

April 21, 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 notes issued under the USD1 billion medium-term note (MTN) programme were transferred from India Infoline Finance Limited to IIFL Finance Limited.

In view of above, international credit rating agency viz Fitch Ratings has assigned Issuer Default Rating (IDR) and Debt Ratings to IIFL Finance Limited in place of India Infoline Finance Limited as per enclosed rating rational.

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

IIFL Finance Limited

(former rated entity India Infoline Finance Limited)

Key Rating Drivers

Coronavirus Drives Negative Action: The downgrade and Negative Watch on India Infoline Finance Limited's (now IIFL Finance Limited) Long-Term Issuer Default Rating (IDR) reflects the pressure and heightened uncertainty around its operating environment, asset quality and funding and liquidity profile, as the coronavirus pandemic creates considerable downside risk for the global and Indian economy. The ratings also reflect a diversified loan mix across several niches, experienced management, and short (yet satisfactory) operating record.

Slowdown Heightens Credit Risks: IIFL Finance has shown acceptable asset-quality performance so far, but we expect credit quality to deteriorate as a sharp economic slowdown hits borrowers' incomes, with ensuing pressure on earnings and capital. We have cut our financial year 2021 (FY21, to March 2021) India GDP growth forecast to 2%, and expect demand to recover only gradually even after current activity curbs are relaxed.

We view the loan portfolio to be relatively sensitive to macroeconomic deterioration in light of its riskier exposure to developer finance, SMEs, capital market finance and microfinance. These segments comprised roughly 50% of on-balance sheet loans at end-December 2019, excluding assets-under-management already on-sold to other financial institutions.

Forbearance to Curb Inflows: We expect near-term loan collections to slow significantly as dampened domestic activity curtails borrower repayment capacity. This is particularly in light of a three-month regulatory debt moratorium for borrowers affected by COVID-19, which should see high take-up. Problem assets will be under-reported in the near term due to the borrower protection offered by the moratorium. However, we expect asset-quality pressures to persist beyond that, with deferred problem-asset recognition after the moratorium expires.

Confidence-Sensitive Funding: We view IIFL Finance's funding as more sensitive to market conditions than its rated peers. It showed greater usage of secured funding against specific asset pledges amid more challenging funding conditions over the past year. The company has retained adequate access to new funds despite recent credit market disruptions, partly through such means. However, further asset encumbrance to secure funding may weaken blended asset quality and would reduce future funding flexibility.

Adequate Short-Term Liquidity: IIFL Finance's liquidity buffers cover its near-term (three-month) liability outflows adequately, and its move to shift towards longer-tenor funding over the past year places it in a better position to weather periods of market uncertainty. However, this provides only partial mitigation against a more confidence-sensitive funding profile, as liquidity buffers may be eroded if strains on funding and loan collection are prolonged.

Rating Sensitivities

Rating Watch Resolution: Fitch will resolve the Rating Watch Negative once there is greater clarity on the effects of the coronavirus on IIFL Finance's credit profile.

Deeper Economic Slowdown: A greater-than-expected deterioration in IIFL Finance's asset quality, funding access or liquidity position, or more pronounced weakness in the economic and funding environment, would result in negative rating action. Increased leverage beyond 7x (December 2019: 5.1x) would also place pressure on the ratings.

Strengthened Funding Profile: The ratings may be upgraded if IIFL Finance is able to maintain and improve its funding and liquidity profile without over-relying on asset sales and securitisation. This would need to occur alongside an improved economic environment, lower risks in its loan book, and asset-quality and balance-sheet buffers that are broadly maintained.

Ratings

Foreign Currency

Long-Term IDR B+

Sovereign Risk

Long-Term Foreign-Currency IDR BBB-

Long-Term Local-Currency IDR BBB-
Country Ceiling BBB-

Outlooks/Watches

Long-Term Foreign-Currency IDR Watch
Negative

Sovereign Long-Term Foreign-Currency IDR Stable

Sovereign Long-Term Local-Currency IDR Stable

Applicable Criteria

[Non-Bank Financial Institutions Rating Criteria \(February 2020\)](#)

[Country-Specific Treatment of Recovery Ratings Rating Criteria \(February 2020\)](#)

Related Research

[Coronavirus Disruptions to Prolong Strains on Indian NBFIs \(April 2020\)](#)

[Global Economic Outlook - Coronavirus Crisis Update 2 April 2020](#)

[Fitch Downgrades 3 Indian NBFIs, On Negative Watch; 4th on Negative Watch \(March 2020\)](#)

[Indian NBFIs Challenges Could Intensify from Yes Bank Restructuring \(March 2020\)](#)

[What Investors Want to Know: India Sovereign and Financial Institutions \(March 2020\)](#)

[India Infoline Finance Limited \(February 2020\)](#)

Analysts

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Issuer Ratings

Rating level	Rating
Long-Term Foreign-Currency IDR	B+
Outlook/Watch	Watch Negative

Source: Fitch Ratings, Fitch Solutions

Debt Rating Classes

Rating level	Rating	Recovery Rating
MTN programme and foreign-currency senior secured debt	B+/Watch Negative	RR4

Source: Fitch Ratings, Fitch Solutions

IIFL Finance's MTN programme and foreign-currency senior secured notes are rated at the same level as its Long-Term Foreign-Currency IDR.

Most of the entity's debt is secured, as is typical among Indian NBFIs, and Fitch would consider non-payment of IIFL Finance's senior secured debt as the best reflection of an uncured failure of the entity. IIFL Finance may issue unsecured debt in the overseas market, but such debt is likely to constitute a small portion of its funding – and therefore will not be viewed as the primary senior financial obligation.

The notes are also subject to maintenance-based covenants that require IIFL Finance and its principal subsidiaries to meet regulatory capital requirements, maintain a net non-performing asset ratio equal to or less than 5%, and maintain a security coverage ratio at or above 1.0x at all times.

Fitch has assigned a Recovery Rating of 'RR4' to IIFL Finance's senior secured debt, reflecting 'Average' recovery prospects in the event of a default, in accordance with our criteria for entities with a Long-Term IDR of 'B+' or below.

The ratings on the MTN programme and notes issued under the programme will move in tandem with IIFL Finance's Long-Term Foreign-Currency IDR. The Recovery Rating would be sensitive to Fitch's assessment of likely recoveries on the entity's senior secured notes.

Ratings Navigator

IIFL Finance Limited

ESG Relevance:

Non-Bank FI Ratings Navigator
Finance & Leasing Companies

Factor Levels	Operating Environment	Company Profile	Management & Strategy	Risk Appetite	Asset Quality	Earnings & Profitability	Capitalization & Leverage	Funding, Liquidity & Coverage	Issuer Default Rating
aaa									AAA
aa+									AA+
aa									AA
aa-									AA-
a+									A+
a									A
a-									A-
bbb+									BBB+
bbb									BBB
bbb-									BBB-
bb+	↓	↓	↓	↓	↓	↓	↓	↓	BB+
bb	↓	↓	↓	↓	↓	↓	↓	↓	BB
bb-	↓	↓	↓	↓	↓	↓	↓	↓	BB-
b+	↓	↓	↓	↓	↓	↓	↓	↓	B+ RWN
b									B
b-									B-
ccc+									CCC+
ccc									CCC
ccc-									CCC-
cc									CC
c									C
f									D or RD

Significant Changes

Coronavirus Poses Operational Challenges

India’s government announced a nation-wide stay-home order from late March, applicable to a broad swathe of domestic activities other than essential services. Parts of the economy have now been allowed to reopen after the initial three-week order, but major cities where the risks of infection are higher are likely to take longer to restart.

The restrictions to contain the health crisis will have a material impact on economic growth, borrower incomes and asset quality. This drives the negative outlook on the operating environment and asset quality of IIFL Finance, which are likely to also weigh on profitability and capital generation, and place pressure on capital adequacy. A wide-reaching three-month debt moratorium announced by the regulator is likely to crimp near-term loan repayments, weighing on liquidity inflows and adding to demands on the company’s liquidity buffers.

Corporate Restructuring Complete

The reorganisation of the Infoline group’s financing arm was completed on 30 March 2020. All assets and liabilities of the previous operating finance company, India Infoline Finance Limited, have been transferred to parent entity IIFL Finance. This includes any Fitch-rated debt issued by India Infoline Finance.

Fitch believes the credit profile of IIFL Finance, post-merger, is not materially different from that of India Infoline Finance prior to the merger. Therefore, the IDR and debt ratings of IIFL Finance have been retained at the same level as the pre-merger ratings on India Infoline Finance. IIFL Finance carried no debt prior to the merger, and its assets consisted mostly of investments in India Infoline Finance and the latter’s subsidiaries. (Please refer to the credit report on India Infoline Finance Limited, dated 21 February 2020, for more details on the pre- and post-merger organisational structure).

Bar Chart Legend	
Vertical bars – VR range of Rating Factor	
Bar Colors – Influence on final VR	
	Higher influence
	Moderate influence
	Lower influence
Bar Arrows – Rating Factor Outlook	
	Positive
	Negative
	Evolving
	Stable

Environmental, Social and Governance Considerations

Credit-Relevant ESG Derivation

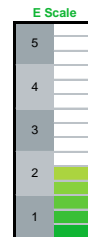
IIFL Finance Limited has 5 ESG potential rating drivers

- IIFL Finance Limited has exposure to fair lending practices; pricing transparency; repossession/foreclosure/collection practices; consumer data protection; legal/regulatory fines stemming from any of the above but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			Overall ESG Scale	
key driver	0	issues	5	
driver	0	issues	4	
potential driver	5	issues	3	
not a rating driver	5	issues	2	
	4	issues	1	

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	2	Regulatory risks, emissions fines or compliance costs related to owned equipment, which could impact asset demand, profitability, etc.	Operating Environment
Energy Management	2	Investments in or ownership of assets with below-average energy/fuel efficiency which could impact future valuation of these assets	Risk Appetite
Water & Wastewater Management	1	n.a.	n.a.
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Company Profile; Asset Quality

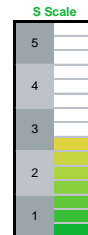


How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	1	n.a.	n.a.
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Fair lending practices; pricing transparency; repossession/foreclosure/collection practices; consumer data protection; legal/regulatory fines stemming from any of the above	Operating Environment; Risk Appetite; Asset Quality
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile; Management & Strategy; Earnings & Profitability; Capitalization & Leverage; Funding, Liquidity & Coverage
Employee Wellbeing	1	n.a.	n.a.
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core activities	Company Profile; Earnings & Profitability



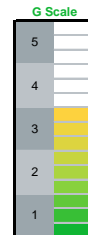
The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Operational implementation of strategy	Management & Strategy
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal/compliance risks; business continuity; key person risk; related party transactions	Management & Strategy
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile
Financial Transparency	3	Quality and timing of financial reporting and auditing processes	Management & Strategy



CREDIT-RELEVANT ESG SCALE	
How relevant are E, S and G issues to the overall credit rating?	
5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Inrelevant to the entity rating but relevant to the sector.
1	Inrelevant to the entity rating and irrelevant to the sector.

ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

Income Statement

	Year end (USDm) Audited - unqualified (emphasis of matter)	31 Mar 19 Year end (INRm) Audited - unqualified (emphasis of matter)	31 Mar 18 Year end (INRm) Audited - unqualified	31 Mar 17 Year end (INRm) Audited - unqualified	31 Mar 26 Year end (INRm) Audited - unqualified
Revenues					
Operating and finance lease income net of depreciation	n.a.	n.a.	n.a.	n.a.	n.a.
Gross interest, leasing and dividend income	692	47,863.9	36,828.1	29,218.8	25,174.0
Total interest expense	374	25,857.3	20,880.3	17,894.2	16,090.6
Net interest income	318	22,006.6	15,947.8	11,324.6	9,083.4
Total non-interest operating income	-27	-1,882.5	31.0	1,546.4	1,485.8
Expenses					
Total non-interest expenses	169	11,700.5	7,471.4	6,638.0	5,610.4
Pre-impairment/provision operating profit	122	8,423.6	8,507.4	6,233.1	4,958.8
Impairment charges	0	-25.5	2,051.1	0.0	0.0
Securities and other credit impairment charges	0	25.7	4.9	0.0	0.0
Operating profit	122	8,423.5	6,451.5	6,233.1	4,958.8
Pre-tax income	152	10,540.4	6,866.4	6,491.9	5,208.7
Net income	105	7,287.0	4,647.3	4,232.4	3,387.0
Fitch comprehensive income	104	7,184.7	4,632.2	4,232.4	3,387.0
Memo: EBITDA	531	36,711.7	27,915.6	24,542.9	21,568.9
Exchange rate		USD1 = INR69.1713	USD1 = INR65.044	USD1 = INR64.8386	USD1 = INR66.3329

Source: Fitch Ratings, Fitch Solutions, IIFL Finance

Balance Sheet

	Year end (USDm)	31 Mar 19 Year end (INRm)	31 Mar 18 Year end (INRm)	31 Mar 17 Year end (INRm)	31 Mar 16 Year end (INRm)
Assets					
Loans & leases					
Gross loans	4,076	281,957.7	294,597.0	195,184.0	183,495.4
Net loans	3,942	272,700.7	285,651.5	192,778.8	181,904.5
Operating leases, net	n.a.	n.a.	n.a.	n.a.	n.a.
Investment in direct financing and sales-type leases, net	n.a.	n.a.	n.a.	n.a.	n.a.
Gross loans and leases	4,076	281,957.7	294,597.0	195,184.0	183,495.4
Loan loss allowances for receivables and loans	134	9,257.0	8,945.6	2,405.3	1,590.9
Net loans and leases	3,942	272,700.7	285,651.5	192,778.8	181,904.5
Other earning assets	547	37,822.6	13,449.6	12,917.7	2,366.3
Total earning assets	4,528	313,242.2	308,037.9	221,150.8	186,745.9
Total assets	4,798	331,914.8	319,793.9	235,226.0	192,875.6
Liabilities & equity					
Debt & deposits					
Total customer deposits	n.a.	n.a.	n.a.	n.a.	n.a.
Total deposits	n.a.	n.a.	n.a.	n.a.	n.a.
Total short term debt funding	1,474	101,992.3	150,559.5	74,028.4	66,820.3
Total long term funding	2,368	163,800.2	112,469.0	107,012.7	86,306.7
Total debt and deposits	3,843	265,792.5	263,028.5	181,041.2	153,127.0
Debt & deposits					
Total interest-bearing liabilities	3,864	267,243.7	263,838.0	181,664.3	153,128.2
Total liabilities	4,174	288,740.2	282,875.4	199,740.2	168,235.4
Total equity	624	43,174.7	36,918.5	35,485.8	24,640.2
Total equity less non-controlling interest/minority interest	624	43,130.6	36,885.2	35,448.5	24,640.2
Total liabilities and equity	4,798	331,914.8	319,793.9	235,226.0	192,875.6
Exchange rate		USD1 = INR69.1713	USD1 = INR65.044	USD1 = INR64.8386	USD1 = INR66.3329

Source: Fitch Ratings, Fitch Solutions, IIFL Finance

Summary Analytics

	31 Mar 19 Year end	31 Mar 18 Year end	31 Mar 17 Year end	31 Mar 16 Year end
Asset quality ratios (%)				
Non-performing loans/gross loans	2.0	1.7	1.8	1.4
Growth of gross loans and leases (y/y)	-4.3	50.9	6.4	25.4
Earnings and profitability ratios (%)				
Pre-tax income/average assets	3.2	2.5	3.0	2.9
Non-interest expense/gross revenues	25.4	20.3	21.6	21.0
Pre-tax income/average equity	26.3	19.0	21.6	22.1
Return on average equity	18.2	12.8	14.1	14.0
Capitalization and leverage ratios				
Debt+deposits/tangible equity	6.2	7.1	5.6	6.2
Funding , liquidity and coverage ratios				
Unsecured debt/total debt	22	37	25	26
Short term debt/total funding	38	57	41	44

Note: Historical financials are those of India Infoline Finance Limited. The calculations for debt/tangible equity and unsecured debt/total debt include securitisation, which was not booked on-balance sheet in FY16 and FY17 based on Indian GAAP. The securitisation figures for FY16 and FY17 are provided by the company, and securitisation has been booked on-balance sheet in FY18 and FY19

Source: Fitch Ratings, Fitch Solutions, IIFL Finance

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

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