

India Infoline Insurance Brokers Limited

Instrument	Rated Amount (Rs Crore)	Rating Action (September 2016)
Short term debt programme	100	[ICRA]A1+ reaffirmed

ICRA has reaffirmed the rating on the various debt programmes and bank lines of IIFL Holdings Limited and its subsidiary companies.

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. 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 network 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.

IIFL Group is operational in financing activities (carried out through NBFC and HFC), broking business (through its equity and commodity broking entities) and distribution business through its wealth management companies. The financing business of the group continues to be the key driver for the group, contributing to 72% of the total revenues of the group in FY2016 (vis-à-vis 71% in FY2015). As at June 2016, the group's lending book stood at Rs 18,332 crore, with the mortgage segment accounting for 54% of the lending portfolio, Gold loan financing 16%, Capital market lending 13% and balance being contributed by CV, healthcare and SME loans. The mortgage book has been the key growth driver in the lending portfolio, which has been growing steadily at a CAGR of 24% over last 3 years. The mortgage book comprises of Home Loans, which are primarily housed in India Infoline Housing Finance Limited (IIHFL) and Loans against Property (LAP), which are offered by IIHFL as well as India Infoline Finance Limited. The dependence on gold loan book has gradually come down over the years, with increased focus on mortgage segment, and currently constitutes 16% of the lending book as on Mar-16, compared to 26% in FY15 and 36% in FY14. While the capital markets lending book had witnessed a growth during FY2015, the same declined slightly in FY2016. The group had ventured into the CV segment in FY2012; the share of the CV, on the back of steady growth, has increased to 11% in FY2016. The healthcare segment in the overall portfolio remains stable at ~4%-6% each. Going ahead, the management intends to grow the lending book at a steady pace of ~20%-25%, while maintaining their focus on the mortgage loans.

IIFL Group's reported asset quality indicators remain sound with gross non-performing assets at 1.81% of overall advances and net NPAs remain at ~0.84% as at June 2016. IIFL's ability to maintain the asset quality across business cycles along with the portfolio growth and the competitive pressure would be closely monitored by ICRA and it would remain a key rating sensitivity. With revision in NPA recognition norms for NBFCs, which require NBFCs to recognize NPA at 90+ overdue, albeit over the next 3 years, the ability of the group to accelerate the recovery process, in order to keep the credit costs under check, remains a key monitorable.

Retail broking with revenue share at 11%, remains one the three key lines of business for the IIFL Group, along with financing and wealth management, though this has declined from 40% in FY12, as the financing business achieved scale. IIFL Group is one of the largest players in the retail broking segment with total market share of 2.69% in FY16 (vis-à-vis 2.73% in FY15). However, yields decreased to 1.94 bps in FY16 from 2.18 bps in



FY15, on account of cash segment yields reducing to 10.40 bps from 11.99 bps. IIFL Group is also one of the large players in the distribution business with an AUM of Rs 79,413 crore as on March 31, 2016, through its Wealth management business arm. The wealth management business has steadily scaled up over past 3-4 years and contributed 17% of the total group revenue in FY2016 (vis-a-vis 16% in FY2015 and 16% in FY2014). Contribution of the wealth management business to group profitability has been good given the robust growth in the client base and assets under management.

IIFL Group's capitalization is comfortable with a gearing of 3.9 times and consolidated net worth of Rs. 4,096 crore as on March 31, 2016 for IIFL Group consolidated (including minority interest) At the group level, the gearing is expected to remain in the 5-5.5 times range in the medium term. At the NBFC level (India Infoline Finance Limited), the reported capital adequacy was 17.80% (Tier I of 12.80%) and at the HFC level (India Infoline Housing Finance Limited), the reported capital adequacy was 16.75% (Tier I of 11.06%). Resources profile of the group is fairly diversified across market NCDs and bank borrowings, though bank borrowings continue to form the highest share of borrowings at 46%.

IIFL Group witnessed a decline in its Net Interest Margins (at consolidated level) from 7.01% of Average Total Assets (ATA) in FY2015, to 5.63% of ATA in FY2016, the reason being the company focused on the safer, hence, lower yielding mortgage segment, and the share of higher yielding segments like gold loans and capital markets financing reduced. Provisions decreased to 0.51% in FY2016 from 0.62% in FY2015. Though IIFL's profitability (PAT/ATA) slightly worsened to 2.63% in FY16, from 2.81% in FY15, it still remained at a comfortable level supported by lower operating expenses (6.42% of ATA in FY2016 as against 8.17% of ATA in FY2015).

Company Profile

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

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

Annexure I:

ICRA ratings for IIFL Group Companies (*All amounts are Rs in crore*):

IIFL Holdings:

Instrument	Rated Amount (Rs crore)	Current Rating
Long Term debt programme	20	[ICRA]AA (stable)
Secured NCD	200	[ICRA]AA (stable)
Short term debt programme	1000	[ICRA]A1+
Commercial Paper programme	500	[ICRA]A1+

IIFL:

Instrument	Rated Amount (Rs crore)	Current Rating
Subordinate debt	1000	[ICRA]AA (stable)
Long Term bank lines	5775	[ICRA]AA (stable)
Long Term debt programme	2510	[ICRA]AA (stable)
Secured NCD	2000	[ICRA]AA (stable)
Unsecured NCD	500	[ICRA]AA (stable)
Long term principal protected equity linked debenture programme	500	PP-MLD[ICRA]AA (stable)
Long term principal protected market linked debenture programme	100	PP-MLD[ICRA]AA (stable)
Short Term debt programme	5000	[ICRA]A1+

IIHFL:

Instrument	Rated Amount (Rs crore)	Current Rating
Long term bank lines	5000	[ICRA]AA (stable)
Long term debt programme	4300	[ICRA]AA (stable)
Principal Protected Market linked debenture programme	200	PP-MLD[ICRA]AA (stable)
Short term debt programme	2000	[ICRA]A1+

IIFL Wealth Management:

Instrument	Rated Amount (Rs crore)	Current Rating
Secured NCD	100	[ICRA]AA (stable)
Short term debt programme	200	[ICRA]A1+

IIFL Wealth Finance:

Instrument	Rated Amount (Rs crore)	Current Rating
NCD Programme	300	[ICRA]AA (stable)
Short term debt programme	2500	[ICRA]A1+
Principal Protected Market linked debenture programme	750	PP-MLD[ICRA]AA (stable)

IIFL Alternate Asset Advisors Limited:

Instrument	Rated Amount (Rs crore)	Current Rating
Short term debt programme	300	[ICRA]A1+

IIFL Facilities Services Limited (erstwhile IIFL Realty Ltd.):

Instrument	Rated Amount (Rs crore)	Current Rating
Long term debt	700	[ICRA]AA (stable)
Short term debt programme	500	[ICRA]A1+

India Infoline Commodities Limited:

Instrument	Rated Amount (Rs crore)	Current Rating
Short term debt programme	100	[ICRA]A1+

India Infoline Insurance Brokers Limited:

Instrument	Rated Amount (Rs crore)	Current Rating
Short term debt programme	100	[ICRA]A1+

India Infoline Media and Research Services Limited:

Instrument	Rated Amount (Rs crore)	Current Rating
Short term debt programme	100	[ICRA]A1+

*IIFL Holdings has also provided a Letter of Comfort to ensure that India Infoline Media and Research Services Limited will always honour its debt obligations in a timely manner

India Infoline Limited:

Instrument	Rated Amount (Rs crore)	Current Rating
LT – Equity linked debenture programme	100	PP-MLD[ICRA]AA (stable)
Short term bank lines	650	[ICRA]A1+



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