February 8, 2017

India Infoline Limited

Instrument *	Amount (in Rs. Crore)	Rating Action
IPO Financing Programme	500.00	[ICRA]A1+; Assigned
LT – Equity linked debenture programme	100.00	PP-MLD[ICRA]AA(stable); Outstanding
Short Term bank lines	650.00	[ICRA]A1+; Outstanding
IPO Financing Programme	500.00	[ICRA]A1+; Withdrawn

*Instrument Details are provided in Annexure-1

Rating Action

ICRA has assigned the rating of [ICRA]A1+ to Rs. 500 crore IPO Financing Programme of India Infoline Limited. ICRA withdraws the rating of [ICRA]A1+ on Rs. 500 crore IPO Financing programme assigned earlier ICRA has a rating outstanding of PP-MLD[ICRA]AA(stable) on Rs. 100 crore Long Term Equity Linked Debenture Programme and a rating outstanding of [ICRA]A1+ on Rs. 650 crore Short Term bank lines of the company.

Rationale

While arriving at the ratings, ICRA has taken a consolidated view on credit profile of all key India Infoline group companies (collectively referred to as IIFL Group) owing to common promoters and senior management team, shared brand name, and strong financial and operation synergies shared across the group companies

Key Rating Drivers

Key Strengths

- Established presence in capital market business
- Diversified revenue stream with significant income being contributed by broking (equities and commodities); net interest income from various financing activities; wealth management and distributions. Reliance on capital markets related income moderating
- Diversified financing book with the company lending towards mortgage, gold , capital market , CV, healthcare and SME loan segments
- Comfortable asset quality, though portfolio seasoning is moderate
- Strong run rate of fee income (broking, distribution, PMS, commodities business) provides strong support to NBFC operations and helps improve profitability
- Adequate capitalization levels at the NBFC level with CRAR of 18% as at March 31, 2016
- Adequate risk management and operational systems employed by the company

Key Challenges

- High operating expenses for the gold loan business via branches may ensure pressure on profitability if book size declines significantly.
- Gold loans business susceptible to operational risks such as fraud, collusion, theft etc. Volatility in gold prices present headwinds in terms of possible asset quality issues
- Exposure to commercial segment, which is considered more risky in the mortgage book. The company is also into riskier segment of land funding, though it maintains adequate collateral for the same.
- Higher exposure to self employed segment whose earning profile is more volatile as compared to the salaried segment and hence is considered riskier
- High gearing levels – 6.4 times for India Infoline Finance Limited and ~3.9 times at the consolidated level.
- To maintain and upgrade risk management while growing the business volumes
- To maintain sufficient margins to protect against credit losses in adverse market conditions
- To maintain interest spreads in the light of prevailing competition and interest rate scenario

Description of key rating drivers highlighted above:

The ratings factor in IIFL Group's diversified business revenues constituted by its financing, distribution and broking operations, group's robust risk management systems, healthy capitalisation profile backed by strong networth of Rs. 4,096 crore as on March 31, 2016 for IIFL Group consolidated (including minority interest).The capitalisation was further bolstered by the Rs 1000 cr equity infusion in IIFL (NBFC) from CDC Plc. ICRA also notes the good profitability indicators (ROE of 13.55% for FY2016, for IIFL Group consolidated). However, the rating strengths are partially offset by the moderate seasoning of the financing businesses, 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. Large part of the balance sheet consists of the mortgage business which has consistently increased over the past few years from 45% as on March 31, 2012 to 53% as on March 31, 2016. ICRA also takes note of comfortable asset quality indicators of the group diversification of the lending portfolio through steady growth in new business lines like Commercial Vehicle (CV) loans and SME loans, with Gross NPAs remaining consistently below 1.5% over the last few years. Although the dependence on capital market related businesses is coming down, the group's 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's ability to profitably manage its relatively new lines of business, along with maintaining superior asset quality through the business cycle.

Please refer to ICRA's release for India Infoline Limited published in October 2016 for a detailed rationale

Analytical approach:
For arriving at the ratings, ICRA has taken a consolidated view for India Infoline Limited along with its group company – IIFL Holdings Limited (rated [ICRA]AA(Stable)/A1+) – since both have operational linkages and share a common management

Links to applicable Criteria
ICRA's Credit Rating Methodology for Non-Banking Finance Companies

Company Profile
India Infoline Limited
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 99.9999% stake, and 0.0001% stake held by IIFL Wealth Management Limited as on March 31, 2016.

IIFL Group
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 4,096 crore as on March 31, 2016 consolidated (including minority interest).

Recent Results
IIFL Group reported a PAT of Rs 365.4 crore in H1FY17 on a total income of Rs 2,246.71 crore compared to a PAT of Rs 267.6 crore on a total income of Rs 1,877.87 crore in the corresponding period last fiscal

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Table: Rating History

S.No	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. Crores)	FY2017	FY2017	FY2016	FY2015
				February 2017	September 2016	August 2015	September 2014
1	IPO Financing Programme	Short Term	500.00	[ICRA]A1+; Assigned	-	-	-
2	IPO Financing Programme	Short Term	500.00	[ICRA]A1+; Withdrawal	[ICRA]A1+; Assigned	-	-
3	LT – Equity linked debenture programme	Long Term	100.00	PP-MLD[ICRA]AA(stable)	PP-MLD[ICRA]AA(stable)	PP-MLD[ICRA]AA(stable)	PP-MLD[ICRA]AA(stable); Assigned
4	Short Term Bank Lines	Short Term	650.00	[ICRA]A1+	[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

Details of Instrument

Name of the instrument	Date of issuance	Coupon rate	Maturity Date	Size of the issue (Rs. Cr)	Current Rating and Outlook
IPO Financing Programme	NA	NA	7-30 days	500.00	[ICRA]A1+
LT – Equity linked debenture programme*	NA	NA	NA	100.00	PP-MLD[ICRA]AA(stable)
Short Term Bank Lines – Non-fund based	NA	NA	NA	605.00	[ICRA]A1+
Short Term Bank Lines-Fund based	NA	NA	NA	45.00	[ICRA]A1+

*Source: Company Data; *Yet to be issued*
For further details please contact:

Name and Contact Details of the Rating Analyst(s):
Mr. Karthik Srinivasan
(Tel. No. +91 22 6114 3444)
karthiks@icraindia.com

Mr. Saumya Aggarwal
(Tel. No. +91 22 6114 3425)
saumya.aggarwal@icraindia.com

Name and Contact Details of Relationship Contacts:
Mr. L. Shivakumar
(Tel. No. +91 22 6114 3406)
shivakumar@icraindia.com

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Registered Office
ICRA Limited
1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office
Mr. Vivek Mathur
Mobile: +**91 9871221122**
Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 3rd Floor, Electric Mansion Appasaheb Marathe Marg, Prabhadevi Mumbai—400025, Board : +91-22-61796300; Fax: +91-22-24331390	**Kolkata** **Mr. Jayanta Roy** Mobile: **+91 9903394664** Email: jayanta@icraindia.com A-10 & 11, 3rd Floor, FMC Fortuna 234/3A, A.J.C. Bose Road Kolkata—700020 Tel +91-33-22876617/8839 22800008/22831411, Fax +91-33-22870728
Chennai **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 5th Floor, Karumuttu Centre 634 Anna Salai, Nandanam Chennai—600035 Tel: +91-44-45964300; Fax: +91-44 24343663	**Bangalore** **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 'The Millenia' Tower B, Unit No. 1004,10th Floor, Level 2 12-14, 1 & 2, Murphy Road, Bangalore 560 008 Tel: +91-80-43326400; Fax: +91-80-43326409
Ahmedabad **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 907 & 908 Sakar -II, Ellisbridge, Ahmedabad- 380006 Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-79-25569231	**Pune** **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range Hills Road, Shivajinagar,Pune-411 020 Tel: + 91-20-25561194-25560196; Fax: +91-20- 25561231
Hyderabad **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj Bhavan Road, Hyderabad—500083 Tel:- +91-40-40676500	