IIFL Finance Limited
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Fitch Upgrades IIFL Finance to 'BB-'; Outlook Stable

IIFL Finance Limited, which is one of India's leading non-banking financial companies today said that Fitch Ratings has upgraded IIFL Finance (IIFL) Long-Term Issuer Default Rating (IDR) to 'BB-' from 'B+'. The Outlook is Stable. Fitch has also upgraded the senior secured debt and global medium-note programme (GMTN) ratings to 'BB-' from 'B+'.

Fitch Ratings said, **"**The upgrade reflects sustained improvement in IIFL's credit profile, particularly its business and risk profiles, and asset quality. Loan growth rebounded following the lifting of regulatory restrictions on IIFL's gold-backed lending business in September 2024. This was supported by broadened funding flows supporting new disbursements in key product lines."

The upgrade also reflects stabilisation of asset quality and credit losses as IIFL pivots the portfolio towards secured lending categories.

Mr Vikas Jain, CFO, IIFL Finance said, "We are pleased with Fitch Ratings' upgrade to 'BB-' with a Stable Outlook. The upgrade recognises the sustained improvement in our business and risk profile, asset quality, profitability and funding access. We remain focused on disciplined growth, a predominantly secured lending portfolio, strong risk management and prudent capital and liquidity management."

Strengthened Business Profile: Fitch Ratings said, **"**IIFL steadily regained market share in gold-backed loans over the past two years among major lenders active in the product. IIFL's pan-India franchise helps retain customers, and its loan pricing remains in line with that of large peers. Its successful tie-ups with banks for co-lending and direct assignments further support growth in assets under management (AUM). Gold-backed lending, which is a lower-risk business, is likely to remain the largest lending segment, at above 50% of the consolidated portfolio, over the medium term."

Focus on Secured Loans: Fitch Ratings said, **"**We expect the portfolio to remain focused on secured loans, as IIFL has exited unsecured business and personal lending and remains cautious on microfinance expansion. We also expect a higher secured loan mix to reduce its asset quality risk, if managed well. Loans rose by 27% in the financial year end-March 2026 (FY26), led mainly by secured categories, after a slower 8% rise in FY25 that lagged overall sector growth. Secured loans, including gold-backed and mortgage products, rose to 90% of loans by FYE26 from 80% at FYE25."

Enhanced Controls Benefit Asset Quality: Fitch Ratings said, **"**We expect non-performing loan (NPL) formation to moderate over the medium term, driven by a portfolio shift toward secured loans, the resolution of stressed microfinance portfolio and the exit from riskier unsecured products. We expect credit costs (1QFY27: 1.6% annualised, average FY23-FY26: 2.4%) to remain contained, aided by improving portfolio credit quality and sufficient 90% provision coverage."

IIFL's NPL ratio eased to 1.5% in FY26 from 2.2% in FY24 on firmer underwriting standards and improved risk and collection frameworks. Irregular non-loan assets, mainly legacy commercial realestate loans sold to asset reconstruction companies, are likely to fall below 5% of credit exposures in the near term, as the company is in advanced stages of their resolution.

Profitability Improves: Fitch Ratings said, **"**We expect a recovery in loan volumes, a stable net interest margin and contained operating and credit costs to support profitability over the medium term. Annualised pretax profit improved to 4.1% of average assets in 1QFY27, after declining sharply to 1.1% in FY25 (FY26: 3.1%), as higher business volumes boosted revenue."

About IIFL Finance Limited

IIFL Finance Ltd. is one of India's leading retail-focused NBFCs, serving millions of customers through an extensive nationwide distribution network. The company provides a diversified range of financial solutions, including Gold Loans, Home Loans, MSME Loans and Microfinance. Driven by technology, strong governance and a customer-first approach, IIFL Finance is committed to expanding access to formal financial services and enabling inclusive growth across India.

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