

August 2, 2023

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Dear Sir/Madam,

Sub: - Earnings conference call transcript

Please find attached herewith transcript of the earnings call held on Wednesday, July 26, 2023. The same is also made available on the website of the Company i.e. https://www.indiainfoline.com/securities/reports/IIFL_Securities_Q1FY24_Transcript_Final.pdf

Kindly take the same on record and oblige.

Thanking You,

Yours faithfully,

For **IIFL Securities Limited**

Meghal Shah
Company Secretary

Encl: As above

IIFL Securities Limited

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“IIFL Securities Limited
Q1 FY’24 Earnings Conference Call”

July 26, 2023



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

Moderator: Ladies and gentlemen, good day, and welcome to the IIFL Securities Limited Q1 FY '24 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, please signal an operator by pressing star, and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. R Venkataraman, Managing Director, IIFL Securities. Thank you, and over to you, sir.

R. Venkataraman: Thank you, and good afternoon, everybody. Thank you for joining us on this Q1 FY '24 analyst call for IIFL Securities. I am R Venkataraman, and I'm accompanied by my colleague, Ronak Gandhi, who's the CFO. Once again, thank you for joining us today.

And despite the continued headwinds in the global markets, India's macroeconomic stability is quite reassuring. IMF has also increased India's GDP forecast for FY '24 from 5.9% to 6.1%, which is basically reflecting the strong macroeconomic situation India is in compared to rest of its peers.

We also have favourable demographics coupled with the focus of the government on building physical, financial, digital and administrative capacity through the mantra of reform, perform and transform. And all this augurs well for India on a long-term basis. And this is reflected in the performance of the stock market indexes also. Nifty is within kissing distance of 20,000, which is a lifetime high.

At IIFL Securities, our focus is to capitalize on these market opportunities by making investments in strengthening our research capabilities, technology capabilities and also making sure that our clients are protected. We also expect that in the days to come, the affluent segment will grow very fast, and hence, our renewed strategy is to focus on catering to the needs of the affluent segment.

We are pleased to inform that our investment banking capabilities are getting recognized. We are yet again the number one banker for equity IPOs in India as per PRIME Database. And our investment banking division completed nine deals across capital markets, debt and private equity. Overall, our performance for the first quarter has been quite good. Business outlook is positive.

Coming to specific numbers. Consolidated revenues came at INR411 crores, 39% up year-on-year and flat on a quarter-on-quarter basis.

On year-on-year basis, brokerage income has risen 22%, INR177 crores versus INR145 crores and financial products distribution income has doubled, INR85 crores versus INR41 crores. And effectively, the key drivers are obviously sale of AIF, PMS, health and insurance. Our insurance business continues to show traction. And investment banking has been, I would say,

icing on the cake, INR55 crores in this quarter versus INR30 crores approximately for the same quarter last year.

On a quarter-on-quarter basis, again, investment banking has risen 71%, INR55 crores versus INR32 crores. Our financial product distribution income has fallen down 11%, INR85 crores against INR95 crores, primarily because of seasonal peak of insurance in the last January, February, March quarter. And brokerage income has been virtually flat. Other income has decreased to INR1.91 crores because of mark-to-market losses on investments.

Coming to expenses. Employee cost was virtually unchanged quarter-on-quarter and has increased 4% on a year-on-year basis. Finance cost has gone up 8% quarter-on-quarter and 12% Y-o-Y basically because of increase in the overall borrowing cost. Then admin cost has increased 15% quarter-on-quarter, 63% year-on-year basically because of increase in sub-broker payout and also an increase in technology costs.

Our assets under management and custody is INR1,47,000 crores, which is approximately INR 21,000 crores in equity and INR 1,26,000 crores in custody assets. Average daily turnover for the first quarter was INR2,30,816 crores, which was about INR1,655 in cash and INR2,29,161 crores in derivative segment. Figures for the previous quarter were INR1,95,604 crores, INR1604crores approximately in cash and INR1,94,000 crores in derivatives segment.

I'll come in to other updates. One is the update of scheme of arrangement within IIFL Securities and 5paisa. The Board of Directors on 6th of December 2022 had approved transfer of IIFL Securities' online retail trading customers to 5paisa Capital. As of now, we are awaiting for NOC from the exchanges and SEBI. As and when it happens, then we'll take up other steps in the process.

Second thing is about the order of SAT. SEBI's mandate order dated 19th June prohibited the company from onboarding new clients for two years as a stockbroker. This is pertaining to inspections carried out for different periods from April 2011 to 2017.

We are of the view that the Enhanced Supervision Circular dated 26/9/2016 was made effective on 1st of July 2017, and this application we think was unfairly applied to us on retrospective basis. And Securities Appellate Tribunal, SAT, has stayed this order. And currently this matter is sub judice.

More importantly, we'd like to reiterate SEBI's own assurance in its very own order imposing restrictions that even SEBI has not found anything wrong subsequent to the enhanced supervision circulation becoming effective in 2017. I quote the order, "I find no instance of misuse of clients funds by the Noticee placed before me which has occurred subsequent to implementation of Enhanced Supervision Circular dated September 26, 2016".

The second was -- in the matter of NSEL, IIFL Commodities was a member of the National Spot Exchange. And in 2013, if you remember, NSEL had defaulted in its settlement obligations to investors and our clients' money, about roughly INR279 crores was held. As you are aware, the matter is under investigation by EOW, ED, SEBI, SFIO and other people also.

IIFL Commodities acted like a broker for the investors of NSEL and just facilitated execution. And as a registered broker as per the bylaws, rules and circulars of NSEL, NSEL was a counterparty in its guaranteed settlement of trades and the same was confirmed by the erstwhile government regulator, FMC, also by its order dated December 17, 2013.

The Session Court on 6th of May, directed attachment of properties of IICL for repayment. And this -- we are pleased to say that the Honorable Bombay High Court has stayed this. And now again, this matter is also sub judice.

We would like to reiterate that the company had transferred funds received from clients to NSEL and had not retained any part of it. And hence, we have not accepted or taken any deposit from customers. NSEL reserves responses for repayment and refund and the entire obligation is towards them.

With this, I come to the end of my opening remarks, and I'll be more than happy to take any questions that you'll have. Thank you so much for giving me a patient hearing.

Moderator: Thank you very much.

R. Venkataraman: Actually, if any of them have any questions later, also they can send an email to our Investor Relations, we will be more than happy to answer all questions.

Moderator: We do have one participant in queue, sir. Pranay from JNJ with the question, please go ahead.

Pranay: Two questions. One is regarding this, how quickly do we expect this transfer to happen to 5paise and allotment of that share? And is the ratio, basically it's fixed like we are supposed to receive one share of 5paise for all 50 held. Is that fixed or...

R. Venkataraman: And yes, that is fixed. That is not going to undergo a change. And as of now, we are waiting for approvals, and I don't know how long those approvals will take. So once approval comes, then within six months this entire transfer as per the scheme should happen.

Pranay: Okay. And another question is, can you throw some light on the real estate piece, basically in terms of sales or in terms of valuation?

R. Venkataraman: No. So actually, as you know, we have been saying that we have properties across and we have been trying to sell the properties. Mumbai and Delhi properties, we are not interested in selling. So if you remove these two, big properties we are interested to sell is in Chennai, Hyderabad and Pune but we are not getting a good price for it, and we don't want to be distressed sellers.

Pranay: So anything that we can foresee in FY '24 or...

R. Venkataraman: See, actually, to be honest, we have been trying to sell for the last one year and we are not able to get a good deal. Frankly speaking, at this point in time, the management is of the opinion that we should not panic and sell it at a bad price. We are getting rent and all these offices are being used by us, so we are just waiting.

Pranay: Okay. And last one question. Seeing the cash flow and our balance sheet, what is the thought process on buyback from the management's view?

R. Venkataraman: See as of now, what has happened is that we are taking a conservative view to preserve cash. We have an attractive dividend payout policy. So its 30%, 35% now. Apart from that, I think the Board can decide on the buyback part of it. As of now, it's just wait and watch.

Moderator: Thank you. Sir, we have no further questions from the participants at this time...

R. Venkataraman: Okay. thank you so much. And as I said in the beginning also, we are available to take any questions that you'll have over a period of time. Thank you.

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