

December 29, 2023 ^(Revised)

IIFL Home Finance Limited: Material event update

Summary of rating(s) outstanding

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Commercial paper programme	5,000.00	5,000.00	[ICRA]A1+; outstanding
Non-convertible debenture programme	2,743.75	2,743.75	[ICRA]AA (Stable); outstanding
Subordinated debt programme	238.00	238.00	[ICRA]AA (Stable); outstanding
Long-term bank lines	5,000.00	5,000.00	[ICRA]AA (Stable); outstanding
LT – Market linked debenture	200	200	PP-MLD[ICRA]AA (Stable); outstanding
Total	13,181.75	13,181.75	

*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	Non-Banking Finance Companies Rating Approach – Consolidation
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, including IIFL Home Finance Limited (enlisted in Annexure II), given their common senior management team and strong financial and operational synergies.

About the company

IIFL Home Finance Limited is a wholly-owned subsidiary of IIFL Finance Limited and is registered with National Housing Bank (NHB) as a housing finance company. Incorporated in 2006, it offers home loans, loan against property and construction finance loans.

IIFL Home Finance reported a profit after tax (PAT) of Rs. 790 crore in FY2023 on a total asset base of Rs. 21,785 crore compared to Rs. 578 crore and Rs. 18,010 crore, respectively, in FY2022. It has 386 branches in 17 states.

IIFL Finance Limited

Following the receipt of a non-banking financial company (NBFC) licence, IIFL Finance, a listed non-operating holding company, merged with its subsidiary – India Infoline Finance Limited {a systemically important, non-deposit accepting non-banking financial company (NBFC-ND-SI)} – under a merger scheme, with effect from March 30, 2020. IIFL Finance, along with its subsidiaries, IIFL Home Finance (registered as a housing finance company) and Samasta Microfinance Limited (registered as an NBFC-microfinance institution) offers home loans, loan against property, micro, small and medium enterprise (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 Rs. 1,188 crore and Rs. 45,910 crore, respectively, in FY2022.

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

IIFL Home Finance Limited – Standalone	FY2022	FY2023	H1 FY2024
Total income	2,218	2,702	1,546
Profit after tax	578	790	477
Net worth	2,681	5,553	6,024
Loan book	15,863	18,284	20,570
AUM	23,617	28,512	31,094
Total assets	18,010	21,785	22,901
Return on managed assets	2.4%	2.7%	2.8%
Return on net worth	24.0%	19.2%	16.5%
Reported gearing (times)	5.3	2.7	2.6
Managed gearing [^] (times)	8.3	4.5	4.4
Tier I	21.1%	39.2%	40.3%
CRAR	30.5%	47.3%	47.6%

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

[^]Including off-balance sheet portfolio

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Rated Amount (Rs. crore)	Amount Outstanding (Rs. crore) As of Nov 30, 2023	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-29-23	Aug-01-23	Aug-05-22	Oct-06-2021	Jan-22-2021	
1	Commercial paper programme	5,000.00	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	
2	Non-convertible debenture programme	2,743.75	1,129.00	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Negative)	
3	Non-convertible debenture programme	-	-	-	-	[ICRA]AA (Stable); withdrawn	[ICRA]AA (Stable)	[ICRA]AA (Negative)	
4	Non-convertible debenture programme	-	-	-	-	-	[ICRA]AA (Stable); withdrawn	[ICRA]AA (Negative)	
5	Non-convertible debenture programme	-	-	-	-	-	-	[ICRA]AA(Negative); withdrawn	
6	Subordinated debt programme	238.00	125.00	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Negative)	
7	Subordinated debt programme	-	-	-	[ICRA]AA (Stable); withdrawn	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Negative)	
8	Subordinated debt programme	-	-	-	-	[ICRA]AA (Stable); withdrawn	[ICRA]AA (Stable)	[ICRA]AA (Negative)	
9	Subordinated debt programme	-	-	-	-	-	[ICRA]AA (Stable); withdrawn	[ICRA]AA (Negative)	
10	Subordinated debt programme	-	-	-	-	-	-	[ICRA]AA(Negative); withdrawn	
11	Long-term bank lines	5,000.00	2,647.75	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Negative)	
12	Long-term principal protected market linked debenture programme	200.00	126.30	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)	

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/Moderately Complex [*]
LT – Market linked debenture	Complex
Commercial paper programme	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 applicable indicator is 'Very Simple' for ISINs with a fixed rate payout and 'Moderately Complex' 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 / Sanction	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
INE477L07AG3	Non-convertible debenture programme	Feb-11-2021	8.60%	Feb-11-2028	18.00	[ICRA]AA (Stable)
INE477L07AH1	Non-convertible debenture programme	Mar-12-2021	8.62%	Mar-12-2028	19.00	[ICRA]AA (Stable)
INE477L07AI9	Non-convertible debenture programme	Apr-16-2021	8.70%	Apr-16-2029	36.00	[ICRA]AA (Stable)
INE477L07AJ7	Non-convertible debenture programme	May-14-2021	8.70%	May-14-2030	21.00	[ICRA]AA (Stable)
INE477L07AJ7	Non-convertible debenture programme	Jun-01-2021	8.70%	May-14-2030	15.00	[ICRA]AA (Stable)
INE477L07AJ7	Non-convertible debenture programme	Jun-16-2021	8.70%	May-14-2030	23.00	[ICRA]AA (Stable)
INE477L07982	Non-convertible debenture programme	Dec-20-2018	10.33%	Dec-19-2025	15.00	[ICRA]AA (Stable)
INE477L07AJ7	Non-convertible debenture programme	Sep-13-2021	8.70%	May-14-2030	35.00	[ICRA]AA (Stable)
INE477L07AJ7	Non-convertible debenture programme	Sep-24-2021	8.70%	May-14-2030	15.00	[ICRA]AA (Stable)
INE477L07AK5	Non-convertible debenture programme	Sep-28-2021	8.20%	Sep-28-2026	112.00	[ICRA]AA (Stable)
INE477L07AX8	Non-convertible debenture programme	Aug-18-2023	8.36%	Aug-15-2029	820.00	[ICRA]AA (Stable)
NA	Non-convertible debenture programme – Unallocated	NA	NA	NA	1,614.75	[ICRA]AA (Stable)
INE477L08089	Subordinated debt programme	Jul-27-2017	8.85%	Jul-27-2027	75.00	[ICRA]AA (Stable)
INE477L08105	Subordinated debt programme	Feb-28-2018	9.05%	Feb-28-2028	10.00	[ICRA]AA (Stable)
INE477L08113	Subordinated debt programme	Jun-18-2018	9.85%	Jun-16-2028	40.00	[ICRA]AA (Stable)
NA	Subordinated debt programme – Unallocated	NA	NA	NA	113.00	[ICRA]AA (Stable)
INE477L08139	LT-Market linked debenture	Jun-18-2018	9.02%	Aug-11-2028	126.30	PP-MLD[ICRA]AA (Stable)
NA	LT – Market linked debenture unallocated	NA	NA	NA	73.70	PP-MLD[ICRA]AA (Stable)
NA	Long-term bank lines – Fund based	NA	NA	NA	5,000.00	[ICRA]AA (Stable)
NA	Commercial paper – Unallocated	NA	NA	7-365 days	5,000.00	[ICRA]A1+

Source: Company

[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.

ANALYST CONTACTS

Karthik Srinivasan
+91 22 6114 3444
karthiks@icraindia.com

Neha Parikh
+91 22 6114 3426
neha.parikh@icraindia.com

Harsh Mange
+91 22 6114 3429
harsh.mange@icraindia.com

Anil Gupta
+91 124 4545 314
anilg@icraindia.com

Jui J. Kulkarni
+91 22 6114 3427
jui.kulkarni@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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

ICRA Limited



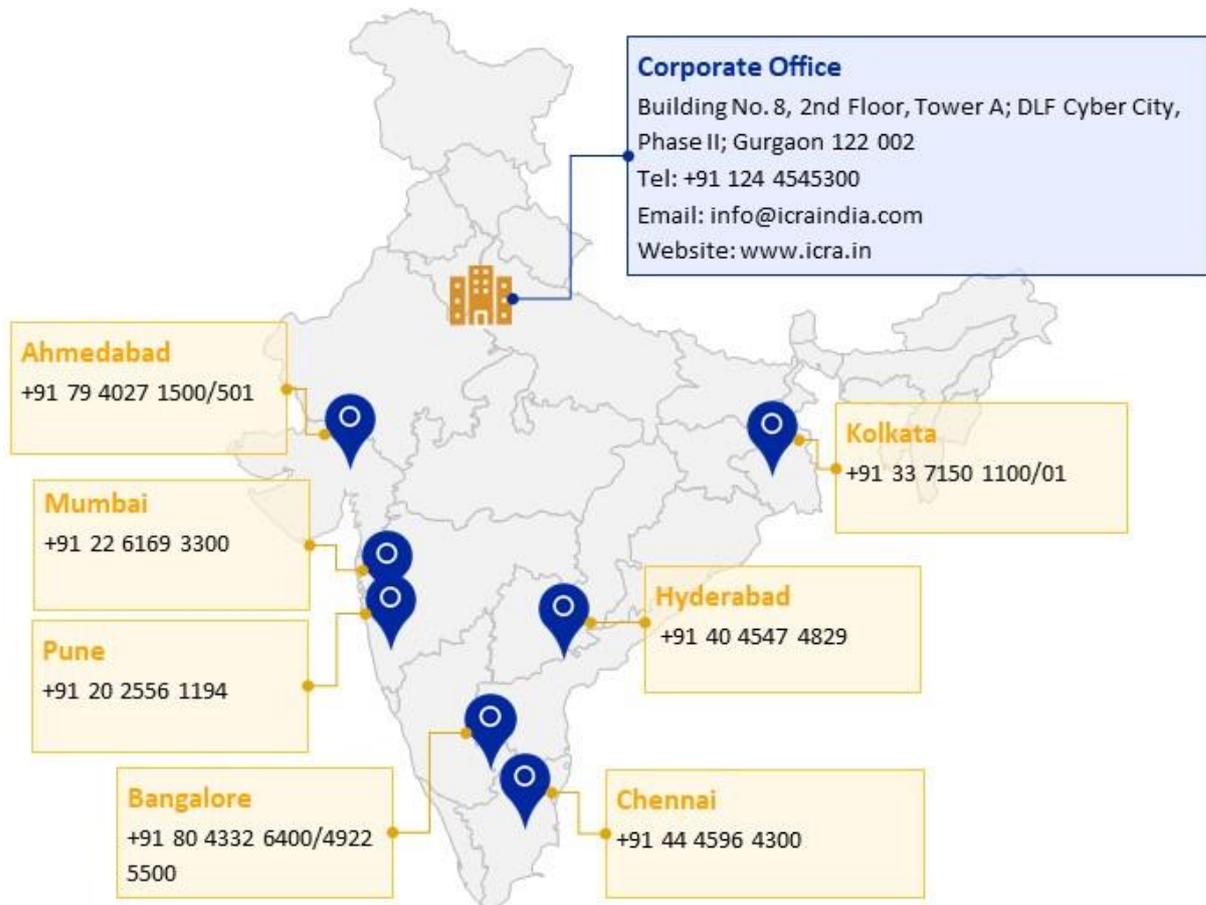
Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



© Copyright, 2023 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.