

December 29, 2023 <sup>(Revised)</sup>

## IIFL Finance Limited: Material event update

### Summary of rating(s) outstanding

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Non-convertible debenture programme	5,000.00	5,000.00	[ICRA]AA (Stable); outstanding
Non-convertible debenture programme	4,617.27	4,617.27	[ICRA]AA (Stable); outstanding
Non-convertible debenture programme	3,514.65	3,514.65	[ICRA]AA (Stable); outstanding
Subordinated debt programme	657.00	657.00	[ICRA]AA (Stable); outstanding
Long-term bank lines	5,775.00	5,775.00	[ICRA]AA (Stable); outstanding
Long-term principal protected equity linked debenture programme	500.00	500.00	PP-MLD[ICRA]AA (Stable); outstanding
Long-term principal protected market linked debenture programme	364.00	364.00	PP-MLD[ICRA]AA (Stable); outstanding
Commercial paper programme	8,000.00	8,000.00	[ICRA]A1+; outstanding
Commercial paper programme (IPO financing)	500.00	500.00	[ICRA]A1+; outstanding
<b>Total</b>	<b>28,927.92</b>	<b>28,927.92</b>	

\*Instrument details are provided in Annexure I

### Rationale

#### Material event

The Reserve Bank of India (RBI) recently issued a [notification](#) pertaining to investments in alternative investment funds (AIFs) by regulated entities (REs). As per the notification, if an AIF scheme, in which an RE is already an investor, makes a downstream investment in a debtor company, the RE shall liquidate its investment in the scheme within 30 days from the date of such downstream investment by the AIF. If the RE has already invested in such schemes with a downstream investment in their debtor companies as on date, the 30-day period for liquidation shall be counted from the date of the issuance of this circular. In case the REs are unable to liquidate their investments within the prescribed time limit, they shall make 100% provision for such investments. Further, investment by an RE in the subordinated units of any AIF scheme with a 'priority distribution model' shall be subject to full deduction from the RE's capital funds.

As per IIFL Finance Limited's (IIFL Finance) [disclosure](#), dated December 21, 2023, it has investments of Rs. 931 crore as on the current date, including ~Rs. 21 crore to an AIF in which the company has an outstanding debt exposure in the downstream investments of the AIF. For the balance Rs. 910 crore, the AIFs do not have any downstream investments in which the company has any outstanding debt exposure or exposure in the preceding 12 months from the date of the RBI notification.

IIFL Finance's subsidiary, IIFL Home Finance Limited (IIFL Home Finance), holds investments of ~Rs. 161 crore in AIFs under the 'priority distribution model', which would require 100% deduction from the capital if not liquidated.

#### Impact of material event

Based on the company's interpretation of the circular, the aforesaid development is unlikely to have an adverse impact on IIFL Finance's capital. As per the management, while the Rs. 910-crore exposure is in the form of subordinated units, the provisions of the notification are not applicable to it as IIFL Finance is itself the sponsor of these AIFs. Hence, it does not fall under the 'priority distribution model' as specified in the Securities and Exchange Board of India (SEBI) circular 'SEBI/HO/AFD-1/PoD/P/CIR/2022/157 dated November 23, 2022'.

ICRA will continue to monitor the developments in this respect and the impact of the same on the credit risk profile.

IIFL Finance's Tier 1 capital stood at 13.1% as on September 30, 2023 and ICRA notes that the company already has board approval to raise equity capital of Rs. 3,000 crore through a qualified institutional placement (QIP). As far as IIFL Home Finance is concerned,

its capitalisation remains comfortably above the threshold levels (Tier 1 of 40.3% as of September 30, 2023) and the impact of the adjustment of Rs. 161 crore of investments in the AIF is expected to be limited (pro forma Tier 1 of 39.2%, post the adjustment).

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position and rating sensitivities: [Click here](#)

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Non-Banking Finance Companies Rating Approach – Consolidation</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has carried out a consolidated analysis of IIFL Finance Limited and its subsidiaries (enlisted in Annexure II), given their common senior management team and strong financial and operational synergies.

## About the company

IIFL Finance, a listed non-operating holding company had India Infoline Finance Limited {a systematically important, non-deposit accepting non-banking financial company (NBFC-ND-SI)} as its subsidiary. As a part of a merger scheme, India Infoline Finance was merged with IIFL Finance with effect from March 30, 2020 following the receipt of an NBFC licence by IIFL Finance. IIFL along with its subsidiaries, IIFL Home Finance (registered as a housing finance company) and Samasta Microfinance Limited (registered as an 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. 10,202 crore as on March 31, 2023. It reported a PAT of Rs. 1,608 crore in FY2023 on total assets of Rs. 53,001 crore compared to PAT of Rs. 1,188 crore in FY2022 on total assets of Rs. 45,910.

## Key financial indicators (audited)

IIFL Finance Limited – Consolidated	FY2022	FY2023	H1 FY2024
Total income	7,024	8,447	4,904
Profit after tax	1,188	1,608	998
Net worth	6,470	10,202	11,219
Loan book	35,116	41,318	46,127
AUM	51,210	64,638	73,066
Total assets	45,910	53,001	55,346
Return on managed assets	2.0%	2.2%	2.4%
Return on net worth	20.0%	19.3%	18.6%
Reported gearing (times)	5.6	4.0	3.6
Managed gearing^ (times)	8.3	6.4	6.2
Gross stage 3	3.2%	1.8%	1.8%
Net stage 3	1.8%	1.1%	1.0%
Solvency (Net stage 3/Net worth)	9.6%	4.2%	4.0%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

^Including off-balance sheet portfolio

<b>IIFL Finance Limited – Standalone</b>	<b>FY2022</b>	<b>FY2023</b>
<b>Total income</b>	4,107	4,089
<b>Profit after tax</b>	746	805
<b>Net worth</b>	4,427	5,115
<b>Loan book</b>	13,479	15,055
<b>AUM</b>	21,109	25,573
<b>Total assets</b>	23,137	24,082
<b>Return on managed assets</b>	2.6%	2.4%
<b>Return on net worth</b>	18.1%	16.9%
<b>Reported gearing (times)</b>	3.7	3.4
<b>Managed gearing<sup>^</sup> (times)</b>	5.4	5.8
<b>Tier I</b>	16.0%	12.9%
<b>CRAR</b>	23.9%	20.4%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

<sup>^</sup>Including off-balance sheet portfolio

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

### Rating history for past three years

Sr. No.	Instrument	Type	Rated Amount (Rs. crore)	Amount Outstanding As of Nov 30, 2023 (Rs. crore)	Current Rating (FY2024)		Chronology of Rating History for the Past 3 Years			
					Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021	
					Dec 29, 2023	Aug 01, 2023	Aug 03, 2022	Oct 06, 2021	Jan 22, 2021	Apr 21, 2020
1	Non-convertible debenture	Long term	5,000.00	924.19	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	-	-	-
2	Non-convertible debenture	Long term	3,514.65	1,028.42	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Negative)	[ICRA]AA (Negative)
3	Non-convertible debenture	Long term	4,617.27	-	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Negative)	[ICRA]AA (Negative)
4	Non-convertible debenture	Long term	-	-	-	[ICRA]AA (Stable); withdrawn	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Negative)	[ICRA]AA (Negative)
5	Non-convertible debenture	Long term	-	-	-	-	[ICRA]AA (Stable); withdrawn	[ICRA]AA (Stable)	[ICRA]AA (Negative)	[ICRA]AA (Negative)
6	Non-convertible debenture	Long term	-	-	-	-	-	[ICRA]AA (Stable); withdrawn	[ICRA]AA (Negative)	[ICRA]AA (Negative)
7	Non-convertible debenture	Long term	-	-	-	-	-	-	[ICRA]AA(Negative); withdrawn	[ICRA]AA (Negative)
8	Non-convertible debenture	Long term	-	-	-	-	-	-	[ICRA]AA(Negative); withdrawn	[ICRA]AA (Negative)
9	Subordinated debt programme	Long term	657.00	165.00	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Negative)	[ICRA]AA (Negative)
10	Subordinated debt programme	Long term	-	-	-	[ICRA]AA (Stable); withdrawn	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Negative)	[ICRA]AA (Negative)
11	Subordinated debt programme	Long term	-	-	-	-	[ICRA]AA (Stable); withdrawn	[ICRA]AA (Stable)	[ICRA]AA (Negative)	[ICRA]AA (Negative)
12	Subordinated debt programme	Long term	-	-	-	-	-	-	[ICRA]AA(Negative); withdrawn	[ICRA]AA (Negative)
13	Long-term bank lines	Long term	5,775.00	4,615.71	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Negative)	[ICRA]AA (Negative)
14	Long-term principal protected equity linked debenture programme	Long term	500.00	-	PP-MLD[ICRA] AA (Stable)	PP-MLD[ICRA] AA (Stable)	PP-MLD[ICRA] AA (Stable)	PP-MLD[ICRA] AA (Stable)	PP-MLD[ICRA] AA (Negative)	PP-MLD[ICRA] AA (Negative)

Sr. No.	Instrument	Current Rating (FY2024)					Chronology of Rating History for the Past 3 Years			
		Type	Rated Amount (Rs. crore)	Amount Outstanding As of Nov 30, 2023 (Rs. crore)	Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021	
					Dec 29, 2023	Aug 01, 2023	Aug 03, 2022	Oct 06, 2021	Jan 22, 2021	Apr 21, 2020
15	Long-term principal protected market linked debenture programme	Long term	364.00	50.00	PP-MLD[ICRA] AA (Stable)	PP-MLD[ICRA] AA (Stable)	PP-MLD[ICRA] AA (Stable)	PP-MLD[ICRA] AA (Stable)	PP-MLD[ICRA] AA (Negative)	PP-MLD[ICRA] AA (Negative)
16	Long-term principal protected market linked debenture programme	Long term	-	-	-	-	-	-	PP-MLD[ICRA] AA (Negative); withdrawn	PP-MLD[ICRA] AA (Negative)
17	Commercial paper programme	Short term	8,000.00	1,125.00	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
18	Commercial paper programme (IPO financing)	Short term	500.00	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
19	Commercial paper programme (IPO financing)	Short term	-	-	-	[ICRA]A1+; withdrawn	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Bank lines	Very Simple
Non-convertible debenture programme	Very Simple/Simple^
Subordinated debt programme	Very Simple
Long-term principal protected equity linked debenture programme	Complex
Long-term principal protected market linked debenture programme	Complex
Commercial paper programme	Very Simple
Commercial paper programme (IPO financing)	Very Simple

*^The applicable indicator is 'Very Simple' for ISINs with a fixed rate payout and 'Simple' for ISINs with a fixed rate payout and a call option*

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

**Annexure I: Instrument details**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Rated Amount (Rs. crore)	Current Rating and Outlook
INE866I08279	Non-convertible debenture	Feb -7-2019	10.00%	Feb-07-2029	31.27	[ICRA]AA (Stable)
INE866I08295	Non-convertible debenture	Feb-07-2019	10.50%	Feb-07-2029	15.45	[ICRA]AA (Stable)
INE866I08303	Non-convertible debenture	Sep-06-2019	10.00%	Jun-06-2025	25.93	[ICRA]AA (Stable)
INE866I08311	Non-convertible debenture	Sep-06-2019	10.50%	Jun-06-2025	5.78	[ICRA]AA (Stable)
INE530B07203	Non-convertible debenture	Mar-24-2022	8.60%	Mar-24-2032	60.00	[ICRA]AA (Stable)
INE530B08128	Non-convertible debenture	Mar-24-2022	9.35%	Mar-24-2032	50.00	[ICRA]AA (Stable)
INE530B07211	Non-convertible debenture	Jul-15-2022	9.00%	Jul-15-2032	10.00	[ICRA]AA (Stable)
INE530B07195	Non-convertible debenture	Jan-21-2022	8.50%	Jan-21-2032	10.00	[ICRA]AA (Stable)
INE530B08136	Non-convertible debenture	Jul-26-2022	9.65%	Jul-26-2032	235.00	[ICRA]AA (Stable)
INE530B07237	Non-convertible debenture	Nov-01-2022	9.45%	Nov-01-2029	550.00	[ICRA]AA (Stable)
INE530B08151	Non-convertible debenture programme	May-08-2023	9.20%	May-08-2033	35.00	[ICRA]AA (Stable)
Not placed	Non-convertible debenture – Unallocated	NA	NA	NA	2,486.23	[ICRA]AA (Stable)
Not placed	Non-convertible debenture – Unallocated	NA	NA	NA	4,617.27	[ICRA]AA (Stable)
INE530B07252	Non-convertible debenture	Jan-24-2023	8.50%	Jan-24-2025	45.63	[ICRA]AA (Stable)
INE530B07302	Non-convertible debenture	Jan-24-2023	8.50%	Jan-24-2025	30.07	[ICRA]AA (Stable)
INE530B07294	Non-convertible debenture	Jan-24-2023	8.75%	Jan-24-2026	57.21	[ICRA]AA (Stable)
INE530B07286	Non-convertible debenture	Jan-24-2023	8.75%	Jan-24-2026	24.13	[ICRA]AA (Stable)
INE530B07310	Non-convertible debenture	Jan-24-2023	8.65%	Jan-24-2028	158.27	[ICRA]AA (Stable)
INE530B07260	Non-convertible debenture	Jan-24-2023	9.00%	Jan-24-2028	118.93	[ICRA]AA (Stable)
INE530B07278	Non-convertible debenture	Jan-24-2023	9.00%	Jan-24-2028	37.86	[ICRA]AA (Stable)
INE530B07336	Non-convertible debenture	Jun-28-2023	8.35%	Jun-28-2025	46.98	[ICRA]AA (Stable)
INE530B07393	Non-convertible debenture	Jun-28-2023	8.35%	Jun-28-2025	14.24	[ICRA]AA (Stable)
INE530B07344	Non-convertible debenture	Jun-28-2023	8.50%	Jun-28-2026	123.58	[ICRA]AA (Stable)
INE530B07351	Non-convertible debenture	Jun-28-2023	8.50%	Jun-28-2026	8.91	[ICRA]AA (Stable)
INE530B07385	Non-convertible debenture	Jun-28-2023	8.65%	Jun-28-2028	88.91	[ICRA]AA (Stable)
INE530B07377	Non-convertible debenture	Jun-28-2023	9.00%	Jun-28-2028	131.94	[ICRA]AA (Stable)
INE530B07369	Non-convertible debenture	Jun-28-2023	9.00%	Jun-28-2028	37.52	[ICRA]AA (Stable)
Not placed	Non-convertible debenture Unallocated <sup>^</sup>	–	NA	NA	4,075.81	[ICRA]AA (Stable)

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Rated Amount (Rs. crore)	Current Rating and Outlook
INE866108246	Subordinated debt programme	Nov-17-2021	8.70%	Nov-19-2027	100.00	[ICRA]AA (Stable)
INE530B08144	Subordinated debt programme	Mar-31-2023	9.45%	Dec-27-2032	30.00	[ICRA]AA (Stable)
INE530B08144	Subordinated debt programme	Dec-27-2022	9.45%	Dec-27-2032	35.00	[ICRA]AA (Stable)
Not placed	Subordinated debt programme – Unallocated	NA	NA	NA	492.00	[ICRA]AA (Stable)
INE866108253	Long-term principal protected market linked debenture programme	Aug-28-2018	9.35%	Aug-25-2028	50.00	PP-MLD[ICRA] AA (Stable)
Not placed	Long-term principal protected market linked debenture programme – Unallocated	NA	NA	NA	314.00	PP-MLD[ICRA] AA (Stable)
Not Placed	Long-term principal protected equity linked debenture programme Unallocated	NA	NA	NA	500.00	PP-MLD[ICRA] AA(Stable)
Not Placed	Long-term bank lines – fund-based	NA	NA	NA	5,775.00	[ICRA]AA(Stable)
INE530B14BS9	Commercial paper	Sep-06-2023	8.45%	Dec-05-2023	275.00	[ICRA]A1+
INE530B14BT7	Commercial paper	Sep-18-2023	8.95%	Feb-28-2024	250.00	[ICRA]A1+
INE530B14BU5	Commercial paper	Nov-02-2023	8.95%	Jan-31-2024	200.00	[ICRA]A1+
INE530B14BW1	Commercial paper	Nov-23-2023	9.05%	Feb-22-2024	400.00	[ICRA]A1+
Not Placed	Commercial paper	NA	NA	7-365 days	6,875.00	[ICRA]A1+
Not Placed	Commercial paper (IPO)	NA	NA	7-30 days	500.00	[ICRA]A1+

Source: Company

^For public issuance

[Please click here to view details of lender-wise facilities rated by ICRA](#)

## Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
IIFL Home Finance Limited	79.59%	Full consolidation
IIFL Samasta Finance Limited	99.51%	Full consolidation
IIFL Sales Limited^	100%	Full consolidation
IIFL Open Fintech Private Limited	51.02%	Full consolidation

Source: IIFL Finance Limited

^Step-down subsidiary, fully owned by IIFL Home Finance Limited

## Corrigendum

Document dated December 29, 2023, has been corrected with revisions as detailed below:

- The table from 'Rating history for past three years' section on page No. 4 is revised.
- The complexity indicator for Subordinated debt programme is changed from 'Simple' to 'Very Simple' in the 'Complexity level of the rated instrument' section on page No. 6 of the document.

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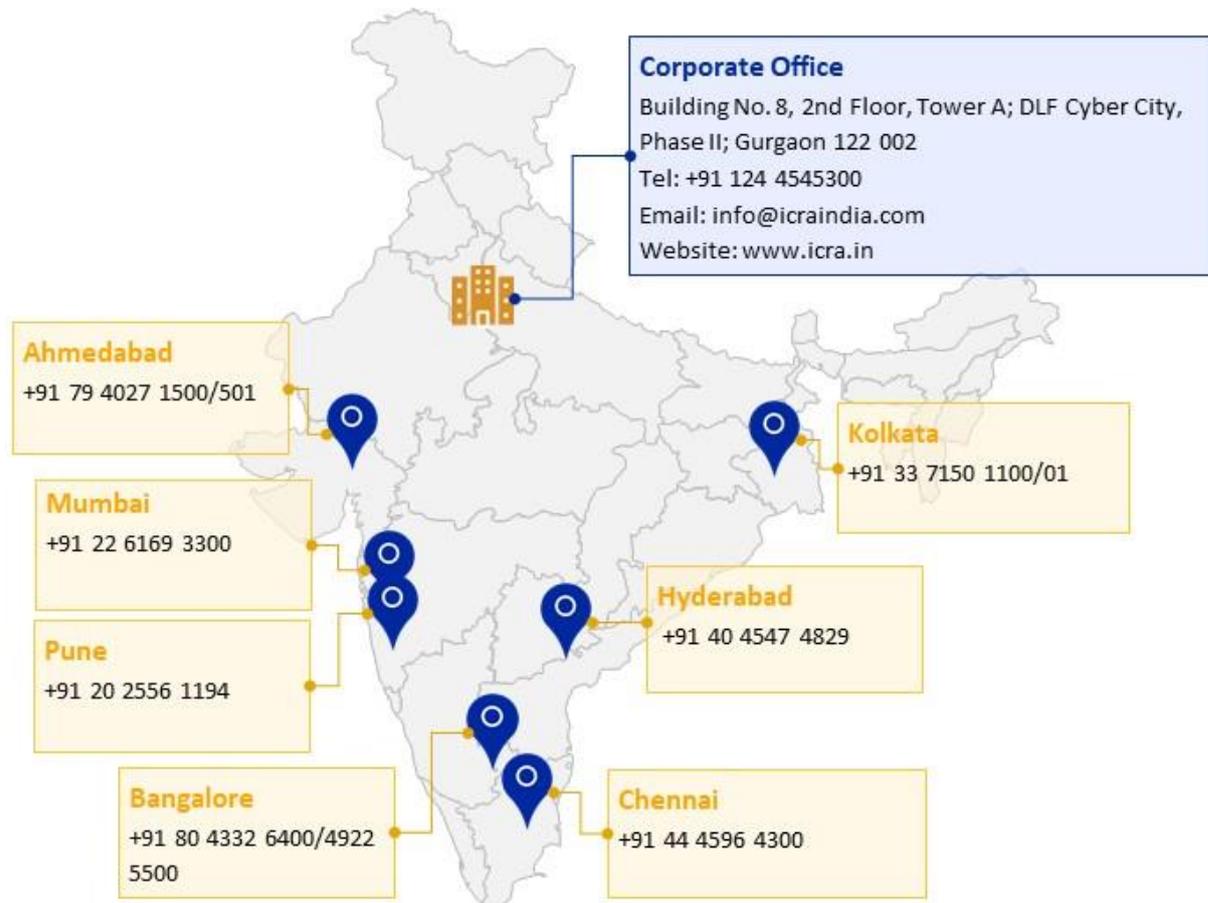
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