

April 22, 2020

The Manager, Listing Department, BSE Limited, Phiroze Jeejeebhoy Tower, Dalal Street, Mumbai 400 001. BSE Scrip Code: 532636	The Manager, Listing Department, The National Stock Exchange of India Ltd., Exchange Plaza, 5 Floor, Plot C/1, G Block, Bandra - Kurla Complex, Bandra (E), Mumbai 400 051. NSE Symbol: IIFL
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Sub: Intimation under Regulation 30 of SEBI (Listing Obligations and Disclosure requirements), Regulation, 2015, as amended from time to time (“Listing Regulations”)

Dear Sir/ Madam,

We would like to inform that pursuant to the order passed by Hon’ble National Company Law Tribunal (NCLT) dated March 07, 2019 approving the Composite Scheme of Arrangement (‘Scheme’), the merger of India Infoline Finance Limited with IIFL Finance Limited (‘the Company’) was effected on March 30, 2020. Pursuant to the said merger all debt instruments, commercial paper and bank facilities were transferred from India Infoline Finance Limited to IIFL Finance Limited.

In view of above, ICRA Limited (ICRA) and Brickwork Ratings (Brickwork) has assigned and confirmed the same ratings to IIFL Finance Limited in place of India Infoline Finance Limited as per enclosed rating rationale.

Kindly take the same on record and oblige.

Thanking you,
Yours Faithfully,

For IIFL Finance Limited
(Formerly known as IIFL Holdings Limited)

Gajendra Thakur
Company Secretary

Encl: As above

CC:
Singapore Exchange Securities Trading Limited
2, Shenton Way,
#02-02, SGX Centre 1,
Singapore - 068 804

IIFL Finance Limited (formerly known as IIFL Holdings Limited)

CIN No.: L67100MH1995PLC093797

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April 21, 2020

IIFL Finance Limited: [ICRA]AA (negative)/ PP-MLD[ICRA]AA (negative)/[ICRA]A1+ assigned to instruments of erstwhile India Infoline Finance Limited

Summary of rating action (erstwhile India Infoline Finance Limited transferred to IIFL Finance Limited)

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible Debenture Programme	5,000.00	[ICRA]AA (negative); assigned
Subordinated Debt Programme	1,000.00	[ICRA]AA (negative); assigned
Long-term Bank Lines	5,775.00	[ICRA]AA (negative); assigned
Non-convertible Debenture Programme	5,010.00	[ICRA]AA (negative); assigned
Long-term Principal Protected Equity Linked Debenture Programme	500.00	PP-MLD[ICRA]AA (negative); assigned
Long-term Principal Protected Market Linked Debenture Programme	500.0	PP-MLD[ICRA]AA (negative); assigned
Commercial Paper Programme	8,000.00	[ICRA]A1+; assigned
Commercial Paper Programme (IPO Financing)	8,000.00	[ICRA]A1+; assigned
Total	33,785.00	

*Instrument details in Annexure-1

Rationale

The ratings for IIFL Finance Limited are based on a consolidated view of IIFL Finance Limited and its subsidiaries (referred to as IIFL/Group/company), given their common senior management team and strong financial and operational synergies. The transfer of the long-term and short-term rating of India Infoline Finance Limited to IIFL Finance Limited is following the merger of India Infoline Finance Limited with IIFL Finance Limited, effective from March 30, 2020.

The rating favourably factors in the group's diversified lending portfolio with assets under management (AUM) of Rs. 36,015 crore as on December 31, 2019 (retail portfolio accounted for 87%) and the widespread presence across 25 states with 2,366 branches. The ratings also consider the adequate capitalisation of the Group. The consolidated net worth stood at Rs. 4,775 crore with on-book gearing of 5.1x. ICRA notes that while the current capitalisation is adequate, in the scenario of stress on the real estate lending book, the Group could need additional capital depending on the likely loss given default. The ratings also factor in the moderate profitability of IIFL. The company has been able to increase its net interest margins (NIMs) by passing on the higher cost of funds to its borrowers and by focussing on higher-yielding loans. However, its ability to control credit costs will be a key driver of profitability.

The Negative outlook factors in the challenges in resource mobilisation for non-banking finance companies (NBFCs) and housing finance companies (HFCs) in the current operating environment, including IIFL, and the increased vulnerability in the group's real estate lending book. While the company has been able to raise long-term bank loans and NCDs, assignment and securitisation accounted for ~69% of the total funds raised in 9M FY2020. ICRA notes the ~Rs. 2,850 crore of foreign currency bonds issued by the company in Q4FY2020 and the incremental bank loan sanctions received by the company since December 2019. As the Group has significant retail exposures (~87% of the AUM), it has been able to assign/securitise its portfolio, which has helped meet its liquidity requirements. With moratorium being extended to the borrowers, the group's ability to avail moratorium from the lenders and additional funding would be a key monitorable.

While IIFL's real estate lending book accounted for 13% of the AUM as on December 31, 2019, it accounted for 97% of the net worth. ICRA positively notes the management's focus on reducing the real estate lending book. Given the

increased stress in the real estate segment, the Group's ability to control slippages and reduce its exposure to this sector in relation to the net worth remains a key monitorable.

Key rating drivers and their description

Credit strengths

Diversified lending book; increasing focus on retail lending provides comfort – The Group has a diversified lending book with AUM of Rs. 36,015 crore as on December 31, 2019. Home loans accounted for 34% of the portfolio, followed by business loans (23%), gold (21%), developer and construction finance (13%), microfinance (8%) and capital market (1%). The total AUM grew by 11% on a YoY basis (excluding the impact of the sale of the commercial vehicle(CV) business). Within the AUM, the off-balance sheet book grew substantially to Rs. 10,114 crore (28% of AUM) as on December 31, 2019 from Rs. 2,105 crore (8% of AUM) as on March 31, 2018. The AUM growth was largely led by 10% YoY growth in home loans, 41% in gold loans while microfinance loans grew by 70%, albeit on a relatively smaller base. Business loans, construction finance and real estate, and capital markets witnessed a decline. Going forward, management intends to focus on retail mortgage loans and other high-yielding loans such as gold loans and microfinance loans and reduce incremental exposure to the loans against property (LAP) segment and the wholesale segment (13% of the AUM currently).

Adequate capitalisation – India Infoline Finance's consolidated net worth stood at Rs. 4,775 crore as on December 31, 2019 with on-book gearing of 5.1x (managed gearing including off-book of 7.4x). On a standalone basis, the company reported a CRAR of 21.4% with Tier I of 17.9% as of December 31, 2019 (19.2% and 16.0%, respectively, as on March 31, 2019). The increase in CRAR was largely supported by a reduction in the on-book portfolio. The subsidiaries remained adequately capitalised with IIFL Home Finance reporting CRAR and Tier I of 23.0% and 18.2%, respectively as on December 31, 2019, (21.0% and 15.8%, respectively, as on March 31, 2019) and Samasta Microfinance reporting CRAR and Tier I of 27.6% and 20.7%, respectively (20.5% and 13.5%, respectively, as on March 31, 2019). For IIFL Finance Limited, the consolidated net worth stood at Rs. 4,775 crore as on December 31, 2019 with on-book gearing of 5.0x. While the current capitalisation is adequate, in the scenario of stress on the real estate lending book, the Group could need additional capital depending on the likely loss given default. ICRA expects the company to raise equity in FY2021 to support the losses, if any, as well as for its growth plans.

Moderate profitability supported by growth in high-yielding products – The cost of funds for the company increased in FY2019 and 9M FY2020. However, with the change in the mix towards higher-yielding products (gold loans, MSMEs, MFIs), the company has been passing on this cost in the form of higher yields. As a result, the gross interest spreads for IIFL improved compared to FY2018. With the increase in small ticket loans, which are operating cost intensive (gold, MSMEs and MFIs), and growth in the number of branches (2,366 as of December 2019 from 1,547 as of March 2018), the company's operating expenses, as a percentage of AMA, have increased. To address the increase in operating costs, IIFL has been focusing on digitization, which would help contain the costs to an extent once the portfolio starts growing. Supported by higher NIMs, which were partially offset by higher operating expenses, the Group reported operating profit of Rs. 1,260 crore in FY2019 compared to Rs. 1,022 crore in FY2018. Provisions remained high for the company in FY2019 due to provisioning and write-offs in the corporate mortgage portfolio. The net profitability (PAT/AMA) was 1.6% in FY2019 (excluding the one-time impact of a gain on the sale of the CV book), similar to 1.5% in FY2018. For 9M FY2020, PAT/AMA reduced to 1.5% largely due to the impact of a one-time tax reversal on deferred tax asset (DTA). Adjusting this, PAT/AMA would have been 1.8%. Ability of the company to manage asset quality would remain critical to maintain profitability.

Credit challenges

Asset quality exposed to lumpy deterioration due to exposure to riskier construction finance and real estate segments – The wholesale lending portfolio (13% of the AUM and 97% of the net worth as on December 31, 2019) comprises real

estate loans with lower ticket size construction finance accounting for ~3%, and corporate mortgage, which is the higher ticket size funding for the relatively initial stages of the project, accounting for the rest (10%). The top 10 exposures in the real estate sector formed ~45% of the net worth as of March 31, 2019. IIFL's asset quality is exposed to lumpy deterioration, given the concentration in the wholesale lending portfolio. The risks are further aggravated by the current environment, given the continued slowdown in the real estate sector and the liquidity squeeze faced by developers and financiers. ICRA, however, notes management's intent to reduce this exposure as well as the presence of adequate collateral and exposure to a bouquet of projects, thereby reducing dependence on specific projects. The Group, like most of its peers, also has high exposure to the riskier self-employed segment, where the earnings profile is more volatile than the salaried segment.

The IIFL Group reported gross NPA of 1.96% and net NPA 0.63% as on March 31, 2019 (1.72% and 0.64% as on March 31, 2018). Post March 31, 2018, the company witnessed slippages in the real estate portfolio, which resulted in a significant increase in the gross and net NPA percentage as on December 31, 2018. The decline in gross NPA in March 2019 from December 2018 was on account of recoveries and write-offs in the real estate portfolio. Further, with the sale of the CV business, the NPAs declined as NPAs in this business were higher than the overall NPAs. With slippages across segments, the gross and net NPAs increased to Rs. 589 crore (2.27%) and Rs. 255 crore (0.98%), respectively, as on December 31, 2019 from Rs. 540 crore and Rs. 174 crore, respectively, as on March 31, 2019. Including repossessed assets, the net NPA stood at ~2% as on December 31, 2019. The Net Stage 3/Tangible Net Worth stood at ~5% as on December 31, 2019. The Group's ability to control slippages in the current and reduce the real estate lending book as a percentage of the net worth remains a key monitorable.

Higher reliance on assignment/securitisation to meet funding plans – As the Group has significant retail exposures (~87% of the AUM), it has been able to assign/securitise its portfolio which has helped meet its liquidity requirements. While the company has been able to raise long-term bank loans and NCDs, assignment and securitisation accounted for ~69% of the total funds raised in 9M FY2020. ICRA notes the ~Rs. 2,850 crore of foreign currency bonds issued by the company in Q4FY2020 and the incremental bank loan sanctions received by the company since December 2019. An improvement in the Group's ability to raise funds at competitive rates compared to peers will remain a key monitorable.

High growth in loan book over past two-three years; a large part of the loan book yet to be tested for adverse economic cycles – The key segments of the Group have grown largely in the last two-three years, resulting in a moderately seasoned portfolio. Home loans, gold loans, MSMEs and MFIs, which account for 65% of the book as on Mar-19, witnessed a significant 3-year CAGR of 65%, 29%, 26% and 209% (2-year CAGR), respectively. While the gold loans are of a shorter tenure (<1 year), the home loans and MSME loans are of a longer tenure. Given the moderate seasoning of the home loans and the MSME book, the Group's ability to maintain its asset quality across business cycles will remain a monitorable. Additionally, the MFI loans are given to marginal borrower segments, which are exposed to event risks that can disrupt incomes. Given the unsecured nature of these loans, the loss upon default can be high in this segment.

Liquidity position: Adequate

As on March 31, 2020, the company has on-balance sheet liquidity (in the form of cash, liquid investments and unencumbered fixed deposits) of Rs. 1,825 crore, unutilised/undrawn bank lines of Rs. 2,450 crore and assignment/securitisation lines of Rs. 1,150 crore. In addition to this, the Group has a pool of assets, which could be securitised/assigned to generate additional liquidity. The liquidity profile remains adequate in relation to the near-term debt maturities (debt obligations of ~Rs. 2,342 crore due till June 2020 for IIFL Finance Limited Consolidated). With moratorium being extended to the borrowers, the group's ability to avail moratorium from its lenders and additional funding would be a key monitorable.

Rating sensitivities

Positive triggers – ICRA could revise the outlook to Stable if the company is able to contain the slippages and ensure Net Stage 3/Tangible Net Worth of less than 20% on a sustained basis while maintaining or improving the on-book gearing levels. This apart, a reduction in the real estate lending book in relation to the net worth with an improvement in the availability of diversified sources of funding remains a monitorable.

Negative triggers – ICRA could downgrade the ratings if there is a weakening in the solvency profile with Net Stage 3/Tangible Net Worth of more than 20%, a deterioration in the profitability with PAT/AMA of less than 1.25% and /or an increase in the on-book leverage to beyond 6x on a sustained basis. Any deterioration in the funding flexibility would also be a key negative.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA's Credit Rating Methodology for Non-Banking Finance Companies Rating Methodology for Housing Finance Companies
Parent/Group Support	Not applicable; For arriving at the ratings, ICRA has taken a consolidated view of India Infoline Finance Limited and its subsidiaries, given their common senior management team and strong financial and operational synergies.
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of India Infoline Finance Limited.

About the company

IIFL Finance was a listed non operating holding company with India Infoline Finance a systematically important, non-deposit accepting non-banking financial company (NBFC-ND-SI) as its subsidiary. As part of the merger scheme with the receipt of NBFC license by IIFL Finance Limited, India Infoline Finance Limited has now been merged with IIFL Finance Limited with effect from March 30, 2020. IIFL along with its subsidiaries, IIFL Home Finance (registered as Housing Finance Company) and Samasta Microfinance Limited (registered as NBFC-MFI) offers home loans, loan against property, MSME loans, gold loans, microfinance and real estate loans.

IIFL Finance Limited's consolidated net worth stood at Rs. 4,625 crore as on September 30, 2019. It reported a PAT of Rs. 794 crore in FY2019 on a total assets of Rs. 33,245 crore as compared to PAT of Rs. 1,019 crore in FY2018 on a total asset of Rs. 44,495 crore. The company reported a PAT of Rs. 254 crore in H1FY2020 on total assets of Rs. 30,095 crore as on September 30, 2019.

Key financial indicators (consolidated for IIFL Finance Limited)

	FY2018 (Audited)	FY2019 (Audited)	6MFY2020 (Unaudited)
Total revenues	4,280	4,786	2,241
Profit after tax ¹	1,019	794	254
Net worth	6,243	4,368	4,625
Loan book (AUM)	31,134	34,903	35,007
Total assets	44,495	33,245	30,095
PAT/ATA	2.6%	2.0%	1.6%
Return on equity	17.16%	14.97%	11.29%
Gross NPA	1.72%	1.96%	2.51%
Net NPA	0.64%	0.63%	1.51%
Gearing	5.5	6.1	4.9

Key financial indicators (consolidated for erstwhile India Infoline Finance Limited)

	FY2018 IND-AS Audited	FY2019 IND-AS Audited	9M FY2020 IND-AS Unaudited
Operating income	1,769	2,430	1,703
Profit after tax	465	729	452
Net worth ²	3,692	4,317	4,775
Loan book (AUM)*	31,134	34,903	36,015
Total assets	31,979	33,191	31,208
PAT/AMA	1.5%	1.9%	1.5%
Return on equity	12.8%	18.2%	13.24%
Gross NPA	1.72%	1.96%	2.27%
Net NPA	0.64%	0.63%	0.98%
Capital adequacy ratio	16.2%	19.2%	21.40%
Gearing ³	7.1	6.2	5.1

Amounts in Rs. crore

*Including CV Business for March 2018

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

¹ Including minority interest

² Including minority interest

³ Including minority interest

Rating history for last three years

Sr. No.	Instrument	Type	Current Rating (FY2021)		Chronology of Rating History for the Past 3 Years			
			Rated Amount (Rs. crore)	Amount Outstanding (Rs. crore)	21-Apr-20	FY2020	FY2019	FY2018
1	Non-convertible Debenture Programme	Long Term	5,000.00	941.96	[ICRA]AA(negative) assigned	-	-	-
2	Subordinated Debt Programme	Long Term	1,000.00	443	[ICRA]AA(negative); assigned	-	-	-
3	Long-term Bank Lines	Long Term	5,775.00	3,824	[ICRA]AA(negative); assigned	-	-	-
4	Non-convertible Debenture Programme	Long Term	5,010.00	1,047	[ICRA]AA(negative); assigned	-	-	-
5	Long-term Principal Protected Equity Linked Debenture Programme	Long Term	500.00	--	PP-MLD[ICRA]AA(negative); assigned	-	-	-
6	Long-term Principal Protected Market Linked Debenture Programme	Long Term	500.0	186	PP-MLD[ICRA]AA(negative); assigned	-	-	-
7	Commercial Paper Programme	Short Term	8,000.00	NA	[ICRA]A1+; assigned	-	-	-
8	Commercial Paper Programme (IPO Financing)	Short Term	8,000.00	NA	[ICRA]A1+; assigned	-	-	-

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument details (Transferred from India Infoline Finance Limited)

ISIN	Instrument Name	Borrowing Date	Coupon Yield (%)	Maturity Date	Amount Rated (Rs. crore)	Current Outlook	Rating and
INE866I07BB2	Long-term debt programme/ Secured NCD programme	3-Oct-16	9.30%	20-Apr-20	150.00	[ICRA]AA(negative)	
INE866I07BH9	Long-term debt programme/ Secured NCD programme	5-Jan-17	8.85%	7-Apr-20	11.00	[ICRA]AA(negative)	
INE866I07BJ5	Long-term debt programme/ Secured NCD programme	31-Mar-17	8.77%	30-Apr-20	500.00	[ICRA]AA(negative)	
INE866I07BL1	Long-term debt programme/ Secured NCD programme	29-Sep-17	8.00%	29-Apr-21	250.00	[ICRA]AA(negative)	
INE866I07BO5	Long-term debt programme/ Secured NCD programme	14-Mar-18	8.75%	30-Apr-21	10.00	[ICRA]AA(negative)	
INE866I07BQ0	Long-term debt programme/ Secured NCD programme	25-Jun-18	9.25%	25-May-21	26.00	[ICRA]AA(negative)	
INE866I07BU2	Long-term debt programme/ Secured NCD programme	28-Sep-18	9.98%	28-Sep-20	100.00	[ICRA]AA(negative)	
INE866I07BY4	Non-convertible debenture programme	7-Feb-19	9.50%	7-May-22	260.50	[ICRA]AA(negative)	
INE866I07BZ1	Non-convertible debenture programme	7-Feb-19	9.60%	7-May-22	38.22	[ICRA]AA(negative)	
INE866I07CB0	Non-convertible debenture programme	7-Feb-19	9.60%	7-May-22	47.24	[ICRA]AA(negative)	
INE866I07CD6	Non-convertible debenture programme	7-Feb-19	9.75%	7-Feb-24	183.69	[ICRA]AA(negative)	
INE866I07CF1	Non-convertible debenture programme	7-Feb-19	10.20%	7-Feb-24	124.51	[ICRA]AA(negative)	
INE866I08279	Non-convertible debenture programme	7-Feb-19	10.00%	7-Feb-29	30.77	[ICRA]AA(negative)	
INE866I08295	Non-convertible debenture programme	7-Feb-19	10.50%	7-Feb-29	15.45	[ICRA]AA(negative)	
INE866I07CJ3	Non-convertible debenture programme	6-Sep-19	10.00%	6-Dec-20	96.73	[ICRA]AA(negative)	
INE866I07CK1	Non-convertible debenture programme	6-Sep-19	9.50%	6-Dec-22	36.22	[ICRA]AA(negative)	
INE866I07CL9	Non-convertible debenture programme	6-Sep-19	9.85%	6-Dec-22	11.88	[ICRA]AA(negative)	
INE866I07CM7	Non-convertible debenture programme	6-Sep-19	9.85%	6-Dec-22	65.06	[ICRA]AA(negative)	
INE866I08303	Non-convertible debenture programme	6-Sep-19	10.00%	6-Jun-25	25.93	[ICRA]AA(negative)	
INE866I08311	Non-convertible debenture programme	6-Sep-19	10.50%	6-Jun-25	5.78	[ICRA]AA(negative)	
INE866I07BR8	Long-term principal protected equity linked debenture programme/Long-term	6-Sep-18	8.75%	21-Apr-20	50.00	PPMLD[ICRA]AA(negative)	

ISIN	Instrument Name	Borrowing Date	Coupon Yield (%)	Maturity Date	Amount Rated (Rs. crore)	Current Outlook	Rating and
INE866I07BS6	principal protected market linked debenture programme Long-term principal protected equity linked debenture programme/Long-term principal protected market linked debenture programme	11-Sep-18	9.00%	27-Apr-20	26.00	PPMLD[ICRA]AA(negative)	
INE866I07BS6	principal protected market linked debenture programme Long-term principal protected equity linked debenture programme/Long-term principal protected market linked debenture programme	7-Mar-19	9.00%	27-Apr-20	18.00	PPMLD[ICRA]AA(negative)	
INE866I07BS6	principal protected market linked debenture programme Long-term principal protected equity linked debenture programme/Long-term principal protected market linked debenture programme	19-Mar-19	9.00%	27-Apr-20	7.00	PPMLD[ICRA]AA(negative)	
INE866I07BS6	principal protected market linked debenture programme Long-term principal protected equity linked debenture programme/Long-term principal protected market linked debenture programme	25-Mar-19	9.00%	27-Apr-20	6.00	PPMLD[ICRA]AA(negative)	
INE866I07CG9	principal protected market linked debenture programme Long-term principal protected equity linked debenture programme/Long-term principal protected market linked debenture programme	9-Apr-19	9.00%	9-Jul-20	11.00	PPMLD[ICRA]AA(negative)	
INE866I07CG9	principal protected market linked debenture programme Long-term principal protected equity linked debenture programme/Long-term principal protected market linked debenture programme	23-Apr-19	9.00%	9-Jul-20	18.00	PPMLD[ICRA]AA(negative)	
INE866I08253	principal protected market linked debenture programme Long-term principal protected equity linked debenture programme/Long-term principal protected market linked debenture programme	28-Aug-18	9.35%	25-Aug-28	50.00	PPMLD[ICRA]AA(negative)	
INE866I08121	Subordinated debt programme/Unsecured NCD programme	31-Aug-12	12.15%	30-Aug-22	5.00	[ICRA]AA(negative)	
INE866I08121	Subordinated debt programme/Unsecured NCD programme	31-Aug-12	12.15%	31-Aug-22	15.00	[ICRA]AA(negative)	
INE866I08162	Subordinated debt programme/Unsecured NCD	5-Nov-12	12.20%	4-Nov-22	23.00	[ICRA]AA(negative)	

ISIN	Instrument Name	Borrowing Date	Coupon Yield (%)	Maturity Date	Amount Rated (Rs. crore)	Current Outlook	Rating and
INE866I08170	programme Subordinated programme/Unsecured programme	debt NCD 24-May-13	12.10%	24-May-23	10.00	[ICRA]AA(negative)	
INE866I08196	programme Subordinated programme/Unsecured programme	debt NCD 5-Sep-14	11.25%	5-Sep-20	134.00	[ICRA]AA(negative)	
INE866I08196	programme Subordinated programme/Unsecured programme	debt NCD 5-Sep-14	11.25%	5-Sep-20	35.00	[ICRA]AA(negative)	
INE866I08196	programme Subordinated programme/Unsecured programme	debt NCD 5-Sep-14	11.25%	5-Sep-20	31.00	[ICRA]AA(negative)	
INE866I08204	programme Subordinated programme/Unsecured programme	debt NCD 25-Mar-15	10.75%	3-Jun-20	10.00	[ICRA]AA(negative)	
INE866I08212	programme Subordinated programme/Unsecured programme	debt NCD 31-Mar-15	10.75%	30-Apr-20	45.00	[ICRA]AA(negative)	
INE866I08220	programme Subordinated programme/Unsecured programme	debt NCD 11-Sep-15	10.75%	10-Sep-21	20.00	[ICRA]AA(negative)	
INE866I08238	programme Subordinated programme/Unsecured programme	debt NCD 16-Sep-15	10.50%	16-Sep-21	15.00	[ICRA]AA(negative)	
INE866I08246	programme Subordinated programme/Unsecured programme	debt NCD 21-Nov-17	8.70%	19-Nov-27	100.00	[ICRA]AA(negative)	
NA	Commercial paper	NA	NA	7-365 Days	8,000.00	[ICRA]A1+	
NA	Long-term bank lines - Fund based/ CC	NA	NA	NA	225.00	[ICRA]AA(negative)	
NA	Long-term bank lines - Fund based term loans	NA	NA	NA	3,599.00	[ICRA]AA(negative)	
NA	Long-term bank lines - Unallocated	NA	NA	NA	1,951.00	[ICRA]AA(negative)	
NA	Commercial paper (IPO)	NA	NA	7-30 Days	8,000.00	[ICRA]A1+	

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
IIFL Home Finance Limited	100%	Full Consolidation
Samasta Microfinance Limited	98.89%	Full Consolidation
Clara Developers Private Limited	100%	Full Consolidation

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

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RATING RATIONALE

22 April 2020

IIFL Finance Limited

Brickwork Ratings assigns ratings of BWR AA+ Negative for the NCDs of IIFL Finance Limited.

Particulars

Facility/ Instrument**	Amount (₹ Cr)	Tenure	Rating*
NCDs (Public Issue) ^	5000.00	Long Term	BWR AA+ 'Negative' Assigned
Secured NCDs	50.00		
Unsecured Subordinated NCDs	35.00		
Total	5085.00	INR Five Thousand and Eighty Five Crores Only	

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

** Details of NCDs are provided in Annexure-I

^ Interchangeable between secured and subordinated debt.

RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) assigns the rating of 'BWR AA+' with a Negative outlook for various non-convertible debentures (NCDs) of IIFL Finance Limited, pursuant to the merger of India Infoline Finance Limited with IIFL Finance Limited. IIFL Finance was the holding company for the lending business of the IIFL group and held 84.54% in IIFL. IIFL Finance Limited has recently got an NBFC license from the RBI, subsequent to which, IIFL has been merged with IIFL Finance Limited w.e.f. 30 March 2020.

The rating continues to factor in the IIFL Finance group's diversified presence in the retail financing space, highly qualified and experienced management team, comfortable capitalisation and adequate resource mix. The rating is, however, constrained by the limited seasoning of the loan portfolio, particularly in the home loan and MSME loan segments, and moderation in the company's asset quality. The Negative outlook is on account of the expectation of continued pressure on the asset quality, specifically in the MSME and LAP segments, and the company's



ability to grow its balance sheet amid funding challenges to the Non-Banking Financial Company (NBFC) sector.

KEY RATING DRIVERS

Credit Strengths

Diversified business profile: IIFL Finance Ltd is a retail-focused NBFC with a diversified loan book and offers products such as home loans, gold loans, microfinance loans (MFI), micro small & medium enterprise (MSME) business loans, loans against property (LAP) and construction finance. Out of the total AUM of Rs 36015 Crs as on 31 December 2019, home loans constitute 34.30% of the total AUM, followed by business loans (including LAP) at 22.11%, gold loans at 21.04%, developer finance loans at 12.91% and MFI loans at 8.25%; the remaining constituted loans to the capital market segment. The company also benefits from the synergies it derives from IIFL Wealth and IIFL Securities, given the common promoters and shared brand name.

Diversified resource mix: The company has a diversified resource profile and has demonstrated its ability to raise funds through various sources. The company has been able to raise long-term funds of ~ Rs 9400 Crs in FY20. Around 46% of these were in the form of term loans/refinance from National Housing Bank (NHB), and the rest were in the form of NCDs/ECB. Apart from this, the company had raised ~Rs 13000 Crs through the securitisation/assignment of its loans. Out of the total funding as on 31 December 2019, 36% was in the form of term loans, 22% in the form of NCDs, 31% in the form of assignment of loans, 7% in the form of securitisation and 4% in the form of refinance from NHB. The company has requested a moratorium for repaying term loans that are due, on account of COVID-19, and has received a verbal approval from some of its lenders. A written confirmation in this regard is awaited. However, the company is making timely payments wherever the instalment is coming due and if it has not received the moratorium approval.

Comfortable capitalisation: IIFL Finance Limited's total net worth and gearing stood at Rs 4816.20 Crs and 4.96 times, respectively, as on 31 December 2019. It has improved from Rs 4367.51 Crs and 6.09 times, respectively, as on 31 March 2019, respectively. The reduction in gearing was mainly attributed to the reduction in borrowing, which was on account of a moderation in disbursements and higher proportion of the assigned/securitised portfolio. The net worth to net non-performing assets coverage stood at over 18.92 times as on 31 December 2019. IIFL Finance group is adequately capitalised. The overall capital adequacy ratio of India Infoline Finance Ltd, IIFL Home Finance Ltd and Samasta Microfinance stood at 21.38%, 23.02% and 27.75%, respectively, as on 31 December 2019.



Experienced management and strong ownership: IIFL Finance Limited and its subsidiaries are led by a highly qualified and experienced management team with strong experience in the financial services domain. The board consists of Mr. Nirmal Jain (the founder of IIFL Group and chairman of IIFL Finance Limited), Mr. R. Venkataraman (co-promoter and managing director of IIFL Finance Limited) and other independent directors. IIFL Finance Limited is a listed company in which promoters held 24.94%, the Fairfax group held 22.37%, CDC Group PLC held 15.46% and foreign portfolio investors held 20.08% as on 31 March 2020.

Credit Risks

Limited loan seasoning: The IIFL Finance group's AUM has largely grown in the last three years. The total AUM grew from Rs 22281 Crs as on 31 March 2017 to Rs 36015 Crs as on 31 December 2019. Home loans and MSME business loans, which have a longer tenure, constituted ~56% of the total AUM as on 31 December 2019. The loan portfolio has limited seasoning, especially in the home loans and MSME loans segment. The overall asset quality is yet to be tested through economic down cycles.

Moderate asset quality: The gross NPA across home loans, gold loans, microfinance loans, MSME loans and LAP increased between March 2019 to December 2019. Gross NPA (GNPA) increased from 1.96% as on 31 March 2019 to 2.27% as on 31 December 2019. The weakening of asset quality, especially in the MSME and LAP segments, is a key risk. The risk is partially mitigated by curtailing the exposure to the riskier real estate finance segment and slowing down the disbursements in the MSME segment. However, the company's ability to control slippages and maintain asset quality is a key rating monitorable. There could be some impact on disbursements and collections due to the lockdown on account of COVID-19. Many of its borrowers are availing a moratorium, and IIFL Finance Ltd's ability to ensure timely collections during and after the moratorium and the impact of COVID-19, if any, on the company's asset quality are also monitorables.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has taken a consolidated view on IIFL Finance Limited and its subsidiaries IIFL Home Finance Limited and Samasta Microfinance Limited (collectively referred to as the IIFL Finance group) having strong operational, financial and managerial linkages. The rating also factors in the synergies it derives from IIFL Wealth and IIFL Securities, given the common promoters and shared brand name. BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).



RATING SENSITIVITIES

Going forward, the company's ability to steadily grow its portfolio while maintaining comfortable asset quality and a prudent capital structure will be key rating sensitivity factors.

Positive: The outlook may be revised to Stable if there is a sustained improvement in the asset quality, and the company is able to steadily grow its AUM with an improvement in profitability.

Negative: The rating may be downgraded if the asset quality deteriorates further, thereby impacting profitability, or if the liquidity reduces, and the company faces challenges to raise funds at competitive rates.

Coronavirus disease (COVID-19), declared a pandemic by the World Health Organisation (WHO), has become a full-blown crisis globally, including in India. As a containment measure, the Indian Government, on 24 March 2020, announced a 21-day nationwide lockdown. As per BWR, financial institutions, mainly those lending to the retail low-income borrower segments, could be the most impacted. The 3-month moratorium announced by the RBI on interest and principal on bank debt will provide some cushion to the lending community to realign its collection machinery and operations during this period. However, lenders' ability to ensure credit discipline among borrowers as the 3-month moratorium ends and to collect accumulated interest and principal dues on a timely basis after this period will be a key monitorable. BWR is actively engaging with its clients on a continuous basis and taking updates on the impact on its operations and liquidity situation. BWR will take appropriate rating actions as and when it deems necessary and will publish the same.

LIQUIDITY POSITION: ADEQUATE

IIFL Finance group has reduced its dependence on commercial paper borrowings and has been able to raise long-term funding in the form of term loans/NCDs and securitisation. IIFL Finance has scheduled debt repayment obligations of ~ Rs 2340 Crs between April to June 2020. The liquidity remains adequate with cash/bank/FD and liquid investments of ~ Rs 1825 Crs and undrawn sanction lines (including securitisation) of ~ Rs 3600 Crs as on 31 March 2020. Since IIFL Finance group mainly caters to the retail segment, a large number of borrowers have asked for a moratorium and hence the collections are expected to be low. The IIFL Finance group has also requested for a moratorium to its bankers. They have received verbal confirmation from some bankers. A written confirmation in this regard is awaited. However, the company is making timely payments wherever an instalment is coming due and if they have not received the moratorium approval.

COMPANY PROFILE

IIFL Finance Limited is a listed company in which promoters held 24.94%, the Fairfax group held 22.37%, CDC Group PLC held 15.46% and foreign portfolio investors held 20.08% as on 31 March 2020. IIFL Finance Limited (erstwhile IIFL Holdings Limited) was the holding company for the entire IIFL group. The group had subsequently reorganised its corporate structure, wherein the Securities Business Undertaking and Wealth Business Undertaking of IIFL Holdings Limited were demerged into IIFL Securities Limited and IIFL Wealth Management Limited, respectively. IIFL Holdings Limited was renamed IIFL Finance Limited and was the holding company for the lending business of the IIFL group and held 84.54% in India Infoline Finance Limited. IIFL Finance Limited recently got an NBFC license from the RBI, subsequent to which, IIFL has been merged with IIFL Finance Limited w.e.f. 30 March 2020. All the assets and liabilities (including the rated debt) are transferred from IIFL to IIFL Finance Ltd. IIFL had two key operating subsidiaries, IIFL Home Finance Ltd (IIHFL) (in which it held 100%) and Samasta Microfinance Ltd (in which it held 98.89%). Subsequent to the merger of IIFL with IIFL Finance Ltd, IIFL Home finance Ltd and Samasta Microfinance Ltd have become direct subsidiaries of IIFL Finance Ltd. The IIFL Finance group has a widespread branch network, with 2366 branches spread across 25 states, out of which ~85% of branches are in Tier 2 and Tier 3 locations. The company offers various products, such as home loans, gold loans, MSME loans, microfinance loans, LAP and construction finance loans.

KEY FINANCIAL INDICATORS

Key Parameters	Units	FY18	FY19 ^	9M FY20 ^
Result Type		Audited	Audited	Provisional
Total income	(in Rs Crs)	6466.03	5095.53	3498.06
Net profit	(in Rs Crs)	1019.05	794.22	441.15
Total Net worth	(in Rs Crs)	6242.79	4367.51	4816.20
Gearing	(in times)	5.50	6.09	4.96
Total capital adequacy ratio	(%)	16.32	19.18	21.38
Total AUM	(in Rs Crs)	31134	34904	36015
Gross NPA	(%)	1.72	1.96	2.27
Net NPA	(%)	0.64	0.63	0.98

^ post demerger of IIFL Securities Ltd and IIFL Wealth Management Ltd

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY, IF ANY: NA

RATING HISTORY

Sr. No.	Name of Instrument	Current Rating (2020)			Rating History for the past 3 years		
		Type (Long Term/ Short Term)	Amount Outstanding (Rs. Crores)	Rating	2019	2018	2017
1	NCDs (Public Issue) ^	Long Term	5000	BWR AA+ 'Negative'	NA	NA	NA
2	Secured NCDs	Long Term	50	BWR AA+ 'Negative'	NA	NA	NA
3	Unsecured Subordinated NCDs	Long Term	35	BWR AA+ 'Negative'	NA	NA	NA
Total			5085	INR Five Thousand Eighty Five Crores Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

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

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Banks & Financial Institutions](#)
- [Consolidation of Companies](#)



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IIFL Finance Ltd

ANNEXURE I

Details of Instruments (ISINs) which are transferred from India Infoline Finance Ltd to IIFL Finance Ltd on account of merger.

Instrument	Issue Date	Amount Raised in Crs.	Coupon Rate	Maturity Date	ISIN Particulars
Secured NCD *	7-Feb-19	260.50	9.50%	7-May-22	INE866I07BY4
Secured NCD *	7-Feb-19	38.91	9.60%	7-May-22	INE866I07BZ1
Secured NCD *	7-Feb-19	49.42	9.60%	7-May-22	INE866I07CB0
Secured NCD *	7-Feb-19	636.81	9.75%	7-Feb-24	INE866I07CD6
Secured NCD *	7-Feb-19	126.47	10.20%	7-Feb-24	INE866I07CF1
Subordinated NCD *	7-Feb-19	31.02	10.00%	7-Feb-29	INE866I08279
Subordinated NCD *	7-Feb-19	15.45	10.50%	7-Feb-29	INE866I08295
Secured NCD	17-Sep-19	5.00	9.85%	17-Jan-23	INE866I07CO3
Secured NCD *	06-Sep-19	98.09	10.00%	06-Dec-20	INE866I07CJ3
Secured NCD *	06-Sep-19	37.30	9.50%	06-Dec-22	INE866I07CK1
Secured NCD *	06-Sep-19	12.01	9.85%	06-Dec-22	INE866I07CL9
Secured NCD *	06-Sep-19	65.11	9.85%	06-Dec-22	INE866I07CM7
Subordinated NCD *	06-Sep-19	25.93	10.00%	06-Jun-25	INE866I08303
Subordinated NCD *	06-Sep-19	5.78	10.50%	06-Jun-25	INE866I08311
Subordinated NCD	11-Sep-15	20.00	10.75%	10-Sep-21	INE866I08220
Subordinated NCD	16-Sep-15	15.00	10.50%	16-Sep-21	INE866I08238
Total		1442.80			

* Raised under public issue of NCDs

ANNEXURE II

List of entities consolidated

Name of Entity	% ownership	Extent of consolidation	Rationale for consolidation
IIFL Home Finance Ltd	100%	Full Consolidation	Subsidiary
Samasta Microfinance Ltd	98.89%	Full Consolidation	Subsidiary



For print and digital media The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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