

IIFL Capital Services Ltd — 16 Dec 2025 Credit Rating Summary

Section	Details
Agency	Infomerics Ratings
Rating Change	New Rating Assigned: IVR A1+ (Highest Short-Term Rating)
Outlook (Current vs Previous)	Strong (Liquidity-based assessment)
Key Drivers of Change	Diversified Revenue: Revenue split across Retail Equity (45%), Institutional/IB (32%), and Distribution (23%); Distribution AUM of ₹44,400 Cr provides "sticky" annuity income. Capitalization: Net worth rose to ₹2,811 Cr (Sep '25) from ₹2,481 Cr (Mar '25) via internal accruals and ESOPs; gearing remains low at 0.62x. Market Reach: 30+ years of experience with >4 lakh active clients and >1000 institutional clients. Operating Efficiency: Tech-driven model maintains healthy PAT margins (~21% in H1FY26) despite industry-wide pressure.
Rated Instruments	Commercial Paper: ₹3,050 Cr
Key Observations	Strengths: Strong liquidity buffer of ₹1,584 Cr (Cash + Limits) vs. ₹1,136 Cr debt repayments due by April 2026. Strengths: Robust investment banking pipeline and coverage of 306 stocks. Risks: Regulatory Overhang: SEBI's appeal in Supreme Court regarding the 2-year client onboarding ban is a major "monitorable." Risks: Margin Compression: EBITDA margins fell sharply from 45.16% (FY25) to 30.85% (H1FY26) due to regulatory changes in index options. Risks: Total Debt nearly doubled in 6 months from ₹937 Cr to ₹1,741 Cr to fund growth/working capital.
Investor Impact	Growth: Diversification into Wealth/AUM-linked fees reduces cyclical risks for equity holders. Margins: Near-term pressure on brokerage yields likely due to SEBI's weekly expiry curbs. Leverage: Low gearing (0.62x) suggests zero dilution risk from equity fundraises in the near term. Valuation: Legal uncertainty (Supreme Court case) remains a significant P/E multiple cap.
Agency / Cross Analysis	New Agency Assignment: This is a fresh rating by Infomerics. Alignment: The "A1+" aligns with the company's "Strong" liquidity and low leverage. Key Difference: The report highlights a "significant moderation" in margins (PAT 28% → 21%) which suggests the credit is safe, but the equity story is facing headwinds. Conclusion: Improvement in Scale but Deterioration in Profitability Metrics.
Final Inference	Credit Strength ≠ Equity Upside. While the A1+ confirms a "Bulletproof" balance sheet and high liquidity, the sharp drop in EBITDA margins and the pending Supreme Court litigation signal a cautious outlook for equity investors seeking margin expansion.