May 10, 2022

The Manager,
Listing Department,
BSE Limited,
Phiroze Jeejeebhoy Tower,
Dalal Street,
Mumbai 400 001.

The Manager,
Listing Department,
The National Stock Exchange of India Ltd.,
Exchange Plaza, 5 Floor, Plot C/1, G Block,
Bandra - Kurla Complex, Bandra (E),
Mumbai 400 051.

BSE Scrip Code: 542772

NSE Symbol: IIFLWAM

Subject: Disclosure under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Transcript of earnings Call.

Dear Sir/Madam,

Further to our earlier intimation regarding the earnings call scheduled on May 5, 2022, for the audited financial results for the quarter and financial year ended March 31, 2022, please find enclosed herewith the transcript of the earnings call held on May 5, 2022.

The transcript of the said earnings call shall also be available on website of the Company at www.iiflwealth.com.

This is for your information and appropriate dissemination.

Thanking you.
Yours truly,
For IIFL Wealth Management Limited

Rohit Shriniwas Bhase

Digitally signed by Rohit Shriniwas Bhase
Date: 2022.05.10 19:22:48 +05'30'

Rohit Bhase
Company Secretary
ACS: 21409
Email: secretarial@iiflw.com
Encl: a/a

IIFLWAM Investors Call Q4 FY22

The presentation for the Quarter is hosted on the website – Link.

We have re-arranged parts of the transcript for greater lucidity

- **Host:**
- Good afternoon, ladies and gentlemen. Welcome to IIFL Wealth & Asset Management's Q4 FY22 Earnings Call. All participant lines will be in listen only mode. There'll be an opportunity for you to ask questions after the management shares their thoughts. Should you require assistance during the conference please signal the host by tapping on the raise hand icon. Please note that this conference is being recorded. We have with us today Mr. Karan Bhagat, the Managing Director and CEO, Mr. Anshuman Maheshwary, the Chief Operating Officer, Mr. Sanjay Wadhwa, Chief Financial Officer, and Mr. Pawan Manghnani, Head Strategy and Investor relations. I'll now hand it over to Mr. Sanjay Wadhwa to walk us through the results.
- **Mr. Sanjay Wadhwa, Chief Financial Officer:**
- Thank you, Anil and a very good afternoon to everyone on the call today.
- The financial markets have witnessed lots of ups and downs during the last financial year. Amidst all of that we are happy to report another exciting quarter. We have steadily grown quarter-on-quarter through the last financial year across all the key metrics in the form of growth in AUMs, net flows, revenue, steady retentions, and profitability. Let me start with a brief overview on the financial performance of the company for the quarter and full year ended March 31st, 2022. Starting with assets under management, our total AUMs are now more than 327,000 crores up 33% over FY21 levels. Excluding custody our overall AUM have increased 26% year-on-year to 261,000 crores with wealth management AUM at 207,000 crores and asset management AUM at over 55,500 crores. Importantly, ARR assets increase 4% quarter-on-quarter and over 42% year-on-year to 144,000 crores. With this the share of ARR assets in total AUM now stands at almost 55% as we continue our journey towards steadily increasing the pie of ARR assets. Happy to share that our net flows have also been relatively strong both for the quarter and the full year. We clocked 7,000 odd crores for the quarter and more than 31,400 crores for the full year. Our loan book has also increased 19% over FY21 levels to 4,380 crores.
- Now coming to revenues and retentions, our total revenues increased 7% quarter-on-quarter and 57% year-on-year to 449 crores as compared to FY21 we were up 46%. Our revenue from operations were up 12% quarter-on-quarter and 59% year-on-year to 423 crores. Importantly our recurring revenues have increased 3% QOQ and 57% YOY at 252 crores. Our FY22 numbers are at 912 crores up 56% over FY21. Further the growth in ARR revenues has come from both wealth as well as asset management business both seeing a very healthy uptick over the last quarter. This quarter has also seen strong transactional revenues at 170 crores up 28% quarter-on-quarter and 63% YOY reflecting the market opportunities. Total retentions have held strong increasing by 5 basis points to 63 basis points over last quarter and 8

basis points overall for FY22 over FY21. Most importantly retentions on ARR assets have also been steady with a slight increase to 74 basis points.

- Now coming to expenses, our total expenses for the quarter increased 6% quarter-on-quarter to 235 crores of these total employee costs increase by 4% while admin and other expenses were up 11% over last quarter. On the overall FY22 numbers, we see costs up 38% from FY21 levels with full year cost to income at 51%. As per guidance provided last quarter, we expect annual cost to remain steady for FY23 with full year cost to income ratio improving to about 45%.

- Now coming to profitability, operating profits before taxes increased 21% quarter-on-quarter and 66% over the last year to 188 crores and 614 crores for FY22. We achieved highest ever quarterly PAT at 168 crores and increase of 8% over last quarter and 64% YOY and 58% from FY21 levels. Importantly, our tangible return on equity, which is return on equity excluding goodwill and intangibles has increased to 28% for the quarter. For the full year FY22, our tangible ROE stands at 25% up from 15% levels in FY21. We are on course to further improve profitability and capital efficiency as committed earlier.

- In the current financial year, which is a FY23, we expect to see further improvement in all the key financial parameters mainly in contribution of ARR revenues to total revenues and bringing in better operating efficiencies thereby improving the cost to income ratios. The internal restructurings which are currently underway on the asset management side as well as the distribution front are expected to improve operating efficiencies. With that we come to the end of the financial highlights. I'll hand it over to Anshuman to cover key business and strategic highlights.

- **Mr. Anshuman Maheshwary, Chief Operating Officer:**

- Thanks Sanjay. Good afternoon everyone. The last few months have been dominated by geopolitical events and macro environment changes specifically given high inflation and increasing interest rates. While there are questions on the near-term outlook and higher volatility across asset classes, we remain confident on the medium to long term. It is specifically in these uncertain times that we wanted to re-emphasize on the three core tenets of our strategy; growth, resilience, and agility. The impact of these are increasingly visible through our business performance that Sanjay just spoke about and we continue to work hard on each of these every day. As you would have seen, we have also provided for detailed strategy update section in the investor presentation. Speaking through the three tenets in a little more detail.

- The first strategic tenet is growth. We are in the fortunate position of being a part of one of the greatest wealth creations cycles this country has seen, one that we expect will continue for the foreseeable future. Ultra HNI and HNI wealth continues to grow at an unprecedented pace and the market size therefore continues to grow exponentially for us. Further a large part of this new wealth creation is happening in Tier 2 and Tier three cities where access to high quality advice is usually not available. Given the strength of our platform, our people, our expanding geographical spread, and our understanding of the requirements of our core client segment, we are well positioned to capture a larger share of this new wealth creation. With significant focus on digital, we are also well placed to extend our unique wealth management proposition to newer client segments.

- On the alternate asset side, the Indian market is still nascent and if developed countries are any indicator, then we have huge head space for growth. Worldwide alternate assets continue to attract the lion share of revenues, almost 46% of asset management revenues even though it accounts for only 15% of AUM. With our diversified strategies on the alternate side, our platform and leadership position in this space, we again see significant opportunity for growth through the various macroeconomic cycles. The second strategic tenet is resilience. We have worked hard over the last few years to make our business increasingly resilient to a variety of shocks. Market driven or event based, and this continues to be a key focus area for us. Specifically, we have successfully transitioned a large part of our AUM and revenues to the recurring fee model. We have spoken extensively about this transition over the last few quarters, so I'm not getting into further detail on this today, but just want to highlight as we had shared earlier we're close to the end of this transition and a steady state model going forward.

- In addition, assets under management for our wealth clients remains well balanced across equity, which is at about 54% and debt at 46% providing for significant resilience to market movements. In addition, our leadership position across multiple alternate strategies provides for a natural diversification. Continuing on resilience, most importantly our client and employee base continues to see high retentions. 42% of our clients have been with us for over five years highlighting the balance between onboarding new clients each year while ensuring high continuity on existing ones. For the year, our client attrition both in numbers and AUM remains very slow at approximately 2% and 1% respectively. On the other side, this has been enabled by high continuity of our senior relationship managers. 78% of our team leaders have been with the company for over five years, not only does this drive client continuity, but it also allows for significant improvement in productivity and AUMs.

- The third and again a critical tenet of our strategic pillars is Agility. We have historically as a business been at the forefront of product innovation structuring products for our clients across various market cycles both up and down. A full-service platform including wealth and alternate success management ensures that our clients are constantly engaged with us. A variety of engagement types also ensures that we are able to serve the differentiated needs of each client effectively. We are constantly upgrading our digital and technology platform to better serve the needs of our clients with the aim to make transactions seamless and enhancing productivity across the entire spectrum of the organization. Overall, these levers put us in a position where we believe we are best placed to grow and create value for all our stakeholders and provide the best outcome for our clients, employees, and investors alike. With that I would like to hand over to Karan and open the session for Q&A.

- **Q&A**

- **Host:**

– Thank you Mr Anshuman Maheshwary. We will now have the Q&A session. May I remind you please tap on the raise hand icon in case you wish to ask a question. Kindly introduce yourself and the name of your firm before you ask your question. We'll just get a minute before the question line assembles. First online we have Mr. Mohit Mangal. Kindly unmute yourself, introduce your firm, and ask your question.

– **Mr. Mohit Mangal, Bank of Baroda Capital:**

– Yeah. Thanks for the opportunity. I'm Mohit Mangal from Bank of Baroda Capital. So, my first question is in terms of the non-recurring revenue. So, we saw a huge jump to 170 crores which is not usual. So, can you just explain as to what were the deals for this and what was the quantum?

– **Mr. Karan Bhagat, Managing Director and CEO:**

– Thanks, thanks Mohit for the question. So, I think quarter 2, quarter 3, quarter 4, and some senses last year, I've seen a fairly large jump on the transactional income side. Some of these transactions are also included is largely some of the transactions are one of transactions which may or may not get repeated, but we had the sight of these transactions through quarter 3 and quarter 4, some of them are transactions on the unlisted side, some transactions include some placements on National Stock Exchange and therefore we had the ability to balance and expedite the cost transition for the next two quarters in the third and the fourth quarter. So some of the transaction income broadly roundabout give or take 80-100 crores per quarter stays constant. The incremental amount for last quarter is something which is largely a function of the way the capital markets have been for the last 9 to 12 months and being conscious of that, we've kind of in our projections for the next year, factored in around about the constant number of 80-100 crores as transaction income.

– **Mr. Mohit Mangal, Bank of Baroda Capital:**

– Perfect, perfect. Now the second question you know is on IIFL One. So, we saw positive net flows of around 1,500 crores you know this quarter which was the highest in the last four quarters, so should we assume that you know the clients have started taking interest in this product and we see this up turn going forward.

– **Mr. Karan Bhagat, Managing Director and CEO:**

– Mohit I continue to be very positive about IIFL One. I think a slightly tepid market environment will actually spur the growth of IIFL One even more. I think generally speaking in very, very active capital markets, finance is slightly bit more focused toward transactions in slightly more flattish markets or slightly more challenging markets, clients and relationship managers and the firm focuses on the platform as much if not more, than on transactions. So I'm quite positive in the year we see coming by. Generally speaking, IIFL One will see much more growth and therefore transaction incomes with a little bit of the muting on the transaction income will be more than offset by the increase in IIFL One.

– **Mr. Mohit Mangal, Bank of Baroda Capital:**

- Perfect. My last question is on custody assets. So, we saw you know custody assets growing from around say 39,000 to 65,000 crores this year. So, is there any plan in which you can monetize, or you know take benefit out of it because now at present we're not getting anything from custody assets.

- **Mr. Karan Bhagat, Managing Director and CEO:**

- So custody assets are more really in some senses promoters stock lying in the demat account right. So, some of these are strategic in nature because some of these include unlisted stocks. Therefore, you know at some point or the other when they get monetized or the IPO comes in some way having custody of these stocks gives us the first sight. So, I won't say it is of no advantage or no use. In the long term of three to five to seven years more often they are not, they either lead to some kind of monetization either through dividends or through sale, but and therefore the ability to have that obviously allows you to have the first sight, but on the immediate basis of next three to six to nine months obviously monetization on the pure custody assets is difficult.

- **Mr. Mohit Mangal, Bank of Baroda Capital:**

- Perfect. That's it from my side and all the best.

- **Mr. Karan Bhagat, Managing Director and CEO:**

- Thank you Mohit.

- **Host:**

- Thank you. May I remind you please tap on the raise hand icon in case you wish to ask a question. Next in line we have Sarthak Shah. Sarthak kindly introduce your firm and ask your question.

- **Mr. Sarthak Shah, Prabhudas Lilladher:**

- Hi I'm Sarthak Shah from Prabhudas Lilladher and you have mentioned restructuring on the asset management side of the business, what impact would this have on the margins in the coming year.

- **Mr. Karan Bhagat, Managing Director and CEO:**

- Sorry can you just repeat the question?

- **Mr. Sarthak Shah, Prabhudas Lilladher:**

- Yeah you had said that you are not doing some restructuring on the asset management side of business.

- **Mr. Karan Bhagat, Managing Director and CEO:**

- No honestly, I think from a restructuring perspective it just may be a combination of the alternate assets and the mutual fund being in two separate entities. It has no impact on the business itself. We have in fact kind of expanded our investment team on the alternate side. We've got a team led by Aakash which is joined us on the fixed income side complementing our team of the listed, unlisted long, short as well as on the real estate side. So I think from a strategy perspective for us credit over the next 12 months will be a good fuel for growth in a similar way where listed and unlisted equity assets have got added over the last one year. The restructuring is only limited to really an entity reorganization. It has really no impact on the business itself.

- **Mr. Sarthak Shah, Prabhudas Lilladher:**

- Okay, alright. Thank you. That's all.

- **Host:**

- Thank you. Next in line we have Aejas Lakhani. Aejas kindly unmute yourself and ask your question.

- **Mr. Aejas Lakhani, Unifi Capital:**

- Hi Karan. This is Aejas Lakhani from Unifi Capital. So Karan couple of questions. The first is that you know in the guidance that you have called out for the coming year you know the employee costs are down to 33% which we close this year at 39% and that has the fixed and variable component, so could you just speak a little bit about how this line item should be looked at?

- **Mr. Karan Bhagat, Managing Director and CEO:**

- Yeah. So I think that's a good point. I think you know I had kind of explained it a bit last quarter, but I'll do it again. So, I think even in this year honestly the current year cost on the normalized basis would be in the region of 33%-34% somewhere in the region of 32%-34%. So, broadly if you look at the costs it would be largely around about 75 to 80 crores of fixed salary costs on quarter on quarter basis and another 150 to 170 crores of variable cost. So, broadly on the revenue stream of 1,500 odd crores it would be in the region of four 450-500 crores. The current cost which is being reflected over the last four quarters effectively includes a onetime cost which we've kind of run for the last two years and would have extended for the next six months in the next financial year. Largely on account of the revenue transition from upfront to trail, so on the last 30 odd months we've continued to pay our relationship managers on an upfront basis whereas the firm is largely booking the revenue on trail. So in some senses for the last two years we've had round about a 75 to 100 crore incremental employee cost which effectively stops from April of this year. So it would have in normal circumstances continued as we had guided to September of 2022, but we've kind of given the velocity of transaction income over the last two quarters, we were able to digest the next two quarters incremental salary cost in the last two quarters itself. So, effectively from next year onwards, next financial year onwards, we are back to status quo with our fixed cost being in the region of 75 to 80-85 crores, which is round about 340-350 crores and the remaining 150 crores largely being to variable cost representing of about 32%-34% of our guided info.

- **Mr. Aejas Lakhani -- Unifi Capital:**

- Got it and this variable payout goes to the team leaders and the RMs that support the team leaders right.

- **Mr. Karan Bhagat, Managing Director and CEO:**

- So it's across the board. Largely if you see it's in three big buckets right. So the first bucket really as you pointed out is on the wealth side of the business which in turn is kind of broken up into four parts is the wedge relationship managers and the sales team and the investment advisory team and the product team. All four of which are front facing with the clients. We then have a large pillar supporting the web business on the NBFC side and the trust side which also kind of chip in. Then you obviously got the investment team on the asset management side of the business and you got a small sales team on the asset management side and any of the corporate functions which are largely 9 or 10 in broad nature starting from let's say the finance function all the way to legal compliance and so on and so forth. So, if you really see from an employee pool perspective it's largely a sum total of these three big heads.

- **Mr. Aejas Lakhani -- Unifi Capital:**

- Got it. That's helpful and just on the cost side you mentioned I think the last call that you know you will be investing in digital and other expenses so this quarter we add admin and other expenses of about 57 crores, so is that the new run rate that we should be sort of thinking because this number has been closer to 35-40 crore earlier so is that the…

- **Mr. Karan Bhagat, Managing Director and CEO:**

- No Sir, I think that that's not the new normal. I think new normals around the 50-crore number as you kind of guided. I'll broadly the 50 crore includes an incremental 4-5 crores largely a quarter coming out of the digital spend. I think we are at the steady 40-45 crores for the rest of the admin expenses. What we've ended up doing in the last quarter is obviously we've got a lot of accumulated employee benefit in the sense employee training programs, a little bit of a client entertainment programs largely over in a sense with the direct marketing efforts over the last two quarters given the accumulated non-engagement over the last two and a half years. We pushed that out a bit over the last two quarters, which has led to the incremental 5% close quarter, last two quarters marketing and admin cost being extra, but we don't see that repeating itself. We will see our regular admin cost being in the region of 40 to 45 crores at a further 5-7 crores coming on account of digital.

- **Mr. Aejas Lakhani -- Unifi Capital:**

- Correct and Karan going into next year, what would be some of the areas that would give you some worries in terms of business.

- **Mr. Karan Bhagat, Managing Director and CEO:**

- So, I think from a very perspective obviously I think 3 things in our business, it's not only next year, I think it's in every year to be fair I think first obviously I think you know I think from a market perspective obviously though the business is phenomenally resilient in a way where we've been able to get ~70% of our revenues as ARR, yet having said that obviously there is a slight mark-to-market impact in case of very choppy markets as we head into the next year. Our last quarter obviously, we've had a 3%-4% maybe mark-to-market negative on the AUM but that's been more than offset by the net flows. So obviously I think going into next year where mark-to-market might be a bit choppy, we'll have to ensure that net close continue to be adequate to ensure that if there are any surprises on the mark-to-market site that can be well balanced.

– On the second side obviously extreme movements in the market can make markets a little bit fluttery and therefore you know transactional income can become a little bit more difficult than normal and even though it's 20% it can cause a little bit of pluses at minuses in the case of extreme market situations. I think brought in the market conditions with plus minus 10%-15% of the market is very well tolerated by a firm like us purely on account of the diversification of our asset classes. Even today you know we would be 50:50 broadly in fixed income and equity across all our business. So little bit of movement markets really doesn't impact client sentiment in that way, but absolute you know big, big volatility can have a little bit of impact and 3rd continues to be talent. So, I think while we continue to attract a lot of talent into the firm. It's pretty much order of the day that you know 1 out of 25-30 or 1 out of 40 people would also kind of move out. So, I think the continuous balancing act of attracting new talent and balancing it with let's say some people who move on is something which you know is a continuous challenge. So, I would honestly put these three and you know obviously all these three things are not binary, there's a thin line, there is no 1-0 situation in all of these three things and really it's a function of our ability to kind of handle these three in a particular way if extreme things happen to ensure that the quality of the business keeps us going.

– **Mr. Aejas Lakhani -- Unifi Capital:**

– Got it that's helpful and just one last one is that you've spoken about mid market expansion you know where you are now targeting a different client base which is between the 5-15 crore category is that behavior any different from the existing client phase, what is the nature of these clients and are you able to push them with different of a platform or product.

– **Mr. Karan Bhagat, Managing Director and CEO:**

– That's a great question. I think you know we've been kind of thinking through that idea over the last couple of years that I think we've reached a place where we're sure we want to get into it. I think there's -- it's really difficult to define it as 15 or 20, but I think in our minds we are clear that outside the top 3-4 cities, we are broadly looking at let's say the 5-20 crore market as let's say the second segment we want to attack and the top cities broadly the 10-25 crore market. These from behaviour perspective I think these clients behave fairly similarly to the ultra HNI clients. So, from a product behaviour perspective, there's a huge amount of match. From a delivery perspective is where we need to make some changes, obviously in the ultra high network category, it's a phenomenally high touch model and therefore from a cost perspective you know even having a cost to serve ratio of somewhere between the 25-30 clients works, but on the 5 to 20 at the 10 to 25, we'll have to push the cost to serve to around about 45-50 clients and that's really where we are investing a lot of our time on ensuring that we are building the right phygital tools and we are in a position to kind of go live to market in the first quarter of next year.

– So, from a proposition perspective, I think it lead us to do two things. It'll allow us to expand a bit in the mid market as we launch, but it will also need us to make a proposition on the ultra HNI space much sharper. When I say much sharper, I think we'll be able to make it substantially more focused and maybe get a better platform to our clients who are more than 25 crores with us. So, I think it's an ongoing exercise, we are fairly excited with it. We've got our - we believe we need like we have 11-12 blocks on the ultra high network side from a platform perspective to succeed. We need similar 11-12 blocks on the midmarket side to succeed and we are in the process of building out those 11-12 blocks as we speak and you know from a timeline perspective either first quarter calendar year next year or first quarter financial year next year is really where we should be able to position ourselves for that launch.

– **Mr. Aejas Lakhani -- Unifi Capital:**

– Oh that's very helpful. Just one last thing again you know out of 31,000 crores that you gave roughly 1/3 was in the the Asset Management bucket and 2/3 on Wealth. You see a similar kind of proportion for 23?

– **Mr. Karan Bhagat, Managing Director and CEO:**

– Yes, I think that's the right proportion. I think you know obviously 60:40, 65:35, 70:30, that's broadly the proportions going to be.

– **Mr. Aejas Lakhani -- Unifi Capital:**

– Got it. Thanks a lot. All the best Karan, bye.

– **Mr. Karan Bhagat, Managing Director and CEO:**

– Thank you.

– **Host:**

– Thank you. May I remind you please step on the raise hand icon in case you wish to ask any question. Next in line we have Shivani Mittal. Kindly unmute yourself and introduce your firm. Thank you.

– **Ms. Shivani Mittal, Dalmia Securities Private Limited:**

– Hello, yeah. Hi sir, this is Shivani Mittal from Dalmia Securities Private Limited. I had just one question, I believe we have removed the guidance slide in the current quarter, so just wanted to ask if the guidance as of quarter 3 still holds in terms of all parameters because I think we have been giving guidance for many quarters right now.

– **Mr. Karan Bhagat, Managing Director and CEO:**

– No Shivani, I think we've typically given guidance at the end of quarter three and if there is any change then we update it, otherwise the guidance stands.

– **Ms. Shivani Mittal, Dalmia Securities Private Limited:**

– Okay, okay, yeah. Thank you so much Sir. That's all.

– **Host:**

– May I remind you to please step on the hand raise icon. We'll just give it a minute for more questions. Next in line we have Ashish. Kindly unmute yourself and introduce yourself and your firm. Thank you.

– **Mr. Ashish:**

– Hi Karan, just a quick data question. How much is the performance fee income that we have booked in this quarter and what is the approved number that we are carrying on about private equity funds.

– **Mr. Karan Bhagat, Managing Director and CEO:**

– So, Ashish there's a practically 0 performance fee booked in the last quarter. Most of the performance fees is carried forward. We've got our first fund which we raised in 2016 maturing in the current financial year. So, that will become carryable from the first quarter of the current year. From an estimation perspective, I think you know just on a mark-to-market basis across all our private equity funds put together, the performance fee would be around somewhere in the region of 350 to 400 crores across all our funds, but that number itself is, fairly, if I can put it this way, closely linked to the movement in the markets, so the movement that from three 350-400 to 500 back to 300 is fairly fast. So, more often and all we don't end up calculating it on a quarterly basis, but having said that last we did it approximately a couple months back, it's in that region of 350 to 450 crores which we're carrying into this year ahead.

– **Mr. Ashish:**

– And I presume that's not built into your guidance that you're giving for next year.

– **Mr. Karan Bhagat, Managing Director and CEO:**

– Not really, not really.

– **Mr. Ashish:**

– Okay. Thanks. Thanks Karan. Wish you all the best.

– **Mr. Karan Bhagat, Managing Director and CEO:**

– Thank you.

– **Host:**

- Thank you. Next in line we have Subrata Sarkar. Kindly unmute yourself and introduce your firm and ask your question.

- **Mr. Subrata Sarkar, Mount Intra Finance:**

- Hi, this is Subrata Sarkar from Mount Intra Finance. So, I have two questions. First on the strategy -- from a strategy level Karan are we thinking of like there were a lot of financial institutions and banks who don't have as such strong wealth management network, so are we thinking of officially doing some tie up with them so that we can have like mutual relationship with them. So, it's only broader strategic aspect, but any thought on that.

- **Mr. Karan Bhagat, Managing Director and CEO:**

- No, so I think Subrata thanks for that question. So, I think I'd like to answer that in two parts. I think we would love to do tie ups with bags on the asset management side and I think the team has been working hard and today it's fair to say that mainly 60%-65% of the banks we have tied up for asset management products. I think that's the path of least conflict and ensures us to be able to kind of give out all our innovative products from the asset management side to the banks. On the wealth management side, I think I believe you know unless and until we have a strong tool on the mid market side. On the ultra high network side we would not really want to want to approach our clients through an intermediary, we would like to approach our ultra high network clients directly because if we approached them through an intermediary, we would need to sign, pretty much give up those plans for our entire lives and share a large portion with intermediary. We believe we have the products strength and platform to be able to reach out to most of the ultra high network plans over the next 5 to 10 years ourselves. So, on the ultra high network side, I think our current strategy remains more B2C where we would like to engage with clients directly. On the mutual fund side and the alternate asset management side is where we would like to really strengthen and deepen our relationships with all partners and banks to see how we can reach out to the clients.

- **Mr. Subrata Sarkar, Mount Intra Finance:**

- Okay. Now since you mentioned on the mid-segment basically, so there are few companies which are aggressively like getting into they are into mid-segment basically including one of the listed player. So, what I mean to say Karan like how serious on a strategic point of view what is our view like can first - number one are we serious about the midmarket segment because it requires at different tech platform, it required low touch mode kind of a digital platform and all those things, so number one are we serious, does it make sense for us because strategy will be a little bit different for us and do we foresee that segment to be a very big segment in next 10 years let's say.

- **Mr. Karan Bhagat, Managing Director and CEO:**

- The answer to the last part of the question is yes, I think the segment is growing disproportionately in size specially the 5 to 20 and 10 to 25 crore segment. I think as newer companies are getting listed, the number of individuals employees in every

MNC, large domestic Indian company, as well as the new company which are getting listed having a financial net worth of 5-20 crores to investors is becoming disproportionately larger and larger. So, from a size of the market perspective, there's no question about it. From a capability and a cost to serve ratio perspective, I agree with you fully. I think the biggest advantage and commonality we have is our commercial understanding of what the client would want and our product expertise.

– On the flip side what we need to build out extremely well as you rightly said is a technology stack which allows us to give a phygital experience to the client. Do remember we are not focusing on the 1 lack to 1 crore client, which is going to be a very, very different transaction / brokerage led experience now which we are not really looking to do. We're still when we're talking about the 5-20 or the 10-25 crore segment, pretty much for most banks and most other players that would be really their private wealth segment in that sense. So, we're really not going down to the retail or the mass affluent segment, which I think would require a very different approach. In our case, I think it's a phygital approach somewhere you know it requires a better technology stack for sure, but it also equally requires a strong platform and good product expertise. So, I think we have a right to win there. The size of the market is very large at the same point of time are we ready to implement it today from a platform perspective, the answer is no. Are we investing some of our time and resources to build the platform, the answer is yes.

– **Mr. Subrata Sarkar, Mount Intra Finance:**

– Last question, from a market business perspective Karan just we have seen unprecedented like new account opening in last 2-3 years and our significant part of that like they want to trade off their own without help of like let's put it like this, it's like discount brokerage like upside, so now only thing what I'm trying to understand once this market settle a little bit, making easy money it doesn't become so easy to make money from this market directly without a help, in that circumstances are we envisaging that a lot of these clients will gradually move to a wealth management platform like us or let's say to the mid segment also. So, from market perspective is that a better -- will be a sweet point for us; like already a lot of client exposed to equity and like investing but they will struggle at some point of time and market will not give that kind of a disproportionate return.

– **Mr. Karan Bhagat, Managing Director and CEO:**

– No, I think it's a really tough one to foresee as such, but from my thought process, I think there will be a place for all three kinds of clients in the market. There will be always a set of clients who are always operating on a DIY basis do-it-yourself basis who will have the inclination, passion, and the time to do it themselves. There will be a second segment of clients who wanna be knowledgeable, who engage and be responsible for the decision they are making, they don't wanna do it themselves, they want to engage, discuss, but also have the right to say yes or no; and there's always a third set of clients who will look at solutions in either a discussion format or the package format where once you've decided on a broad headline goal, they would ideally like kind of come in tomorrow in a discretionary package kind of solution.

- So, I think across all segments and this I think will remain true whether the clients say I'll try a net worth client or a mid-market client, it really doesn't matter. I think from a client behaviour perspective, there will always be 3 segments. Last 2-3 years, given the way the capital markets have behaved you rightly pointed out I think there might be a disproportionate number of people in the first category, but over a period of time you know you will have you to see a kind of an equal split between all three.

- **Mr. Subrata Sarkar, Mount Intra Finance:**

- Thanks. Thanks a lot.

- **Mr. Karan Bhagat, Managing Director and CEO:**

- Thank you.

- **Host:**

- Thank you. Next in line we have the Rithika Guha. Kindly unmute yourself and introduce your firm. Rithika are you online, could you unmute yourself and ask your question.

- **Ms. Rithika Guha:**

- My apologies. My questions have been answered. Thank you.

- **Host:**

- Thank you. In case you wish to ask a question kindly tap on the raise hand icon. Mohit kindly unmute yourself and ask your question. Mohit Mangal, I think you have another question.

- **Mr. Mohit Mangal, Bank of Baroda Capital:**

- Yeah, yeah so just one question. I wanted your views on the growth opportunities or the potential of the wealth management industry and how does our company intend to exploit this opportunity vis-à-vis the competition.

- **Mr. Karan Bhagat, Managing Director and CEO:**

- Sorry for some reason I couldn't hear you. Growth…?

- **Mr. Mohit Mangal, Bank of Baroda Capital:**

- Growth opportunities or potential of the wealth management industry and how does you know IIFL Wealth intends to do vis-à-vis the competition, what are the I mean the strategies per say.

- **Mr. Karan Bhagat, Managing Director and CEO:**

- No, so I think growth is a very I guess the most important word in our industry right because from a wealth management perspective from an Indian perspective we are sitting at the cusp of phenomenal amount of growth so if you just take the question backwards for a minute, I think the stock of wealth in India obviously is growing at maybe 1.5 to 2 times the GDP growth rate right, so the GDP is growing at 7.5% – 8%. You got the stock of wealth growing in somewhere between 10%-12%. The stock of wealth again is disproportionately growing for the high net worth individuals and the ultra high net worth individuals, so there's a disproportionate growth happening there. Between that today you know nearly 50%-55% of the assets is still in non-financial assets, 45% is in financial assets that itself will again change. You'll see nearly 65%-70% of the assets over the longer term move towards financial assets as compared to non-financial assets. So, if you just see the first three legs itself, the stock of wealth, the growth of wealth for high net worth individuals and ultra high net worth individuals and the growth between financial assets and non-financial assets, you just put these three things together at one set fairly heady number of growth in terms of size of market for the industry itself.

– Out of this obviously then there is a certain amount of money which is managed professionally, certain portion of money by clients continue to invest in fixed deposits and so on and so forth. They believe that money is less than 20% of it is managed professionally today and that itself is going to cause a – that itself will be a friendly large change and post that obviously comes our market share, which we which we kind of hope to improve. So, if you look at the business itself I think the growth levers are across the space - all these 5-6 things are massive growth levers in the business and both on the wealth management side and the alternate asset management side, I think for the next 10-15 years I think really it's a battle for us to lose because the size of the market is really going to grow and as long as we can keep our head straight and not make too many mistakes, I think we'll be an active participant of growth in this industry.

– **Mr. Mohit Mangal, Bank of Baroda Capital:**

– Okay. That's it from my side. Thank you.

– **Host:**

– May I request Preeti kindly unmute yourself and ask your question. Please introduce your firm. Requesting Preeti R.S.

– **Ms. Preeti R.S., UTI Asset Management:**

– Thanks Karan, this is Preeti from UTI Asset Management. So my question is more topical so we have seen a merger happening in the banking industry Citi going out of India and they do have a large wealth business, I think 50,000 crores or something specifically to Citi private and there's another 50,000 crores, so total of 1 trillion, so is that client pool something of our interest or is that a target segment and are there conversations happening on from this from this Citi wealth clients.

– **Mr. Karan Bhagat, Managing Director and CEO:**

– No, absolutely I think Citi has historically got a phenomenal business on the wealth management side. I think they've been operating at all segments of the business. The Citi select, Citi private client, as well as the Citi private bank, they've they built a very strong franchise across all three segments. Obviously, we've been in some ways lucky to recruit people from Citi all the way back from 2012 to 13 and some of them have really been successful in our platform and have led us to an ample period of growth. So, from a from a city perspective I think there are obviously two sides of the business. One is the platform and seconds the people. From our perspective obviously we would love to see if we can attract some people as we go along. I think with that we should be able to compliment our platform along with the people and potentially look at expanding in that market base. Having said that I think banks obviously including Axis, ICICI, HDFC, so on and so forth are also working hard to improve their wealth management proposition. So, we'll have to kind of keep that in mind while we try and increase our market share.

– **Ms. Preeti R.S., UTI Asset Management:**

– Okay. So, there was one feedback that we got in some surveys that you know Citi wealth client, they look at it as a holistic ones, you know the whole banking plus wealth management asset ones, so how do -- if at all it comes to that so how do you address that kind of problem.

– **Mr. Karan Bhagat, Managing Director and CEO:**

– So, I think that's a fair question. I think the entire banking holistic platform comes with a little bit of plus and minus. I think some clients would like to look at that as the total solution. On the flip side you know our relationship manager of the bank more often and not his balance scorecard becomes equally split between banking products and the wealth management. So, sometimes it also leads to a slightly diluted proposition for the client. So, while there are certain set of benefits of being able to give a full-service platform sometimes there are also certain set of challenges and paradoxes which are kind of coming come in while servicing a wealth management client from a banking perspective. From our perspective obviously we work closely with two or three banks where clients open their bank accounts and we are able to the best of our ability and the best of our tie ups, at least from an investment perspective and immediate needs be able to service 70% to 80% of the clients banking needs. So, I think it will be a mix of both. We'll have to manage both, we'll have to be able to do at least a large part of this minimum banking proposition which is required from investment perspective and ensure that you know we are able to benefit from not having the same paradoxes from a balanced scorecard perspective which a normal priority bank would face.

– **Ms. Preeti R.S., UTI Asset Management:**

– Alright, so just last question on this or this is a very softer aspect on it that most of these clients want to be managed, who want their wealth to be managed with foreign outfits. I think historically though that was one of the aspects we have seen massive consolidation happening on the domestic front so because there is a change right now, do you think you know that mindset is changing - I think we got this in survey, so if it's not Citi probably I'll go to DBS.

– **Mr. Karan Bhagat, Managing Director and CEO:**

– I’m not sure about that survey, but I have been managing money with clients for 20 years. I've never heard a client tell me that I prefer my money managed with a foreign outfit as such. I honestly don't think it's between a foreign and domestic; a foreign outfit could do equally well; a domestic output could be equally well. It's a function of getting up people platform and processes together. I think after that it really doesn't matter whether you're a domestic bank or a foreign bank. It's all about getting all those three things together and I think if you have those three things together, you're good to go.

- **Ms. Preeti R.S., UTI Asset Management:**
- Great. Definitely the numbers do suggest that I think in the last 5-10 years domestics have definitely consolidated, but you know I was just trying to understand from the customer point of view since they have to make a decision now.
- **Mr. Karan Bhagat, Managing Director and CEO:**
- Yeah, I think even foreign bank gets you know get some private banking platform together with all of these three things working in conjunction, I think they would also be able to get the same amount of a market share. I honestly don't think it's about a foreign or a domestic, it's just about getting the pieces of business together.
- **Ms. Preeti R.S., UTI Asset Management:**
- Alright thanks for patient answering my questions.
- **Mr. Karan Bhagat, Managing Director and CEO:**
- Thank you.
- **Host:**
- Thank you. Next in line we have Sanjay Kumar. Kindly unmute and ask your question.
- **Mr. Sanjay Kumar:**
- Hi Karan, first question is on the numbers so we did 7,000 crores of flows, if we were to maintain our FY23 guidance and not to compensate for the MTM losses will the current rate -- run rate enough or will it be kind of a linear growth towards 8,000-9,000 crore mark or one quarter somewhere will have a lumpy one and then we'll continue at 7,000 crore, how will this pan out the flows.
- **Mr. Karan Bhagat, Managing Director and CEO:**
- Really difficult to predict, I wish I had an exact answer for you, but obviously we would want it to be as linear as possible, but in reality it doesn't happen that way; but I think you know I've seen some minimum and some maximums right. So, I think it's fair to say typically you don't see quarters with less than 3,500-4,000 crores of net flows at the lowest and you would typically not see quarters of more than 14-15 thousand. So, I think I can give a minimum-maximum kind of rage. I'm not sure whether I'll be able to exactly give you a linear-nonlinear kind of answer, but yeah it would be very surprising if the numbers are below 4-4.5 thousand for a quarter and very surprising if it's more than 14-15 thousand for the quarter.

- **Mr. Sanjay Kumar:**

- Okay. Thank you. Second on strategy, the vintage is good. We'll continue to gain wallet share from existing clients, but I want to understand your strategy and your funnelling process for new millionaires given that they need to become a millionaire has come down given the recent IT salaries, IPOs, and private equity money – say when there is a liquidity even say a promoter is exiting or there is an IPO, how do you approach or how do you identify such prospective clients, how do you on board or regenerate leads for newer millionaires.

- **Mr. Karan Bhagat, Managing Director and CEO:**

- So, I think new millennials fast can be divided broadly let's say two or three categories but let me first talk a minute about our clients children right. So, effectively let me call them young adults in some ways and they're kind of brief broken into three age brackets from our perspective 13 to 18, 18 to 23, and 23 to 32. So, over the last seven to eight years we've kind of engaged with our client's young adults in a very, very, organized way. We have a program for all three age groups between 13 to 18, 18 to 23, and 23 to 32. The first program is really called an Entrepreneurship Academy. The second one is a Young Leadership Program, which involves an internship at our office and the 23 to 32 has an event called Dive, which we have at Goa every year. So, we make it a point to ensure that we are in constant touch with our new millennial young adults of our clients.

- In terms of the new to the firm itself in terms of millennials, I think what we've seen at least in terms of the a younger tech monetization events, I think our ability to reach out to those set of clients is pretty much been fairly there. I think there the behaviour changes not really being in terms of saying I wanna do it myself, but the behaviour change has been in terms of the profile of the client in terms of how he wants to go about building his portfolio because he has a larger number of years left to build out wealth as opposed to let's say some of our older clients. There I think we'd be fairly adaptive and flexible to be able to enlarge and innovate on our product platform first to be able to adapt to these newer millennials also.

- The third set which is what you spoke about which is where you know there are individuals who are maybe in the late 30s or even in the early 30s and maybe late 20s who ended up with that 5 to 15 crore category in a lot of the tech companies that's the segment which we're not really targeting today, but we are hoping to kind of be ready for them over the next 12 odd months. So, these are the three broad sub-segments and the 4th one which is really the segment which is you know maybe trading a bit between the 0-5 crore category that's not something which we are kind of currently kind of focused on in that sense.

- **Mr. Sanjay Kumar:**

- Okay. If I can squeeze in a last question, so you spoke about the Accenture platform that you're building, so any update on that and I also asked a related question to one of the colleagues in another platform, I'll just post it here again, so say take Black Rock for example they have their own platform and they started to build their own platform and then they started selling it as a service to others. So, are we thinking along those lines to use to build our own platform and then to sell that platform as a service to others?

- **Mr. Karan Bhagat, Managing Director and CEO:**
- Sorry I'm not sure what exactly do you mean by sell your platform to others.
- **Mr. Sanjay Kumar:**
- A wealth management platform where you can onboard clients who will then have their own set of…
- **Mr. Karan Bhagat, Managing Director and CEO:**
- Yeah. Okay. So, as I said earlier I think the Indian market itself is not large and mature enough for us to look at an external asset manager platform yet, which is what has become a global norm. I think as of now we would prefer to deal with our client on a B2C basis which means have a direct relationship with them. As the market was to become sizable and more mature maybe after it's a strategy which we can look at after five years or maybe even 10 years. We're always open to that, but in the current context to things where ability to reach a large set of clients continues to remain high. We're unlikely to launch an external asset manager.
- **Mr. Sanjay Kumar:**
- Okay. On the Accenture platform that you're developing…
- **Mr. Karan Bhagat, Managing Director and CEO:**
- Yeah on the Accenture platform I think you know as we've kind of spoken about we're moving into the implementation phase and we will have multiple implementation partners and it's not going to be a binary outcome after 12-18 months. We will have interim outcomes every 3-6 months and we have taken out a budget of as I indicated earlier 5-7 crores a quarter, for the implementation over the next 12 to 18 months.
- **Mr. Sanjay Kumar:**
- Okay. Thank you. That's it from my side.
- **Host:**
- Thank you. The last question coming in we have from Nilesh Chettani. Kindly unmute yourself and ask your question.
- **Mr. Nilesh Chettani, BOI Mutual Fund:**
- Hi, this is Nilesh here from BOI Mutual Fund. My question was on the managed account front, so we were able to increase our AUM say from FY20 levels from around 3,000-4,000 crore odd levels to around 19,000 crores now. So, wanted to understand say 3-4 years before IIFL and the large distributors were the first port of call for large PMS and AIF, so what has been change in the market share of the total

AIF distributed assets versus our share, is a trend changing, any outlook on this because that's one of the high yielding assets for us.

– **Mr. Karan Bhagat, Managing Director and CEO:**

– No sorry, that you'll have to just from market share perspective you will also have to add the managed accounts not earning a trail because earlier it was posted under two categories because pre 2019, we were taking it as an upfront. So, the size of the market was -- size of the pie for us was much larger but it was coming in the line saying managed accounts received upfront earlier.

– **Mr. Nilesh Chittani, BOI Mutual Fund:**

– Okay, got it. So, today say at the recurring fees whatever the report 19,000 odd crores.

– **Mr. Karan Bhagat, Managing Director and CEO:**

– That will increase substantially because earlier we were recording it as upfront, so the 17-18-19 managed accounts we're taking upfront, which is now got changed to trail. So, therefore we were seeing earlier there were only let's say 1,000-1,500 crores managed accounts so we were getting trail. Now that number is increasing steadily because of the fact that we moved it to the trail mode.

– **Mr. Nilesh Chittani, BOI Mutual Fund:**

– So, any growth outlook on this where we see these going for next say 3-5 years.

– **Mr. Karan Bhagat, Managing Director and CEO:**

– No, so I think it's been important part, so I think you know everything which does not come on the advisory side of the business in the form IIFL One eventually remains on the distribution side and part of the distribution ends up happening on the direct and part of it on the regular and this really represents the regular part of the distribution business. So, I would not believe it would for any reason grow lesser than the rest of the parts of the business.

– **Mr. Nilesh Chittani, BOI Mutual Fund:**

– Got it, yeah. That was the only question I had.

– **Host:**

– Thank you, ladies and gentlemen. This brings us to the end of the conference call. Please feel free to reach out to investor relations team in case you have any further queries. We look forward to your participation next quarter. Thank you once again.

– **Mr. Karan Bhagat, Managing Director and CEO:**

– Thank you everybody, thank you

– ***END OF TRANSCRIPT***