

# IIFL Finance

BSE Sensex 83,185 S&P CNX 25,416

CMP: INR496 TP: INR600 (+21%) BUY



Bloomberg	IIFL IN
Equity Shares (m)	424
M.Cap.(INRb)/(USDb)	210.4 / 2.5
52-Week Range (INR)	684 / 304
1, 6, 12 Rel. Per (%)	6/26/-39
12M Avg Val (INR M)	1033

## Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
NII	59.6	53.9	63.4
Total Income	62.9	58.3	74.8
PPoP	34.8	26.8	40.2
PAT (pre-NCI)	19.7	12.0	23.0
PAT (post-NCI)	17.6	10.0	20.5
EPS (INR)	46.2	23.6	48.3
EPS Gr. (%)	17	-49	104
BV (INR)	279	299	343

## Ratios (%)

NIM	8.3	6.9	7.4
C/I ratio	44.6	53.9	46.3
Credit cost	2.0	2.1	1.7
RoA	3.4	1.9	3.2
RoE	18.0	8.6	15.0

## Valuations

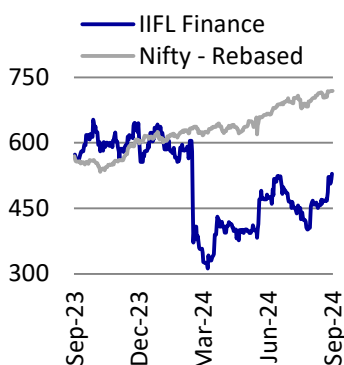
P/E (x)	10.8	21.1	10.3
P/BV (x)	1.8	1.7	1.5

## Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	24.9	24.8	24.8
DII	7.4	8.6	5.5
FII	30.3	29.1	28.6
Others	37.4	37.5	41.0

FII Includes depository receipts

## Stock performance (one-year)



## RBI revokes gold loan ban; IIFL likely to take steps to regain market share

The RBI has lifted the ban on IIFL's gold loan business, effective immediately. The RBI embargo on the company's gold loan operations was in force for more than six months, similar to previous such instances of embargo in the industry. IIFL can now resume the sanctioning, disbursal, assignment, securitization and sale of gold loans.

- IIFL's gold loan AUM stood at ~INR260b as of 4th Mar'24, when the ban came into effect. It subsequently declined to ~INR147b as of Jun'24 and ~INR122b as of 5th Aug'24. Assuming that ~10% of the outstanding gold loans run down every month, we expect IIFL's gold loan AUM at ~INR105b as of 19th Sep'24, when the ban was revoked.
- We expect IIFL to now make a strong comeback in the gold lending business to regain its market share in the segment. We believe that IIFL could even take pricing actions and compete aggressively (if needed) to accelerate its gold loan growth. While this could have some impact on the segment's profitability in the near term, it will help IIFL regain its market share from its peers (like MUTH, MGFL) and even some banks.
- While the profitability in the gold loan segment (particular for NBFCs) could be under pressure in the near term, we clearly do not expect a repeat of the episode when there was cut-throat competition and gold loans were offered in India at lowest rates of 0.5%-0.8% per month (between Oct'21 and Mar'22). However, the advantage for MUTH/MGFL due to the gold loan ban on IIFL will now end. Higher gold prices will still remain a tailwind for the entire sector.
- Following the RBI ban, a few [media articles](#) recently suggested that IIFL could face a credit rating downgrade in the event of a delay by the RBI in lifting restrictions. **We believe that those concerns are now unfounded and that credit rating agencies, which had placed the company on Rating Watch (RW), could, at some stage, look to upgrade their credit rating outlook on IIFL.**
- During the gold loan ban period, IIFL did not close down any of its gold loan branches and did not terminate any of its employees. Instead, the company was slow in hiring and did not replace employees if there was any natural attrition at the relationship manager or feet-on-street level. The gold loan business continues to be led by Mr. Saurabh Kumar, who has been with the company for close to a decade.
- IIFL has ensured that there is full compliance and all remedial actions have been taken, including all the directions in the master guidelines. It has also hired a few people at the CXO level and is in the process of hiring a few more, so that the risk, audit and compliance (entire risk assurance) functions are further strengthened.

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**Valuation & View**

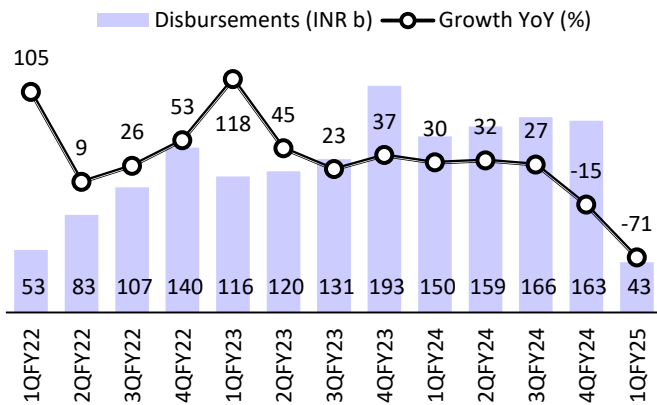
- IIFL's management had shared in its last earnings call that the company was in compliance with all the RBI observations, which led to the ban on gold loans. It is now better placed for the next phase of high-quality growth.
- We have not made any changes in our estimates. We look forward to engaging with the company management to understand its strategy and approach going ahead and to understand its outlook on AUM growth. The stock trades at 1.5x FY26E P/BV and ~10x P/E. IIFL could see a valuation re-rating as investors get renewed confidence in its ability to claw back its market share in gold loans. We maintain our BUY rating on the company with a revised TP of INR600 (based on Mar'26E SOTP of the standalone business and the two subsidiaries).

**IIFL Finance: SOTP - March 2026**

Particulars	Stake	Value (INR B)	Value (USD B)	INR per share	% To Total	Target Multiple(x)	Basis
IIFL Finance (Standalone)	100	114	1.4	270	45	1.6	PBV
IIFL Home Finance (HFC)	80	113	1.3	266	44	2.0	PBV
IIFL Samasta Finance (MFI)	100	27	0.3	64	11	1.2	PBV
<b>Target Value</b>		<b>254</b>	<b>3.0</b>	<b>600</b>	<b>100</b>		
Current market cap.		211	2.5	498			
<b>Upside (%)</b>		<b>20</b>	<b>20</b>	<b>20</b>			

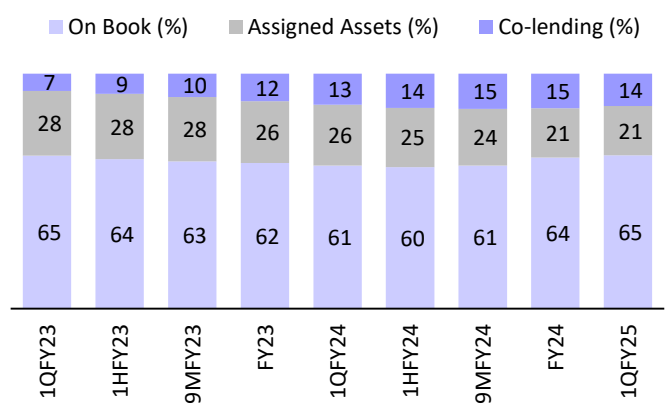
Key exhibits (as of Jun'24)

Exhibit 1: Disbursement declined 71% YoY



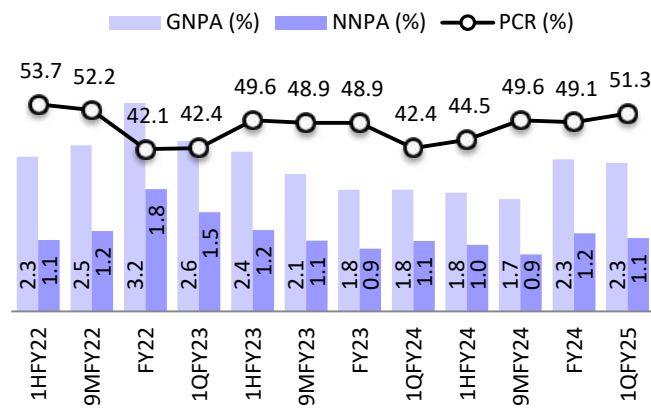
Source: MOFSL, Company

Exhibit 2: Off-book loans constituted 36% of AUM mix



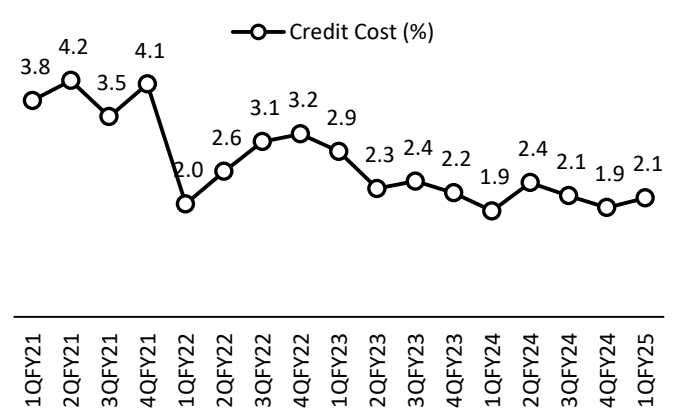
Source: MOFSL, Company

Exhibit 3: Asset quality was largely stable QoQ (%)



Source: MOFSL, Company

Exhibit 4: Credit Costs rose to ~2.1%



Source: MOFSL, Company

## Financials and Valuation

Income Statement						(INR M)	
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Interest Income	46,189	54,212	61,345	73,693	98,386	94,584	1,08,094
Interest Expenses	24,050	26,258	29,910	32,218	38,829	40,702	44,738
<b>Net Interest Income</b>	<b>22,139</b>	<b>27,954</b>	<b>31,435</b>	<b>41,474</b>	<b>59,557</b>	<b>53,882</b>	<b>63,356</b>
Change (%)	2	26	12	32	44	-10	18
-NII on on-book	16,380	20,934	23,713	30,183	41,538	41,635	51,913
-NII on off-book	5,758	7,020	7,722	11,291	18,019	12,247	11,443
Other Operating Income	1,635	4,186	7,202	8,896	931	2,579	8,832
Other Income	818	1,499	1,689	1,883	2,410	1,795	2,655
<b>Total Income</b>	<b>24,591</b>	<b>33,639</b>	<b>40,326</b>	<b>52,253</b>	<b>62,899</b>	<b>58,255</b>	<b>74,843</b>
Change (%)	-2	37	20	30	20	-7	28
<b>Total Operating Expenses</b>	<b>12,677</b>	<b>11,904</b>	<b>15,918</b>	<b>22,466</b>	<b>28,067</b>	<b>31,429</b>	<b>34,625</b>
Change (%)	8	-6	34	41	25	12	10
Employee Expenses	7,461	7,231	9,307	13,295	16,849	19,167	21,225
Depreciation	1,056	1,057	1,217	1,526	1,808	1,949	2,238
Other Operating Expenses	4,160	3,617	5,394	7,645	9,410	10,313	11,163
<b>Operating Profit</b>	<b>11,914</b>	<b>21,734</b>	<b>24,408</b>	<b>29,787</b>	<b>34,832</b>	<b>26,827</b>	<b>40,218</b>
Change (%)	-10	82	12	22	17	-23	50
Provisions and write-offs	4,662	11,686	9,048	8,661	9,113	10,780	9,878
<b>PBT</b>	<b>7,252</b>	<b>10,048</b>	<b>15,359</b>	<b>21,125</b>	<b>25,719</b>	<b>16,046</b>	<b>30,341</b>
Tax Provisions	2,217	2,440	3,477	5,050	5,977	4,021	7,368
Tax Rate (%)	30.6	24.3	22.6	23.9	23.2	25.1	24.3
<b>PAT (pre-NCI)</b>	<b>5,035</b>	<b>7,608</b>	<b>11,882</b>	<b>16,076</b>	<b>19,742</b>	<b>12,025</b>	<b>22,972</b>
Change (%)	-37	51	56	35	23	-39	91
Non Controlling Interest (NCI)	-16	-7	-4	-1,072	-2,107	-2,000	-2,500
<b>PAT (post-NCI)</b>	<b>5,018</b>	<b>7,601</b>	<b>11,879</b>	<b>15,003</b>	<b>17,635</b>	<b>10,025</b>	<b>20,472</b>
Change (%)	-37	51	56	26	18	-43	104

Balance Sheet						(INR M)	
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	757	758	759	761	763	848	848
Reserves & Surplus	46,899	53,177	63,879	89,160	1,05,607	1,25,976	1,44,541
Non-controlling interest			59.0	12,101	14,195	16,195	18,695
<b>Net Worth</b>	<b>47,656</b>	<b>53,934</b>	<b>64,697</b>	<b>1,02,021</b>	<b>1,20,564</b>	<b>1,43,019</b>	<b>1,64,083</b>
<b>Borrowings</b>	<b>2,77,177</b>	<b>3,22,645</b>	<b>3,57,255</b>	<b>3,96,040</b>	<b>4,66,992</b>	<b>4,49,242</b>	<b>5,63,295</b>
Change (%)	4.5	16.4	10.7	10.9	17.9	-3.8	25.4
Other Liabilities	18,901	30,090	37,150	31,951	36,655	43,775	50,983
<b>Total Liabilities</b>	<b>3,43,734</b>	<b>4,06,669</b>	<b>4,59,102</b>	<b>5,30,012</b>	<b>6,24,212</b>	<b>6,36,035</b>	<b>7,78,361</b>
Cash and Bank	32,159	47,841	81,569	58,390	42,457	43,774	43,083
Investments	7,704	316	11,922	35,110	40,590	48,320	55,317
<b>Loans</b>	<b>2,85,347</b>	<b>3,35,332</b>	<b>3,36,929</b>	<b>4,00,011</b>	<b>5,09,523</b>	<b>5,06,485</b>	<b>6,36,051</b>
Change (%)	4.2	17.5	0.5	18.7	27.4	-0.6	25.6
Fixed Assets	3,950	4,102	4,777	5,708	6,569	7,450	8,689
Other Assets	14,574	19,079	23,908	30,794	25,072	30,006	35,220
<b>Total Assets</b>	<b>3,43,734</b>	<b>4,06,669</b>	<b>4,59,104</b>	<b>5,30,013</b>	<b>6,24,212</b>	<b>6,36,035</b>	<b>7,78,361</b>

E: MOFSL Estimates

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>AUM</b>	<b>4,46,880</b>	<b>5,12,098</b>	<b>6,46,376</b>	<b>7,89,599</b>	<b>7,64,394</b>	<b>9,37,947</b>
Change (%)	18	15	26	22	-3	23
<b>On-book/Off-book Mix (%)</b>						
On-book AUM (%)	75	67	62	64	66	67
Assignments (%)	25	28	26	21	19	16
Co-lending (%)	0	6	12	15	15	16
<b>Total (%)</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Disbursements</b>	<b>2,78,300</b>	<b>3,83,090</b>	<b>5,59,630</b>	<b>6,38,263</b>	<b>4,25,486</b>	<b>6,01,962</b>
Change (%)		38	46	14	-33	41

## Financials and Valuation

### Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Spreads Analysis (%)</b>						
Avg. Yield on Loans	17.5	18.3	20.0	21.6	18.6	18.9
Avg Cost of Funds	8.8	8.8	8.6	9.0	8.9	8.8
Spread of loans	8.7	9.5	11.4	12.6	9.7	10.1
NIM (as % of total AUM)	6.8	6.6	7.2	8.3	6.9	7.4
On-book NIM (% of on-book AUM)	6.8	7.0	8.1	9.1	8.2	9.2

### Profitability Ratios (%)

RoE	15.0	20.0	19.4	18.0	8.6	15.0
RoA	2.0	2.7	3.3	3.4	1.9	3.2
Int. Expended / Int.Earned	48.4	48.8	43.7	39.5	43.0	41.4
Other Inc. / Net Income	16.9	22.0	20.6	5.3	7.5	15.3

### Efficiency Ratios (%)

Op. Exps. / Avg AUM	2.9	3.3	3.9	3.9	4.0	4.1
Op. Exps. / Net Income	35	39	43	45	54	46
Empl. Cost/Op. Exps.	61	58	59	60	61	61

### Asset-Liability Profile (%)

Debt-Equity Ratio	6.0	5.5	4.4	4.4	3.5	3.9
Assets/Equity	7.5	7.1	5.9	5.9	5.0	5.4

### Asset Quality (%)

GNPA (INR m)	6,620	10,740	7,380	11,692	9,431	10,132
GNPA (%)	2.1	3.2	1.8	2.3	1.9	1.6
NNPA (INR m)	2,986	6,218	3,771	5,951	4,325	4,534
NNPA (%)	1.0	1.8	1.1	1.2	0.9	0.7
PCR (%)	55	42	49	49	54	55
Credit costs	3.8	2.7	2.4	2.0	2.1	1.7

### Valuations

	FY21	FY22	FY23	FY24	FY25E	FY26E
Book Value (INR)	142	170	236	279	299	343
BV Growth (%)	13	20	39	18	7	15
<b>P/BV</b>	<b>3.5</b>	<b>2.9</b>	<b>2.1</b>	<b>1.8</b>	<b>1.7</b>	<b>1.5</b>
EPS (INR)	20	31	39	46	24	48
EPS Growth (%)	51	56	26	17	-49	104
<b>P/E</b>	<b>24.8</b>	<b>15.9</b>	<b>12.6</b>	<b>10.8</b>	<b>21.1</b>	<b>10.3</b>
Dividend	3.0	3.5	4.0	4.0	4.5	5.0
<b>Dividend yield</b>	<b>0.6</b>	<b>0.7</b>	<b>0.8</b>	<b>0.8</b>	<b>0.9</b>	<b>1.0</b>

E: MOFSL Estimates

### Du-Pont (% of avg. assets)

	FY21	FY22	FY23	FY24	FY25E	FY26E
Interest Income	14.4	14.2	14.9	17.0	15.0	15.3
Interest Expended	7.0	6.9	6.5	6.7	6.5	6.3
<b>NIM</b>	<b>7.5</b>	<b>7.3</b>	<b>8.4</b>	<b>10.3</b>	<b>8.6</b>	<b>9.0</b>
Other income	1.5	2.1	2.2	0.6	0.7	1.6
<b>Total income</b>	<b>9.0</b>	<b>9.3</b>	<b>10.6</b>	<b>10.9</b>	<b>9.2</b>	<b>10.6</b>
Operating cost	3.2	3.7	4.5	4.9	5.0	4.9
<b>PPOP</b>	<b>5.8</b>	<b>5.6</b>	<b>6.0</b>	<b>6.0</b>	<b>4.3</b>	<b>5.7</b>
Provision	3.1	2.1	1.8	1.6	1.7	1.4
<b>PBT</b>	<b>2.7</b>	<b>3.5</b>	<b>4.3</b>	<b>4.5</b>	<b>2.5</b>	<b>4.3</b>
<b>Tax</b>	<b>0.7</b>	<b>0.8</b>	<b>1.0</b>	<b>1.0</b>	<b>0.6</b>	<b>1.0</b>
<b>ROA (pre-NCI)</b>	<b>2.0</b>	<b>2.7</b>	<b>3.3</b>	<b>3.4</b>	<b>1.9</b>	<b>3.2</b>
NCI	0.0	0.0	0.2	0.4	0.3	0.4
ROA (post-NCI)	2.0	2.7	3.0	3.1	1.6	2.9
Avg. leverage (x)	7.4	7.3	6.4	5.9	5.4	5.2
<b>RoE</b>	<b>15.0</b>	<b>20.0</b>	<b>19.4</b>	<b>18.0</b>	<b>8.6</b>	<b>15.0</b>

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NOTES

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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