

May 24, 2024

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Dear Sir/Madam,

Sub: - Earnings conference call transcript

Please find attached herewith transcript of the earnings call held on Friday, May 17, 2024. The same is also made available on the website of the Company i.e. [https://www.indiainfoline.com/securities/reports/IIFL Securities Q4FY24 Earnings call transcript 24-may-24.pdf](https://www.indiainfoline.com/securities/reports/IIFL_Securities_Q4FY24_Earnings_call_transcript_24-may-24.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

Corporate Identity Number: **L99999MH1996PLC132983**

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“IIFL Securities Limited
Q4 FY'24 Earning's Conference Call”
May 17, 2024



MANAGEMENT: MR. R. VENKATARAMAN – CHAIRMAN AND NON-EXECUTIVE DIRECTOR – IIFL SECURITIES
MR. NEMKUMAR H – MANAGING DIRECTOR – IIFL SECURITIES
MR. RONAK GANDHI – CHIEF FINANCIAL OFFICER – IIFL SECURITIES

Moderator: Ladies and gentlemen, good day, and welcome to IIFL Securities Limited Q4 FY'24 Earnings Conference Call. As a reminder, all participant lines will be in listen-only mode. 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

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

R. Venkataraman: Thank you. Good afternoon, everybody, and welcome to the Q4 FY'24 Analyst Call of IIFL Securities. I'm accompanied by my colleagues, Nemkumar, Managing Director; and Ronak Gandhi, CFO.

The capital markets, including India, are doing well in spite of heightened geopolitical tensions, which are a significant short-term risk. India stands out as a fast growing economy. Key drivers being strong domestic demand as well as favourable demographics. Short-term volatility, due to elections to be announced in the 1st week of June, cannot be ruled out.

Outlook for Indian Capital Markets related businesses is good over the medium to long term. And this is irrespective of any short-term hiccups that we may see. And outlook is strong primarily because of low penetration of financial products, increased financialization of savings, technology development and evolved regulatory regime.

Coming to our results for March 31st, consolidated revenues for the quarter came at INR704 crores, up 74% year-on-year and 21% on a quarter-on-quarter basis. On a year-on-year basis, brokerage income has increased 66%, which was INR300 crores for this quarter against INR181 crores for the last year same quarter.

Distribution income -- financial product distribution income has increased 23%, INR117 crores for this quarter versus INR95 crores for the last year same quarter and primarily because of sale of products like AIF, PMS and insurance. Investment banking has more than doubled INR76 crores for this quarter versus INR32 crores for the last year same quarter. For a quarter-on-quarter basis, brokerage income has increased 12%, distribution income has increased 17%, and investment banking income has increased almost 40%.

If you look at full year numbers, brokerage income has increased 58%. Indian capital markets had seen a stellar performance last year. Distribution income has also increased significantly and banking has also increased significantly. All our business lines have done very well in this year, primarily because of favourable capital market situation.

Other income has grown because of mark-to-market on investments. Then coming to expenses, big line item is employee cost which has increased almost 33% on a year-on-year basis, primarily because of increment as well as variable bonus provisions, given the nature of our business.

Finance costs have increased 178% year-over-year, 26% quarter-on-quarter because of fund-based requirement, which is used for funding both margin as well as margin trading book. Other costs have increased 44% year-over-year and 13% quarter-on-quarter because of higher partner payout as well as increased spend in technology.

Some line items for housekeeping. Assets under management and custody is INR1,88,311 crores, which is roughly INR1,60,000 in custody assets and roughly about INR27,000 crores in cross-sell assets. Average turnover for the quarter was INR3,00,095 crores, which was BSE and NSE combined, which is about INR3,120 crores in cash segment and INR2,96,975 crores in derivatives segment. The corresponding figures for the previous quarter was INR2,71,309 crores, which was again INR2,495 crores in cash segment and INR2,68,815 crores in derivative segment.

So we had announced an interim dividend of INR3 in March and that has been taken as final. The dividend has been kept. We have been conservative in terms of payout simply to retain cash, which is now required for the margin requirements for our growing brokerage business. And the second thing is separation of the post of Chairman and Managing Director of the company. The Board of Directors, based on the recommendation of NRC, has confirmed the appointment of Mr. Nemkumar as the Managing Director starting from May 15, subject to requisite regulatory and shareholders' approval. The separation of the posts of Chairman and Managing Director is better aligned for better corporate governance.

Also, Narendra Jain, whose term ended on May 13th has also been reappointed for a period of five years, subject to regulatory and shareholders' approval. Thank you so much for giving me a patient hearing. And we are now open to answer any questions that you may 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 Narendra from RoboCapital. Please go ahead.

Narendra: Congratulations on a good set of numbers. Sir, my first question is that how many AAA associates or authorized persons do you have right now?

R. Venkataraman: See, we have almost 6,000-plus partners.

Narendra: All right. Okay. And what was this number a year ago? I wanted to know how much -- at what pace are we growing this number?

R. Venkataraman: I don't have the previous year number. So if you send me an email, I'll share that number with you.

Narendra: Okay, all right. Understood. And any idea how much revenue are these guys contributing to the business?

R. Venkataraman: See, roughly, if you look at our brokerage income on the retail side, these people will be contributing about 35%, 40%.

Narendra: Okay. 35% to 40%, right? Okay. So any target on how we plan to grow this number, the associate number...?

R. Venkataraman: So these partners are a very important element of our growth strategy and we'll continue to acquire more and more partners. And given the fact that India is a vast country and we can't be setting up branches everywhere. So we will be focused on acquiring more and more.

Narendra: Okay. All right. I know you can't actually predict the markets, but any long term, say, over the next four to five years, what would we like to be our revenue or PAT or whatever number you're comfortable with, any aspirational targets about that?

R. Venkataraman: As I said in my opening remarks, outlook for capital markets related business is very good. So as of now, we have -- both in investment banking and institutional broking, we have built a very strong brand and we have a very strong competitor positioning and we hope to build upon that and increase our market share. And on the non-institutional segment also, we hope to build our competitive position and acquire more assets, more customers and these are the only high-level numbers, which I can share.

Narendra: Okay. And final question, how is our deal pipeline looking right now for the next year or so?

R. Venkataraman: So the deal pipeline is very strong. And as you know, we have a very strong competitive positioning in banking, given the fact that we have a very strong research franchise and we have a very strong distribution franchise. And our distribution cuts across both institution and non-institution, which is retail and deal pipeline is robust and we are running as of now multiple transactions, which are at various stages of execution. So we are very optimistic.

Moderator: The next question is from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain: Congratulations on great set of numbers. Sir, firstly, more of a broader level question. We recently heard that FM commenting on the retail F&O participation that needs to be checked. But on the other hand, if you look at the exchanges, they have been launching new products, expiries on a daily basis, lot sizes have come down. So how do you see this F&O activity kind of picking up from here on? Whether we see that is the peak or how do we see this?

Definitely from a cash market perspective, there's a lot of scope. But from F&O market participation, there is even a lot of talk around that our share of notional turnover is far higher than even most of the developed markets. So how do we look at this? And how do you see the F&O market trajectory going head?

R. Venkataraman: See, Prayesh, I think when we have met some time ago, personally also, you had asked me a similar question. And this is one question for which I don't have an answer because if we had met five years ago, 10 years ago and asked me to predict the way options volume would have exploded in India, I don't think I was capable of making this prediction. So what you say is absolutely correct.

In India, derivative volumes have taken off. Even in derivative options, volumes have taken off and options in cash, options on NIFTY, Sensex and all this -- Bank NIFTY and all have gone through the roof. And this is the lopsided nature of the market that 99.9 or 99.7 or 99.8 is happening in derivatives is a cause for concern. And as and when it happens, then we have to take it on our stride because it will be an industry-wide phenomenon.

- Prayesh Jain:** Got it. And sir, from IIFL Securities standpoint and strategy going ahead, the distribution partners that you just alluded to about 6,000 partners we have and they contribute about 35% of our brokerage revenues. How are we thinking about building them from a distribution standpoint? How much of the distribution revenues come from them? And do you think that this is a channel which can really bring up or scale up the distribution platform?
- R. Venkataraman:** See, actually, what we are saying is that earlier we were mostly focused on the brokerage part of it. And over time, we realized that these partners have client relationships to whom we can sell other products also. So this is a gradual process, and it will take time, and we are working towards it.
- Prayesh Jain:** Okay, got that. Sir, another point was on the investment banking side where we have so many mandates. And the promoter exits that can bring in a lot of wealth management opportunities. Do we see this coming in-house in terms of opportunities of managing funds or how do we see this?
- R. Venkataraman:** So managing funds, meaning what?
- Prayesh Jain:** So when a promoter exits the fund, exits a stake, 5% stake he sells, those funds that goes back to promoters, where do you think that -- do you think there is an opportunity to manage these funds via the distribution arm? Or how do you think about this?
- R. Venkataraman:** So there is an opportunity, and we have to work towards marketing our services and getting those funds.
- Moderator:** The next question is from the line of Abhijeet Sakhare from Kotak Securities.
- Abhijeet Sakhare:** Sir, on the distribution income side, is it possible to give a detailed breakup in terms of mutual fund commissions, insurance or any other products?
- R. Venkataraman:** So actually, I don't have the data readily available, but see, there are -- distribution income has income from insurance, mutual fund, AIF, PMS, so these are the broad components. Bonds also are there.
- Abhijeet Sakhare:** Okay, got that. And second one, so you mentioned about the need to retain capital for margin requirements. But how do we think about this? Or how do we budget this? Is there a thumb-rule that you can share wherein, let's say, market volumes grow 20% or by X billion rupees, there is a certain number that you have in mind, which you need as a working capital for this business?
- R. Venkataraman:** There is no such number. But if you look at our MTF book, which is roughly about INR1,035 crores, we think that this book can grow easily. And we make good return on that, so it's better to retain cash for this.
- Abhijeet Sakhare:** And one more, sir, the margin requirement has more of a role to play in the retail business, right, not really much on the institution side?
- R Venkataraman:** Limited in the institution side.

- Moderator:** Thank you.
- R. Venkataraman:** If there are no questions, then we can end this call and anybody who has any further questions can reach out to either our CFO, Ronak Gandhi or Veenashree who handles the Investor Relationships.
- Moderator:** Okay, sir. As there are no further questions, I would now like to hand the conference over to Mr. R. Venkataraman for closing comments.
- R. Venkataraman:** Thank you so much. And our CFO and Head of Investor Relationships, Veenashree is available. And if you need any further questions, please feel free to reach out to them. Thank you so much and have a nice day.
- Moderator:** On behalf of IIFL Securities Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.