

May 4, 2022

The Manager, Listing Department, BSE Limited, Phiroze Jeejeebhoy Tower, Dalal Street, Mumbai 400 001. Tel no.: 22721233 Fax No.: 22723719/ 22723121/ 22722037 BSE Scrip Code: 542773	The Manager, Listing Department, The National Stock Exchange of India Ltd., Exchange Plaza, 5th Floor, Plot C/1, G Block, Bandra - Kurla Complex, Bandra (E), Mumbai 400 051. Tel No.: 2659 8235 Fax No.: 26598237/ 26598238 NSE Symbol: IIFLSEC
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Dear Sir/Madam,

Sub: - Earnings conference call transcript

Please find attached herewith transcript of the earnings call held on Wednesday, April 27, 2022. The same is also made available on the website of the Company i.e. 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**

Regd. Office: IIFL House, Sun Infotech Park, Road No. 16V, Plot No. B-23, MIDC, Thane Industrial Area, Wagle Estate, Thane - 400 604
Tel: (91-22) 3929 4000/ 4103 5000 • Fax: (91-22) 2580 6654 • E-mail: secretarial@iifl.com • Website: www.iiflsecurities.com



“IIFL Securities Limited
Q4 FY2022 Earnings Conference Call”

April 27, 2022



**MANAGEMENT: MR. R. VENKATARAMAN – MANAGING DIRECTOR &
CO-FOUNDER - IIFL SECURITIES LIMITED
MR. RONAK GANDHI – CHIEF FINANCIAL OFFICER -
IIFL SECURITIES LIMITED
MR. ANUP VARGHESE – HEAD - INVESTOR RELATIONS
- IIFL SECURITIES LIMITED**

Moderator: Ladies and gentlemen good day and welcome to the IIFL Securities Q4 FY2022 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 the 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: Good afternoon friends and thank you for joining the Q4 FY2022 analyst call for IIFL Securities. I am R. Venkataraman - Managing Director and Co-Founder, along with me are Ronak Gandhi, CFO and Anup Varghese, who heads the Investor Relationship for the group. I also take this opportunity to wish and hope that all your near-dear ones continue to remain safe. The Indian economy was slowly gathering momentum as it came out of the relatively less virulent COVID wave three although there are fears of a wave four and wave five also on the anvil. We have seen increased activity in equity market since the beginning of the pandemic driven by favorable liquidity in both international and domestic markets, higher internet and digital penetration and increased retail participation. As we speak right now global uncertainties like Ukraine-Russia, higher inflation, fears of higher interest rates continues to cause the shadow in liquidity markets not only in India but across the globe.

A quick word on our strategy which continuously built on research, crop tech, investment in the technology and human resources. We have an edge in capital markets because of strong research, understanding of capital market equity, economy, corporate sector which helps our business life. We continue to scale our efforts for the digital transformation of our retail broking business with the focus on providing customers state-of-the-art digital experience which is device agnostic.

As you are aware we have three revenue streams, retail targeted at mass affluent tech savvy customer. We offer not only broking with other distribution of products like mutual funds, insurance, PMS, etc., and that is primarily on an open architecture model. Institutional broking, we are one of the leading institutional brokers domestically and the port of call for many domestic and foreign institutions based upon execution capabilities and research credentials and last but not the least is investment banking, where we are focused on equity capital markets which is IPO and QIP and where we have unique capability of filling all the buckets of the actual construct these retail institutional owners own distribution strength.

Coming to the quarterly results of March 31, 2022 consolidated revenue was Rs. 362 Crores up 41% Y-o-Y and down 2% Q-o-Q, increase in revenue on a Y-o-Y basis is primarily because of growth in brokerage income, Rs. 156 Crores against Rs. 124 Crores on a Y-o-Y basis, investment banking grew to Rs. 66 Crores versus Rs. 37 Crores and our product distribution income was Rs. 56 Crores versus Rs. 27 Crores. On a Q-o-Q basis brokerage income increased at 8% to Rs. 156 against Rs. 145 Crores, investment banking increased again sharply to 66 Crores against 33 Crores and the distribution income was virtually flat at Rs. 56 Crores for both the two quarters. Other income was down Q-o-Q to Rs. 15 Crores primarily because in the previous quarter we

had other income because of sale of our investment in this fiscal. Full year number for your quick reference, our total income grew 52% primarily because of 36% growth in brokerage income, Rs 575 Crores versus Rs. 423 Crores, investment banking almost doubled to Rs.150 Crores against Rs. 74 Crores and distribution income again rose 73% to Rs. 212 Crores versus Rs 122 Crores and our PAT as a result grew 38% which is Rs. 305 Crores versus Rs. 222 Crores.

Coming to expenses we have seen a growth in expenses primarily because of employee cost increases both in terms of numbers and people as well as increase in variable pay and sub broker payout and also investments in technology as well as marketing for higher customer acquisition. So finance cost was down 53% on Q-o-Q basis primarily because of decrease in IPO funding activity and it has increased Y-o-Y simply because we have borrowed more for margin funding. Admin cost is up 10% Q-o-Q, 63% Y-o-Y as I have explained because of increase in sub broker payout, increase in technology expenses, lead generation and marketing cost.

Coming to the other headline numbers assets under management and custody Rs. 1,30,479 Crores, average yearly turnover for the quarter was Rs. 1,11,535 crores (BSE+NSE) combined which was Rs. 1,884 Crores for cash and Rs 1,09,651 Crores for derivatives. Corresponding figures for the previous quarter were Rs. 83,554 Crores (BSE+NSE) which was Rs. 1,835 Crores in cash and Rs. 81,709 Crores for derivatives. Our technology investments, we have spoken about IIFL markets app and AAA which are used by both our Rx customers for unlimited service. We have invested a lot in **DIY** account opening journey, 63% of our accounts are opened digitally. Customer acquisition efforts are yielding results and we have acquired 2,08,000 customers for the last quarter. With this I come to the end of my talk and we will be more than happy and glad to answer any questions that you have. Thank you so much.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Vivek Ramakrishnan from DSP Mutual Fund. Please go ahead.

Vivek Ramakrishnan: Mr. Venkataraman congratulations on good performance. You had spoken about margin funding I just want to know what percentage of your customers avail of margin funding, what are the volumes which are there typically and how important is it when you acquire customers that do they automatically ask for margin funding, so I just wanted to understand that part of the business? Thank you.

R. Venkataraman: If you look at our broker margin funding which is MTF is about Rs. 538 Crores at a gross level and so effectively what has happened is that we have tried to make the entire margin trading funding journey user friendly, so we have now launched BNPL (Buy now pay later) which they did not understand because most of them are buying on various e-commerce websites and we believe that the margin funding is a good tool to have to engage with customers and also it helps in customers taking position in the cash segment. The percentage of customer to avail the margin funding I do not have it right now but I will get the data and get back to you.

Vivek Ramakrishnan: That is great thank you and Sir then the only collateral we will have is just stock right if the customer defaults?

- R. Venkataraman:** Yes, as per SEBI guidance 50% is going to value and the stock is collateral.
- Vivek Ramakrishnan:** Excellent thank you very much that is all I wanted to know. Thanks a lot good luck.
- Moderator:** Thank you. The next question is from the line of Mudita Nahar from Abakkus Asset Management. Please go ahead.
- Mudita Nahar:** Hi! Sir, thanks for the opportunity. How much would be the yield on the margin book?
- R. Venkataraman:** The yield on the margin book is roughly about 14%, 15%.
- Mudita Nahar:** What would be the mix between the retail brokerage and the institutional brokerage?
- R. Venkataraman:** Retail brokerage and institutional is roughly about 50:50.
- Mudita Nahar:** Are there any impact on the yield front in the brokerage side?
- R. Venkataraman:** Brokerage yield has been continuously trending downwards, cash is about 7.6 paisa and derivatives will be about 0.10 paisa so it is quite low and this has been virtually unchanged for the last two quarters.
- Mudita Nahar:** Okay that is it from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Kartik Sahni from Myriad Asset Management. Please go ahead.
- Kartik Sahni:** Hi! Sir, my question is around your major tie-up that you have done and I think that for this quarter you added about 2 million clients I just want to know what percentage of those clients were added through these tie-ups?
- R. Venkataraman:** No sorry, I will correct one figure because the total number of clients we acquired in last quarter is 2 lakh not 2 million. Coming to the tie-ups, I think these tie-ups are not helping us to acquire customers, but they are more at giving a more holistic and a superior digital experience to the customers. So I cannot say whether the customers are coming because of these tie-ups. I think these tie-ups of course joining us so that they engage with us more and spend more time with us.
- Kartik Sahni:** Alright, thank you.
- Moderator:** Thank you. The next question is from the line of Nagesh from NR Family Office. Please go ahead.
- Nagesh:** Hi! Very good afternoon and very happy to see the topline growth that however equally concerned with equally aggressive expenses growth, now the question is how do we see the

future as we go forward to the next couple of quarters do you see the expenses growing in line with the revenue growth or there will be any changes?

R. Venkataraman: The question you have raised is very correct because what has happened for us last year is that we saw an increase in manpower as employee cost went up, because both in terms of actual headcount, it went up from roughly 1,928 employees to 2,529 employees and then you also had to take wage inflation as actual employee cost went up because we had an increase in employee variable payout as we had a good year, we also saw some increased expenses because of marketing and technology. Marketing was primarily because we are a lead generation marketing company and we invested to acquire a large number of customers. Our admin cost went up because of higher sub brokerage payout and technology already spoke about. So I hope that in the days to come we should see revenue growing at faster pace than expenses.

Nagesh: Thank you looking forward to the revenue growth ahead of expenses in the coming quarters. Thank you.

Moderator: Thank you. The next question is from the line of Pranay Jhaveri from JNJ Holdings Private Limited. Please go ahead.

Pranay Jhaveri: Good afternoon Sir, thank you for this opportunity. If you can just throw some light on the real estate portion and the progress on that? Thank you.

R. Venkataraman: I will just give you the latest position. We have about 6,23,000 square feet of office space which will spread across Ahmedabad, Andheri, even in Andheri Chandivali, Dadar, we have an office in Pune, Thane, Gurgaon, Hyderabad, Chennai, etc., so if you look at the total space I think we are generating rental income from it roughly about it is about 30% from outside and 70% is consumed in-house. So we are carrying a book of about 243 Crores we expect the market relatively higher but it is very difficult for me to give a figure on it. So we have been making efforts to sell, so in the last two, three quarters we didn't have any success and last sale was executed in last quarter in April, May, June quarter. So we are continuing our efforts to sell some of the property and we hope that we should see some results, but another deal is done it is very difficult to say, but yes our aim is to sell.

Pranay Jhaveri: Sir I did not get the figure did you say what is the approximate market value and out of that what is the aim what percentage would get sold off maybe in another two, three years?

R. Venkataraman: See in two, three years apart from Mumbai and Gurgaon office we look to sell everything else.

Pranay Jhaveri: What is the approximate value that you have?

R. Venkataraman: Book value is about 243 Crores and previously done Market valuation from some external agency was roughly about Rs. 650- Rs. 670 Crores.

Pranay Jhaveri: Out of this Rs. 650 Crores if you exclude Mumbai and Delhi what would be the salable portion?

- R. Venkataraman:** Difficult to say, Chennai is a big property because Chennai which is about 2,50,000 square feet so I do not have the numbers right now in front of me. You know one thing can you send me an e-mail so that I will try to contact you with some approximations.
- Pranay Jhaveri:** Yes Sir thanks.
- Moderator:** Thank you. The next question is from the line of Sumit Jankar from Motilal Oswal Financial Services. Please go ahead.
- Sumit Jankar:** Thank you for providing me the opportunity. Sir I gone through the numbers of active plans last year it was around 3 lakh and now it has been around 11 lakhs and if you go to the total number of addition in total clients, so as compared to that the active client has grown has shown a good growth so what helped in making that plan active?
- R. Venkataraman:** There are two, three reasons for this one is we were obviously benefited from the buoyant capital market. Second thing is that we had a large set of government customers whom we try to activate using a call and trade facility so we had a call center agent trying to reach out, we also tried to merge them digitally, we also to make sure that we activate them, we also have leverage on the IPO's to make them active and it is a combination of all these things that helps us to make them active.
- Sumit Jankar:** Okay thank you.
- Moderator:** Thank you. The next question is from the line of Rishikesh Oza from Robo Capital. Please go ahead.
- Rishikesh Oza:** Hi! Sir. My first question is any outlook on customer acquisition so like how many do we plan to acquire for FY2023?
- R. Venkataraman:** See we do not have a target like this but you know what has happened is that we played by the year so hopefully we should be in the 1.5 to 2 lakh per quarter number.
- Rishikesh Oza:** So we should continue the current acquisition you are saying right?
- R. Venkataraman:** Yes but obviously if the market conditions change we will also change the target.
- Rishikesh Oza:** What revenue growth are we seeing for this year since we are also increasing our manpower and all?
- R. Venkataraman:** See, very difficult to give a figure on revenue growth so I do not want to hazard a guess.
- Rishikesh Oza:** Okay no problem that is it. Thank you.

- Moderator:** Thank you. The next question is from the line of Kartik Sahni from Myriad Asset Management. Please go ahead.
- Kartik Sahni:** Hi! Sir my question is on your tie-up with Stockal, so that gives access to around 3500 US stocks can you share the pricing of this?
- R. Venkataraman:** Sorry I do not have it, it is like basically helping Indian customers to trade in overseas stocks so we do not have a standard pricing structure I do not remember it offhand, so I will get it for you. What brokerage is that right?
- Kartik Sahni:** Yes.
- R. Venkataraman:** Yes, I will get it for you.
- Kartik Sahni:** Thank you.
- R. Venkataraman:** If there are no further questions we will come to the end of this call and I thank the participants for their questions and our investor.relations@iifl.com is the e-mail and if you have any questions please feel free to ask so that they can address all those questions. Thank you so much.
- Moderator:** Thank you. On behalf of IIFL Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.