November 28, 2025

IIFL Capital Services Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Commercial paper	1,050.00	1,050.00	[ICRA]A1+; reaffirmed
ST fund-based/Non-fund based bank lines – Others	200.00	200.00	[ICRA]A1+; reaffirmed
Total	**1,250.00**	**1,250.00**	

**Instrument details are provided in Annexure I*

Rationale

The rating continues to factor in IIFL Capital Services Limited's {IIFL Cap; erstwhile IIFL Securities Limited (IIFL Sec)} long-standing presence of over two decades in capital market-related businesses with an established position in the broking (retail as well as institutional) and investment banking (IB) segments. The rating also considers the company's comfortable capitalisation, healthy profitability and diversified revenue profile. The profitability improved with IIFL Cap reporting its highest-ever annual profit in FY2025, supported by industry tailwinds. While it moderated in H1 FY2026 due to regulatory headwinds, it remains healthy. In this regard, ICRA takes into consideration the possibility of a further downside risk to revenues as the impact of any regulatory changes cannot be ruled out. Nonetheless, the company's increasing focus on scaling up the distribution and wealth management businesses would augur well for revenue diversification and stability, notwithstanding the near-term impact of initial incubation costs on the profitability to a certain extent.

Supported by the healthy profitability trajectory, the capitalisation remains comfortable, characterised by a consolidated net worth of Rs. 2,815.0 crore[1] as on September 30, 2025 and low on-balance sheet gearing (total debt/net worth) of 0.6 times. This is because most of the funding requirement is met through off-balance sheet non-fund based bank guarantees for margin placement at stock exchanges. IIFL Cap's borrowing profile remains modest, though this is on account of the limited borrowing avenues due to the nature of the operations. The company, nevertheless, enjoys financial flexibility on account of its association with the IIFL brand name.

The above strengths are partially offset by IIFL Cap's exposure to the inherently volatile capital markets, heightened competition in equity broking amid the growing popularity of discount brokerage houses, and vulnerability to regulatory risks in light of the evolving regulations and operating environment. Nonetheless, the presence of fee-based revenues from financial products distribution helps offset the cyclicality to a certain extent. The rating also considers the credit and market risks associated with capital market-related lending businesses, given the nature of the underlying assets. Maintaining adequate asset quality, capitalisation and profitability will remain imperative along with the ability to seamlessly align with the evolving regulatory landscape.

[1] *Including non-controlling interest*

Key rating drivers and their description

Credit strengths

Established presence in broking and IB segments – IIFL Cap has an established and pan-India presence of over two decades in capital market-related businesses. It draws on the advantage of an established franchise and brand name, i.e. IIFL, and an experienced management team. It is an independent full-service brokerage house offering both retail and institutional broking services. It is ranked 15th in terms of National Stock Exchange (NSE) active clients as of October 2025, although it was among the top 10 brokers (in terms of NSE active clients) before discount brokers started dominating the space. It is also a leading player in the institutional segment with over 1,000 domestic and foreign clients with research covering 306 stocks as of September 2025. It has an established presence in the retail as well as the institutional broking segments with a cash market share[2] (excluding proprietary volumes) of 1.8% in FY2025.

The company also has an established presence in the equity capital market (ECM) segment in the IB space, particularly in the initial public offering (IPO)/follow-on public offer (FPO) vertical. IB revenues reached an all-time high of Rs. 237.9 crore in FY2025 (14% of net operating income; NOI) compared to Rs. 224.5 crore in FY2024 (15% of NOI) amid healthy primary market issuances. ICRA also notes IIFL Cap's increasing focus on scaling up the distribution and wealth management businesses, which would augur well for revenue diversification, notwithstanding the near-term impact of initial incubation costs on profitability to a certain extent.

Comfortable capitalisation – IIFL Cap's capitalisation remains comfortable with a consolidated net worth of Rs. 2,815.0 crore[3] as on September 30, 2025 and a low gearing of 0.6 times. The capitalisation was augmented over the years, aided by the track record of healthy profitability, notwithstanding consistent dividend payouts of ~30%. The company requires funds primarily for placing margin buffers at stock exchanges and for financing the capital market-related lending business while fee-based businesses are less capital intensive in nature. The margin trading facility (MTF) book has witnessed an uptick and stood at Rs. 1,513.9 crore as of September 2025 compared to Rs. 1,052.2 crore as of September 2024. Working capital requirements too increased during this period. Correspondingly, the consolidated borrowings rose to Rs. 1,741.8 crore as of September 2025 from Rs. 1,053.1 crore as of September 2024. The financial leverage, however, remains low compared to some peers, with on-balance sheet gearing of 0.6 times as on September 30, 2025 (0.5 times as on September 30, 2024). Additionally, IIFL Cap uses non-fund based limits to place margins on stock exchanges, which aggregated Rs. 1,589.1 crore as of September 2025.

Healthy profitability – Supported by industry tailwinds, IIFL Cap reported its highest-ever annual profit in FY2025. The company reported a consolidated profit after tax (PAT) of Rs. 712.9 crore on NOI of Rs. 1,714.8 crore (PAT/NOI of 41.6% and return on net worth (RoNW) of 33.2%) compared to Rs. 513.3 crore and Rs. 1,522.8 crore, respectively, in FY2024. The profitability moderated in H1 FY2026 due to regulatory headwinds and subdued trading volumes. IIFL Cap reported a PAT of Rs. 260.7 crore on NOI of Rs. 833.7 crore in H1 FY2026 with PAT/NOI of 31.3% and RoNW of 19.6%. In terms of segmental performance, broking revenues were range-bound in FY2025 compared to FY2024. However, revenues from financial products distribution witnessed a significant uptick, boosting the overall revenues and profitability. Further, healthy growth in interest income owing to the scaleup of the MTF book as well as healthy primary market activity supported IB revenues.

Operating expenses are likely to remain elevated in the near-to-medium term to support the scaleup of the wealth management business. Moreover, ICRA has taken cognisance of the consultation paper published by the regulator in October 2025, whereby the rationalisation of expense ratio norms for asset management companies is proposed. These proposals, if implemented in the current form, would impact the profitability of various business segments/participants in the capital market value chain to an extent. Despite this, the profitability trajectory is expected to remain healthy.

---

[2] *Based on broking volumes; as per ICRA's calculations*

[3] *Including non-controlling interest*

Credit challenges

Exposed to inherent volatility in capital markets as well as credit and market risks associated with MTF – IIFL Cap's revenues are susceptible to the inherent volatility in capital market businesses. Notwithstanding the reduction in the share of broking income to less than 50% of the NOI in recent years from over 60% till FY2021 due to the increase in other revenue streams, the same remains sizeable. Further, the company's presence in IB (12-16% of NOI) is primarily in the ECM segment, which is more episodic in nature compared to the mergers and acquisitions or debt transaction segments, resulting in volatility in revenues. Additionally, the revenues in this segment are milestone-based and tend to be lumpy in nature. Accordingly, the possibility of pressure on profitability, especially during market downturns, cannot be ruled out. Nonetheless, the presence of certain fee-based revenues from financial products distribution (20-30% of NOI) and the focus on increasing the share of recurring revenues from distribution as well as by scaling up the wealth management businesses would help offset the cyclicality of the other businesses to a certain extent. IIFL Cap also remains exposed to credit and market risks on account of the MTF loan book, given the nature of the underlying assets. Nonetheless, the requisite haircuts are maintained to mitigate the market risks.

Elevated competition, high dependence on technology, and evolving regulatory environment – Given the highly regulated nature of the industry, brokerage houses face significant regulatory risk. Ensuring compliance with evolving regulations is crucial. Regulatory changes, such as uniform exchange charges, increase in minimum holding value of basic service demat account, and measures to curb exuberance in the futures & options (F&O) segment, including rationalisation of weekly index derivatives and increased margins on expiry days, were introduced in FY2025. These, along with the hike in securities transaction tax, impacted capital market volumes and profitability, particularly for discount brokers. The sector is also characterised by intense competition and the entry of new players, leading to pricing pressure. However, the increasing financialisation of savings offers potential for expansion. Despite this, pressure on profitability during a downturn cannot be ruled out. Additionally, reliance on technology poses operational and reputational risks. Maintaining uninterrupted services remains crucial for customer experience.

Environmental and social risks

While financial institutions do not face material physical climate risks, they are exposed to environmental risks indirectly through their portfolio of assets. Nonetheless, such risk is not material for IIFL Cap as its lending operations are primarily focussed on capital market-related lending. Further, the business activities are typically short-to-medium term in nature, which will allow it to adapt if required.

Regarding social risks, data security and customer privacy are among the key sources of vulnerability for financial institutions as material lapses could be detrimental to their reputation and invite regulatory censure. The company encountered two technical glitches[4] in FY2025, although it was not a material outlier compared to peers. Going forward, IIFL Cap's ability to offer uninterrupted services will be imperative for maintaining customer experience. Moreover, it is noted that customer preferences are increasingly shifting towards the digital mode of transacting, necessitating the adoption of technological advancements, besides providing an opportunity to reduce the operating costs. IIFL Cap has been making investments to continue enhancing its digital interface with its customers.

Liquidity position: Adequate

IIFL Cap's funding requirement is primarily for placing margin buffers at the exchanges and for financing the MTF book. Its margin utilisation ranged between 50% and 60% (basis month-end data) for the 6-month period ending October 2025. As on October 31, 2025, the company had unencumbered cash and liquid investments aggregating Rs. 978 crore and unutilised bank lines of Rs. 606 crore. Against this, borrowings falling due in the next six months (till April 2026) stood at Rs. 1,136 crore. The on-balance sheet liquidity and unutilised bank lines remain adequate to cover the upcoming debt repayment obligations.

[4] *Interruption impacting trading for more than five minutes*

Additionally, it had short-term loan assets (in the form of MTF) of Rs. 1,513.9 crore (as of September 2025), which can be liquidated at short notice to generate liquidity, if required.

Rating sensitivities

Positive factors – Not applicable

Negative factors – A sustained decline in the scale of the broking business or a deterioration in the asset quality of the lending business, materially impacting the profitability with profit before tax (PBT)/NOI falling below 25% on a continued basis, will be a credit negative. A deterioration in the capitalisation with the leverage exceeding 2 times and/or a weakening in the liquidity profile will also be credit negatives.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Stockbroking and allied services
Parent/Group support	Not applicable
Consolidation/Standalone	Consolidation

About the company

Incorporated in March 1996, IIFL Capital Services Limited {IIFL Cap; erstwhile IIFL Securities Limited (IIFL Sec)} is a full-service securities broking company offering capital market services such as equity, commodity and currency broking, depository participant services, merchant banking, distribution of financial products and wealth management services. The company's clientele includes corporates, institutional investors, foreign portfolio investors (FPIs), mutual funds, insurance companies, alternative investment funds (AIFs), trusts, high-net-worth individuals (HNIs) and retail clients. It also has investments in subsidiaries that offer facilities and ancillary services such as real estate broking/advisory services and insurance broking. IIFL Cap was promoted by first-generation entrepreneurs – Mr. Nirmal Jain and Mr. R. Venkataraman. The company was listed in September 2019 pursuant to the composite scheme of arrangement of the promoter group entities.

The company reported a PAT of Rs. 712.9 crore on NOI of Rs. 1,714.8 crore in FY2025 (PAT/NOI of 41.6%) compared to Rs. 513.3 crore and Rs. 1,522.8 crore, respectively, in FY2024 (PAT/NOI of 33.7%). The PAT and NOI stood at Rs. 260.7 crore and Rs. 833.7 crore, respectively (PAT/NOI of 31.3%), in H1 FY2026. The net worth was Rs. 2,815.0 crore[5] as on September 30, 2025 with a gearing of 0.6 times.

Key financial indicators (audited)

IIFL Capital Services Limited	FY2024	FY2025	H1 FY2026*
Net operating income	1,522.8	1,714.8	833.7
Profit after tax	513.3	712.9	260.7
Net worth^	1,788.4	2,510.0	2,815.0
Total assets	7,874.7	7,955.8	9,091.1
Gearing (times)	0.6	0.4	0.6
Return on average net worth	32.7%	33.2%	19.6%

*Source: Company, ICRA Research; * Provisional numbers; ^ Including non-controlling interest; All ratios as per ICRA's calculations; Amount in Rs. crore*

[5] *Including non-controlling interest*

Status of non-cooperation with previous CRA: Not applicable

Any other information:

ICRA notes that the Securities and Exchange Board of India (SEBI) order of June 19, 2023 prohibited the company from onboarding new clients for two years due to lapses observed with respect to the intermingling of client funds with its own funds, misuse of clients' credit balances and incorrect designation of client bank accounts during FY2011-FY2014. The order was set aside by the Securities Appellate Tribunal (SAT). SEBI appealed against the SAT order and the matter is pending to be listed in the Supreme Court. The outcome of the appeal remains monitorable.

Rating history for past three years

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Nov 28, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
ST fund-based bank lines	Short term	-	-	-	-	Jun 26, 2023	[ICRA]A1+; RWD*	Mar 08, 2023	[ICRA]A1+
			-	-	-	Nov 09, 2023	[ICRA]A1+	-	-
ST fund-based/Non-fund based bank lines – Others	Short term	200	[ICRA]A1+	Nov 29, 2024	[ICRA]A1+	-	-	-	-
			-	-	-	-	-	-	-
Commercial paper	Short term	1,050	[ICRA]A1+	Nov 29, 2024	[ICRA]A1+	Jun 26, 2023	[ICRA]A1+; RWD*	Mar 08, 2023	[ICRA]A1+
			-	-	-	Nov 09, 2023	[ICRA]A1+	-	-

**RWD – Rating Watch with Developing Implications*

Complexity level of the rated instruments

Instrument	Complexity indicator
ST fund-based/Non-fund based bank lines – Others	Very Simple
Commercial paper	Very Simple

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	Amount rated (Rs. crore)	Current rating and outlook
NA	ST fund-based/Non-fund based bank lines – Others	NA	NA	NA	200.00	[ICRA]A1+
INE489L14520	Commercial paper	Jun 06, 2025	9.40%	Mar 06, 2026	150.00	[ICRA]A1+
INE489L14546	Commercial paper	Aug 01, 2025	9.05%	Jan 30, 2026	25.00	[ICRA]A1+
INE489L14595	Commercial paper	Aug 28, 2025	8.00%	May 27, 2026	25.00	[ICRA]A1+
INE489L14603	Commercial paper	Sep 15, 2025	8.55%	Dec 15, 2025	250.00	[ICRA]A1+
INE489L14629	Commercial paper	Sep 22, 2025	8.55%	Dec 22, 2025	250.00	[ICRA]A1+
INE489L14611	Commercial paper	Sep 22, 2025	8.20%	Jan 28, 2026	25.00	[ICRA]A1+
INE489L14637	Commercial paper	Nov 10, 2025	8.45%	May 11, 2026	50.00	[ICRA]A1+
INE489L14645	Commercial paper	Nov 13, 2025	8.45%	May 14, 2026	25.00	[ICRA]A1+
NA	Commercial paper – Yet to be issued	NA	NA	NA	250.00	[ICRA]A1+

Source: Company; ISIN details as on November 24, 2025

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company name	IIFL Cap ownership	Consolidation approach
IIFL Capital Services Limited	Holding company	Full consolidation
IIFL Facilities Services Limited	100%	Full consolidation
IIFL Management Services Limited	100%	Full consolidation
Livlong Insurance Brokers Limited	100%	Full consolidation
IIFL Commodities Limited	100%	Full consolidation
IIFL Securities IFSC Limited	100%	Full consolidation
IIFL Wealth (UK) Limited (ceased to be a subsidiary w.e.f. July 22, 2025)	100%	Full consolidation
IIFL Capital Inc.	100%	Full consolidation
IIFL Capital Asset Management Limited (formerly IIFL Securities Alternate Asset Management Limited)	100%	Full consolidation
Livlong Protection and Wellness Solutions Limited	76%	Full consolidation
Shreyan Foundation LLP	99%	Full consolidation
Meenakshi Towers LLP	100%	Full consolidation

Source: Company; As on September 30, 2025

ANALYST CONTACTS

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

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

Deep Inder Singh
+91 124 4545 830
deep.singh@icraindia.com

Komal M Mody
+91 22 6114 3424
komal.mody@icraindia.com

Subhrajyoti Mohapatra
+91 80 4332 6406
subhrajyoti.mohapatra@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