India Infoline Group

# IIFL Group's Quarterly Results for Q3 FY13

January 30, 2013

I: IIFL Group Performance review

II: IIFL (NBFC) Performance review

Annexure I: Corporate overview

Annexure II: Industry update

# Dec '12 Quarter profits more than double yoy, driven by 45% yoy income growth

- Six quarters of consistent profit growth, highest ever quarterly profits
- Income at ₹ 696 Cr, up 7% qoq, up 45% yoy
- PAT* at ₹ 75 Cr, up 12% qoq , up 106% yoy
- RoE stood at 15.6% for the quarter, annualized
- Interim dividend declared at ₹ 3 per share i.e. 150% of par value

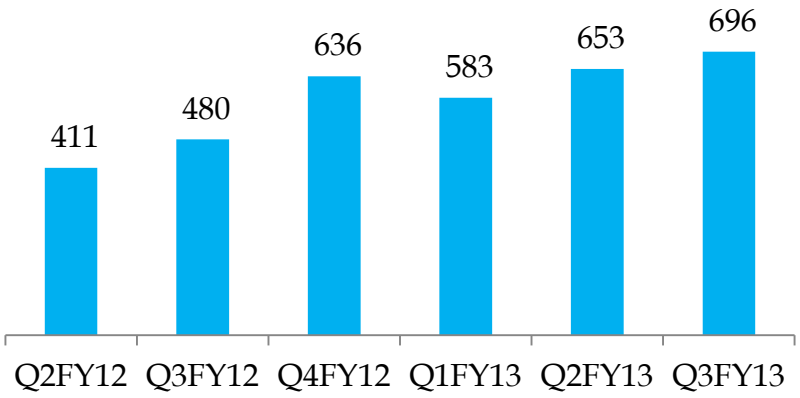
- Loan book grows steadily to ₹ 8,936 Cr in Q3FY13 from ₹ 7,849 Cr in Q2FY13
- Loan assets predominantly retail, are fully secured
- Loan assets exhibit high quality with net NPAs of 0.25%
- IIFL Wealth continues steady growth and has assets under advice of over ₹ 36,000 Cr
- Equities market volumes remain subdued, IIFL volumes flattish at ₹ 5,184 Cr per day
- Commodities market volumes witness decline amid low volatility
- Insurance and mutual fund distribution witness healthy growth

**Before providing for Minority interest, PAT after Minority interest is ₹ 73 Cr*

# IIFL Group's income and PAT rising consistently for last 6 quarters

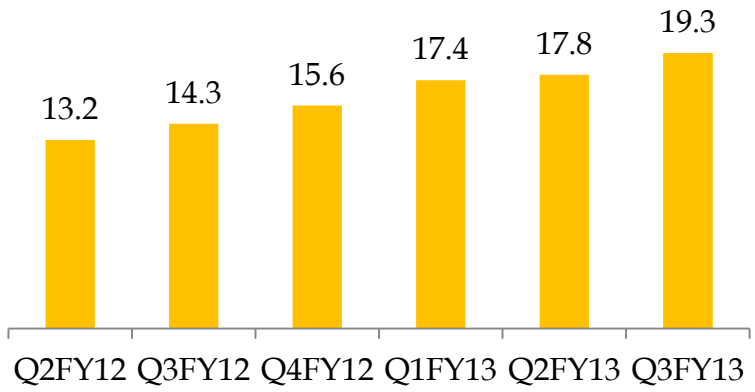
## Total Income(₹ Cr)

*Net of Intergroup*



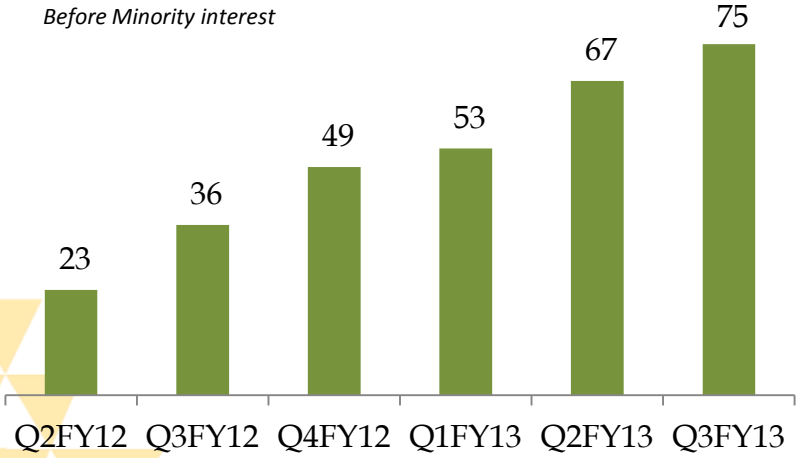

## EBDTA Margin (%)

*Net of Interest cost*



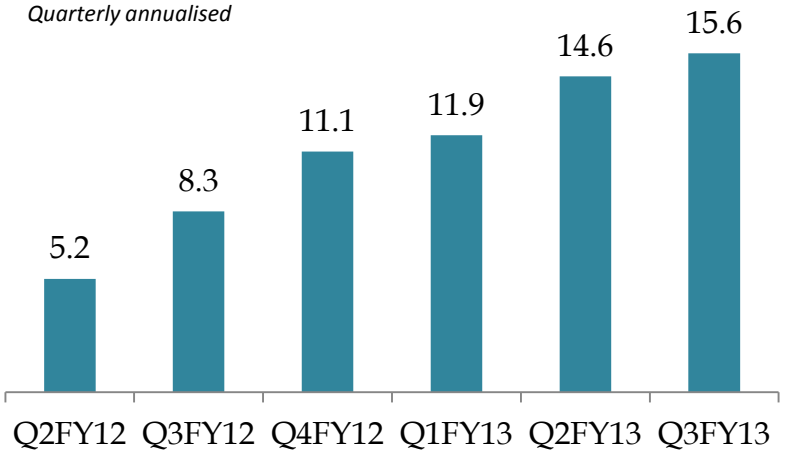

## Profit after Tax (₹ Cr)

*Before Minority interest*




## Return on Equity (%)

*Quarterly annualised*



# IIFL Group Consolidated Quarterly Results for Dec'12 compared qoq and yoy

| ₹ Cr | Q3FY13 | Q2FY13 | Q3FY12 | QoQ | YoY |
|---|---|---|---|---|---|
| Broking and related income | 143.5 | 134.0 | 126.2 | 7.1% | 13.6% |
| Financing and Investing income | 469.5 | 457.9 | 287.5 | 2.6% | 63.3% |
| Marketing and Distribution income | 80.6 | 59.3 | 65.5 | 35.9% | 23.0% |
| Other income | 2.1 | 2.0 | 1.2 | 3.9% | 74.4% |
| **Total Income** | **695.7** | **653.2** | **480.4** | **6.5%** | **44.8%** |
| A. Operating cost | 85.1 | 84.4 | 53.7 | 0.8% | 58.5% |
| B. Employee cost | 135.7 | 139.2 | 130.3 | (2.5%) | 4.2% |
| C. Other expenses | 118.6 | 117.1 | 91.3 | 1.3% | 30.0% |
| **EBITDA** | **356.3** | **312.5** | **205.2** | **14.0%** | **73.6%** |
| Interest | 222.2 | 196.5 | 136.4 | 13.1% | 62.9% |
| Depreciation and amortization | 27.6 | 20.2 | 19.5 | 36.6% | 41.1% |
| **Profit / (Loss) before tax** | **106.6** | **95.8** | **49.3** | **11.2%** | **116.3%** |
| Provision for taxation | 31.4 | 28.6 | 12.9 | 10.0% | 144.2% |
| **Profit/(Loss) after tax before minority** | **75.1** | **67.2** | **36.4** | **11.7%** | **106.4%** |
| Minority Interest | **2.0** | 1.4 | 0.6 | 40.0% | 226.7% |
| **Profit/(Loss) after tax** | **73.2** | **65.8** | **35.8** | **11.1%** | **104.4%** |

# IIFL Group Consolidated YTD Results for 9 months ended Dec'12 compared yoy

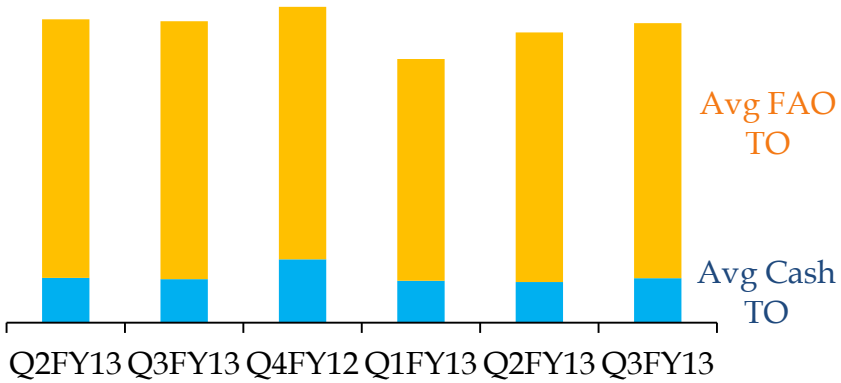
| ₹ Cr | 9MFY13 | 9MFY12 | YoY | FY12 |
|---|---|---|---|---|
| Broking and related income | 402.5 | 399.1 | 0.8% | 545.8 |
| Financing and Investing income | 1,335.7 | 698.8 | 91.2% | 1,090.5 |
| Marketing and Distribution income | 187.8 | 149.5 | 25.6% | 243.1 |
| Other income | 5.5 | 3.5 | 56.7% | 7.2 |
| **Total Income** | **1,931.5** | **1,250.9** | **54.4%** | **1,886.6** |
| A. Operating cost | 242.5 | 166.5 | 45.7% | 258.3 |
| B. Employee cost | 399.7 | 334.2 | 19.6% | 491.7 |
| C. Other expenses | 328.4 | 244.5 | 34.3% | 352.3 |
| **EBITDA** | 960.9 | **505.7** | **90.0%** | **784.3** |
| Interest | 609.6 | 325.1 | 87.5% | 504.3 |
| Depreciation and amortization | 66.9 | 53.6 | 24.8% | 80.2 |
| **Profit / (Loss) before tax** | **284.4** | **127.0** | **124.0%** | **199.8** |
| Provision for taxation | 89.3 | 39.7 | 124.8% | 63.5 |
| **Profit/(Loss) after tax before minority** | **195.1** | **87.3** | **123.6%** | **136.3** |
| Minority Interest | 3.9 | 2.1 | 88.0% | 4.0 |
| **Profit/(Loss) after tax** | **191.2** | **85.2** | **124.5%** | **132.3** |

**Before providing for Minority interest*

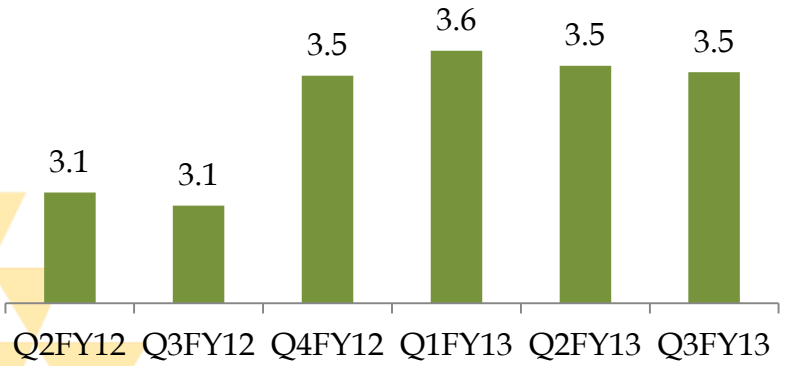
# Despite equity markets upsurge, retail participation still low, IIFL strives to maintain market share

- Average daily turnover was at ₹ 5,148 Cr in Q3FY13 up 3% qoq, down 0.6% yoy
- Market share on NSE was at 3.7% in Q3FY13 as compared to 3.8% in Q2FY13
- Present in over 2,000 business locations through branches and sub-brokers
- Brokerage yield remains abysmally low in the hyper competitive industry

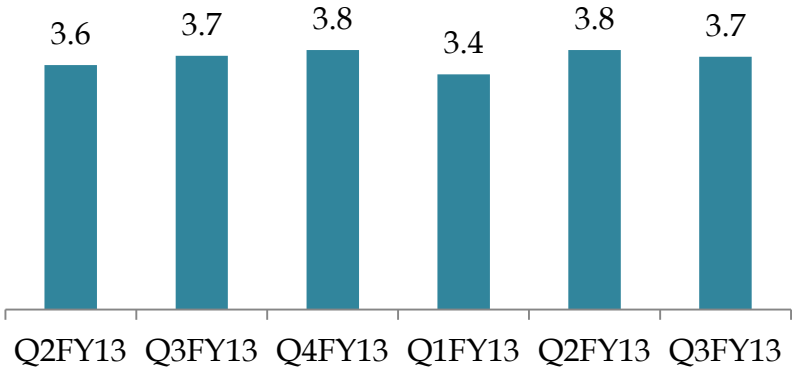
**Average daily turnover (₹ Cr)**




**Brokerage yield (Bps)**

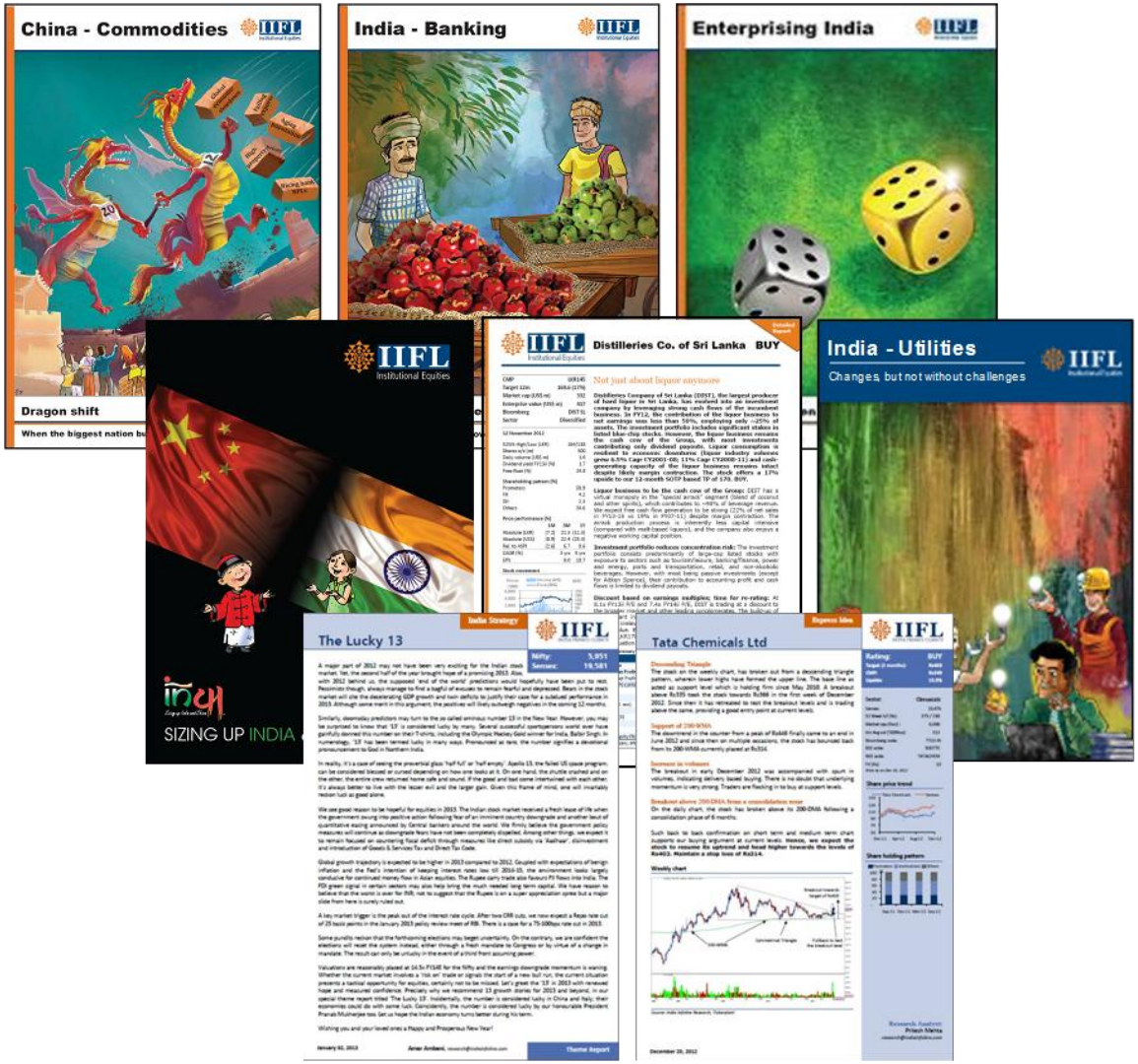



**Market share on NSE (%)**



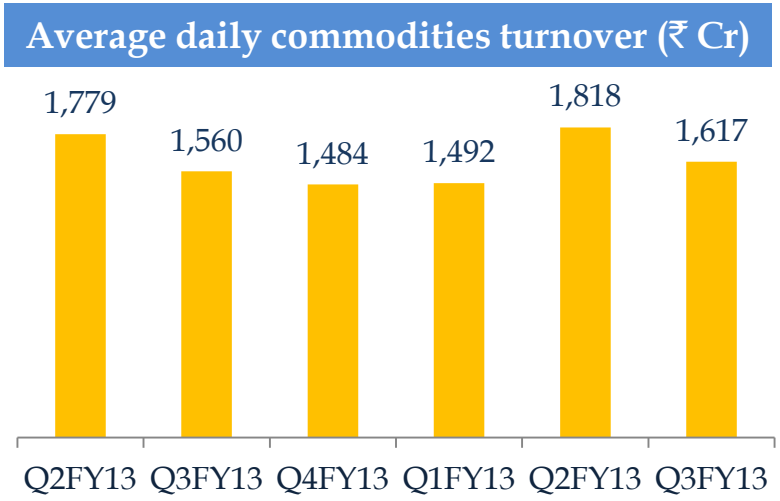
# IIFL Research remains port of first call for fund managers, coverage further expanded

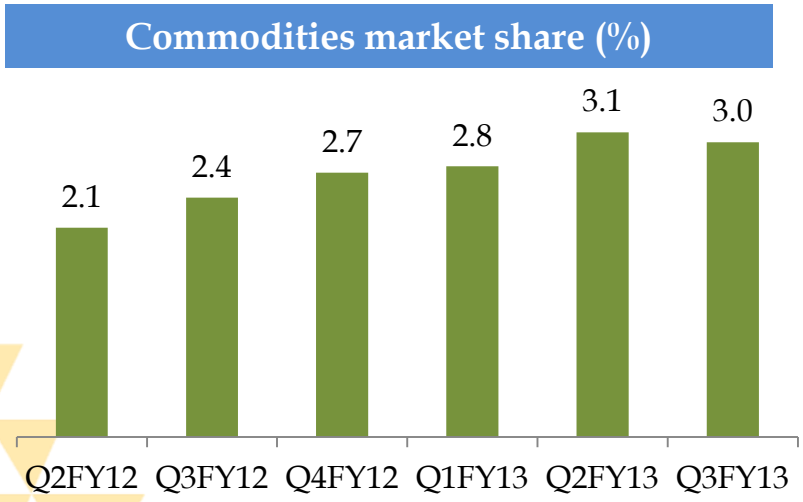
- Over 250 stocks under coverage
- Our in-depth, thematic research published during the quarter include
  - China – Commodities: China braces for a change as the country enters a slower growth phase
  - The Winning Dozen: 12 stocks showing stellar performance
  - India – Utilities: Report summarizing key reforms that would improve Power sector prospects

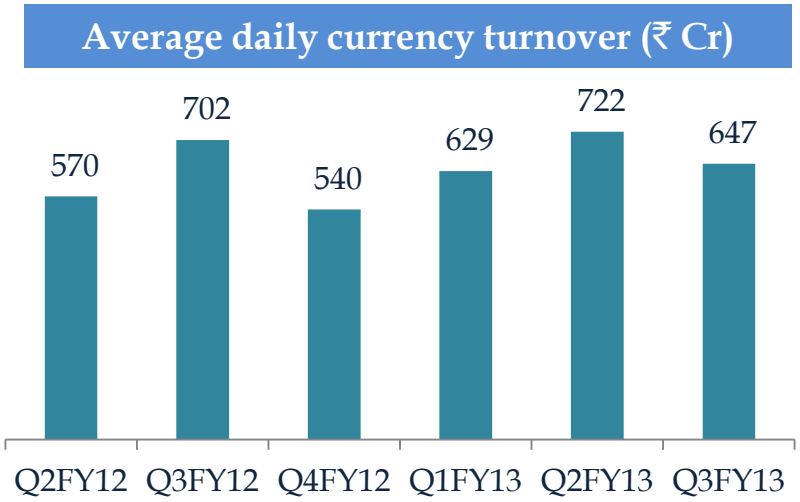


# Amid lower volatility, commodity volumes were down, in line with the market

- Average daily commodities turnover was at ₹ 1,617 Cr in Q3FY13, down 11% qoq and up 4% yoy
- Commodities market share was 3.0% in Q3FY13
- Average daily currency turnover was ₹647 Cr in Q3FY13



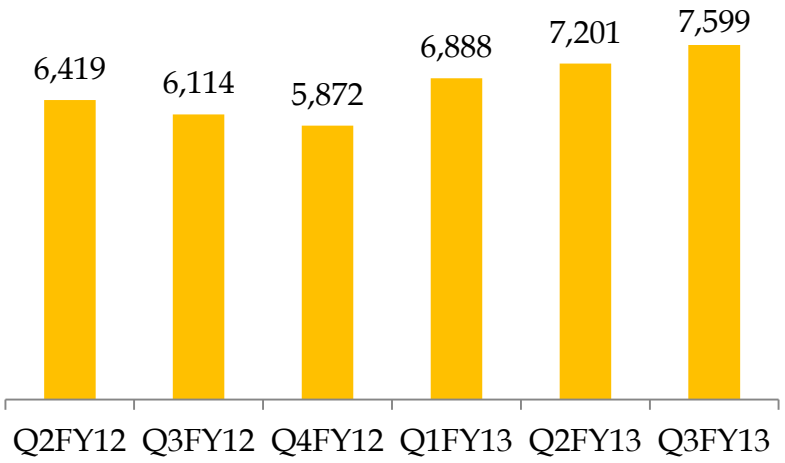



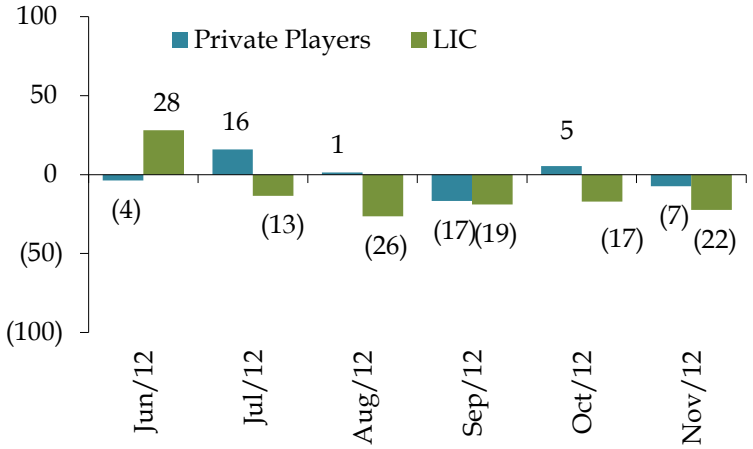
# IIFL emerges as one of the leading player in wealth management and financial products distribution

- Assets under advice are over ₹ 36,000 Cr
- Weighted Annualized insurance premium income mobilization was ₹ 217 Cr for 9MFY13
- IIFL distributes mutual fund on open architecture. IIFL Clients MF AUM is over ₹ 12,000 Cr
- Launched the first of its kind Category II Alternative Investment Fund (AIF)
- Closed the largest QFI transaction in India till date of US $110mn in Oct '12
- With unprecedented tightening of regulatory framework on disclosure, commission etc, industry is undergoing consolidation; we remain sanguine for long term prospects

**MF Industry AUM (₹ Bn)**




**APE growth YoY**



# IIFL Investment Banking acted as the sole advisor for one of the largest cross border deals

- IIFL was sole financial advisor to Cox & Kings for Citi Venture Capital International (CVCI) investment in its UK subsidiary
- IIFL was book runner for the Qualified Institutions Placement (QIP) of Talwalkars Better Value Fitness Ltd
- Repeat business reflects strong client satisfaction with IIFL and our ability to work across client's life cycle
- A good pipeline of mandates under execution, across capital markets, private equity and structured finance deals

**US$137.75 Mn**
Prometheon Holdings (UK) Ltd.
(Subsidiary of Cox & Kings Ltd.)
**Sole Advisor**

Private Equity Funding by CVCI

**INR 424 Mn**
Talwalkars Better Value Fitness Ltd.

Qualified Institutions Placement

I: IIFL Group Performance review

II: IIFL (NBFC) Performance review

Annexure I: Corporate overview

Annexure II: Industry update

# Strong growth in YTD income and PAT*; Income up 111% yoy; PAT* up 81% yoy

For 9 months of current financial year ended Dec'12,

- Income from Operations at ₹ 1,217 Cr, up 111% yoy
- PBT at ₹ 199 Cr, up 89% yoy
- PAT* at ₹ 138 Cr, up 81% yoy

- Capital adequacy has improved to 22.6%, boosted by infusion of Tier-II capital
- Loan book grows steadily to ₹ 8,936 Cr as on Q3FY13 from ₹ 7,849 Cr in Q2FY13
- Book exhibits high quality assets, with low net NPAs at 0.25%
- Net interest margin and spread remain healthy, driven by retail nature of book
- Borrowing profile gets more diversified; cost of funds trending down
- Relative share of gold loan has been on decline post tightening of norms by RBI

*Before providing for Minority interest

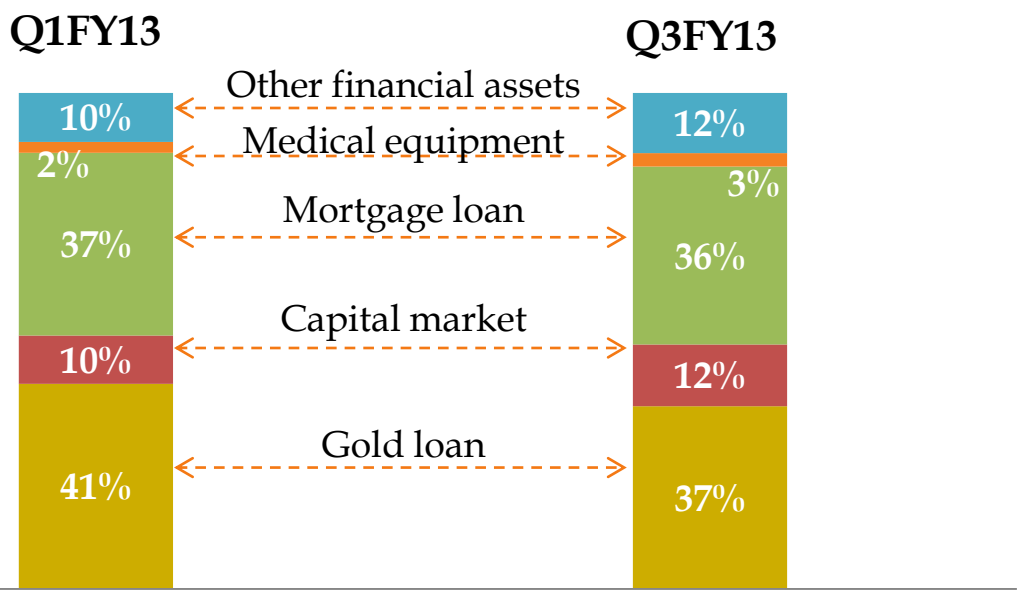
# IIFL Finance Consolidated YTD Results for 9 months ended Dec'12 compared yoy

| ₹ Cr | 9MFY13 | 9MFY12 | YoY | FY12 |
|---|---|---|---|---|
| Income from operations | 1,216.7 | 577.8 | 110.6% | 908.5 |
| Other income | 39.7 | 34.4 | 15.5% | 45.1 |
| **Total Income** | **1,256.4** | **612.2** | **105.2%** | **953.6** |
| A. Operating cost | 118.3 | 39.5 | 199.4% | 62.2 |
| B. Employee cost | 131.5 | 68.0 | 93.4% | 109.3 |
| C. Other expenses | 155.7 | 84.5 | 84.3% | 137.1 |
| **EBITDA** | **851.0** | **420.2** | **102.5%** | **645.0** |
| Interest | 627.9 | 304.8 | 106.0% | 479.8 |
| Depreciation and amortization | 23.8 | 9.8 | 143.3% | 15.0 |
| **Profit / (Loss) before tax** | **199.3** | **105.6** | **88.7%** | **150.2** |
| Provision for taxation | 61.6 | 29.5 | 109.1% | 44.8 |
| **Profit/(Loss) after tax** | **137.7** | **76.1** | **80.8%** | **105.4** |

# Loan book is diversified and growing steadily, relative share of Gold Loan has fallen

- Loan portfolio in Q3FY13 steadily increased to ₹ 8,936 Cr as against ₹ 7,849 Cr in Q2FY13
- Predominantly retail book, wholesale lending accounts for only 9% of total financial assets
- Loan book comprises entirely secured lending against tangible collaterals
- Gold loan product's relative share is being brought down consciously, post RBI's tightening of norms
- Diversifying risk with multiple products against collaterals of mortgage, property, gold jewellery, medical equipment, shares etc

## Changing mix of financial assets



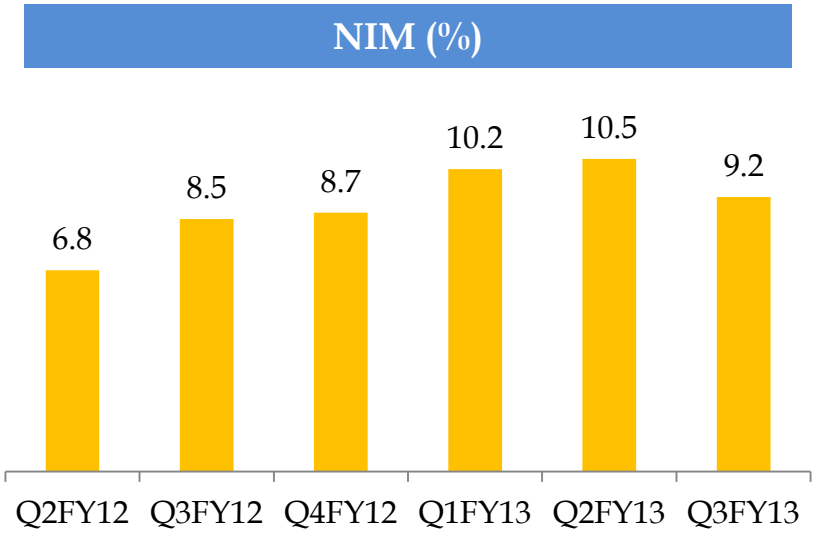

## Financial assets as on Dec 31, 2012

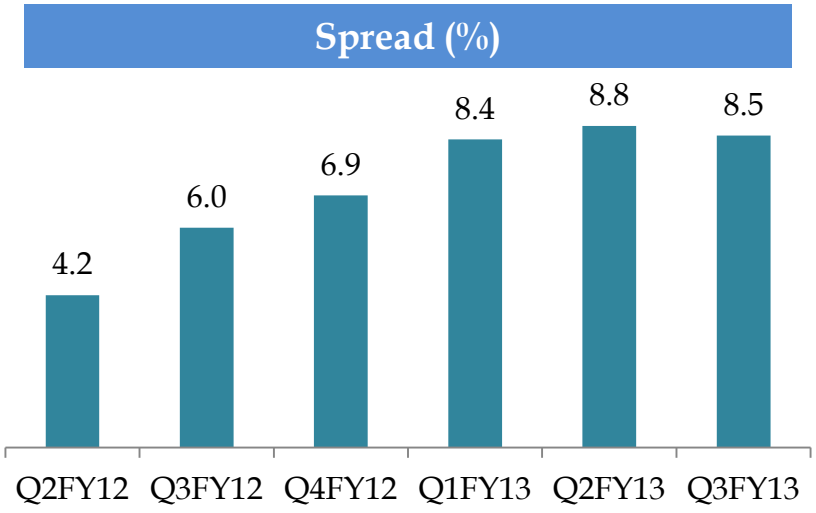
| | ₹ Cr | |
|---|---|---|
| A | Loan Book | 8,936 |
| B | Securitised /assigned portfolio | 427 |
| C | Other Financial Assets | 1,234 |
| D | AUM (A+B) | 9,363 |
| E | Total Financial Assets (A+C) | 10,170 |

*Other financial assets comprise cash, bank, fixed deposits , bonds, mutual funds investments etc*

# NIM and spread maintained at healthy levels, supported by retail lending

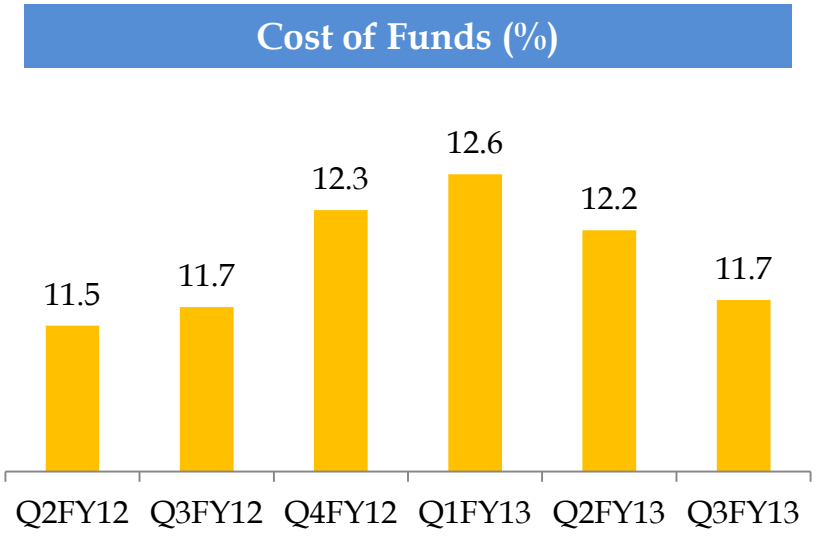
- Retail book enjoys high spread and NIM with concomitant high operations cost
- NIM has tapered off in last quarter, with decline in share of Gold Loans
- With increasing leverage, divergence between spread and NIM is reducing
- IIFL plans to remain focussed on retail business and maintain healthy NIM

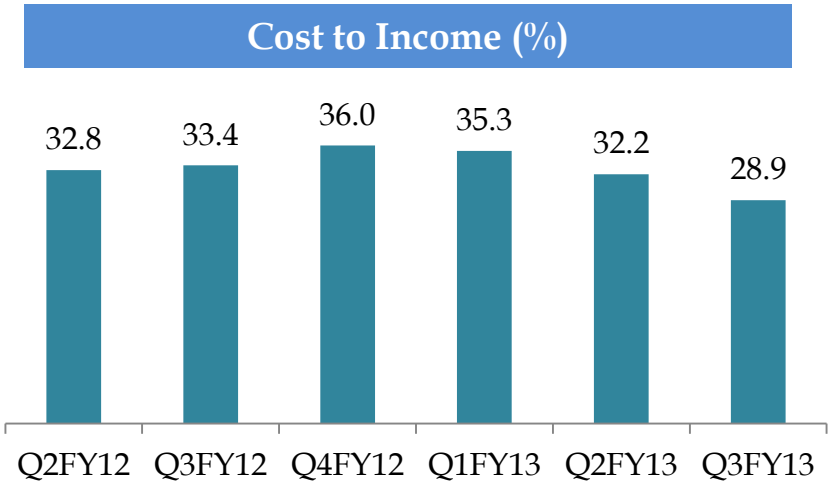


# Cost of funds and cost to income are trending down

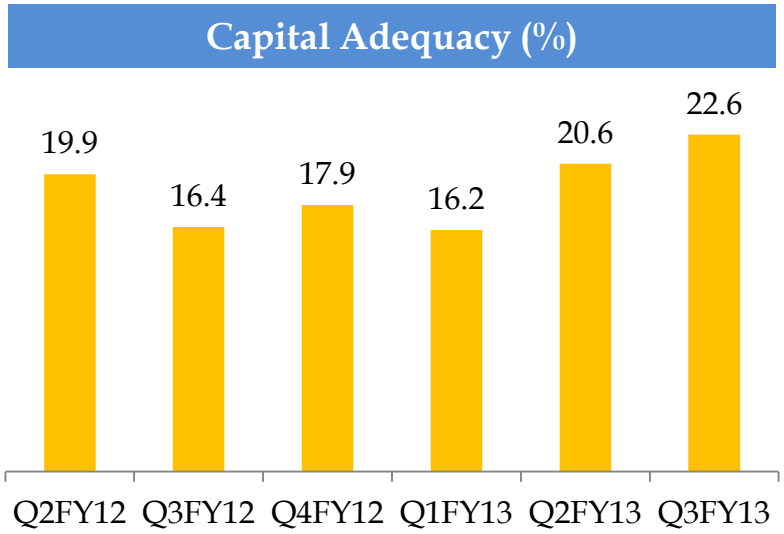
- IIFL has been successfully bringing down cost of funds with improving credit acceptability and expanding lenders' base
- Cost to Income has been falling on the back of higher productivity from branches
- IIFL focus is to take branches to optimum asset level, before embarking upon next phase of expansion

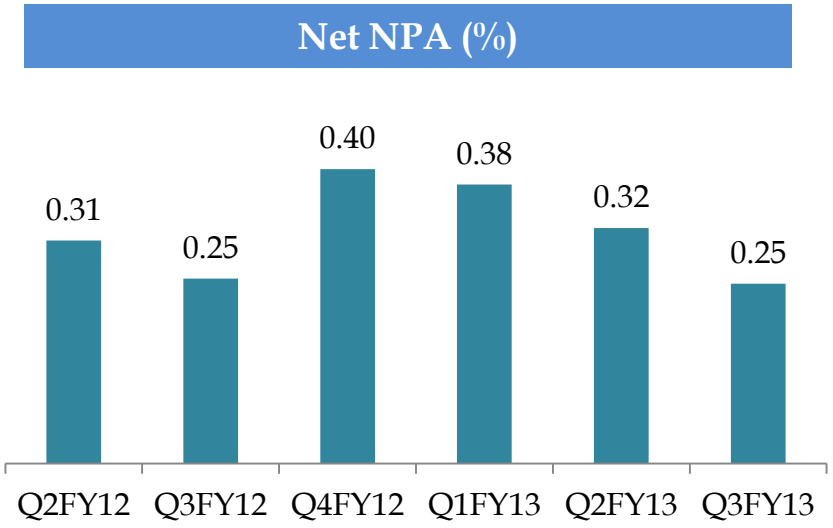


# IIFL's high asset quality is reflected in low NPAs and strong financials in robust capital adequacy

- IIFL boosted its capital adequacy by raising ₹ 500 Cr through a public issue of sub-ordinated bonds in Q2FY13
- Further improvement in capital adequacy in Q3FY13, was with elimination of inter group exposures
- IIFL's steadfast commitment to maintain high asset quality through superior credit processes is reflected in low NPA levels
- IIFL provisioning is more conservative than statutory requirements



# A ROBUST strategy in place

Steadily grow high quality, diversified retail assets focusing on under-banked segments, keeping cost and risk under control through well defined processes, leveraging technology

| Retail focus | Operations excellence | Bouquet of products | Under-banked niches | Secured lending | Technology driven |
|---|---|---|---|---|---|
| Focus on high growth, dispersed risk-retail lending where IIFL can leverage its distribution strength | Build a process driven organization with a culture of compliance and audit | Diversify risk through multiple products catering to different profile of borrowers | Face minimal competition with banks in their core businesses to ensure NIM and ROA at desired levels | Build primarily a secured portfolio with adequate margin of safety in collateral value | Leverage technology for risk monitoring, cost control and enhancing customer experience |

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Annexure II: Industry update

# Vision and Strategy

**Vision**

"To become the **Most Respected Company** in the financial services space"

## 1 Business Strategy

- Continuously assimilate, analyse and apply knowledge to power superior financial decisions
- Focus on core competence in financial services
- Ensure de-risked business through multiple products and diverse revenue streams

## 2 Customer Strategy

- Drive stickiness through high quality research & service
- Maintain cutting-edge proprietary technology
- Wide, multi-modal network serving as one-stop shop to customers

## 3 People Strategy

- Attract exceptionally talented and driven people
- Ensure conducive merit environment
- Liberal ownership-sharing

KNOWLEDE IS THE EDGE

# Management team

- Team with impeccable academic and professional credentials
- Open door, transparent and performance oriented culture
- Liberal employee ownership

***Management Team***

| | | | |
|---|---|---|---|
| Chairman | Nirmal Jain | Managing Director | R. Venkataraman |

| | |
|---|---|
| Institutional Equities | H. Nemkumar |
| Investment Banking | Nipun Goel |
| Consumer Finance | Pratima Ram |
| Retail Broking | Prasanth Prabhakaran |
| Wealth Management | Karan Bhagat |
| International Operations | Bharat Parajia |
| Offshore Advisory | Amit Shah |
| Insurance Distribution | Mukesh Kumar Singh |

| | |
|---|---|
| Finance | Dhruv Jain |
| Compliance | R Mohan |
| Operations | Narendra Jain |
| Audit | Kamal Ahuja |
| Risk | Upendra Jaiswal |
| Human Resources | Pallab Mukherji |

Verticals

Corporate Functions

# IIFL has attracted luminaries from the Indian financial world to guide the management

**A K Purwar**
*Independent Director*
Former Chairman, State Bank of India

**Dr S Narayan**
*Independent Director*
IAS (Retd), Former Finance Secretary

**A K Shukla**
*Independent Director*
Former Chairman of LIC

**M N Singh**
*Independent Director*
IPS (Retd), Former Commissioner of Police, Mumbai

**Sunil Kaul**
*Non Executive Director*
Operating Partner, Carlyle Group

**C Ratnaswami**
*Non Executive Director*
Managing Director of Hamblin Watsa (Fairfax Group, Canada)

**V K Chopra**
*Independent Director*
Former Chairman & Managing Director of Corporation Bank

**Nilesh Vikamsey**
*Independent Director*
Central Council Member, ICAI & Partner of M/s Khimji Kunverji & Co.

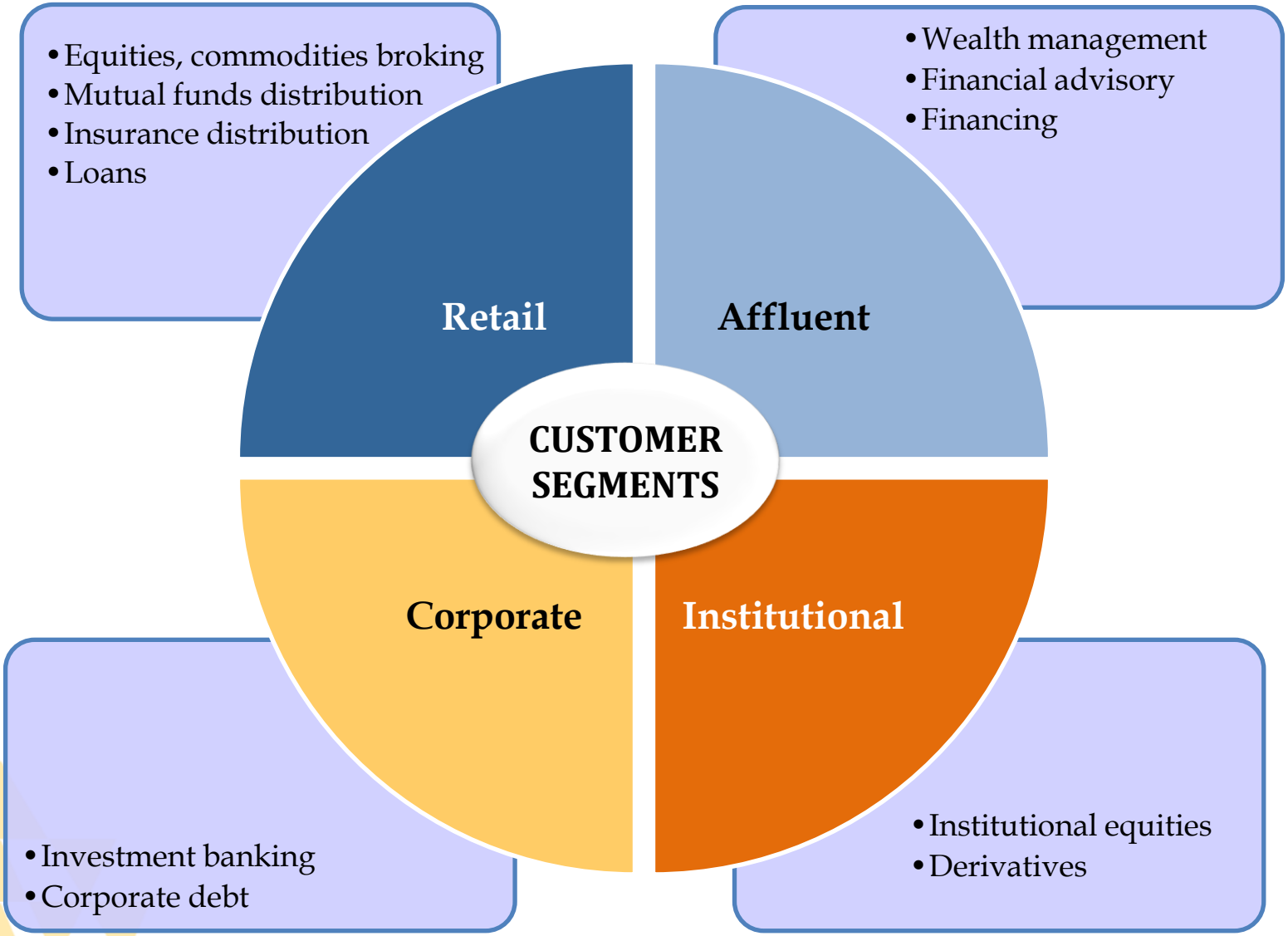
**R S Loona**
*Independent Director*
Former Executive Director (Law) of SEBI

**Kranti Sinha**
*Independent Director*
Former Chief Executive Officer of LIC Housing Finance

**Homai Daruwala**
*Independent Director*
Former Chairperson & Managing Director of Central Bank of India

**P Pattanayak**
*Independent Director*
Former Managing Director of State Bank of Mysore

# Business model




**Our service offerings**

- Equities
- Insurance
- Credit & finance
- Wealth management
- Asset management
- Investment banking

# How we differentiate ourselves

| | |
|---|---|
| **Managerial depth** | • Promoted by first generation professional entrepreneurs<br>• Highly qualified and experienced Management team |
| **Well-capitalized** | • Group net worth of around ₹1,965 Cr<br>• Significant unutilized capacity to leverage |
| **Distribution reach** | • Present at over 4,000 business locations across more than 900 cities in India<br>• Global footprint covers Colombo, Dubai, New York, Mauritius and Singapore |
| **Owner-mindset** | • The top management is driven by pride and reward of ownership<br>• To think and work like an owner is part of organization's DNA |
| **Technology edge** | • Uniquely placed with proprietary front, mid and back office software<br>• Effectively harnessed technology to provide superior customer experience |
| **De-risked** | • De-risked and diversified business model across multiple revenue streams<br>• Multiple products across all segments of financial services |

# Recent awards and accolades received by IIFL

ENTREPRENEUR OF THE YEAR (MR NIRMAL JAIN) - 2012

TOP PERFORMER – EQUITY – FI CATEGORY – 2012

BEST BROKING HOUSE WITH GLOBAL PRESENCE 2011 & 2012

BEST WEALTH MANAGEMENT HOUSE – INDIA 2011 & 2012

BEST MARKET ANALYST 2009 & 2012

IIFL Analyst receives "Best Analyst" award from then Finance Minister, Shri Pranab Mukherjee

Mr R Venkataraman received the award on behalf of IIFL at the D&B Equity Broking Awards, 2012

BEST COMMODITIES INVESTMENT 2012

# FLAME (IIFL's Financial Literacy Campaign) update

Over 50,000 school students enrolled from over 190 schools across India for 2012-13 batch in the FLAME education programme

IIFL Holds Financial Literacy Workshops in Mumbai

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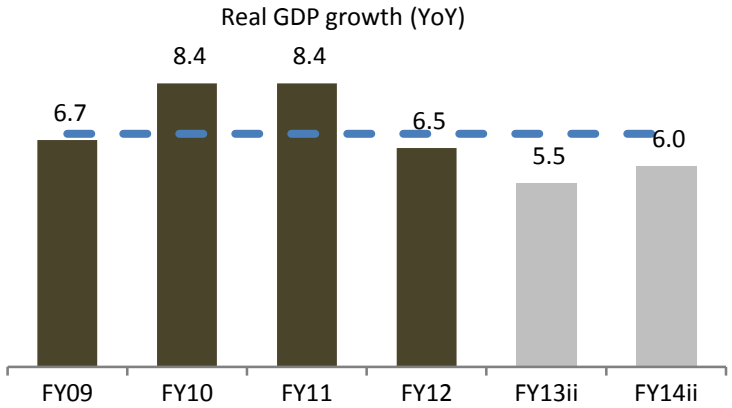
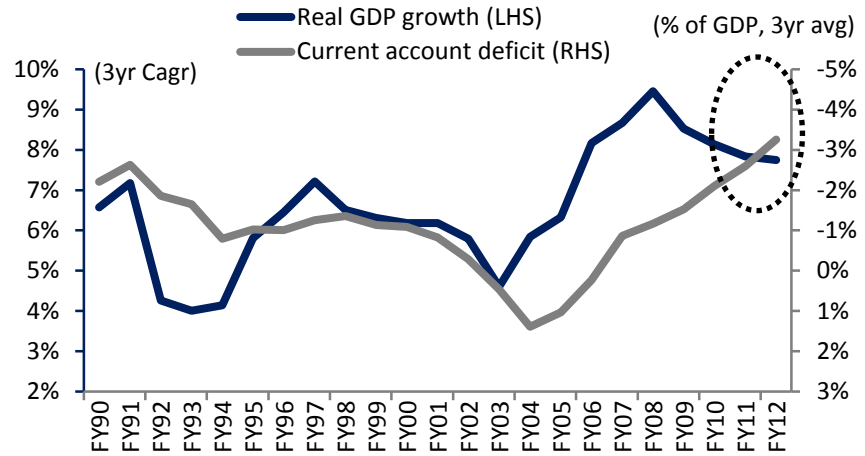
# Macro economy

## Growth may remain below trend



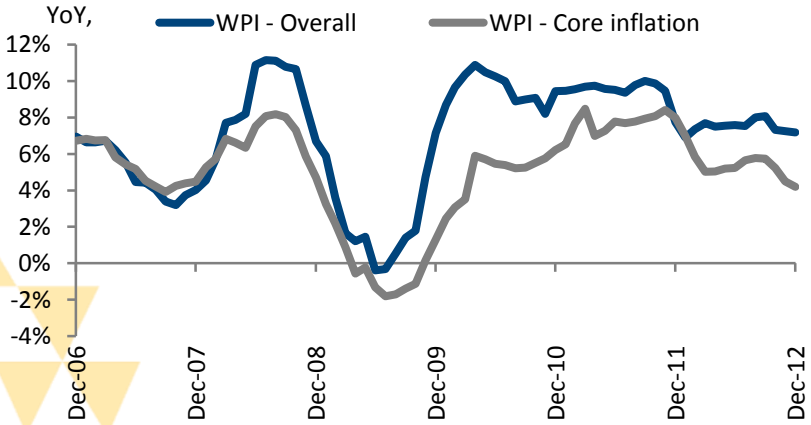

*Source: CMIE, IIFL Research, FY13 GDP data is Advance Estimate*

## Until recently, widening current account deficit has generally meant faster growth



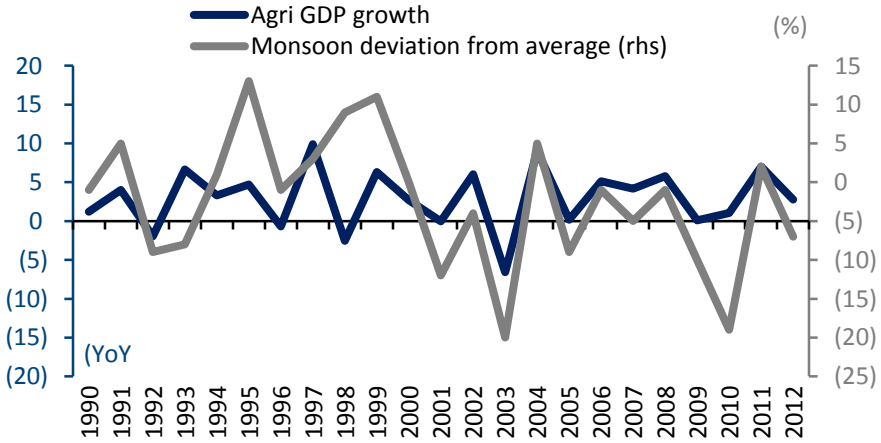

*Source: CMIE, IIFL Research*

## Near term Inflation is coming off due to base effect




*Source: Bloomberg, IIFL Research*

## Monsoon is the key driver of near term growth

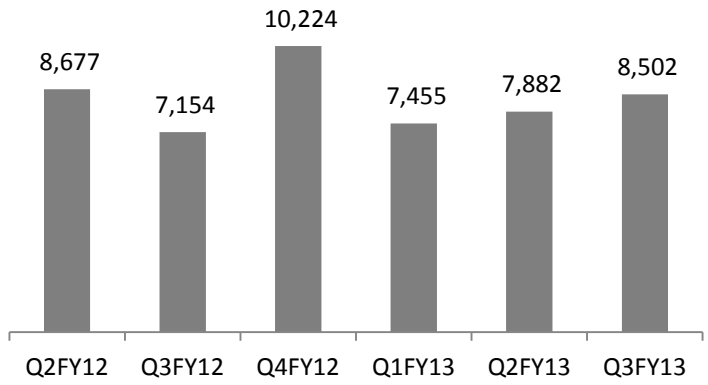



*Source: CMIE, FAO, Govt of India, NDDB, IMD, IIFL Research*

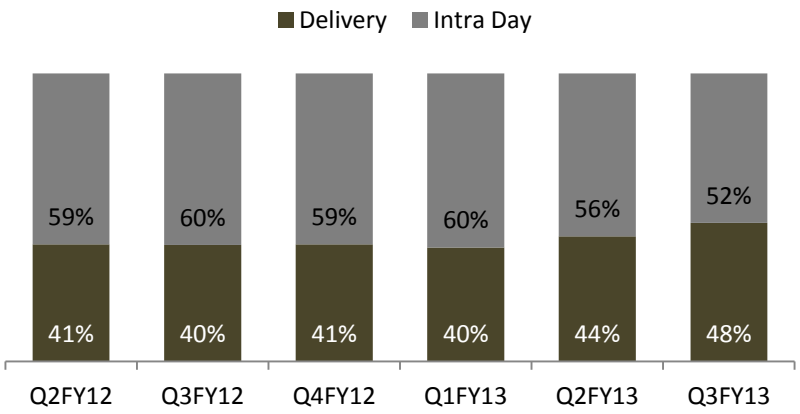
# Equities

## Cash market volumes picking up again

(₹ bn)

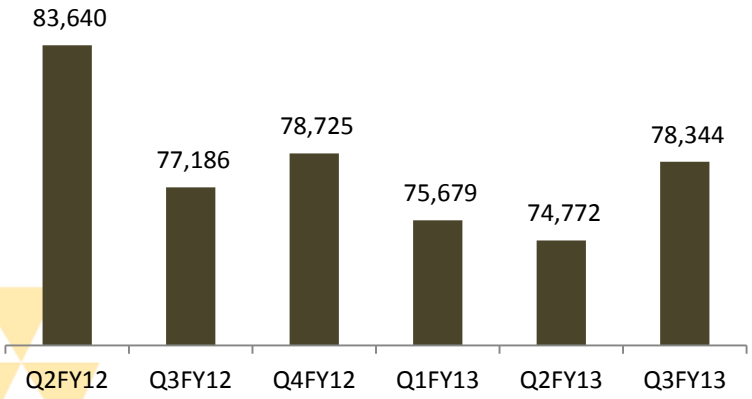



## Constant share of delivery and intra day

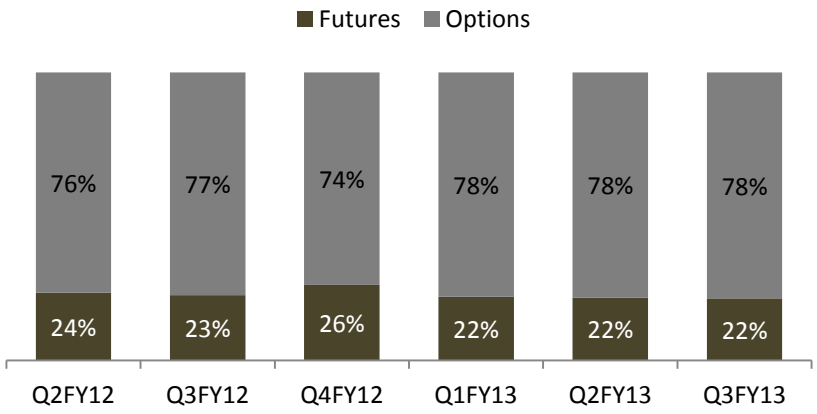



## FAO market volumes*

(₹ bn)




## Steady share of options *

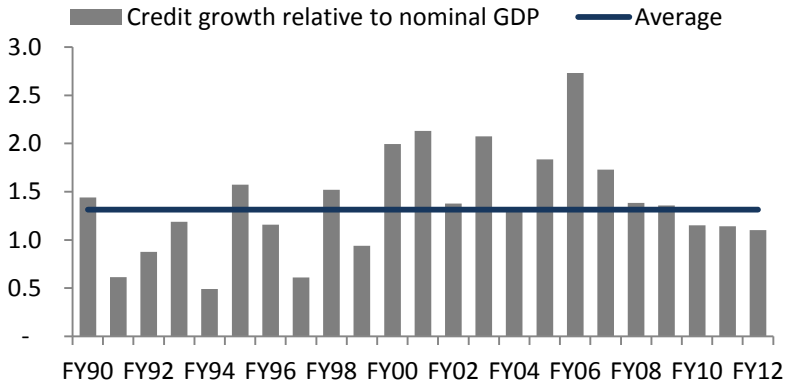



*Doesnot include BSE volumes

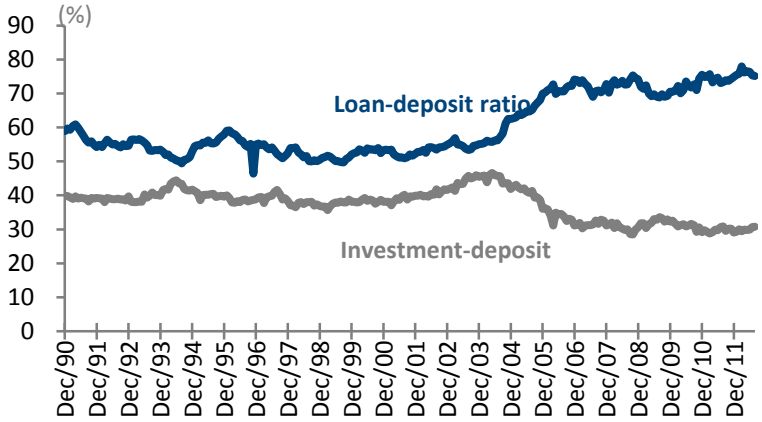
*Source: Exchange website, IIFL Research*

# Credit and Finance

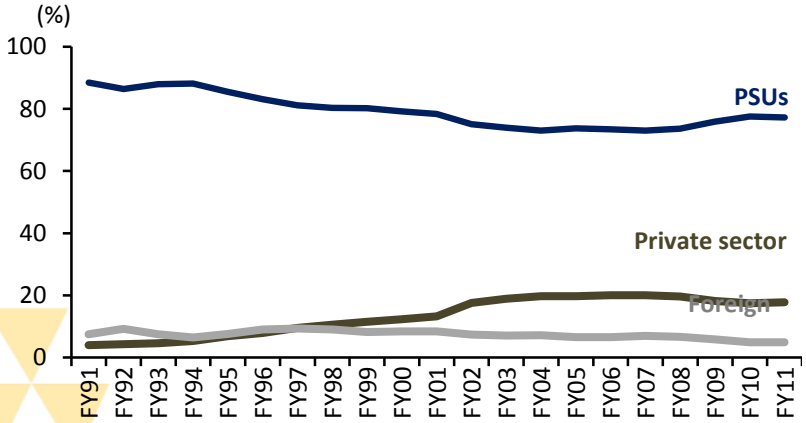
## Credit growth to nominal GDP has been relatively sluggish



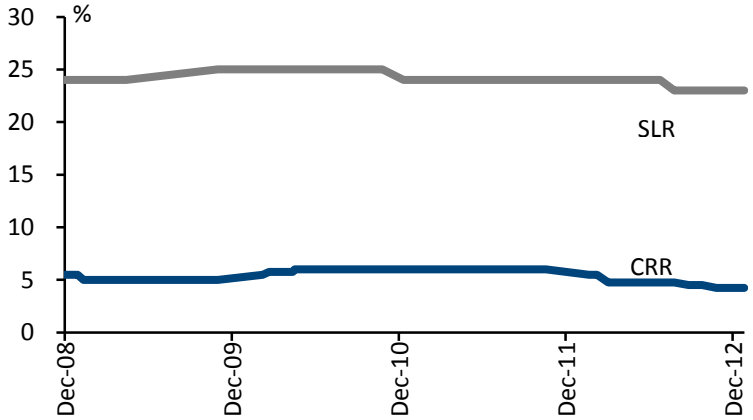

## Loan–deposit ratio has structurally moved up




## PSU banks steadily losing market share in the credit market




## Reserve ratios - CRR and SLR trend

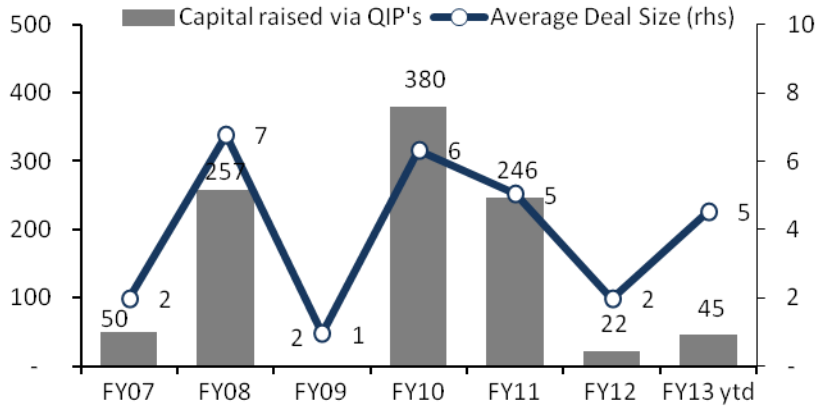



*Source: CMIE, RBI, World Bank, Bloomberg, IIFL Research*

# Capital raising and fund flows

## Capital raised through QIPs

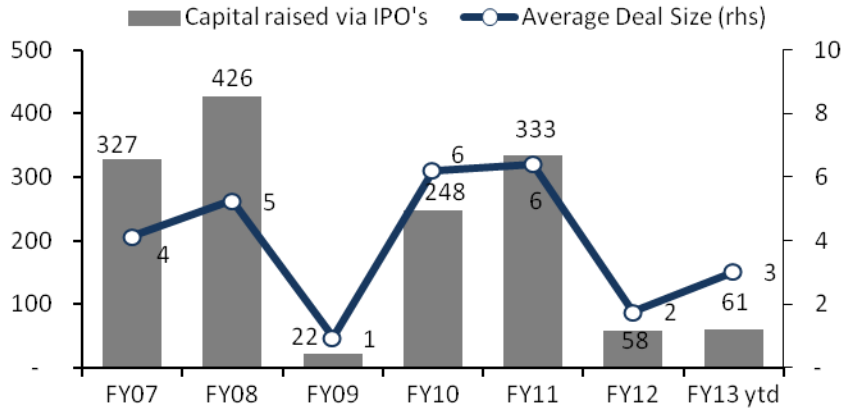
(₹ bn)




*Source: Bloomberg, IIFL Research*

## Capital raised through IPOs

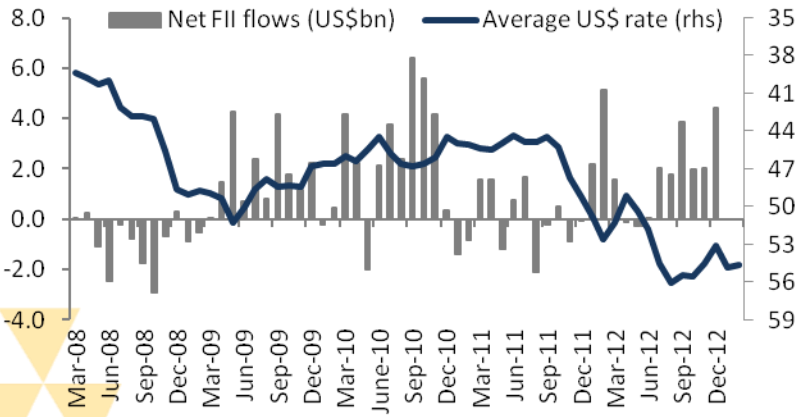
(₹ bn)




*Source: Bloomberg, IIFL Research*

## Net FII flows

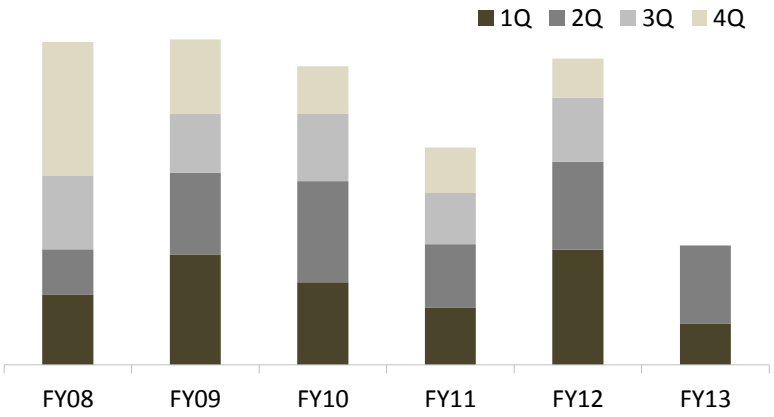
(US$bn)




*Source: Bloomberg, IIFL Research*

## FDI inflows

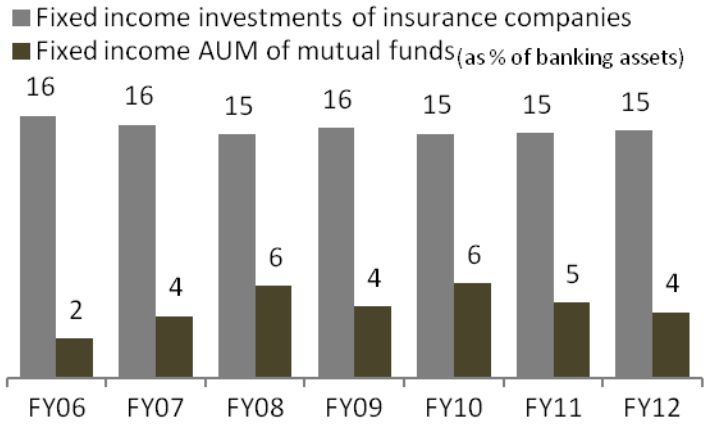
(US$bn)




*Source: RBI, CMIE, IIFL Research*

# Insurance and Mutual funds

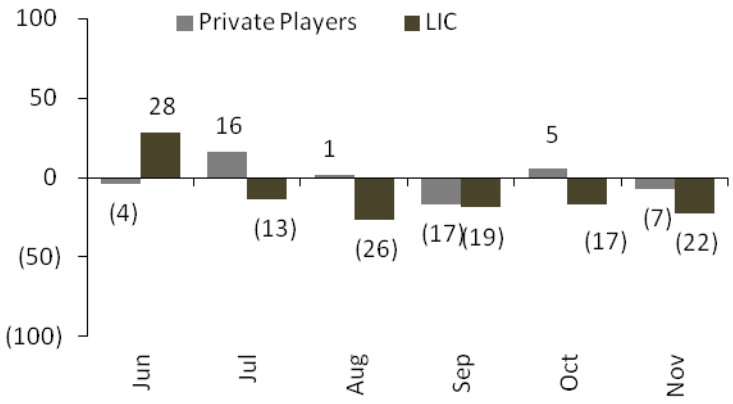
## Modest increase in non banking system




*Source: CMIE, RBI, World Bank, IIFL Research*

## APE growth yoy

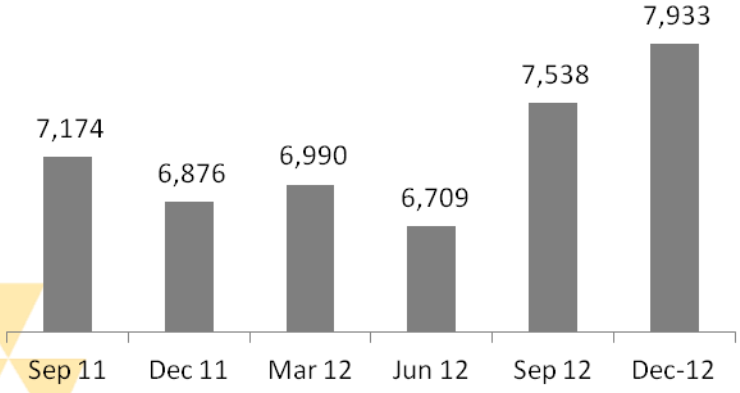
(%)




*Source: IRDA*

## Average AUM for the Quarter

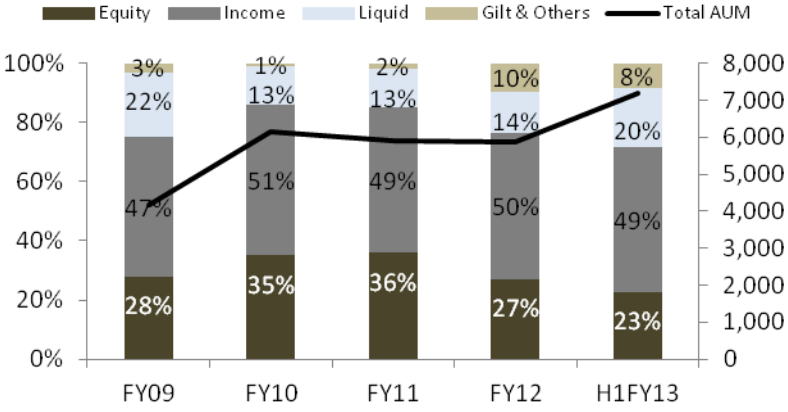
(₹ bn)




*Source: AMFI*

## AUM by asset class

(₹ Bn)




*Source: AMFI*

# Thank you

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