IIFL Finance Limited

December 10, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Proposed Commercial Paper Issue	5000.00	IVR A1+ (IVR A One Plus)	-	Rating assigned	**Simple**
Perpetual Debt Instrument (PDI)	500.00	IVR AA/Stable (IVR Double A with stable outlook)	IVR AA/Stable (IVR Double A with stable outlook)	Rating reaffirmed	**Complex**
Total	**5,500.00 (Rupees Five Thousand and Five Hundred crore only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has assigned/reaffirmed its rating to the proposed commercial paper issue and perpetual debt instrument (PDI) of IIFL Finance Limited (IIFL Finance) as it continues to derive comfort from comfortable capitalisation, healthy AUM levels albeit stagnation in FY25, experienced promoters with strategic investors and diversified resource profile. However, the rating strengths are partially offset by average asset quality and subdued profitability albeit improvement in H1FY26.

The outlook is Stable, supported by the group's established operating track record, comfortable capitalisation levels, and a diversified product profile. The outlook also factors in the expected growth in AUM, which is likely to enhance scale and support earnings over the medium term.

Key Rating Sensitivities:

Upward Factors

- Sustained improvement in AUM with improvement in asset quality while maintaining comfortable liquidity and capitalization levels.

Downward Factors

- Substantial deterioration in disbursements leading to decline in consolidated AUM levels.
- Substantial deterioration in the asset quality and profitability of the company from the current levels.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Comfortable capitalisation

IIFL Finance’s capitalisation profile remains comfortable, supported by regular capital infusions from marquee investors such as Fairfax and the CDC group, along with steady internal accruals. The most recent capital raise was Rs 1,272 crore through a rights issue in May 2024, which further strengthened the capital buffers.

On a consolidated basis, IIFL Finance’s net worth stood at Rs 14,631 crore with a gearing of 4.15x as on September 30, 2025, (Rs 13,946 crore and 3.66x, respectively, as on March 31, 2025). Capitalisation at the subsidiary level also remains strong, with IIFL Finance Limited, IIFL Home Finance, and IIFL Samasta Finance Limited reporting CRARs of 18.55%, 46.22%, and 33.43%, respectively, as on September 30, 2025 (18.48%, 47.22% and 32.38%, respectively, as on March 31, 2025).

Infomerics expects IIFL Finance’s capitalisation to remain adequate over the medium term, supported by the asset-light business model and anticipated capital infusions, which are likely to provide sustained support to its growth plans.

Healthy AUM levels albeit stagnation in FY25

IIFL Finance’s consolidated AUM growth remained muted during FY25, primarily on account of the RBI embargo on the gold loan business of IIFL Finance between March and September 2024, coupled with the sector-wide stress in the microfinance segment. Consequently, the consolidated AUM remained broadly stable at Rs 78,341 crore as on March 31, 2025, compared with Rs 78,960 crore as on March 31, 2024.

Following the removal of the embargo, gold loan disbursements recovered sharply, resulting in renewed momentum in AUM growth. Consolidated AUM increased to Rs 83,889 crore in Q1 FY26 and further to Rs 90,122 crore in H1 FY26, significantly higher than Rs 66,964 crore in H1 FY25. The gold loan book was the key driver, registering a robust 220% YoY growth and 27% QoQ growth.

Infomerics expects the improving growth trajectory to sustain over the near to medium term, supported by the IIFL Finance's diversified product mix, established franchise, and strong fund-raising capability.

As on September 30, 2025, the consolidated AUM comprised 38% gold loans, 36% home loans, 17% MSME loans, 11% microfinance loans, and 2% CRE and capital market exposures. Of the total AUM, 66% were on-book while 32% comprised off-book assets, including securitized portfolios and co-lending arrangements, reflecting the Group's continued focus on an asset-light growth strategy.

Experienced promoters with strategic investors

IIFL Finance Limited, a listed entity on BSE and NSE, is promoted by Mr. Nirmal Jain, Managing Director, and Mr. R Venkataraman, Joint Managing Director, both seasoned professionals with over three decades of experience in banking and financial services. The promoters are supported by a well-established board with diverse expertise and a highly experienced management team, providing strong oversight and strategic direction.

The Board also includes representation from marquee global investors, ensuring robust governance and strategic guidance. As on 30 September 2025, IIFL Finance's strategic investor base, comprising Fairfax, Capital Group, RIMCO, Vanguard, Theleme, Ward Ferry, Abakkus, Bavaria Industries AG, Nomura and BlackRock, collectively held 51.10% stake in the company. The presence of such reputed institutional investors continues to provide significant credibility, financial flexibility, and long-term strategic support to the Group.

Long track record with diversified product profile

IFL Finance Limited (IIFL Finance) is one of India's leading diversified financial services providers with a well-established operating track record of over two decades in the lending business. Through its key subsidiaries—IIFL Home Finance Limited (IIFL Home) and IIFL Samasta Finance Limited (IIFL Samasta)—the Group offers a broad suite of retail and MSME-focused lending products, including home loans, gold loans, business loans (including LAP and MSME financing), microfinance, developer and construction finance, and capital market finance, catering to both retail and corporate customers.

IIFL Finance has a strong nationwide presence with 4,872 branches across India as on September 30, 2025, enabling deep market penetration and supporting business scalability. The AUM is well diversified across geographies and product segments, reflecting the Group's established franchise strength, customer reach, and long-standing experience in the financial services industry.

Diversified resource profile

On a consolidated basis, IIFL Finance maintains a well-diversified funding mix, comprising bank/NBFC borrowings (40%), capital market instruments (32%), securitisation and co-lending arrangements (17%), and refinance facilities (11%). The diversified liability profile provides the flexibility in raising funds, supports timely mobilization of resources, and reduces dependence on any single funding source.

IIFL Finance's average cost borrowing remained stable at 9.4% in H1FY26 (9.4% in FY25) with expectations of a softening interest rate environment, borrowing costs are anticipated to ease further, thereby supporting overall profitability and margins.

Key Rating Weaknesses

Average asset quality

On a consolidated basis, IIFL Finance's asset quality remains average, with GNPA and NNPA at 2.14% and 1.02%, respectively, in H1FY26 (2.23% and 1.05%, respectively, in FY25). The provision coverage ratio (PCR) stood at 52.23% (53.03% in FY25). The asset quality continues to face pressure, given that ~14% of the consolidated AUM comprises unsecured loans, predominantly microfinance exposures, which remain vulnerable to macroeconomic and socio-political developments, as witnessed in FY25. The Group follows the ECL-based provisioning framework under IND AS, with consolidated provisions of Rs 1,498 crore in FY25, which is higher than the regulatory minimum.

On a standalone basis, IIFL Finance Limited reported an improvement in asset quality with GNPA/NNPA at 1.43%/0.53% in H1FY26, compared with 1.88%/0.69% in FY25. For IIFL Home Finance, asset quality remained moderate, with GNPA/NNPA rising to 2.20%/1.40% in H1FY26, from 1.80%/1.30% in FY25, primarily due to fresh slippages in the MSME segment.

IIFL Samasta Finance Limited reported GNPA/NNPA of 5.00%/1.50% in H1FY26, compared with 4.71%/1.46% in FY25. The deterioration was driven by heatwaves, general elections, field-level attrition, and borrower overleveraging across certain geographies. Additionally, the Karnataka microfinance ordinance (February 2025), enacted to curb coercive recovery practices among unregulated MFIs, disrupted field operations and adversely affected regulated MFIs as well.

Infomerics expects continued pressure on asset quality in FY26, given the potential disruptions arising from upcoming state elections in West Bengal and Uttar Pradesh, and floods in northern India regions that together account for nearly 20% of the IIFL Finance’s consolidated AUM, which could impact collection efficiency.

Subdued profitability albeit improvement in H1FY26

The consolidated profitability of IIFL Finance moderated significantly in FY25, primarily on account of elevated credit costs in the microfinance (MFI) segment and provisioning related to Alternative Investment Fund (AIF) exposures. IIFL Finance reported a PAT of Rs. 578.16 crore in FY25, a sharp decline from Rs. 1,974.20 crore in FY24. The stress in the MFI industry, coupled with higher Expected Credit Loss (ECL) provisions under Ind AS, resulted in credit provisions increasing to Rs. 1,498 crore in FY25 (PY: Rs. 911 crore).

Additionally, IIFL Finance had AIF investments maturing in June 2024 that were subsequently assigned to an ARC, resulting in Security Receipts (SRs) with a book value of Rs. 586.50

crore as on September 30, 2024. In line with the RBI circular dated December 19, 2023, titled "Investments in AIFs", which requires 100% provisioning for exposures not liquidated within 30 days, the company created full provisions on these SRs.

Despite the elevated provisioning levels of Rs. 1,013 crore in H1FY26, profitability has shown improvement. IIFL Finance reported a PAT of Rs. 692 crore in H1FY26, compared with Rs. 245 crore in H1FY25, indicating a recovery in earnings following the one-off provisioning impact absorbed in FY25.

Going forward, IIFL Finance's ability to sustain the improvement in profitability will remain a key rating monitorable. This will be contingent upon its capacity to enhance collection efficiency, particularly in the MFI segment, maintain net interest margins (NIMs) in a potentially softening interest rate environment, and achieve further cost rationalisation. The trajectory of these parameters will be critical in supporting the group's earnings profile and improving overall financial performance.

Analytical Approach: Consolidated

Infomerics has consolidated the business and financial risk profiles of IIFL Finance Limited (Parent Company) and its wholly owned subsidiary IIFL Samasta Finance Limited and its subsidiary IIFL Home Finance Limited. This consolidation is in the view of the common promoters, shared brand name and strong financial and operation synergies.

Applicable Criteria:

Rating Methodology for Financial Institutions/Non-Banking Finance companies

Policy on Default Recognition and Post – Default Curing Period

Criteria of assigning Rating Outlook

Complexity level of rated instruments/Facilities

Financial Ratios & Interpretation (Financial Sector)

Criteria on consolidation of companies

Liquidity – Strong

IIFL Finance Limited's liquidity on a consolidated basis remains strong with Networth of Rs 14,631.00 crore and a liquidity of Rs 8,170 crore in the form of cash & cash equivalents and undrawn bank limits as on 30 September 2025 which covers debt repayments till December 2025 with sufficient buffer. Also, the ALM profile as on 30 June 2025 had positive cumulative mismatches across various buckets.

About the Company

IIFL Finance, along with its subsidiaries, namely IIFL Home Finance (registered as a housing finance company) and IIFL Samasta Microfinance Limited (registered as an NBFC - microfinance institution; NBFC-MFI), offers home loans, loan against property, micro, small and medium enterprise (MSME) loans, gold loans, microfinance and real estate loans.

Financials (Standalone):

(Rs. crore)

For the year ended* / As on	31-03-2024	31-03-2025
	Audited	Audited
Total Income	4,649.43	4,080.16
PAT	584.78	(409.57)
Tangible Net worth	5,591.62	6,500.05
AUM	29,250	27,508
Ratios		
NIM (%)	16.05	9.34
ROTA (%)	2.40	(1.43)
Interest Coverage (times)	1.43	1.02
Total CRAR (%)	18.55	18.48
Gross NPA [Stage III] (%)	3.66	1.88
Net NPA [Stage III] (%)	1.90	0.69

** Classification as per Infomerics' standards.*

Financials (Consolidated):

(Rs. crore)

For the year ended* / As on	31-03-2024	31-03-2025
	Audited	Audited
Total Income	10,490.47	10,237.07

For the year ended* / As on	31-03-2024	31-03-2025
PAT	1,974.22	578.16
Tangible Net worth	12,051.36	13,946.39
AUM	78,960	78,341
Ratios		
NIM (%)	13.11	10.04
ROTA (%)	3.61	0.92
Interest Coverage (times)	1.66	1.31
Gross NPA [Stage III] (%)	2.32	2.23
Net NPA [Stage III] (%)	1.20	1.05

** Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: None

Rating History for last three years:

Sr. No.	Name of Security/ Facilities	Current Ratings (2025-26)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2025-26 25 September 2025	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24
1.	Perpetual Debt Instrument	Long Term	500.00	IVR AA/ Stable	IVR AA/ Stable	-	-
2.	Proposed Commercial Paper Issue	Short Term	5000.00	IVR A1+	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Limited (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Listing Status	Rating Assigned/ Outlook
Perpetual debt Instrument (PDI)	INE530 B08201	30 September 2025	9.90% p.a.	Perpetual	500.00	Listed	IVR AA/Stable
Proposed Commercial Paper issue	-	-	-	-	5000.00	Proposed to be listed	IVR A1+

Annexure 2: Facility wise lender details: Not Applicable

Annexure 3: Detailed explanation of covenants of the rated Security/facilities:

Draft Term sheet for proposed CPs of Rs 5000 crore:

Issuer	IIFL Finance Limited
Issue	Proposed Commercial paper issue
Amount	Rs 5000 crore
Coupon rate	TBD
Tenure	Upto 364 days
Listing status	Proposed to be listed
Purpose of the issue	Onward lending and general corporate purposes

Term sheet for the PDI issue of Rs 500.00 crores:

Items	Particulars
Issue	9.90% UNSECURED RATED LISTED REDEEMABLE PERPETUAL NON-CONVERTIBLE DEBENTURE SERIES PDI 1 FY2026
Issuer	IIFL Finance Limited
Issue Size	Rs 500.00 crore
ISIN	INE530B08201
Issue date	30 September 2025
Coupon Rate	9.90% per annum, subject to the "*Lock-in Clause*" as set out below
Mode of placement	Private Placement
Listing status	Listed
Step up/step down coupon Rate	The Debentures shall have a step-up option of 100 bps, which shall be exercised only once during the whole life of the instrument, in conjunction with the Call Option, after the lapse of 10 years from the date of issue. In effect, the coupon rate on Debentures shall be stepped up to 10.90% p.a. for subsequent years if Call Option is not exercised by the Company.
Utilization of proceeds	The funds raised through the issue of Debentures shall be utilized as permitted under the RBI SBR Master Directions. The Issuer shall utilize 100% of the proceeds of the issue for augmenting regulatory capital requirements, its regular business activities and general corporate purposes such as onward lending and refinancing existing

Items	Particulars
	borrowings, in each case in accordance with the RBI SBR Master Directions.
Cumulative / non-cumulative, in case of Coupon	The Coupon on the Debentures shall not be cumulative except in cases: (i) the Company's capital to risk assets ratio ("**CRAR**") is below the minimum regulatory requirement prescribed by RBI; or (ii) the impact of such payment results in Company's CRAR falling below or remaining below the minimum regulatory requirement prescribed by RBI
Lock-in Clause	Pursuant to RBI SBR Master Directions, the Debentures shall be subject to a lock-in as under: (i) the Debentures shall be subject to a lock-in in terms of which the Company may defer the payment of Coupon/ interest, if: A. the Company's capital to risk assets ratio ("**CRAR**") is below the minimum regulatory requirement prescribed by RBI; or B. the impact of such Coupon/ interest payment results in Company's CRAR falling below or remaining below the minimum regulatory requirement prescribed by RBI; or (ii) In the event that making of any Coupon payment by the Issuer may result in net loss or increase the net loss of the Issuer, the making of such Coupon payment by the Issuer shall be subject to the prior approval of the RBI and shall be made on receipt of such approval provided that the CRAR remains above the regulatory norm after the making of such Coupon payment. (iii) The Coupon/ interest on the Debentures shall not be cumulative except in case as mentioned in (i) above. (iv) All instances of invocation of this Lock- in Clause shall be notified by the Issuer to the Regional Office of Department of Supervision of the RBI in whose jurisdiction it is registered. The invocation of the 'Lock-in Clause' by the Issuer shall not be construed as a default committed by the Issuer and shall not result in the occurrence of an 'Event of Default' (by whatsoever name called) in respect of the Debentures. The deferment of payment of Coupon as a result of the exercise of the Issuer's discretion as set out hereunder, shall not be construed as a default committed by the Issuer and shall not result in the occurrence of an 'Event of Default' (by whatsoever name called) in respect of the Debentures.
Default Interest Rate	Default in payment: In case of default (including delay) in payment of interest/ coupon and/ or redemption of principal on the due dates, the Company shall pay additional interest at 2% p.a. over the coupon rate for defaulting period.
Redemption Date	Not applicable in the case of Perpetual Debentures, subject to the exercise of any Call Option by the Issuer after expiry of at least 10 (ten) years from the Deemed Date of Allotment and with the prior approval of RBI.

Items	Particulars
Tenor	Perpetual
Call Option	The Issuer shall have the right (but not the obligation) to exercise a call option in respect of all or part of the Debentures ("**Call Option**") on any Call Option Payment Date, subject to the conditions mentioned below ("**Call Option Conditions**"): 1. The Call Option can be exercised by the Issuer only after expiry of at least 10 years from the Deemed Date of Allotment; 2. To exercise a Call Option, the Issuer shall require prior approval of RBI. The RBI may or may not provide its approval and may take into account various factors. While considering the proposals received from such NBFCs for exercising the Call Option RBI would, among other things, take into consideration its CRAR position both at the time of exercise of the Call Option and after the exercise of the Call Option. The Issuer may at its sole discretion, exercise the Call Option, in relation to the outstanding Debentures, on the Call Option Date (i.e., on or any date after September 09, 2035) subject to receipt of the prior approval of the Reserve Bank of India and other Call Option Conditions. The Coupon shall be payable on an actual/actual day count basis until the date of exercise of such Call Option.
Call Notification Time/ Call Option Notice (Timelines by which the Issuer need to intimate Investor before exercising the call)	Any redemption of the Debentures on account of exercise of Call Option shall be subject to the Issuer giving a notice ("**Call Option Notice**") in writing at least 21 (twenty-one) calendar days' prior to the Call Option Date, to the Debenture Holders and/or the Debenture Trustee in the manner mentioned in SEBI NCS Regulations and subject to Call Option Conditions. The Issuer must redeem the Debentures in respect of which the Call Option has been exercised by making payment of the Call Price on the Call Option Date. All accrued Interest will be paid up to but excluding the Call Option Date. Following the Call Option Date, the Issuer shall make disclosures as required under Applicable Law. For the purpose of determining the Debenture Holders to whom the Call Option amounts should be paid, the Issuer will use the Record Date.

Items	Particulars
Events of Default (including manner of voting /conditions of joining Inter Creditor Agreement)	In case of payment event of default, penal interest will be paid in accordance with provisions of the SEBI NCS Regulations, as amended. Manner of voting/ conditions of joining the Inter Creditor Agreement shall be mentioned in the Debenture Trust Deed which will be executed within time frame prescribed under the Applicable Law. The invocation of the 'Lock-In Clause' by the Issuer shall not be construed as a default committed by the Issuer and shall not result in the occurrence of an 'Event of Default' (by whatsoever name called) in respect of the Debentures. The deferment of payment of Coupon as a result of the exercise of the Issuer's discretion as set out hereunder, shall not be construed as a default committed by the Issuer and shall not result in the occurrence of an 'Event of Default' (by whatsoever name called) in respect of the Debentures.

Annexure 4: List of companies considered for consolidated analysis:

Name of entities being consolidated	Extent of Consolidation	Rationale for Consolidation
IIFL Finance Limited	Full	Parent Company
IIFL Home Finance Limited	Full	Subsidiary
IIFL Samasta Finance Limited	Full	Subsidiary
IIFL Fintech Private Limited	Full	Subsidiary

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.