

India Infoline Finance Ltd NCD Issue

Summary:

India Infoline Finance Ltd has come up with the 1st tranche of public issue of secured, redeemable non-convertible debentures of face value of Rs 1,000 each and/ or Unsecured, Redeemable Non-Convertible Debentures of face value of Rs 1,000 for an amount of Rs 250 Crore ("Base Issue Size") with an option to retain oversubscription up to Rs 1,750 Crore (totaling Rs.2,000 Crore) within the Shelf limit of Rs.5,000 Crore.

The issue is open for subscription from **January 22, 2019 to February 20, 2019** (The Issue shall remain open for subscription during the period indicated above except that the Issue may close on such earlier date or extended date as may be decided by Board of Directors of the Company ("Board") or the Finance Committee thereof). The company will be paying an interest ranging between **9.50% and 10.50 % p.a.** on these bonds.

The proposed NCDs issue has been rated "**BWR AA+/, 'CRISIL AA/Stable' and [ICRA] AA (Stable)**". Instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk.

Objects of the Issue: The Company proposes to utilise the funds which are being raised through the Issue, after deducting the Issue related expenses to the extent payable by the Company ("Net Proceeds), towards funding the following objects.

1. For the purpose of onward lending and for repayment of interest and principal of existing loans; and
2. General Corporate Purposes (upto 25%)

Issue Details

Series	I	II	III	IV	V	VI
Nature	Secured	Secured	Secured	Secured	Unsecured	Unsecured
Frequency of Interest Payment	Annual	Cumulative	Monthly	Annual	Monthly	Annual
Tenor	39 months	39 months	60 months	60 months	120 months	120 months
Coupon (%) for NCD Holders in Category I	9.50%	NA	9.60%	10.00%	9.90%	10.35%
Coupon (% per annum) for NCD Holders in Category II, III & Category IV	9.60%	NA	9.75%	10.20%	10.00%	10.50%
Effective Yield (per annum) for NCD holders in Category I	9.50%	9.50%	10.03%	10.00%	10.36%	10.35%
Effective Yield (per annum) for NCD holders in Category III & IV	9.60%	9.60%	10.20%	10.20%	10.47%	10.50%
Put Option	NA					
Call Option (at months from allotment date)	24 Months	24 Months	30 Months	30 Months	66 Months	66 Months
Redemption amount (Rs per NCD) on Maturity for NCD Holders in Category I	1000	1342.65	1000	1000	1000	1000
Redemption amount (Rs per NCD) on Maturity for NCD Holders in Category II, III and IV	1000	1346.63	1000	1000	1000	1000
Redemption Date(Years from the Deemed Date of Allotment)	39 months	39 months	60 months	60 months	120 months	120 months
Minimum Application	Rs 10,000 (10 NCDs) across all Series collectively					
In Multiples of thereafter	Rs 1,000 (1 NCD)					
Face Value / Issue Price (Rs Per NCD)	Rs1,000					
Mode of Interest Payment	Through various options available					

Issuer	India Infoline Finance Limited
Type of instrument/ Name of the security/ Seniority	Secured NCDs, Unsecured NCDs (The Unsecured NCDs are in the nature of Subordinated Debt and will be eligible for Tier II Capital)
Issue Size	Public issue of secured, redeemable non-convertible debentures of face value of Rs 1,000 each and/ or Unsecured, Redeemable Non-Convertible Debentures of face value of Rs 1,000 for an amount of Rs 250 Crore (“Base Issue Size”) with an option to retain oversubscription up to Rs 1,750 Crore (totaling Rs.2,000 Crore) within the Shelf limit of Rs.5,000 Crore.
Issue opens	Tuesday , 22nd January 2019
Issue closes	Wednesday , 20th February 2019
Allotment	First Come First Serve Basis, Compulsory in demat form
Face Value	Rs 1000 per NCD
Issue Price	Rs 1000 per NCD
Nature of Instrument	Secured and/ or Unsecured Subordinated, Redeemable, Non-Convertible Debentures
Minimum Application	Rs 10,000 (10 NCDs) collectively across all Series and in multiple of Rs 1,000 (1 NCD) thereafter across all Series
Listing	NCDs are proposed to be listed on BSE and NSE
Rating	‘BWR AA+/Stable by Brickworks Ratings India Private Ltd, CRISIL AA/Stable by CRISIL Ratings Ltd and ‘[ICRA] AA (Stable)’ by ICRA Ltd
Security and Asset Cover	The principal amount of the Secured NCDs to be issued in terms of the Draft Shelf Prospectus, this Shelf Prospectus and/or the relevant Tranche Prospectus(es) together with all interest due and payable on the Secured NCDs, thereof shall be secured by way of first pari passu charge in favour of the Debenture Trustee on an identified immovable property and first pari passu charge on receivables of the Company, both present and future, book debts, loans and advances and current assets of the Company, created in favour of the Debenture Trustee, as specifically set out in and fully described in the Debenture Trust Deed, except those receivables present and/or future specifically and exclusively charged in favour of certain existing charge holders, such that a security cover of 100% of the outstanding principal amounts of the Secured NCDs and interest thereon is maintained at all time until the Maturity Date.

Who Can Apply?

Category I (Institutional Investors)	Category II (Non Institutional Investors)	Category III (High Net-worth Individual, (“HNIs”), Investors)	Category IV (Retail Individual Investors)
<ol style="list-style-type: none"> Public financial institutions, scheduled commercial banks, Indian multilateral and bilateral development financial institutions which are authorised to invest in the NCDs; Provident funds and pension funds with a minimum corpus of Rs.250 million, superannuation funds and gratuity funds, which are authorised to invest in the NCDs; Alternative Investment Funds, subject to investment conditions applicable to them under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012; Resident Venture Capital Funds registered with SEBI; Insurance companies registered with the IRDAI; 	<ol style="list-style-type: none"> Companies within the meaning of Section 2(20) of the Companies Act, 2013; statutory bodies/ corporations and societies registered under the applicable laws in India and authorised to invest in the NCDs; Co-operative banks and regional rural banks; Trusts including public/private charitable/religious trusts which are authorised to invest in the NCDs; Scientific and/or industrial research organisations, which are authorised to invest in the NCDs; 	High Net-worth Individual Investors - Resident Indian individuals and Hindu Undivided Families through the Karta applying for an amount aggregating to above Rs.10,00,000 across all options of NCDs in this Issue	Retail Individual Investors - Resident Indian individuals and Hindu Undivided Families through the Karta applying for an amount aggregating up to and including Rs. 1 million across all options of NCDs in this Issue

6. State industrial development corporations; 7. Insurance funds set up and managed by the army, navy, or air force of the Union of India; 8. Insurance funds set up and managed by the Department of Posts, the Union of India; 9. Systemically Important Non-Banking Financial Company registered with the RBI and having a net-worth of more than Rs. 5,000 million as per the last audited financial statements; 10. National Investment Fund set up by resolution no. F.No. 2/3/2005- DDII dated November 23, 2005 of the Government of India published in the Gazette of India; and 11. Mutual funds registered with SEBI	5. Partnership firms in the name of the partners; and 6. Limited liability partnerships formed and registered under the provisions of the Limited Liability Partnership Act, 2008 (No. 6 of 2009). 7. Association of Persons; and 8. Any other incorporated and/ or unincorporated body of persons		
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All categories of persons who are individuals or natural persons (including Hindu Undivided Families acting through their Karta) including without limitation HNIs and Retail Individual Investors who are eligible under applicable laws to hold the NCDs are collectively referred to as “Individuals”.

Who are not eligible to apply for NCDs?

The following categories of persons, and entities, shall not be eligible to participate in the Issue and any Applications from such persons and entities are liable to be rejected:

- Minors without a guardian name* (A guardian may apply on behalf of a minor. However, the name of the guardian will also need to be mentioned on the Application Form);
- Foreign nationals;
- Persons resident outside India;
- Foreign Institutional Investors;
- Foreign Portfolio Investors;
- Non Resident Indians;
- Qualified Foreign Investors;
- Overseas Corporate Bodies**;
- Foreign Venture Capital Funds; and
- Persons ineligible to contract under applicable statutory/ regulatory requirements.

*=Applicant shall ensure that guardian is competent to contract under Indian Contract Act, 1872

Allocation Ratio

QIB Portion	Corporate Portion	High Net Worth Individual Portion	Retail Individual Investor Portion
20% of the Overall Issue Size	20% of the Overall Issue Size	30% of the Overall Issue Size	30% of the Overall Issue Size

Credit Rating:

The NCDs proposed to be issued under this Issue have been rated BWR AA+/Stable (pronounced as BWR Double A Plus with Stable outlook) for an amount of Rs.50,000 million by rickworks Ratings India Private Limited vide their rating letter dated October 31, 2018 which was further revalidated by their revalidation letter dated January 9, 2019, CRISIL AA/Stable (pronounced as CRISIL Double A rating with Stable outlook) for an amount of Rs.50,000 million by CRISIL Ratings Limited vide their rating letter dated November 2, 2018 which was further revalidated by their revalidation letter dated January 9, 2019 and [ICRA] AA (Stable) (pronounced as ICRA Double A) for an amount of Rs.50,000 million by ICRA Limited vide their rating letter dated November 1, 2018 which was further revalidated by their revalidation letter dated January 9, 2019. The aforesaid rating indicates that instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations and carry very low credit risk.

Liquidity and Exit Options: The Bonds are proposed to be listed on the BSE and NSE.

Allotments in case of oversubscription: In case of an oversubscription, allotments to the maximum extent, as possible, will be made on a first-come first-serve basis and thereafter on proportionate basis, i.e. full allotment of NCDs to the Applicants on a first come first basis up to the date falling 1 (one) day prior to the date of oversubscription and proportionate allotment of NCDs to the Applicants on the date of oversubscription (based on the date of upload of each Application into the Electronic Book with Stock Exchange, in each Portion).

Company Background:

India Infoline Finance Ltd (IIFL) is a Systemically Important Non-deposit accepting Non-Banking Financial Company (“NBFC-NDSI”) registered with the RBI, catering to the credit requirements of a diverse customer base with its plethora of products. Its offerings include mortgage loans, gold loans, commercial vehicle finance, MSME finance, construction and real estate finance, capital market finance, and micro finance; catering to both retail and corporate clients. The company is a subsidiary of IIFL Holdings Limited, which is one of India’s leading financial services player, primarily engaged in the business of loans and mortgages, wealth and asset management, retail and institutional broking and investment banking.

Over the past several years, IIFL has diversified its products and expanded its presence into segments that are of greater relevance to the evolving business environment and customer demand trends. IIFL recorded a strong CAGR of 31% in AUM over the five-year period from Fiscal Year 2013 to Fiscal Year 2018. As at March 31, 2018, March 31, 2017 and March 31, 2016, its consolidated assets under management were Rs.311,336.29 million, Rs. 222,810.37 million and Rs.195,143.80 million, respectively.

IIFL’s revenue from operations and profit after tax on a consolidated basis grew at a CAGR of 17.26% and 22.53%, respectively over the last three Fiscals. Its revenue from operations and profit after tax on a standalone basis grew at a CAGR of 5.22% and 12.69%, respectively over the last three Fiscals.

For the half year ended September 30, 2018 and Fiscals 2018, 2017 and 2016, its total revenue from operations on a consolidated basis was Rs. 23,811.59 million, Rs. 38,154.66 million, Rs. 31,421.24 million, and Rs. 27,087.86 million; and on a standalone basis was Rs. 14,446.99 million, Rs. 24,991.01 million, Rs. 22,636.98 million, and Rs. 21,767.66 million respectively.

Its profit after tax on a consolidated basis for the half year ended September 30, 2018 and for the Fiscals 2018, 2017, 2016 was Rs. 3,572.59 million, Rs. 5,543.01 million, Rs. 4,231.96 million, and Rs. 3,387.00 million; and on a standalone basis was Rs. 2,159.33 million, Rs. 3,544.97 million, Rs. 3,427.28 million, and Rs. 2,717.32 million respectively.

Product wise split of assets under management on a consolidated basis is as under:
(Rs.in million)

Particulars	H1FY19	Fiscal 2018	Fiscal 2017	Fiscal 2016
Mortgage Loans	165,353.41	143,114.24	109,633.96	77,193.82
Construction and Real Estate Finance	52,430.00	45,847.21	30,825.59	32,738.50
Gold Loan	500,20.14	40,368.87	29,095.71	29,143.60
Commercial Vehicles Financing	43,307.23	40,661.17	29,740.44	22,820.94
Capital Markets Financing	9,781.41	10,625.96	11,041.10	25,979.49
SME Loans & Others	28,362.44	22,312.65	10,082.75	7,267.46
Microfinance	14,478.30	8,406.19	2,390.83	-
Total AUM	363,732.93	311,336.29	222,810.37	195,143.80

Financial Performance- Consolidated:
(Rs in million)

Particulars	H1FY19	Fiscal 2018	Fiscal 2017	Fiscal 2016
Networth		39,166.93	35,314.41	24,485.68
Total Debt		249,058.77	181,041.16	153,127.00
of which				
- Non Current Maturities of Long Term Borrowings		103,601.67	107,012.73	86,306.68
- Short Term Borrowings		98,283.10	54,003.27	33,547.36
- Current Maturities of Long Term Borrowing		47,174.00	20,025.17	33,272.96
Net Fixed Assets		759.85	578.20	603.59
Non Current Assets		18,738.67	13,958.12	6,941.48
Cash and Cash Equivalents		13,546.31	19,897.29	6,036.80
Current Investments		8,866.46	10,351.50	3,202.37
Current Assets		9,945.48	7,370.48	6,491.29
Current Liabilities		20,296.47	15,693.54	13,413.02
Assets Under Management	363,732.93	311,336.29	222,810.37	195,143.80
Off Balance Sheet Assets		35,181.14	30,011.90	17,448.76
Revenue from Operations		38,154.66	31,421.24	27,087.86
Finance Cost		19,636.93	17,894.20	16,064.14
Provisioning & Write-offs		3,129.01	1,759.02	1,087.14
PAT (Post Minority)	3,572.59	5,543.01	4,231.96	3,387.00
Gross NPA (%)	2.2%	1.71%	1.82%	1.44%
NIM (on average loans) (%)	7.0%	7.1%	6.5%	6.2%
Cost/income ratio (%)	45.8%	39.1%	40.1%	44.0%
ROA (%)	2.1%	2.1%	2.0%	1.9%
ROE (%)	18.9%	15.0%	15.2%	16.9%
Net NPA (%)	1.0%	0.79%	0.58%	0.54%
Tier I Capital Adequacy Ratio (%)		14.97%	18.13%	11.66%
Tier II Capital Adequacy Ratio (%)		1.35%	2.59%	6.05%

Gross Debt-Equity Ratio of the Company		6.36	5.13	6.25
PCR (% including Stage 1 and Stage 2 provision/ standard asset provision)	137.0%	79.5%	92.4%	89.7%
No. of employees	15,549	12,135	7,676	7,213
No. of branches	1,755	1,378	1,112	997

Debt Equity Ratio of the Company:

Before the issue of debt securities as at September 30, 2018	7.68
After the issue of debt securities as at September 30, 2018	8.94

Competitive Strengths of the company

- Well established brand and strong promoter support, along with an experienced management team
- Diversified product portfolio catering to a wide customer base
- Strong asset quality with consistent low level of NPAs
- Diversified funding sources and strong credit profile
- Well defined processes
- Strong physical and digital footprint
- Technology focus

Strategy

- Address growing financial needs in under-served markets
- Build capacity and grow customer base through retail focus and geographic expansion
- Achieve superior performance with further strengthening operating processes and risk management system
- Continue to invest in digitization and technology which will reduce cost and improve efficiency
- Ensure effective asset-liability management, diversify borrowing sources and strengthen its credit profile

Key Risk and Concerns:

- Any increase in the levels of non-performing assets (“NPA”) on loan portfolio, for any reason; whatsoever, would adversely affect the business and results of operations;
- Any volatility in interest rates which could cause IIFL’s gross spreads to decline and consequently affect the profitability;
- Unanticipated turbulence in interest rates or other rates or prices;
- Performance of the financial and capital markets in India and globally;
- Changes in the value of Rupee and other currency changes;
- Rate of growth of Loan Book;
- Changes in Indian and/or foreign laws and regulations, including tax, accounting, banking, securities, insurance and other regulations; changes in competition and the pricing environment in India; and regional or general changes in asset valuations;
- Inability to sustain growth or manage it effectively;

- Inability to successfully diversify portfolio;
- Any disruption in sources of funding;
- Inability to obtain or maintain statutory or regulatory approvals and licenses for conducting the business.

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