



“IIFL Securities Limited Q1 FY23 Earnings Conference  
Call”

**July 29, 2022**

**MANAGEMENT: MR. R. VENKATARAMAN – MANAGING DIRECTOR  
MR. RONAK GANDHI – CFO  
MR. ANUP VARGHESE – INVESTOR RELATION**

**Moderator:** Ladies and Gentlemen, Good day and welcome to IIFL Securities Limited Q1 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, Sir.

**R Venakataraman :** Thank you and Good Afternoon friends. Thank you for joining the Q1 FY23 Analyst Call for IIFL Securities. I hope all your near and dear ones continue to remain safe and healthy. I am accompanied by Ronak Gandhi who is the CFO and Anup Varghese who looks after investor relationships. We are passing through interesting times, heightened geopolitical tensions across Russia-Ukraine conflict has created uncertainties. It has also sent all the commodity prices especially crude to record high levels. In the recent past, we have seen some softening of the commodity prices, but still crude remains at elevated levels.

Thanks to this annual inflation rates has reached 7.8% in April 22 higher since May 2014 consequently not only Indian markets, but global markets have remained choppy and volatile and are likely to remain volatile throughout the year. Central Banks across the globe and not only in India are taking steps by increasing interest rates to handle the inflation.

Coming to our results for the June quarter:

Revenue for the quarter was Rs.295 crores up 10% on year-on-year basis and down 19% on a quarter-on-quarter basis. If you look at the year-on-year basis then brokerage income has increased 12% it was about Rs.145 crores for this quarter versus Rs.129 crores for the last year same quarter. Investment banking has increased 28% to Rs.29 crores in this quarter versus Rs.23 crores. in Q1 FY22. The distribution income has decreased by 17% on year-on-year basis which was about Rs 40 crores in this quarter versus Rs 49 crores for the Q1 FY22 and the reason for decrease in steady income is because last year we had a public issue of NCDs where we garnered good subscription.

Now coming to quarter-on-quarter numbers:

Our brokerage income has decreased 20% on a quarter-on-quarter basis. Previous last quarter the Q4 FY22 we had a brokerage income of Rs.156 crores. Investment banking has fallen sharply by almost 55% and because if you remember Q1 of calendar 22 was quite politic and nil banking and we had almost Rs.66 crores of investment banking income and that was fallen close to about Rs.30 crores in this quarter. Again, distribution income has decreased 28% on a quarter-on-quarter basis to Rs.40 crores which was Rs.56 crores for this fourth quarter Q4 FY22 and that is primarily because the JFM quarter has remained always good for distribution product especially insurance.

Now coming to other income for this quarter:

On Rs.3.2 crores which is down both on year-on-year basis and quarter-on-quarter basis and the key drivers for the decrease in other income is because of the mark-to-market loss on share on the BSE. Coming to expenses I think our expenses have risen faster than our income and that is the reason why we are seeing margins shrinking and decline in profits. The key drivers of this increase in expenses were employee cost. Employee cost has risen almost 31% on the year-on-year basis primarily because of increase in headcount, the number of head count has increased also because of variable pay and coming to quarter-on-quarter basis it is down 10% on a quarter-on-quarter basis primarily because in the previous quarter we had a larger variable pay provision. Total number of employees as we speak is now 2,500 which was last year about 2,136.

Coming to finance cost:

Finance cost is up Rs.18 crores to 18.68 crores, up 2% quarter-on-quarter, 40% year-on-year and that is primarily because of increased borrowing which is because of our growth in our margin trading book. Now coming to admin cost, admin cost is now Rs.55.9 crores which is down 14% quarter-on-quarter and up 37% year-on-year primarily because of increase in sub brokerage pay out as well as increased spending in technology and lead generation advertisement. Finance and then asset under management and subsidy Rs.1,12,000 crores approximately the fall in because of mark-to-market movement because of the fall in the market. Today total turnover for this quarter is Rs.1,26,700 crores which is still Rs.1,485 crores in cash and Rs.1,25,215 crores in derivatives. Corresponding figures for the previous quarter was Rs.1,11,535 crores which was 1,884 crores in cash and Rs.1,09,651 crores in derivative segment.

We continue to leverage and we continue to invest in technology because we think that is the key differentiator in the days to come and there you need to invest in technology for a better customer experience and trade experience.

We acquired 1,63,000 compliance in the previous quarter there has been some decrease which is in line with the broader market also.

With this, I come to the end of my talk and we will be more than willing 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 Mudita Nahar from Abakkus AMC. Please go ahead.

**Mudita Nahar:** Just one question, the margins have been impacted in this quarter, do I understand because of the top line and rising expense but going forward working on steady state basis what can we expect on the margin front sir?

**Management:** See actually what you said is correct, because last quarter we had significant impact because of both increase in employee cost as well as admin cost. So, we will take steps to improve the margins in the days to come. So, I hope that in this coming quarter we should see a improvement.

**Mudita Nahar:** So, sir what would be the strategy going forward to do that sir is there any change in the strategy from our end?

**Management:** Actually, it is very difficult to have a dramatic change in the strategy on the quarter-on-quarter basis. So, because we have added manpower. So, the increase in manpower cost is because of both of actual number in the headcount increase as well as because last quarter there was an annual increment also and the reason we have to be generous with the annual increment is simply because we are coming out of a growing market and we have got the expectations high and plus there was a variable payout also. So, because of all these combinations we are seeing this increase so it is very difficult and investment in both technology and manpower it is needed for the long-term steady state basis so I cannot make a commitment saying that we will cut cost dramatically here, but obviously we have to increase improved volatilities. So, we are taking steps towards that.

**Mudita Nahar:** Sir on the top line basis like for increasing the revenue is there any strategy that we are going to do it?

**Management:** So, we will continue to make efforts to increase the customers and cross sale and hoping that growth at investment banking pipeline picks up. We have a healthy pipeline as I said condition improve and we should consume it at some base so that is also

**Mudita Nahar:** So, on steady state basis can we like close the year end by like a 40% margin or how would you see that EBITDA margin?

**Management:** See last year we had a big kickers from investment banking because we had record in investment banking so that is highly profitable business. So, if the market conditions improve and investment banking income picks up so then we should see a reversal of improvement in margins.

**Moderator:** Thank you. The next question is from the line of Kajal from ICICI Securities. Please go ahead.

**Kajal:** Sir two things one is have you gain market share in cash in spite of decline ADTO that is there and second is in terms of customer acquisition, now how much share you are seeing on the new customers and new plan and old plan and whether how much is happening digitally, digitally meaning without any manual assistance or something like that?

**Management:** To answer your question on the market side basis and on a F&O basis and on a full market basis only we did. We have managed to increase some market share. So, 1.15% being a 1.18%. In the cash segment we are seeing marginal decline in our market share we are now 2.6% that was about 2.9% in the previous quarter and that is primarily because of some loss of market share in institutional segment. Coming to other question of our customer acquisition we make efforts to increase customers, but we want to optimize our cost of customer acquisition. So, my guess is that I do not have the exact figure, but approximately 60% to 70% of the customers acquisition is absolutely do it to yourself without any human intervention.

- Kajal:** Out of the 100% that you acquire 70% must be doing do it yourself way for account opening?
- Management:** If you are talking about brokerage plans, guess is that 90% of the brokerage will be on the discount plan that is the flat brokerage.
- Kajal:** 90% of new customers will be under that brand coming under that plan?
- Management:** Yes, but I will check and get back to you I think my guess is that much, but I will get back to you with exact numbers. I will email and sent it to you. Thank you so much as you know we are always available. So, anybody has any questions please feel free to send at [investor.relations@iifl.com](mailto:investor.relations@iifl.com) and we will be more than happy to answer all your questions. Thank you so much for your time.
- Moderator:** Thank you. On behalf of IIFL Securities Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.