



IIFL Holdings Ltd

Press Release

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CRISIL Upgrades Two IIFL Group Companies' Ratings to AA/Stable from AA-/Stable

- CRISIL upgrades ratings of India Infoline Finance & India Infoline Housing Finance
- CRISIL says upgrade reflects IIFL Group's improved capital position and well-diversified business risk profile with presence across the financial services space
- CRISIL says the outlook may be revised to 'positive' if group significantly strengthens market position while maintaining profitability and asset quality

IIFL (India Infoline) Group, one of India's leading diversified financial services conglomerate today announced that two of its group companies, India Infoline Finance Ltd and India Infoline Housing Finance Ltd have received a credit rating upgrade by **CRISIL Ltd**, a S&P Global Inc. company.

CRISIL, India's top rating agency, has upgraded the rating for **India Infoline Finance Ltd**, the non-banking finance arm of IIFL Group and its subsidiary **India Infoline Housing Finance Ltd**, to 'CRISIL AA/Stable' from 'CRISIL AA- /Stable'. The rating is applicable on the long-term debt instruments of the company.

“The upgrade in rating primarily reflects the IIFL group's improved capital position and well-diversified business risk profile with presence across the financial services space and increasing focus towards retail lending. The group has also strengthened its senior



management team by hiring experienced personnel in the retail finance business in the past two years,” said CRISIL in a ratings note.

It added, “The outlook may be revised to 'Positive' if the group significantly strengthens its market position while maintaining profitability and asset quality.”

For arriving at the rating, CRISIL combined the business and financial risk profiles of IIFL Holdings Ltd and its subsidiaries, including India Infoline Finance.

NET WORTH, CAPITAL RAISING

CRISIL, in its rationale for the ratings upgrade further said, “IIFL group's capitalisation has improved significantly over the past few quarters with the group's net worth increasing to Rs 40.96 billion as on March 31, 2016 from Rs 28.2 billion as on March 31, 2015. The group's networth is expected to increase further to over Rs 50 billion by March 2017, a more than 75% increase over the last 2 years.”

IIFL net worth rose driven by capital raising of around Rs 20 billion over the past 12 months. General Atlantic Singapore Fund Pte (GA) invested Rs.9 billion in IIFL Wealth Management Ltd in October 2015, which has been invested in IIFL Wealth Finance Ltd, its wholly owned subsidiary non-banking financial company (NBFC) that was acquired in February 2016.

GA has also invested Rs 1.6 billion in a secondary transaction for acquiring equity shares from employees. Further, in July 2016, IIFL Finance, the group's NBFC arm, announced that CDC Group Plc (a British government-owned development finance institution) will invest Rs 10 billion in the company in the form of compulsorily convertible preference shares for a 15.45% stake. Post this capital infusion, IIFL Finance's gearing is expected to improve to below 6 times from 8.1 times as on March 31, 2016.

WELL DIVERSIFIED

IIFL Group operates in the retail and commercial finance; broking; equity, commodity and currency; third-party financial product distribution; and wealth management businesses. The lending business remains its key growth driver, with assets under management of Rs 185.6 billion as on June 30, 2016.



The portfolio consists of retail mortgage (49%), commercial credit (12%), gold loans (16%), commercial vehicle finance (14%), capital-market based lending (5%), and small and medium enterprise and medical equipment finance (4%).

The group is increasingly focusing on retail lending across asset classes. It has moved most of its fresh large-ticket mortgage loan originations to the real estate funds managed by it. Within mortgage finance (in India Infoline Finance and India Infoline Housing Finance Ltd [IIHFL]), the focus will be on sub Rs 3.0 million home loans and retail loans against property (LAP).

The business of larger-ticket capital market loans (to high networth individuals [HNIs]) in IIFL Wealth Finance Ltd, the group's wealth NBFC, is expected to account for 10-15% of its lending over the medium term.

The wealth NBFC had a loan book of Rs 14.65 billion as on June 30, 2016. While the shift in business focus to retail mortgage loans is likely to improve the asset quality of the lending business over the medium term, the group's ability to underwrite and maintain strong standards amid competition from established players, particularly in the mortgage segment, will remain a monitorable.

The IIFL group, through IIFL Ltd, is a large player in the retail broking segment. It also has presence in the institutional, currency, and commodity broking segment; has maintained its strong position in the insurance and other products distribution business; and is a leading non-bank life insurance distributor in India.

The wealth management business had sizeable assets under advisory of Rs 857.8 billion as on June 30, 2016. The IIFL group has fairly experienced and stable management teams in all key businesses.

While the NBFC and housing finance arms witnessed some exits at the senior management level in the past, the group has hired fairly experienced personnel in the past two years. It has also strengthened credit appraisal and risk management systems in its lending business segments.

The IIFL group's resource profile, though improving, remains average, and dependent on wholesale funding from banks, which accounted for 46% of its borrowings as on March 31, 2016. However, the group has diversified its resource mix and has raised retail bonds.



Additionally, short-term debt reduced to 23% of its total borrowings as on March 31, 2016, from 39% as on March 31, 2013.

CRISIL said, it will continue to monitor the group's ability to diversify its resource profile and raise long-term resources at competitive rates to manage asset-liability mismatches in the retail finance portfolio.

OUTLOOK: STABLE

CRISIL believes the IIFL group will continue to witness healthy growth in the lending business over the medium term, while maintaining its strong market position in the capital market businesses as well as its comfortable capitalisation.

It said, “The outlook may be revised to 'Positive' if the group significantly strengthens its market position while maintaining profitability and asset quality. The outlook may be revised to 'Negative' in case of lower-than-expected growth in business or significant deterioration in asset quality or profitability.”

About IIFL

IIFL Holdings Ltd (NSE: IIFL, BSE: 532636) is a leading player in the Indian financial services space. IIFL is engaged in the business of financing, asset and wealth management, capital markets, financial products distribution, investment banking, institutional equities, and project financing and advisory services through its various subsidiaries.

IIFL Holdings Ltd with a consolidated net-worth of `3,058 crores as of June 30, 2016, is headquartered in Mumbai with overseas offices in London, New York, Geneva, Hong Kong, Dubai, Singapore and Mauritius. Started as a research firm in 1995, IIFL is a first generation venture. Today, IIFL is a diversified financial services group offering gamut of services to more than 3 million customers across various business segments and is continuously building on its strengths to deliver excellent service to its expanding customer base.

IIFL was recognised as '**India's Most Trusted Financial Service Brand (Non-Bank)**' by the Brand Trust Report India Study, 2016. IIFL bagged **Best Customer Service in Financial Sector** by World Quality Congress - service quality awards in 2015. IIFL won '**The Best Private Banking Services Overall, India**' award at Euromoney Private Banking and Wealth Management Survey, 2016. www.indiaonline.com won **Best Website** in the Banking & Investment category from Website of The Year India, 2015. IIFL has been listed as the **top securities trading firm in India in Fortune 500** India list, 2014. IIFL received the '**Best Broker of the year Award**' (for contribution to broking in India) at India's Best Market Analyst Awards 2014 organized by Zee Business. IIFL received **India's Most Promising Brand 2014** award at WCRC Global India Excellence Summit in London. *IIFL/ India Infoline refer to IIFL Holdings Ltd and its group companies.*



For further details please contact:

IIFL Holdings Ltd

Sourav Mishra

Mobile: +91 992028-5887

Email: sourav.mishra@indiainfoline.com