

IIFL Capital Services Ltd — 17 Nov 2025 Credit Rating Summary

Section	Details
Agency	CRISIL Ratings
Rating Change	Reaffirmed at AA- / Stable / A1+ (0 notches moved; CP limit significantly enhanced)
Outlook (Current vs Previous)	Stable vs Stable
Key Drivers of Change	MTF Expansion Capacity: CP limit tripled from ₹1,050 Cr to ₹3,050 Cr, signaling aggressive growth intent in Margin Trade Funding (high-margin interest income). Diversified Fee Income: Investment Banking (₹238 Cr in FY25) and Distribution (₹145 Cr) now contribute ~29% of revenue, de-risking the business from pure broking volatility. Robust Capitalization: Consolidated Net Worth grew to ₹2,815 Cr (Sept 2025) with low gearing of 0.6x, providing high solvency. Profitability Profile: Strong FY25 PAT of ₹713 Cr (33.2% RoE) provides a massive internal accrual buffer despite H1 FY26 moderation.
Rated Instruments	1. Commercial Paper: ₹3,050 Cr
Key Observations	Market Position: Maintains Top-10 status in NSE active clients (4.19 Lakh). Volume Trend: Concern—Avg Daily Turnover (ADTO) dropped from ₹2.8 Lakh Cr (FY25) to ₹2.4 Lakh Cr (H1 FY26). Asset Quality: MTF book (₹1,514 Cr) is well-collateralized; limited credit losses historically. Efficiency: Variable cost structure (franchisee model) helps protect margins during market downturns. Regulatory Risk: Legal overhang remains as SEBI has appealed the SAT order (regarding client acquisition ban) in the Supreme Court. Cost Intensity: Increasing SEBI compliance requirements are driving up IT and operational overheads.
Investor Impact	Growth: The massive CP enhancement suggests a pivot toward "Balance Sheet lending" (MTF) to drive the next leg of growth. Margins: RoE moderated to 19.6% in H1 FY26 from 33.2% in FY25; indicates cyclical cooling and competitive pricing in broking. Dilution Risk: Very Low; current growth is funded through internal accruals and debt, not equity.
Agency / Cross Analysis	Same Agency: Reaffirmed the rating but fundamentally "blessed" a 190% increase in short-term borrowing capacity (CP). The agency is comfortable with the shift toward a more debt-heavy MTF book because the gearing (0.6x) remains far below the typical 2.0x–3.0x seen in peers. Conclusion: Improvement in financial flexibility and business scale, though regulatory clouds haven't fully cleared.
Final Inference	Real Improvement in Capital Muscle. The reaffirmation despite a 3x increase in debt-raising capacity for MTF is a strong signal of balance sheet strength. For equity investors, this shift toward interest-earning assets should stabilize earnings against volatile trading volumes.