

India Infoline Limited

Instrument	Amount	Rating Action (September 2016)
IPO Financing Programme	Rs. 500 crore	[ICRA]A1+ Assigned

The rating of [ICRA]A1+ (pronounced ICRA A one plus) has been assigned to Rs. 500 crore of IPO financing Programme of India Infoline Limited (IIL). IIL also has rating of [ICRA]AA (stable) (pronounced ICRA double A with stable outlook) for its various long term debt programmes.

The ratings reflect IIL's parentage in the form of IIFL Holdings Limited, group's strong net worth, good profitability indicators, group's robust risk management systems and diversified business revenues from financing, distribution and broking operations. ICRA also takes note of IIFL group's comfortable asset quality indicators (Gross and Net NPA of 1.4% and 0.5% respectively), diversification of the lending portfolio through steady growth in new business lines like Housing Finance and Commercial Vehicle (CV) loans, and company's comfortable capitalisation profile with net worth of Rs. 2,920 crore as on March 2016 for IIFL Group consolidated. However, the rating strengths are partially offset by the moderate seasoning of the financing businesses of IIFL group, which constitute the largest proportion of the total revenues of the group (72% for FY2016), and where steady performance through business cycles is yet to be demonstrated. Although IIFL Group's dependence on capital market related businesses has been coming down (~11% of consolidated total revenue for the year ended March 2016), the revenue and profitability indicators may get impacted by the cyclical nature of domestic capital markets. Going forward, ICRA expects full financial, managerial and operational support would continue to be available to all the group companies of IIFL Group. The ratings would be sensitive to IIFL Group's ability to profitably manage its relatively new lines of business, along with maintaining superior asset quality through the business cycle.

In FY 2016, the overall lending book for the group grew by ~21% to Rs. 17,770 crore as on March 2016 from Rs. 14,669 crore as on March 2015, with mortgage book being the key growth driver. Further, in FY2016, while the growth in capital market book moderated given the increased market volatility, the mortgage book continued to grow at a robust pace, primarily through the Housing Finance arm of IIFL group. As at March 2016, the book stood at Rs 17,770 crore, with the lending book mix being skewed in favour of mortgage loans that accounted for 53% of the overall portfolio as on March 2016 (vis-a-vis 48% as at March 2015). The capital market book constituted ~15% of the total portfolio, while the share of gold loans reported a decline from ~26% as on March 2015 to ~16% as on March 2016. The newer segments such as Medical equipment loans and commercial vehicle loans also reported a robust growth over FY2016 and accounted for ~4% and ~10% share respectively, as at March 2016.

IIFL group's reported asset quality indicators remain sound with gross non-performing assets at 1.4% of overall advances and net NPAs at 0.5% as at March 2016, albeit with some deterioration noted in asset quality indicators over past 1-2 years given the challenging operating environment. In ICRA's opinion, while asset quality at present remains under check, ability of the company to maintain the same, especially across newer segments, remains to be seen.

Company Profile **India Infoline Ltd**

India Infoline Limited is the equity broking entity of the IIFL Group. It is a fully owned IIFL Group company, with IIFL Holdings Limited holding 99.999% stake, and 0.001% stake held by IIFL Wealth Management Limited as on March 31, 2016.

IIFL Holdings Limited (formerly known as India Infoline Ltd.)

India Infoline Limited (IIL) was founded in 1995 by two professionals as an independent financial research provider. The name of the company got changed to IIFL Holdings Limited in FY14 as it became a operating holding company. The group is engaged in equity broking, portfolio management services, depository services, investment banking, distribution of mutual funds and other financial products, commodity broking, margin funding, consumer loan funding and wealth management. IIFL Group's consolidated net worth strengthened to Rs 3,058 crores as on June 30, 2016.

Recent results:

IIFL Group reported a PAT of Rs 158.1 crore in Q1FY17 on a total income of Rs 1,030.5 crore compared to a PAT of Rs 118.9 crore on a total income of Rs 908.2 crore in the corresponding period last fiscal.

September 2016

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