



“IIFL Securities Q3 FY23 Earnings Conference Call”

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Moderator: Ladies and Gentlemen, Good day and welcome to the IIFL Securities Q3 FY23 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 ‘*’ and 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. Thank you for joining the Conference Call for Q3 FY23 Results of IIFL Securities. I am R. Venkataraman – Chairman and Managing Director of IIFL Securities and I am accompanied by Ronak Gandhi, our CFO. At the outset, I want to take this opportunity to wish all of you a very happy and prosperous New Year.

Amid continued tensions between Ukraine and Russia and rising inflation across the globe, Central Banks are raising interest rates. The war against rising interest rates has led to recession risk across circular economies developed and developing. A survey conducted by war economic forum in the last quarter of FY 22 indicated that global recession is likely sometime in FY23. Indian economy fortunately will continue to grow fast and World Bank is forecasting almost 6.9% growth. Our country’s relatively lesser dependence on exports and a large domestic market is a positive. This will cast shadows on the capital markets along with other events in the global space.

Research based content, proprietary technology and talent pool remain the strategic pillars for growth of IIFL Securities and our focus remains on becoming a truly digital organization with an objective of providing customers with superior research and superior transaction experience when they engage with us. During the quarter, as you might be aware we have undertaken a strategic reorganization of our business to maximize synergies across the IIFL Securities and our sister company, 5Paisa Capital. Our board of directors have approved the transfer of our online retail trading business. We are sharpening our focus on private client group primarily targeting clients with financial assets of more than ₹10 million. Our institution broking continues to remain on strong footing where we are the port of first call for many domestic and foreign institutions and that is primarily driven by research and our ability to execute significant long deals.

In investment banking where our focus is on ECM we are uniquely placed because of our ability to fill all the three buckets of the IPO and QIB construct.

Coming to the results for December 31, 2022, consolidated revenues for the quarter came at ₹347 crores which is up 7% Q-o-Q down 6% Y-o-Y. The reasons for the Q-o-Q variance is because of brokerage income which has decreased 5%, ₹155 crores in this quarter versus ₹163 crores in the previous quarter that is mainly because of a decline in institutional broking. FPD income was flat at ₹53 crores versus ₹54 crores in the previous quarter. Investment banking has increased significantly on a Q-o-Q basis ₹42 crores versus ₹25 crores and that is primarily because of significant amount of deal closure that happened in the Oct-Dec quarter.

For a Y-o-Y basis brokerage income has increased 6%, FPD income has fallen 5% which was ₹56 crores to ₹53 crores again marginal, Investment banking has increased 27% ₹42 crores from ₹33 crores which happened in the last year. Other income was about ₹4.97 crores, which decreased 27% Q-o-Q and 85% on an Y-o-Y basis and that was primarily because of mark-to-market on certain investments. Coming to expenses, employee cost was up 2% on a Q-o-Q basis, up 6% on a Y-o-Y basis because of two reasons, one is because of the increase in headcount as well as increase in variable pay. Average employee count for this quarter was 2,429 which was last year at about 2,381 and finance cost was ₹18 crores reduced 4% Q-o-Q and significantly by 53% on Y-o-Y basis because of decline in IPO funding activity.

The new guidelines for IPO funding have kicked in. IPO funding income has fallen sharply. Admin cost was ₹136 crores, increasing 10% Q-o-Q and 20% Y-o-Y basically due to increase in technology and marketing cost as well as sub brokerage payout because as the same is accounted under this head. Coming to other housekeeping numbers asset under management and custody stood at ₹1,24,107 crores of which about ₹19,766 crores is third party or financial products cross sale assets and the rest ₹1,04,341 crores is custody assets or demat assets. Average daily turnover for Q3 was ₹1,56,756 crores of which ₹1,569 crores in cash and ₹1,55,187 crores in the derivative segments. Corresponding figures for Q2 was ₹1,35,518 crores of which ₹1,702 crores in cash and ₹1,33,816 crores in derivative segment. As you can see the fastest growing segment in this entire game is derivative.

So, with this I come to the end of my talk and we are happy to answer any questions that you might have. Thank you.

Moderator: Thank you. Ladies and gentlemen we will now begin with the question-and-answer session.

R. Venkataraman: Since nobody has any questions I shall end this call and we are always available to answer questions. You can send an email to us directly if you have any questions.

Moderator: Thank you sir, would you like to add any closing remarks.

R. Venkataraman: Thank you for joining and if you have any further add on questions please feel free to ask either me, Ronak or Veenashree at investor.relations@iifl.com and we will be more than glad to answer any questions.

Moderator: Thank you members of the management team. Ladies and gentlemen, on behalf of IIFL Securities that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.