

January 31, 2024

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Dear Sir/Madam,

**Sub: - Earnings conference call transcript**

Please find attached herewith transcript of the earnings call held on Tuesday, January 23, 2024. The same is also made available on the website of the Company i.e. [https://www.indiainfoline.com/securities/reports/IIFLSecurities-Earnings-23Jan-2024\\_final.pdf](https://www.indiainfoline.com/securities/reports/IIFLSecurities-Earnings-23Jan-2024_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**

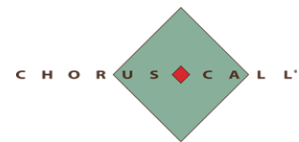
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“IIFL Securities Limited Q3 FY24 Earnings Conference  
Call”

**January 23, 2024**



**MANAGEMENT: MR. R VENKATARAMAN – CHAIRMAN & MANAGING  
DIRECTOR  
MR. RONAK GANDHI – CHIEF FINANCIAL OFFICER**

**Moderator:** Ladies and gentlemen, good day, and welcome to IIFL Securities Limited Q3 FY24 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 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, and good afternoon, everyone, and welcome to the Q3 FY24 Analyst Call of IIFL Securities. Along with me is Ronak Gandhi, who is our CFO. Wishing all of you a very happy and prosperous New Year.

Coming to the global macro, India remains the fastest economy, with real GDP expected to grow upwards of 6% over the next 2 years. Monetary policy easing across the globe is expected to start somewhere in the second half of calendar '24, which should support business investment and, discretionary household spending. In an Indian context, government investments will continue to remain high. Downside risks remain due to heightened geopolitical tensions.

Coming specifically Indian markets, calendar '23 ended on a high note for the domestic mutual fund industry, Indian crossed INR50 lakh crores. Also in the end of December '23, mutual fund ownership of Indian markets was about 8.7%. Retail and other individuals hold another 9.7% which is marginally above the IIFL ownership of about 18.2%. These data points point out to a deepening of the Indian capital markets.

Coming to IIFL Securities, we are pleased to announce another a strong quarter, primarily driven by an investment banking business, where we completed about 17 transactions in this quarter.

Coming to results numbers. Consolidated revenues for the quarter came at INR582 crores, which was up 68% year-on-year and 9% on a quarter-on-quarter basis. The reason for this steep increase on a year-on-year basis was that brokerage income increased by 73%, INR268 crores this quarter versus INR155 crores in Q3 FY23.

Distribution income also increased significantly, INR100 crores for this quarter versus INR53 crores for the quarter last year, primarily driven by sale of products like AIF, PMS and insurance. Investment banking increased by 32%, INR55 crores in this.

Coming to a quarter-on-quarter basis, brokerage income was virtually flat, at about INR268 crores. Distribution income increased by 18%, INR100 crores versus INR85 crores. And investment banking increased 45%, INR55 crores versus INR38 crores in Q2 FY24. Other income was INR24 crores, increased by 373% year-on-year and reduced 12% on quarter-on-quarter basis, primarily driven by mark-to-market gains in BSE shares.

Coming to expenses employee cost was down marginally 7% on a quarter-on-quarter basis and if you look at finance cost, finance cost was up 42% on a quarter-on-quarter basis, up 134% on a year-on-year basis because of increased borrowings that was -- and the borrowing was done primarily to support our margin trading book.

Employee -- sorry, our admin cost was down marginally 9% and increased 47% due to increase in our sub-broker pass out as well as increase in technology expenses. Our assets under management in custody, INR1,81,582 crores, out of which roughly about INR24000 crores in cross-sell. Our average unit turnover for this quarter was at INR2,71,309 crores, which was -- which is about INR2,495 crores in cash segment and INR2,68,815 crores in the derivatives segment. Corresponding figures for the previous quarter was INR2,49,979, which was INR2,445 crores in cash segment and INR2,47,533 crores in our derivatives segment.

With this, I come to the end of my remarks, and I'm available along with Ronak to answer any questions that you may have. Thank you.

**Moderator:** Thank you very much. We'll take the first question from the line of Hiten Boricha from Sequent Investments. Please go ahead.

**Hiten Boricha:** Yes. Thanks for the opportunity. Sir, 2 -- 1 bookkeeping question, and other 1 is on customer acquisition. So can you just give me the breakup of the cash we have in the books, the breakup of cash of the company and the cash of the client or the margins we have or the actual cash in the books?

**R. Venkataraman:** See, our own cash is about -- roughly about INR430 crores and clients will be about INR3,500 crores.

**Hiten Boricha:** Okay, sir. Okay. Thank you. Sir, my question is on the customer acquisition. As we can see in the presentation, we are adding like 50,000, 55,000 customers per quarter since last 3, 4 quarters. So my question is what are we doing to get the customer acquisition more? We used to do around 2 lakhs, 2.5 lakhs a couple of quarters back, I believe, 4, 5 quarters back. What are we doing to add more customers? And are we going to do that to 1.5 lakh customer acquisition per quarter again?

**R. Venkataraman:** Okay. As you're aware, on December 2022, so we had a strategic decision we have taken because, earlier, we used to acquire a large number of online retail customers. That's the first time we are acquiring lakhs. So we have a strategic shift because we have a sister company called 5Paisa, where this online retail trading customer acquisitions are happening.

So as of now, we are concerned more at getting more affluent customers than focus on slowdown in pace of customer acquisition. And going forward also, we will continue to focus on acquiring customers with bigger wallet rather than acquiring online retail customers.

**Hiten Boricha:** Sir, that 2 lakhs kind of number, which earlier was the number that was because of 5Paisa, right?

**R. Venkataraman:** No, No, no. 5Paisa is a separate company, but we are also trying to -- we are also acquiring customers similar to them within online retail customer.

**Hiten Boricha:** Sir, no, I didn't get the second. Please explain me again. So sorry.

**R. Venkataraman:** No -- at that time our customer acquisition was quite large because we used to acquire a large number of online retail customers, spending money on digital channels and social media,

etcetera. So as of now, we are focusing on acquiring more affluent customers, hence the cost -- hence, the numbers have come down.

**Hiten Boricha:** Okay, okay, okay. So our focused from online has changed to actual customers. Okay. Understood, understood.

**R. Venkataraman:** Customer acquisition, that's 5Paisa is acquiring in lakhs, which is again a sister company.

**Hiten Boricha:** Okay. So what -- any rationale behind changing this strategy?

**R. Venkataraman:** It is very simple because in the group, we had two companies, which is online retail customers, which is catered to by our sister company called 5Paisa. Here, we are more focused on the affluent customers, which are retail customers, more disposable or higher investment of loss. So if you remember in December 2022 we have done this shift.

**Hiten Boricha:** Okay sir, thank you so much.

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

**Narendra:** Hi sir, thanks for the opportunity. So my first question is regarding your margins. So what do we take as the steady-state margins going higher? This quarter, it was above 40%. So was there any one-off? Or just wanted to get an idea of what is the steady state.

**R. Venkataraman:** Actually, it's difficult to give a number like a steady state margin for a cyclical business like us because when the markets are good, then things are good. So this -- our customers, there is no one-off. But you have to remember that we have seen huge activity in capital markets for the last 2, 3 months. And they had lots of logged deals, lots of -- and activities like this, which are boosting brokerage income.

**Narendra:** Okay, okay. So what kind of deal pipeline are we seeing on the investment banking side for the next...

**R. Venkataraman:** I can't share because -- but the investment banking deal pattern looks very good.

**Narendra:** Okay. So are we seeing a visibility -- how much visibility do we have, 3 months, 6 months?

**R. Venkataraman:** I think it's obviously having given -- I'll give you a standard estimate state of capital markets, but visibility looks very good.

**Narendra:** Okay. Got it. And regarding the -- what kind of traction are we seeing on the BSE derivative segment? That's your area for growth...

**R. Venkataraman:** Yes, derivatives. Yes. We are seeing traction in BSE derivative for sure.

**Moderator:** Thank you. The next question is from the line of Rishabh Nahar from Swan Capital. Please go ahead.

**Rishabh Nahar:** Hi, sir. Thank you for the opportunity. Just one question in terms of the customers. So the kind of customers that we're acquiring, it's more on the affluent segment. So what is the life cycle of these customers? Is it very different from the retail discount broking, like the 5Paisa and the other brokers?

Because those customers seem to be pretty cyclical, and their life cycle is 3 months, 6 months, 1 year. So is that, you know, are our customers a lot longer in terms of the retention there, the revenue that they're contributing to?

**R. Venkataraman:** See, actually, that's a good question. We believe that our customers have got higher disposable income and more inclined to invest and -- rather than trade aggressively. But it's true, we don't - - we have not done any psychographic or analytical modelling of this. So it's like I'm not in a position to give you a very scientific answer.

**Rishabh Nahar:** Okay. And so is it also that are we focusing on some sort of trading community, like, for example, like a Zerodha has a strong...

**R. Venkataraman:** No, you want to say that's absolutely correct. But there is a segment of what we call as the algo traders or the large volume, high volume traders. So historically, we have not done very well in that segment and -- primarily because of very low yield. And so -- but that is one segment which is growing very rapidly. And I would say as a full-service broker, we need to improve our offering there.

**Rishabh Nahar:** Okay. Just one last question. So what kind of brokerage model do we provide? Because, you know, from whatever ground research that we have done, we see that you also provide a discount broker model, which is a little confusing. So just wanted to understand that?

**R. Venkataraman:** No, no. Actually, if you remember, we have also had this, I would say, the flat brokerage Z20 pricing scheme, which we used to have. So now we have discontinued it. So very rarely on special cases we give, but otherwise we are on that ad valorem brokerage rate. So you're right, actually. Historically, we were offering that.

**Rishabh Nahar:** Okay. So now any new customers that are coming in, we are not offering that anymore?

**R. Venkataraman:** We don't offer, but suppose, you know, in the market, suppose somebody comes and says, so it is on a case to case, it happens. But it is not such a big thing.

**Rishabh Nahar:** Okay. All right. So -- and then who decides that? Does the sub broker decide that? Or is that within the company?

**R. Venkataraman:** No, no, no. It is controlled by HO level.

**Rishabh Nahar:** Okay, alright. Thank you sir.

**R. Venkataraman:** I think the person previous to you also asked this question. So I was trying to explain him that the online retail customers who is a discount pricing model, we are no -- we are more or less trying to exit that space.

- Rishabh Nahar:** Right. Okay. All right, sir. Thanks.
- Moderator:** Thank you. The next question is from the line of Tushar Sarda from Athena Investments.
- Tushar Sarda:** Thank you for the opportunity. I wanted to understand breakup of your revenue. I can find three items in the presentation: retail brokerage; fixed income product distribution -- financial product distribution; and investment banking, but it doesn't add up to the total. So what are the other items?
- R. Venkataraman:** There is -- investment banking income has given in the presentation.
- Tushar Sarda:** Yes, yes. So retail brokerage is INR448 crores for 9 months. Financial product distribution is INR270 crores and investment banking is INR148 crores. Total income is INR1,400 something. So what is the breakup? I'm not able to reconcile this number?
- R. Venkataraman:** See, I'll tell you what. The components of income are broadly investment banking income, financial products distribution income. There's something on other income there. There's mark-to-market and other interest income item. Then there's some what we call interest income, rental income. And in brokerage-related income, there are a lot of things, apart from retail brokerage, institutional brokerage, DP income, DPC income and etcetera. So your point is taken. Next time we will...
- Management:** You can refer to the results.
- R. Venkataraman:** So the results table has all the details. But next time, we'll bridge the -- we'll show it openly, so that all the numbers are -- so your concern is addressed.
- Tushar Sarda:** Okay. And is there any plan with respect to 5Paisa? Will that continue as a separate entity? Or any plan to...
- R. Venkataraman:** No. That will continue as a separate entity.
- Tushar Sarda:** It will continue -- so you have no plans to merge or takeover.
- R. Venkataraman:** Yes.
- Tushar Sarda:** Thank you.
- R. Venkataraman:** Thank you.
- Moderator:** Thank you. The next question is from the line of Rishabh Nahar from Swan Capital. Please go ahead.
- Rishabh Nahar:** I have just one question in terms of the 5Paisa. You were going to transfer the retail clients. And then I think there was a notification from 5Paisa that has been withdrawn. Is that true? Is that...
- R. Venkataraman:** That's true because we've also given a similar notification. So I'll just tell you what is happening. So as you know, in December 2022, we have done a scheme with 5Paisa where we were

transferring our online retail customers to them. So just the entire activity, we have made applications after all those approvals to stock exchanges and SEBI. SEBI had a number of observations. And so basically, what has happened was that since there was a lapse of time because almost it's close to 1 year or more.

So basically, there was exchanges and SEBI said that you have to refile the scheme with additional clarification documentation, including valuation. So now we had a Board meeting yesterday. The Board decided, given the fact that database of customers, valuation, market condition, trading condition, everything has changed substantially in the last 12 months.

So the Board says that you have to revalue and then come back to the Board and reevaluate the scheme. So that's the reason why both the partners, which is 5Paisa and us, we have decided to go back to the drawing board and reevaluate the scheme.

**Rishabh Nahar:** Okay. Okay. Thank you, sir.

**Moderator:** Thank you. The next question is from the line of Tushar Sarda from Athena Investments. Please go ahead.

**Tushar Sarda:** Yes. Thanks for the follow-up. How much is your institutional brokerage? Because you mentioned there a lot of large block deals and all that because of huge activity?

**R. Venkataraman:** Yes, roughly about 60:40 split of brokerage, retail and institutional.

**Tushar Sarda:** 60:40.

**R. Venkataraman:** 40.

**Tushar Sarda:** Okay. And last quarter, what was it?

**R. Venkataraman:** Same, 60:40, sir.

**Tushar Sarda:** Okay. Thank you.

**Moderator:** Thank you. Participants who wish to ask questions, may please press star and one. A reminder to all the participants that you may please press star and one to ask questions.

**R. Venkataraman:** Okay. Since there are no further questions, I take this -- thank all of you for taking trouble and joining us on this call. As you know, we are available. So you can send an email to, investor.relations@iifl.com, and we'll be more than willing to answer any questions that you have. Thank you once again and have a nice day.

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