



Press Release

IIFL Finance Limited

September 25, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<u>Complexity Indicator</u>
Perpetual Debt Instrument (PDI)	500.00	IVR AA/Stable (IVR Double A with stable outlook)	-	Rating assigned	Complex
Total	500.00 (Five Hundred crore only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has assigned its rating to the proposed perpetual debt instrument (PDI) of IIFL Finance Limited (IIFL Finance) it derives comfort from comfortable capitalisation, healthy AUM levels albeit stagnation in FY25, experienced promoters with strategic investors and diversified resource profile. However, the rating strengths are partially offset by average asset quality and subdued profitability during FY25.

The “Stable” outlook reflects Infomerics expectations of improvement in disbursements witnessed by improvement in AUM levels during 1QFY25 and asset quality over FY26 and FY27 on the back of comfortable capitalisation.

Key Rating Sensitivities:

Upward Factors

- Sustained improvement in AUM with improvement in asset quality while maintaining comfortable liquidity and capitalization levels.

Downward Factors

- Substantial deterioration in disbursements leading to decline in consolidated AUM levels.
- Substantial deterioration in the asset quality and profitability of the company from the current levels.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Comfortable capitalisation

IIFL Finance has maintained comfortable capitalization on the back of capital raise of Rs.1,272 crore through right issue in May 2024. Infomerics expects ability to raise capital at the regular intervals to meet the expected AUM levels would be a key monitorable.

As on 31 March 2025, the consolidated Networth of the group stood at Rs 13,946.39 crore with gearing of 3.66 times as on 31 March 2025 (Rs 12,051.36 crore and 3.88 times respectively as on 31 March 2024). On a standalone basis, IIFL Finance Ltd, IIFL Home Finance and IIFL Samasta Finance Ltd have comfortable capitalisation with total CRAR of 18.28%, 47.38% and 28.40% respectively as on 30 June 2025 (18.48%, 47.22% and 32.38% respectively for FY25).

Healthy AUM levels albeit stagnation in FY25

Given the embargo placed by RBI on gold loan business of IIFL Finance Limited in March 2024 which was later removed in September 2024 and the stress faced by the MFI industry, the growth in consolidated AUM was stagnant and stood at Rs 78,341.00 crore as on 31 March 2025 when compared to Rs 78,960.00 crore as on 31 March 2024. Gold loan disbursements have picked from 3QFY25 post lifting embargo on the gold loan business by RBI with AUM improved to Rs 83,889 crore at the end of 1QFY26 and expected to improve further with steady disbursements and opening of branches in new geographies. IIFL Finance has already received approval from RBI to open 510 branches. Infomerics expect the growth momentum to continue in the near to medium term given the diversified product profile, established track record and demonstrated fund raising ability of the group.

Consolidated AUM comprises 38 % of home loans followed by 33% of gold loans, 17% of MSME loans, 11% of MFI loans and 2% of CRE and capital market loans as on 30 June 2025.



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Also, 68% of consolidated AUM consists of own book assets and 32% is contributed by off book assets which include securitized and co-lending assets.

Experienced promoters with strategic investors

Promoted by Mr. Nirmal Jain and Mr. R Venkataraman are having more than three decades of experience banking and financial services. IIFL is backed by strong board of directors and experienced management team. The board has adequate representation from investors and extends strategic support to the company. As on 30 June 2025, the group's strategic equity investors include Fairfax, Capital group, Bank Muscat India Fund, Vanguard, Theleme, Ward Ferry, Abakuss, HSBC Mutual Fund, Bavaria Industries AG, Nomura and BlackRock and together hold 36.10% stake in the company.

Long track record with diversified product profile

IIFL Finance, is one of the leading players in the financial services space in India. Along with its subsidiaries, IIFL Home Finance Limited and IIFL Samasta Finance Limited, provides a diverse range of loans. These include home loans, gold loans, business loans including loans against property and medium & small enterprise financing, micro finance, developer & construction finance and capital market finance, catering to both retail and corporate clients. As a group IIFL Finance has pan India presence through 4,872 branches as on 30 June 2025. The AUM is geographically well diversified and has a long track record of operating in lending industry for more than two decades.

Diversified resource profile

On a consolidated basis, IIFL Finance has a diversified resource mix which includes borrowings from Bank/NBFCs, external commercial borrowings, capital market, securitisation and co-lending and refinance. Having a diversified resource mix has helped IIFL Finance to raise funds on a timely manner. Its average cost of borrowing currently is at 9.5% for Q1FY26 (9.4%: FY25) and is expected to reduce further on the back of the expected rate cuts by the regulator. Bank and FIs borrowings is the major source of borrowings which contributes to 40% of total borrowings followed by Capital market instruments which contributes to 32%, securitisation and co-lending which contributes to 16% and refinance which contributes to 12% of total borrowings.



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Key Rating Weaknesses

Average asset quality

On a consolidated basis, the group's asset quality remains average with GNPA and NNPA of 2.34% and 1.13% respectively for Q1FY26 (2.23% and 1.05% respectively for FY25) with provision coverage ratio of 51.68% (53.03% in FY25). Given that ~17% of consolidated AUM comprising unsecured loans majorly comprising of MFI loans as on 30 June 2025, the asset quality continues to be under pressure as these segments are vulnerable to changing macroeconomic conditions as seen in FY25. The group follows ECL method for provisioning under IND AS and has provided consolidated provisions of Rs 1,498 crore in FY25 which is well above the regulator's provisioning requirement.

On a standalone basis, IIFL Finance Ltd has reported GNPA and NNPA of 1.70% and 0.58% respectively in Q1FY26 when compared to GNPA and NNPA of 1.88% and 0.69% in FY24. On a standalone basis, IIFL Home Finance asset quality remains average with reported GNPA and NNPA deteriorated to 2.30% and 1.60% respectively in Q1FY26 when compared to GNPA and NNPA of 1.80% and 1.30% respectively in FY25 due to fresh slippages in MSME loan segment.

On a standalone basis, IIFL Samasta Finance Ltd has reported GNPA and NNPA of 4.60% and 1.40% respectively in Q1FY26 when compared to 4.71% and 1.46% respectively in FY25. The deterioration in asset quality is on account of events such as heatwaves, general elections, and field-level attrition and overleveraging in certain geographies, for which the Microfinance Institutions Network (MFIN) has recently issued new guardrails in January 2024 and most recently due to latest ordinance introduced by Karnataka state government and subsequently a law to regulate microfinance loans given by unregulated microfinance institutions (MFIs) who employ forceful means to recover loans in February 2025, which led to a disruption in ground level operations and ultimately affected regulated MFIs as well.



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Infomerics, expects that the asset quality will continue to be under pressure in FY26 as it expects that the upcoming elections in the states of Bihar and Uttar Pradesh and floods in northern states where IIFL group has an exposure of ~20% of its overall AUM will impact the collection efficiency.

Subdued profitability

Owing to the asset quality issues in MFI and provisions on account of AIF investments in FY25, the consolidated profitability has substantially decreased in FY25 with reported PAT of Rs 578.16 Crore for FY25 when compared to Rs 1,974.20 crore for FY24. Given the stress faced by MFI industry and adoption of ECL method for provisioning under Ind AS, the group had to provide higher provisions which stood at Rs 1,498 crore for FY25 when compared to Rs 911 crore for FY24. Also, IIFL Finance had AIF investments which were due to mature in June 2024, subsequently assigned to an ARC. The book value of Security Receipts (SRs) as of September 30, 2024, was Rs 586.50 crores. The RBI Circular of December 19, 2023, on "Investments in AIFs" mandates a 100% provision of AIF investments if not liquidated within 30 days of the circular. To comply with the spirit of this circular, consequently a provision equivalent to 100% of the book value of these SRs was made. Also, given the severe competition in gold loans and home loans following the rate cuts, the NIMs have decreased in FY25 and are under pressure.

Going forward the ability of the group to improve its profitability by improving collection efficiency trends, improve NIMs amidst rate cuts and rationalisation of costs will be a key rating monitorable.

Analytical Approach: Consolidated

Infomerics has consolidated the business and financial risk profiles of IIFL Finance Limited (Parent Company) and its wholly owned subsidiary IIFL Samasta Finance Limited and its subsidiary IIFL Home Finance Limited. This consolidation is in the view of the common promoters, shared brand name and strong financial and operation synergies.

Applicable Criteria:



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[Rating Methodology for Financial Institutions/Non-Banking Finance companies](#)

[Policy on Default Recognition and Post – Default Curing Period](#)

[Criteria of assigning Rating Outlook](#)

[Complexity level of rated instruments/Facilities](#)

[Financial Ratios & Interpretation \(Financial Sector\)](#)

[Criteria on consolidation of companies](#)

Liquidity – Strong

IIFL Finance Limited's liquidity on a consolidated basis remains strong with a liquidity of Rs 7,367 crore in the form of cash & cash equivalents and undrawn bank limits as on 30 June 2025 which covers consolidated debt repayments till December 2025 with sufficient buffer. Also, the ALM profile as on 30 June 2025 had positive cumulative mismatches across various buckets. The group has a policy of maintaining 10% of consolidated AUM as liquidity buffer.

About the Company

IIFL Finance, along with its subsidiaries, namely IIFL Home Finance (registered as a housing finance company) and IIFL Samasta Microfinance Limited (registered as an NBFC - microfinance institution; NBFC-MFI), offers home loans, loan against property, micro, small and medium enterprise (MSME) loans, gold loans, microfinance and real estate loans.

Financials (Standalone):

For the year ended* / As on	(Rs. crore)	
	31-03-2024	31-03-2025
	Audited	Audited
Total Income	4,649.43	4,080.16
PAT	584.78	(409.57)
Tangible Net worth	5,591.62	6,500.05
AUM	29,250	27,508
Ratios		
NIM (%)	16.05	9.34
ROTA (%)	2.40	(1.43)



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For the year ended* / As on	31-03-2024	31-03-2025
Interest Coverage (times)	1.43	1.02
Total CRAR (%)	18.55	18.48
Gross NPA [Stage III] (%)	3.66	1.88
Net NPA [Stage III] (%)	1.90	0.69

* Classification as per Infomerics' standards.

Financials (Consolidated):

For the year ended* / As on	(Rs. crore)	
	31-03-2024	31-03-2025
	Audited	Audited
Total Income	10,490.47	10,237.07
PAT	1,974.22	578.16
Tangible Net worth	12,051.36	13,946.39
AUM	78,960	78,341
Ratios		
NIM (%)	13.11	10.04
ROTA (%)	3.61	0.92
Interest Coverage (times)	1.66	1.31
Gross NPA [Stage III] (%)	2.32	2.23
Net NPA [Stage III] (%)	1.20	1.05

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: None

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (2025-26)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23
1.	Perpetual Debt Instrument	Long Term	500.00	IVR AA/ Stable	-	-	-

Analytical Contacts:

Name: Sree Harsha	Name: Amey Joshi
Tel: (022) 62396023	Tel: (022) 62396023



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Email: sree.harsha@infomerics.com

Email: amey.joshi@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Instrument/Facility Details

Name of Facility/Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Listing Status	Rating Assigned/ Outlook
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Perpetual debt Instrument (PDI)	-	-	-	Perpetual	500.00	Proposed to be listed	IVR AA/Stable
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Annexure 2: Facility wise lender details (Hyperlink to be added): Not Applicable

Annexure 3: Detailed explanation of covenants of the rated Security/facilities:

Indicative term sheet for the proposed PDI of Rs 500.00 crore

Items	Particulars
Issue	10%/Annual/IIFL Finance Perpetual Unsecured Listed Rated Debentures in the nature of Non-Convertible Debentures/Series PDI-1 FY2026
Issuer	IIFL Finance Limited
Type of Instrument	Unsecured, listed, rated, perpetual, Tier 1 Capital debt instruments in non-convertible debentures in accordance with the RBI SBR Master Directions.
Nature of Instrument (Secured or Unsecured)	Unsecured
Issue Size	Rs 500.00 crore - Rs 100 crore base issue and Rs 400 crore green shoe option to be issued in multiple tranches
Objects of the Issue/ Purpose for which there is requirement of funds	To augment long-term resources of the Issuer and for inclusion of the Debentures as part of the Tier I and/or Tier II capital of the Issuer in terms of the RBI SBR Master Directions.
Coupon Rate	10% per annum, subject to the "Lock-in Clause" as set out below, if any
Step up/step down coupon Rate	The Debentures shall have a step-up option of 100 bps, which shall be exercised only once during the whole life of the instrument, in conjunction with the Call Option, after the lapse of 10 years from the date of issue. In effect, the coupon rate on Debentures shall be stepped up to 11.00% p.a. for subsequent years if Call Option is not exercised by the Company.
Coupon Payment frequency	Annually from the Deemed Date of Allotment
Coupon payment dates	September 30 every year (commencing from September 30, 2026) and the Call option Date
Cumulative / non-cumulative, in case of Coupon	The Coupon on the Debentures shall not be cumulative except in cases: <ul style="list-style-type: none"> (i) the Company's capital to risk assets ratio ("CRAR") is below the minimum regulatory requirement prescribed by RBI; or (ii) the impact of such payment results in Company's CRAR falling below or remaining below the minimum regulatory requirement prescribed by RBI



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Items	Particulars
Lock-in Clause	<p>Pursuant to RBI SBR Master Directions, the Debentures shall be subject to a lock-in as under:</p> <ul style="list-style-type: none"> (i) the Debentures shall be subject to a lock-in in terms of which the Company may defer the payment of Coupon/ interest, if: <ul style="list-style-type: none"> A. the Company's capital to risk assets ratio ("CRAR") is below the minimum regulatory requirement prescribed by RBI; or B. the impact of such Coupon/ interest payment results in Company's CRAR falling below or remaining below the minimum regulatory requirement prescribed by RBI; or (ii) In the event that making of any Coupon payment by the Issuer may result in net loss or increase the net loss of the Issuer, the making of such Coupon payment by the Issuer shall be subject to the prior approval of the RBI and shall be made on receipt of such approval provided that the CRAR remains above the regulatory norm after the making of such Coupon payment. (iii) The Coupon/ interest on the Debentures shall not be cumulative except in case as mentioned in (i) above. (iv) All instances of invocation of this Lock- in Clause shall be notified by the Issuer to the Regional Office of Department of Supervision of the RBI in whose jurisdiction it is registered. <p>The invocation of the 'Lock-in Clause' by the Issuer shall not be construed as a default committed by the Issuer and shall not result in the occurrence of an 'Event of Default' (by whatsoever name called) in respect of the Debentures.</p> <p>The deferment of payment of Coupon as a result of the exercise of the Issuer's discretion as set out hereunder, shall not be construed as a default committed by the Issuer and shall not result in the occurrence of an 'Event of Default' (by whatsoever name called) in respect of the Debentures.</p>
Default Interest Rate	<p>Default in payment: In case of default (including delay) in payment of interest/ coupon and/ or redemption of principal on the due dates, the Company shall pay additional interest at 2% p.a. over the coupon rate for defaulting period.</p> <p>Listing: The Issuer shall complete all the formalities and seek listing permission within T+3 days.</p> <p>In case of delay in listing of the Debentures within the prescribed period from Deemed Date of Allotment, the Company shall pay penal interest of 1% p.a. over the coupon/ dividend rate for the period of delay to the investor (i.e. from the date of allotment to the date of listing).</p> <p>In case of delay in execution of the Debenture Trust Deed within the timeline prescribed by the SEBI, the Issuer shall pay penal interest at the rate of 2 per cent per annum, till the date of execution of the Debenture Trust Deed.</p>
Redemption Date	<p>Not applicable in the case of Perpetual Debentures, subject to the exercise of any Call Option by the Issuer after expiry of at least 10 (ten) years from the Deemed Date of Allotment and with the prior approval of RBI.</p>



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Items	Particulars
Tenor	Perpetual
Call Option	<p>The Issuer shall have the right (but not the obligation) to exercise a call option in respect of all or part of the Debentures ("Call Option") on any Call Option Payment Date, subject to the conditions mentioned below ("Call Option Conditions"):</p> <ol style="list-style-type: none"> 1. The Call Option can be exercised by the Issuer only after expiry of at least 10 years from the Deemed Date of Allotment; 2. To exercise a Call Option, the Issuer shall require prior approval of RBI. The RBI may or may not provide its approval and may take into account various factors. While considering the proposals received from such NBFCs for exercising the Call Option RBI would, among other things, take into consideration its CRAR position both at the time of exercise of the Call Option and after the exercise of the Call Option. <p>The Issuer may at its sole discretion, exercise the Call Option, in relation to the outstanding Debentures, on the Call Option Date (i.e., on or any date after September 30, 2035) subject to receipt of the prior approval of the Reserve Bank of India and other Call Option Conditions.</p> <p>The Coupon shall be payable on an actual/actual day count basis until the date of exercise of such Call Option.</p>
Call Notification Time/ Call Option Notice (Timelines by which the Issuer need to intimate Investor before exercising the call)	<p>Any redemption of the Debentures on account of exercise of Call Option shall be subject to the Issuer giving a notice ("Call Option Notice") in writing at least 21 (twenty-one) calendar days' prior to the Call Option Date, to the Debenture Holders and/or the Debenture Trustee in the manner mentioned in SEBI NCS Regulations and subject to Call Option Conditions.</p> <p>The Issuer must redeem the Debentures in respect of which the Call Option has been exercised by making payment of the Call Price on the Call Option Date. All accrued Interest will be paid up to but excluding the Call Option Date.</p> <p>Following the Call Option Date, the Issuer shall make disclosures as required under Applicable Law. For the purpose of determining the Debenture Holders to whom the Call Option amounts should be paid, the Issuer will use the Record Date.</p>



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Items	Particulars
Events of Default (including manner of voting /conditions of joining Inter Creditor Agreement)	<p>In case of payment event of default, penal interest will be paid in accordance with provisions of the SEBI NCS Regulations, as amended.</p> <p>Manner of voting/ conditions of joining the Inter Creditor Agreement shall be mentioned in the Debenture Trust Deed which will be executed within time frame prescribed under the Applicable Law.</p> <p>The invocation of the 'Lock-In Clause' by the Issuer shall not be construed as a default committed by the Issuer and shall not result in the occurrence of an 'Event of Default' (by whatsoever name called) in respect of the Debentures.</p> <p>The deferment of payment of Coupon as a result of the exercise of the Issuer's discretion as set out hereunder, shall not be construed as a default committed by the Issuer and shall not result in the occurrence of an 'Event of Default' (by whatsoever name called) in respect of the Debentures.</p>

Annexure 4: List of companies considered for consolidated analysis:

Name of entities being consolidated	Extent of Consolidation	Rationale for Consolidation
IIFL Finance Limited	Full	Parent Company
IIFL Home Finance Limited	Full	Subsidiary
IIFL Samasta Finance Limited	Full	Subsidiary
IIFL Fintech Private Limited	Full	Subsidiary

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.