

May 11, 2021

<b>The Manager, Listing Department, The National Stock Exchange of India Ltd., Exchange Plaza, 5 Floor, Plot C/1, G Block, Bandra - Kurla Complex, Bandra (E), Mumbai 400 051. Tel No.: 2659 8235 NSE Symbol: IIFLSEC</b>	<b>The Manager, Listing Department, BSE Limited, Phiroze Jeejeebhoy Tower, Dalal Street, Mumbai 400 001. Tel no.: 22721233 BSE Scrip Code: 542773</b>
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Dear Sir/Madam,

**Sub: - Earnings conference call**

Please find attached herewith transcript of the earnings call held on Wednesday, May 05, 2021. The same is also made available on the website of the Company i.e. [www.iiflsecurities.com](http://www.iiflsecurities.com)

Kindly take the same on record and oblige.

Thanking You,

Yours faithfully,

For **IIFL Securities Limited**



**Meghal Shah  
Company Secretary**

**IIFL Securities Limited**

Corporate Identity Number: **L99999MH1996PLC132983**

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“IIFL Securities Limited  
Q4 FY2021 Earnings Conference Call”

**May 05, 2021**

**MANAGEMENT:**

**MR. R VENKATARAMAN – MANAGING DIRECTOR  
&  
MR. RONAK GANDHI- CHIEF FINANCIAL OFFICER  
IIFL SECURITIES LIMITED**



**Moderator:** Ladies and gentlemen, good day and welcome to the IIFL Securities Limited Q4 FY2021 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to the management. Thank you and over to you!

**R. Venkataraman:** Thank you and Good afternoon friends. I am R Venkataraman, and along with me is Ronak Gandhi, who is the CFO of IIFL Securities. Thank you for joining on the Q4FY21 Analyst Call for IIFL Securities. I hope all your near and dear ones continue to remain safe. The economy and our people are both reeling under the high second wave pressure of the COVID-19 pandemic. We are seeing partial lockdowns across the country and the healthcare system seems to be under tremendous pressure. Hopefully with the vaccine rollout restarting and the lockdowns continuing, we hope that the pandemic situation is slowly and gradually getting under control. So, under these trying circumstances, I pray to the Almighty that all our loved ones remain healthy and safe.

The trading volumes in the domestic capital markets have seen growth supported by foreign investment flows, optimism related to the recovery, after the gradual reopening, which we saw last year and a steady retail investor participation, vaccines, expectations of lower interest rates scenario has also added to this tailwind. We believe that the retail investor participation is likely to increase because equity as an asset class is easily available but also because of increased awareness, digitalisation, internet availability, mobile apps, there is a large retail segment which has just entered or waiting to enter this equity investing and most brokers, independent content providers have fairly large knowledge about this investment and safe investment habit. I think all this will play a role in keeping retail investor’s interest and awareness and participation on the high.

Having said that our strategy continues to be built on returns, proprietary technology, and talent pool we continue to scale up our efforts to acquire customers. Recently we did this Karvy Demat account acquisition which helped us access to over a million accounts. We have started the process of migrating them to IIFL Securities. We also tied up last quarter with Karnataka Bank so that we can offer a three-in-one banking, Demat and a broking account to the Karnataka Bank customers.

As you are aware we have three revenue streams, retail which is targeted to mass affluent tech savvy customers. We offer not only broking but also other products like Mutual Fund, Insurance, PMS, AIF on an open architecture model. Institutional broking is other line of business and the third is investment banking where we focus on equity capital markets and

in that segment, we are quite uniquely placed because of our ability to garner subscription in retail, HNI as well as institutional buckets.

Coming to the March 31, 2020 numbers, consolidated revenues for the quarter was Rs.256 Crores which was up 19% quarter-on-quarter and 22% on year-on-year basis. The reason for the growth in this business has been primarily driven by brokerage income which grew 25% on a quarter-on-quarter basis. In Q4 we were at about roughly Rs.124 Crores of broking income and the other key driver of growth was investment banking income which saw a good traction. We hit a quarterly income of about 37 Crores, which was 22 Crores in the previous quarter.

Even on a year-on-year basis the drivers of income remain the same, which is driven by brokerage income as well as investment banking income. The other income was up at 30% on a quarter-on-quarter basis primarily because of sale of one property where we booked some capital gains: however, small.

Coming to expenses, our employee costs were up 19% on a quarter-on-quarter basis to Rs.63 Crores basically primarily we had a good year in broking and because of which we have burgeon in bonus provision. Finance cost increase on a quarter-on-quarter basis because of increase in borrowings for IPO and our admin costs were also up about at 76 Crores primarily because of increase in sub broker and commissions payout.

Our assets under management and custody were about Rs.43755 Crores, our total average daily turnover was about Rs.44000 Crores and both BSE and NSE, which was roughly about Rs.2100 Crores in cash and Rs.33000 Crores in derivative segment. Our total number of active customers in NSE was about 2.9 lakhs which was about 2.6 lakhs in the previous quarter.

Coming to the other important update, which is about buyback, the company completed the buyback of equity shares in February and the total amount earmarked for buyback was about 105.7Crores, we bought back 1.7 Crores shares. So, prior to the buyback the number of shares outstanding were 31.99 Crores and now it is down to 30.29 Crores.

With this I come to the end of my talk and we are more than happy to answer any questions that you have. Thank you so much for giving me a patient hearing.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. The first question is from the line of Rishikesh Oza from RoboCapital. Please go ahead.

- Rishikesh Oza:** Very good afternoon. Just two questions from my side; so, in the next 12 months, how many Karvy clients have become our active clients and what revenues can be generated from the same? Thank you.
- R. Venkataraman:** Rishikesh, I think that is a very difficult question for me to answer. We have a database of a million customers and assets of almost 2 lakhs to 2.5 lakh Crores. So, we will try our level best to migrate maximum to that. So, it is very difficult for me to put a number because of the internal sales target and hopefully on a quarter-on-quarter basis we should be able to see some traction and growth.
- Rishikesh Oza:** Thank you.
- Moderator:** Thank you. The next question is from the line of Kajal from ISec. Please go ahead.
- Kajal:** Congratulations on a good set of numbers. Just on the client data, like what is the total number of clients that we have now and activation as for the NSE was slightly moderate only in the March quarter, but then how are we looking at those things?
- R. Venkataraman:** Actually, you are right. We have about 2.9 lakhs active accounts and that is the number which we track and which was 2.6 lakhs in the previous quarter and as you rightly pointed out this is one number we should track and hope to see that this year this number goes up. So, I cannot give you number, because they are forward-looking numbers, but this is one metric where we are trying to show some improvement.
- Kajal:** What is the total number of clients that we have, and this is the actual client base?
- R. Venkataraman:** Total number of customers we are at 9 lakhs. Total number of historical accounts including inactive will be about 9 lakhs, if my memory is correct.
- Kajal:** This number in last quarter was, this Q3?
- R. Venkataraman:** In Q3 we added about 90000 customers, rough and ready. So, I do not know how to answer. I do not have the exact number which was the total number of inactive customers. So, the numbers, if you look at it, we are roughly, give or take, we have about 9 lakhs to 10 lakhs accounts out of which 2.9 lakhs accounts are active and we added about 1 lakhs in the previous quarter, because there are some closures also which is one number which I do not have offhand.

**Kajal:** When we last spoke, last call and all, you had spoken about that you will also go on some aggressive brokerage plan. So, are we working on that? Has anything got launched or anything?

**R. Venkataraman:** Yes actually. If you know, we have also launched flat brokerage called Z20. So, if you know that we have a base of customers who use RM and reserve or subbrokers. So, we have started a new brokerage plan called Z20 where you offer a flat brokerage plan but that is completely DIY mode and where we do not give any RM support. So, this pilot scheme we have launched and effectively both as a customer acquisition as well as retention tool because there is confrontation of some discount brokers and we are seeing some amount of clients asking and coming back, how the business is for lower rates, but this is just our added product in the portfolio, but our core focus will be a full-service brokerage.

**Kajal:** You are seeing existing clients moving to this plan or are you seeing new clients coming under this?

**R. Venkataraman:** New clients are coming into this although there is some amount of very few customers who want to migrate here, but bulk is for customer acquisition.

**Kajal:** Last thing the Karvy account which we had purchased, are they activated or are they live or all are most lead, redundant or dormant?

**R. Venkataraman:** Our Karvy accounts are with balances. So, as of our aim is to migrate them to IIFL Securities, so we are approaching them and trying to convert them to ours. So, there is a process because we have to get the tariff sheet signed and complete the documentation, but the process is on, and we are working on it.

**Kajal:** So, you will get their broking accounts with you, which is not fully done?

**R. Venkataraman:** Yes. We hope to get. The Demat account is there and also open a broking account on the back of it.

**Kajal:** Thank you Sir.

**Moderator:** Thank you. The next question is from the line of JP Agrawal from LMI. Please go ahead.

**JP Agrawal:** Actually, two questions most relating to your insurance business. One is how much of our business is online and how much is offline? Second one offline platform is a great opportunity. So, how are we looking to grow there?

- R. Venkataraman:** The second question is?
- JP Agrawal:** This online insurance platform like Policybazaar it is a great opportunity. I mean the very fact that we got permission to launch an online so how are we going to take this forward? Are we spending much to grow the customer base?
- R. Venkataraman:** To give you a historical perspective, we have been one of the oldest distributors of insurance in the country and historically, we have grown this business using a physical mode. So, all the leads are generated online but bulk of the conversion. I do not have the exact figure, but the bulk of the conversion happens on a physical mode in the sense that by using either call centre agent or RM or the branches. So, now we have got the permission to start this, so we are going to invest and scale this up because we have understanding of the entire sales process, we know the customer, we know the customer behavior, so we just want to migrate them in from a physical mode to an online mode.
- JP Agrawal:** What is the ratio of life and general?
- R. Venkataraman:** Actually, if you look at the ratio of life and general, last year we did about if you look at the first-year premium which we sold last year, roughly we had about 60 Crores of life and 85 Crores of non-life adding up to 145 Crores. The same figure last year was 100 Crores.
- JP Agrawal:** Thank you. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Sanchit Agrawal from More Investments. Please go ahead.
- Sanchit Agrawal:** Thank you for this opportunity. Sir, I had a question; what is the current status of our real estate asset? If I recall, we were supposed to sell, what is the current status on that?
- R. Venkataraman:** Actually, if you look at the current status, we have roughly about 628000 square feet of real estate available and last year in terms of value we sold about 100 Crores and we are still left about 628000 square feet and that is we are carrying at it at book at about 250 Crores.
- Sanchit Agrawal:** What is the future plan on that?
- R. Venkataraman:** As we said, we are going to sell.
- Sanchit Agrawal:** I had another question. As I was going through your numbers, I saw in standalone statement, in administrative expenses there was a 28 Crores expense. The redemption on

one of your subsidiaries, I could not find that note in your consolidated statement. So, how was that adjusted over there?

**R. Venkataraman:** See, what happened was there was, there was a demerger between IIFL Facilities Services and IIFL Management both of them were wholly owned subsidiary for the erstwhile IIFL Holdings. Then IIFL Holding itself was demerged to three entities and those ownerships of IIFL Facilities and IIFL Management was transferred to IIFL Securities. So, as a result of that certain shares of IIFL Management was transferred to us and this was the activity that resulted in the increase in admin expenses. Since it is an intra group transaction when you are consolidating the same gets netted off.

**Ronak Gandhi:** Because it is transaction between the group companies, so in consolidation, it gets knocked off.

**R. Venkataraman:** That is why in standalone it shows and in consolidated it does not show, to answer your question.

**Sanchit Agrawal:** Thank you.

**Moderator:** Thank you. The next question is from the line of S Bhansali from Tata Asset Management Company. Please go ahead.

**S Bhansali:** Good morning Sir. Actually, I had a question regarding the recent allegations which were there on IIFL Group and IIFL Facility also been involved which is subsidiary of IIFL Securities. So, any take you have on that or more clarification regarding that allegation?

**R. Venkataraman:** IIFL Finance has already sent a clarificatory to exchange. So, these are baseless allegations made by a defaulter and we will take all legal recourse to protect our interest.

**S Bhansali:** Thank you.

**Moderator:** Thank you. The next question is from the line of Pushkar from Joindre Capital. Please go ahead.

**Pushkar:** Sir, I just missed the real estate figure you were saying. So, how much inventories are held with us in real estate assets in terms of value approximately?

**R. Venkataraman:** We have roughly about 625000 square feet of real estate which is in books we are carrying it about 250 Crores.

**Pushkar:** So, we intent to sell that 250 Crores?



- R. Venkataraman:** Yes. Some of the offices, we are using for ourselves. So, maybe we will have to sell 100% of it, but the intent is that a bulk of it will be sold. Last year for your information we sold roughly about 100 Crores.
- Pushkar:** So, 200 -250 Crores of book value of real estate is still there in there?
- R. Venkataraman:** Yes, and if you want to know the market value, another question, which was earlier asked, our market value is roughly about 660 Crores.
- Pushkar:** Thanks a lot Sir.
- Moderator:** Thank you. The next question is from the line of Jigar Shroff from Financial Research Technologies. Please go ahead.
- Jigar Shroff:** Thank you for taking my question. So, off the market value of 660 Crores of real estate how much would we be looking to sell after producing the one office that we are using? That is my first question. Second question what is the consolidated debt in the books of the account, own debt as on March 31, 2021?
- R. Venkataraman:** Debt in the balance sheet, consolidated will be about 290 Crores.
- Ronak Gandhi:** Out of that we have 50 Crores of own funds
- R. Venkataraman:** 250 Crores will be our net debt.
- Jigar Shroff:** That is our own debt, is it?
- R. Venkataraman:** Yes.
- Jigar Shroff:** But at the end of the third quarter, did you mention the consolidated debt of about 90 Crores, the net debt?
- R. Venkataraman:** Yes, this quarter we have borrowed.
- Ronak Gandhi:** This quarter we have borrowed for LRD.
- Jigar Shroff:** So, the own consolidated net debt would be 250 Crores, is it?
- R. Venkataraman:** Yes. As of March 31, 2021 the net debts on the books will be about 250 Crores.

- Jigar Shroff:** Because at the end of the third quarter you mentioned we had a consolidated debt of 90 Crores that we would pay that off in Q4?
- R. Venkataraman:** The reason why we have borrowed is because we think there is a big opportunity in the market for margin funding book and you have to grow the margin funding book, which is currently low.
- Jigar Shroff:** For the real estate portfolio, how much would it be?
- R. Venkataraman:** I think, you can safely say that we want to sell apart from key offices where we operate, rest of them we will sell. I think, our aim should be to sell about 60-70% of the portfolio.
- Jigar Shroff:** Approximately 400 Crores, is it?
- R. Venkataraman:** Yes. Maybe more, but I am giving a conservative number.
- Jigar Shroff:** Thank you so much. Best of luck.
- Moderator:** Thank you. The next question is from the line of Pranav from I-Wealth Management. Please go ahead.
- Pranav:** Sir, I just wanted to know this increase in broking income, what has facilitated that? What is the traction that we are seeing regarding this increase in broking income after market activity?
- R. Venkataraman:** The increase in broking activity is primarily driven by increased activities. So, if you see our turnover, the turnover increased from roughly about 33000 Crores in the previous quarter to about 44000 Crores and that is a key driver of the brokerage income.
- Pranav:** So, have the active clients also increased overall?
- R. Venkataraman:** It has also increased. We have increased it from 2.9 lakhs from 2.6 lakhs.
- Pranav:** But Sir that was not a substantial increase. So, you have tried to say that the older clients are contributing more to the market activity?
- R. Venkataraman:** Yes.
- Pranav:** Thank you so much.

**Moderator:** Thank you. The next question is from the line of Ankit Mehta from Wellworth PMS. Please go ahead.

**Ankit Mehta:** Sir, the incremental growth in the customer acquisition since last four quarters have been declining in terms of absolute numbers. Can you please share your take on that?

**R. Venkataraman:** No. Actually, if you look at it, last quarter, we did about 90000 and the previous quarter we have about 100000. So, basically what has happened is, we have multiple channels of growth and we had a direct sales channel also for acquiring customers that channel we have scaled on. So, if you look at the other channels, the other channels saw a growth, but because we reduced the number of sale agents, so the direct sales have come down. So, we have reorganized the entire set of direct sales customer acquisition channel and hopefully from next quarter onwards, we should see some traction.

**Ankit Mehta:** Thank you. Sir, the other question was that in the last call, you had mentioned about in the longer-term we might consider the plan of merging with 5paisa, any thought on that?

**R. Venkataraman:** I think that it is a very difficult question to answer because that is the question for both boards to consider. Last time, also somebody asked this question and I said that I cannot give an answer to this question. So, I did not say that we are considering merger of that. Please correct your perception. So, 5paisa discount broking world over discount broking is full-service brokers have existed in separate branch and entities and at least for the foreseeable we will be continuing like that. So, the two boards are separate and if you look at 5paisa, in 5paisa I am like a shareholder, but I am neither on the board, not on the management control. So, I think it is for the respective boards should decide whether the merger should take place or not. So, beyond that I cannot take any questions at this point.

**Ankit Mehta:** Third question was that overall, on the broking business per se now if you look at even the discount brokers have started to kind of venture into this kind of an advisory business as well. So, what is our overall outlook on the brokerage business per se? Because it seems that discount brokers themselves have realized that now purely on discount broking model, they cannot move forward? So, what is your opinion on the same?

**R. Venkataraman:** See, in my opinion there is a space for all kinds of players in the market. So, there are discount brokers also who survives, there are full-service brokers also survive. So, it depends upon the value proposition that you offer to the customers. If you look at the aggressive growth of all discount brokers all of them are using discount broking to acquire customers and so if you are a low-cost DIY model, then you will survive. So historically we have a belief that in IIFL Securities we are a full-service broker, and we offer research, and we offer customized service and for that there is a price to pay. And somebody has asked

me the question whether we offer discounted rates also? So as a customer retention tool, we also offer discount to our customers, because actually there are all kinds of players in the market and some of our own customers would come and say why I should pay you brokerage because X, Y, Z brokers give you flat rate. So, if a customer is do it yourself and he is willing to do everything on his own, without any expected service, then rates for him is down. So, to answer your question, I think there are all kinds of customers and all kinds of brokers and there is enough space for everybody to grow because broking or equity cult in India is just at point to grow.

**Ankit Mehta:** Thank you so much Sir.

**Moderator:** Thank you. The next question is from the line of Ashish Kumar from Infinity Alternatives. Please go ahead.

**Ashish Kumar:** Thank you. Venkat, I think, just taking off from the last question about merger with 5paisa and I think you have made it very clear that we should limit ourselves to IIFL Securities, but you as MD of IIFL Securities do you see merit in having two separate brands under the same legal entity or do you think that it is better they are in two separate legal entities?

**R. Venkataraman:** See, actually this question, we debated a lot. Many years ago, when we spun off 5paisa as a separate entity, at that time, if you remember we actually incubated 5paisa within India Infoline and then spun it off. So, at that time, what our thought process was that 5paisa is a discount broking company and world over discount broking activity is done by a separate entity and to have it within the full-service broker as a strategic business usage was leading to some conflict internally. So, if you look at our own IIFL Securities positioning we believe that we are a full-service broker, we have a loyal customer base and we want to be like mass affluent wealth managers because there is an opportunity in that space. 5paisa is no RM, no branches or nothing. So, any target with respect of customers will typically either digitally savvy customers who want to do everything on their own or high-volume traders who say that it is okay I just need a platform and I want to do the least brokerages and that is the reason why we have kept these two brands separate. I think this is the merit for having these two separates.

**Ashish Kumar:** Secondly, how much was the investment banking revenue for this quarter, because that is something which is dependent on the deal flow?

**R. Venkataraman:** That is absolutely correct. Last quarter, we had an investment banking income of about 36.86 Crores and for the full year this number was 73.5 Crores.

**Ashish Kumar:** Thanks and wish you all the best.

**Moderator:** Thank you. The next question is from the line of Jayesh Gandhi from Alpha Investment Management & Research. Please go ahead.

**Jayesh Gandhi:** One quick question as an investor or a shareholder, you know our payout this year has been absolutely decent, if you look at the buyback and the dividends put together, will we continue to payout consistently in the future as well or is this something that it is ad hoc?

**R. Venkataraman:** To be very honest, as you rightly pointed out this year, we did a buyback as well as the dividends, so the payout ratio was about 60%. I think, if you add everything it was about 60-61%. So going ahead also, I cannot comment the exact figures, but I hope to maintain a healthy payout ratio.

**Jayesh Gandhi:** Healthy is a very subjective comment. Would it be more than 60%, let me put it that way?

**R. Venkataraman:** It is difficult to say. I will leave it as saying that we will be generous in payouts.

**Jayesh Gandhi:** Wonderful. All the very best. Thank you.

**Moderator:** Thank you. The next question is from the line of Deepak Lalwani from Unifi Capital. Please go ahead.

**Deepak Lalwani:** Thank you for the opportunity. Sir, my question was on your AUM. It has gone up this year from 8500 Crores to about 12000 Crores but our revenues have dropped in this segment. So, are we facing any compression of yields here?

**R. Venkataraman:** Actually, if you look at the third-party financial products, distribution income the reason for the fall is that if you look at the flows, then last year we had PMS and AIF which are generally are better paying products. So that is the reason. So, going ahead hopefully, as the sales of AIF and PMS picks up then this income should also come back.

**Deepak Lalwani:** Sir, can you please elaborate on the Z20 product in terms of pricing with our competitors and also on your relationship with Karnataka Bank as to how do you see it going forward and what is the current scenario with them?

**R. Venkataraman:** Actually, last quarter only we signed up the three-in-one bank account with Karnataka Bank. So, we hope that we can leverage the Karnataka Bank customers and open their Demat and broking account and the banking account will be with them. So, it is too early for me to comment on how many customers we have acquired, but hopefully, this will help us to boost our customer acquisition, especially in south. Coming to our number on Z20, Z20 is like a normal flat brokerage fees in which the customers pay Rs.20 per order. So, it is

like a flat brokerage plan. So, we have certain online customers who do not want any support. They will say that I just want a competitive pricing plan, so for them we offer.

**Deepak Lalwani:** So how many clients are currently on the Z20 platform?

**R. Venkataraman:** I do not have the exact figure, but if you can send me an email, I will give you the exact figure.

**Deepak Lalwani:** Sure. Thank you. That is, it from my side. Best of luck.

**R. Venkataraman:** Thank you so much.

**Moderator:** Thank you.

**R. Venkataraman:** Thank you so much. If anybody has any questions, they can reach out to us directly. Thank you and have a nice day.

**Moderator:** Thank you. On behalf of IIFL Securities Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.