn-around post the previous year's regulatory concerns with growth across the key performance indicators, continued support of the institutional investors to maintain healthy capitalisation levels with sufficient buffer, adequate liquidity with no negative cumulative mismatches as per ALM as of 30 June 2025, experienced board and management team. Gold loans have rebounded strongly post-embargo, and MSME lending continues its steady expansion.

**KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED :**

For existing NCDs: The rated NCD raised by the Company are in the nature of unsecured/secured rated listed redeemable non convertible debentures. It comprises two sets. One set of ISINs is for public issues while the other set of ISINs were privately placed. Other details of these rated instruments is as per Annexure II

For the Perpetual Debt instruments (PDI) The proposed PDI issue has features similar to the PDIs raised by NBFCs, having a lockin clause, requirement of permission from RBI in case the coupon servicing results in loss for the company. The redemption of these bonds can be made with the approval of the RBI, with the company having a call option at the end of 10 years from the date of allotment. Given the perpetual nature of such instruments and the lock-in-clause applicable to such instruments, BWR generally notches the rating of such instruments below the issuer's base case rating. BWR has considered one notch below the base case rating at BWR AA/stable for the proposed Perpetual Debt Instruments.

**KEY RATING DRIVERS:****Credit Strengths -:**

- **Strong Ownership:** The promoters of the group held ownership of (24.9%) of the shareholding. The majority of ownership as June 30th, 2025 was held by institutional investors (49.2%) including Fairfax (15.2%), Foreign Institutions (30%), Domestic Institutions (4%), and Public & Others (26%). There has been equity infusion of Rs.1272 Crs over the last one year.
- **Diversified portfolio, expected to continue its growth from the core segments:** The group has a diversified portfolio spread across 27 states and 5 Union Territories of India consisting of different asset classes. As on June 30th, 2025 AUM consisted of Home loans (38%), Gold loans (33%), Microfinance (11%), MSME (17%), CRE & Others (1%) and Capital Markets (1%). The book composition has been mainly from the gold loans which is expected to grow at 25-30% and home loan book which is expected to grow at 15-18%, over the near term. The recalibration of the MSME loan book is expected to be inclined towards the secured book and lower delinquencies on a forward looking basis, the MFI book will be maintained at stagnant growth, with cautious disbursements depending on improvement in collections.
- **Adequate and improving profitability in the operations and profitability at consolidated level :** As of 30 Jun 2025, in Home Loans: AUM grew by 14% YoY and marginally in QoQ to ₹32,017 Cr, maintaining the leadership in affordable housing; In Gold Loans: AUM surged 85% YoY and 30% QoQ to ₹27,274 Cr, through continued recovery momentum post-RBI embargo; In MSME Loans: AUM rose 13% YoY to ₹13,939 Cr but was down 2% QoQ, owing to seasonal dip and strategic re-calibration towards low risk secured lending. In Microfinance: AUM stood at ₹8,916 Cr, down 26% YoY and 10% QoQ, impacted by macroeconomic pressures in unsecured lending. Profitability was better in the gold loans and home loans, as compared to the MSME and MFI segments, and shall continue to be so over the near to medium term

**Credit Risks:-**

- **Limitation on the diversified resource profile:** Consolidated resource profile consisted of term loans (40%), bonds (32%), refinancing (12%) and others (16%) as on 30th June 2025. There has been a rise in the cost of borrowings over the years to keep up with the growing AUM levels. Cost of borrowings has risen to 9.50% in Q1FY26 from 9.10% in Q1FY25. The company's ability to diversify its resource profile while lowering the credit cost would remain a key rating monitorable.
- **Moderate Asset Quality, albeit remains monitorable:** GNPA ratio stood at 2.34% and NNPA ratio stood at 1.13% as at 30 June 2025. With implementation of Expected Credit Loss under Ind AS, provision coverage on NPAs stands at 91%. The consolidated AUM of the group grew from Rs. 69,610 Crs as on 30 June 2024 to Rs. 83,889 Crs as on 30 June 2025. The same stood at Rs. 78,341 Crs as on March 31st 2025. Recouping the AUM, achieving a growth in gold loan book as projected with a steady growth in the AUM of other segments of loan book shall be monitorable alongwith the overall asset quality of the company. An incremental decline in the collections from its key loan book segments, microfinance and home loans impacting the asset quality, shall remain monitorable.

**ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**

To arrive at its ratings, BWR has taken a consolidated view of IIFL Finance Limited and its subsidiaries as detailed in Annexure III. BWR has applied its rating methodology as detailed in the Rating Criteria below (hyperlinks provided at the end of this rationale).

**RATING SENSITIVITIES:****Positive :**

- Improvement in the overall financial risk profile of the company, and maintaining the focus in the gold loan and home loan businesses.
- Maintaining the share of retail business along with sustained growth in all segments while managing its cost of borrowing at par with the industry levels.
- Steady and substantial growth in business from the current levels, in both its gold loan and non-gold loan business
- Maintaining strong liquidity for business operations and repayment of debt, and maintaining CRAR > 22% at a standalone level.
- Substantial Improvement in asset quality (GNPA <1.5% and NNPA <0.70%), and other financial parameters

**Negative :**

- Substantial decline in AUMs from the present levels (FY25)
- Significant deterioration in the asset quality with GNPA ratio >4.5% or higher than the industry average impacting the capital and earning profile of the company, shall be key rating negative for the company
- Debt to Equity ratio at >5.5x times
- CRAR level < 25% at a consolidated basis.
- Any adverse action by the regulators impacting the operations, liability franchise and

- liquidity and concerns regarding governance.
- Deterioration in the Financial flexibility and ability to raise resources at the reasonable cost of funding

### LIQUIDITY POSITION: ADEQUATE

A liquidity buffer of ₹ 7,367 Cr was maintained as on June 30,2025 with LCR at 183.98% (Standalone). Cash and Bank balances as on June 30th 2025 stood at Rs. 5,362 crores as per the consolidated Balance Sheet. In addition to this, the company has unutilised cash credit lines and undrawn sanctions of Rs. 2,506 crores. As per the ALM statement of 30 June 2025, the Company has positive cumulative mismatches across the buckets upto 5 years. The Company has average monthly collections of ~Rs. 2500 Crs, adequate to meet its cash outflows of ~Rs. 12,500 Crs over the next one year. Any decline in the collections over the near to medium term shall remain monitorable.

### ABOUT THE COMPANY

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

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 loans, Gold loans, Business loans, 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	FY23	FY24	FY25	Q1FY26
		Audited	Audited	Audited	Unaudited
AUM	Rs.in Crores	64,638	78,960	78,341	83,889
Total Income	Rs.in Crores	8,447	10,490	10,237	2,959
PAT	Rs.in Crores	1,608	1,974	578	274
Total Debt	Rs.in Crores	39,603	46,699	51,068	55,027
Net Worth	Rs.in Crores	10,202	12,056	13,955	14,229
Gearing Ratio	Times	3.88	3.87	3.66	3.86
GNPA	%	1.84	2.32	2.23	2.34
NNPA	%	1.08	1.20	1.05	1.13

### Key Financial Performance - IIFL Finance Ltd. (Standalone)

Particulars	Units	FY23	FY24	FY25	Q1FY26
		Audited	Audited	Audited	Unaudited
Total Income	Rs.in Crores	4,089	4,649	4080	1,486
PAT	Rs.in Crores	806	585	(410)	133
Total Debt	Rs.in Crores	17,380	20,011	24,524	28,894
Net Worth	Rs.in Crores	5,114	5,596	6,507	6,640
Gearing	Times	3.40	3.58	3.77	4.35

### COMPLEXITY LEVELS OF THE INSTRUMENTS:

NCDs bearing ISINs INE866I08279 and INE866I08295: **Complex**

Other NCDs: **Simple**

Proposed PDI: **Complex**

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY:** There is no outstanding Rating under Non-Cooperation from other CRAs

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

Sr No	Name of Instrument	Current Rating (Sept 2025)			Rating History for the past 3 years		
		Type	Amount (Rs. Crs)	Rating	2024 30 Sept 2024	2024 13 Mar 2024	2023 01 Dec 2023
1	NCDs ^	Long Term	975.82	BWR AA + / Stable (Reaffirmed)	BWR AA + / Stable (Reaffirmed and removed Rating Watch With Negative Implications) (Long Term - 1125.05 crores)	BWR AA + / Rating Watch with Negative Implications (Long Term - 1134.88 crs)	BWR AA + / Stable /Reaffirmation with revision in outlook (01.12.2023)
2	NCDs	Long Term	46.22	BWR AA + / Stable (Reaffirmed)	BWR AA + / Stable (Reaffirmed and removed Rating Watch With Negative Implications) (Long Term - 78.18 crores)	BWR AA + / Rating Watch with Negative Implications (Long Term - 78.18 crs)	BWR AA + / Stable /Reaffirmation with revision in outlook (01.12.2023)
3	Secured NCDs	Long Term	0.00	-			Withdrawn

4	Proposed PDIs	Long Term	500.00	BWR AA / Stable (Assigned)		-	-
	Total		1,522.04	Rupees One Thousand Five Hundred and Twenty Two Crores and Four Lakhs Only			

^Public Issue; Interchangeable between secured and subordinated debt.

#reduction in amount is due to redemptions

#### Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Banks and Financial Institutions](#)
- [Consolidation of Companies](#)
- [Capital Instruments Issued by Banks and Financial Institutions](#)

For any other criteria obtain hyperlinks from website

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**ANNEXURE I**  
**Details of Bank Loan Facilities rated by BWR: Not applicable**

**ANNEXURE II**  
**Details of NCDs rated by BWR and COVENANTS**

Instrument	Issue Date	Previous Rated Amount (Rs. Crs.)*	Current outstanding amount (Rs. in Crs)**	Coupon Rate/Yield	Maturity Date	ISIN Particulars
NCD Public Issue	24-Mar-21	274.69	274.69	10.00%, annually	24-Jun-28	INE530B08094
NCD Public Issue	24-Mar-21	328.02	328.02	9.60%, monthly	24-Jun-28	INE530B08102
NCD Public Issue	24-Mar-21	68.14	68.14	ZCB	24-Jun-28	INE530B08110
NCD Public Issue	14-Oct-21	92.77	0.00	8.50%, annually	14-Oct-24	#INE530B07146
NCD Public Issue	14-Oct-21	56.71	0.00	ZCB	14-Oct-24	#INE530B07153
NCD Public Issue	14-Oct-21	144.01	144.01	8.42%, monthly	14-Oct-26	#INE530B07161
NCD Public Issue	14-Oct-21	134.04	134.04	8.75%, annually	14-Oct-26	#INE530B07179
NCD Public Issue	14-Oct-21	26.92	26.92	ZCB	14-Oct-26	#INE530B07187
NCD Public Issue	7-Feb-19	30.77	30.77	10.00%, monthly	7-Feb-29	INE866I08279
NCD Public Issue	7-Feb-19	15.45	15.45	10.50%, annually	7-Feb-29	INE866I08295
NCD	6-Sep-19	25.93	0.00	10.00%, Monthly	6-Jun-25	INE866I08303
NCD	6-Sep-19	5.78	0.00	10.50%, payable on maturity	6-Jun-25	INE866I08311
Total		1203.23	1022.04			
Rupees One Thousand Twenty Two Crores and Four Lakh Only						

\*\* NCDs amount outstanding as confirmed by the debenture trustee # These are secured NCDs; and remaining are unsecured

### Details of PDIs rated by BWR and COVENANTS

Instrument	Issue Date	Proposed Amount	Coupon Rate/Yield	Maturity Date	ISIN Particulars
Proposed PDI	-	500.00	-	-	-

### ANNEXURE III List of Entities Consolidated in IIFL Finance Ltd.

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

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