

## IIFL Capital Services Ltd — 16 Dec 2025 Credit Rating Summary

Section	Details
Agency	Infomerics Ratings
Rating Change	Assigned IVR A1+ (New Rating Assigned for Commercial Paper)
Outlook (Current vs Previous)	Stable (Implied by A1+ assignment)
Key Drivers of Change	<ol style="list-style-type: none"> <li><b>Diversified Revenue Mix:</b> Retail (45%), Insti/IB (32%), and Distribution (23%) provide a cushion against pure-play broking volatility.</li> <li><b>Strong Net Worth:</b> Improved to ₹2,811 Cr (Sep-25) from ₹2,481 Cr (FY25), supported by internal accruals and ESOP infusions.</li> <li><b>High Liquidity:</b> ₹1,584 Cr in cash/unutilized limits vs. ₹1,136 Cr debt repayments due by April 2026.</li> <li><b>Operating Efficiency:</b> Tech-driven model maintains healthy margins despite industry-wide regulatory headwinds.</li> </ol>
Rated Instruments	Commercial Paper: ₹3,050 Cr   IVR A1+   Stable
Key Observations	<p><b>Strengths:</b></p> <ul style="list-style-type: none"> <li>Scalable distribution AUM of ₹44,400 Cr provides steady annuity-like income.</li> <li>Dominant institutional presence covering 306 stocks and 1000+ clients.</li> <li>Conservative gearing at 0.62x despite recent debt increase (vs 0.38x in Mar-25).</li> </ul> <p><b>Risks:</b></p> <ul style="list-style-type: none"> <li><b>Margin Compression:</b> PAT margins dropped to 21.23% (H1FY26) from 27.77% (FY25).</li> <li><b>Legal Overhang:</b> SEBI's appeal in Supreme Court regarding the "onboarding ban" (FY11-14 lapses) remains a key monitorable.</li> <li><b>Cyclicality:</b> Q2FY26 turnover moderated by 21%, highlighting sensitivity to market sentiment.</li> </ul>
Investor Impact	<ul style="list-style-type: none"> <li><b>Margins:</b> Facing pressure from discount brokers and SEBI's new "weekly expiry" limits.</li> <li><b>Leverage:</b> Debt increased significantly to ₹1,741.75 Cr (H1FY26) from ₹937.23 Cr (FY25) to fund working capital.</li> <li><b>Dilution:</b> Low risk, though ESOPs are used for capital infusion.</li> <li><b>Growth:</b> Shift toward HNI/Affluent segments may protect yields better than discount models.</li> </ul>
Agency / Cross Analysis	<p><b>New Agency Assignment:</b> Infomerics has assigned the highest short-term rating (A1+).</p> <p><b>Alignment:</b> The rating aligns with the company's "Strong" liquidity profile and comfortable capitalization.</p> <p><b>Inconsistency:</b> While the rating is top-tier, the <b>EBITDA margin drop (45.16% to 30.85% in 6 months)</b> suggests an operational pivot or cost pressure that hasn't yet impacted creditworthiness but warrants equity caution.</p>
Final Inference	Real improvement in capital base (Net worth up 13% in 6 months) but the Supreme Court litigation and doubling of debt since FY25 make this a "Stable Credit / High-Volatility Equity" play. The A1+ rating confirms short-term solvency, not necessarily protection against margin erosion.