



## IIFL Group's Quarterly Results for Q1FY14

July 23, 2013



**I: IIFL Group Performance review Q1FY14**

**II: IIFL (NBFC) Performance review**

**III: IIFL Other Businesses review**

**Annexure I: Corporate overview**

**Annexure II: Industry update**



## Jun '13 quarter profits up 21% yoy, income up 16% yoy

### Financial performance yoy snapshot

Income at ₹ 676 Cr, up 16% yoy, PAT at ₹ 63 Cr up 21% yoy. Overall growth driven by financing, wealth management, life insurance products and broking remained flat

### Financial performance qoq snapshot

Income down 8% qoq, PAT down 22% qoq. Q1 is seasonally slack whereas Q4 is peak quarter for financial services. Besides, NBFC's NIM has fallen with significant fall in gold loan book

### Financing and Investing

Loan book at ₹9,463 Cr in Q1FY14 up 29% yoy. Gold loan share has fallen from 41.3% to 29.6% yoy and mortgage/ LAP has risen from 36.8% to 37.8% yoy

### Marketing and Distribution

Income at ₹ 68 Cr down 32% qoq and up 43% yoy. The business is growing steadily on a yoy basis and assets under advice stood at over ₹ 44,000 Cr

### Capital Market and Related Fee

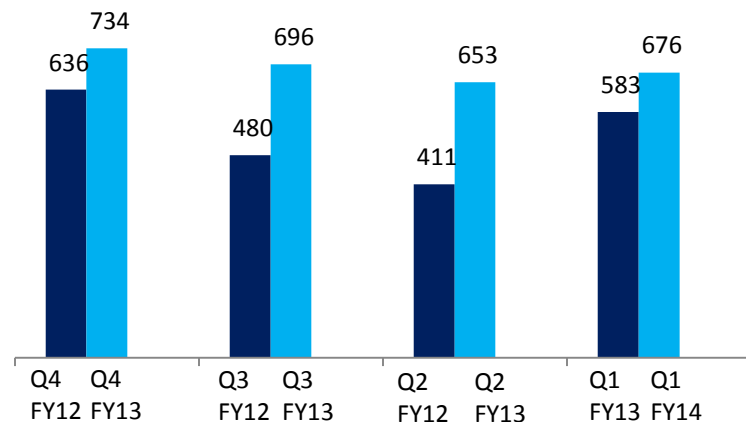
Cash market volumes remain flattish, continuing to put brokerage yield under pressure. Commodity and currency market volumes register a growth but likely to be impacted by CTT in commodity and RBI restriction on net open position in currency



# IIFL Group's performance showing healthy growth yoy

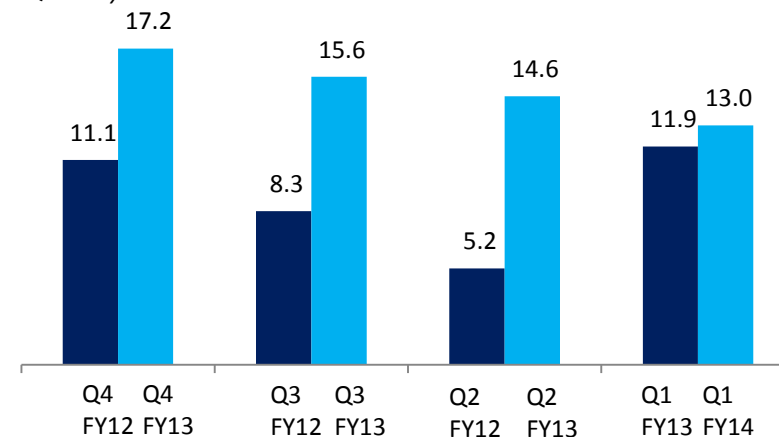
## Total Income (₹ Cr)

Net of Intergroup



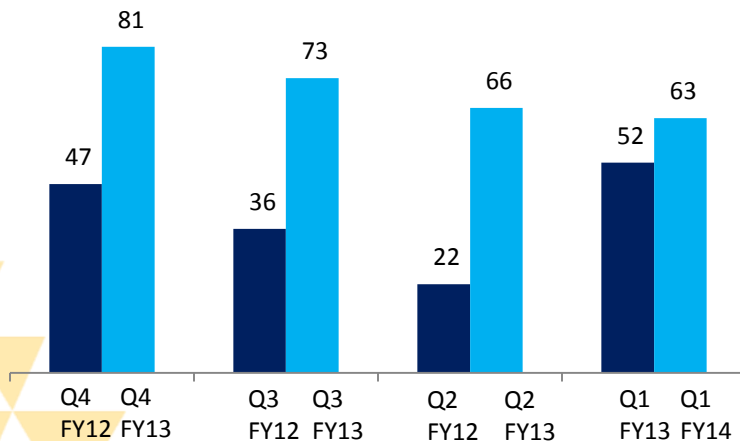
## Return on Equity (%)

Quarterly annualised



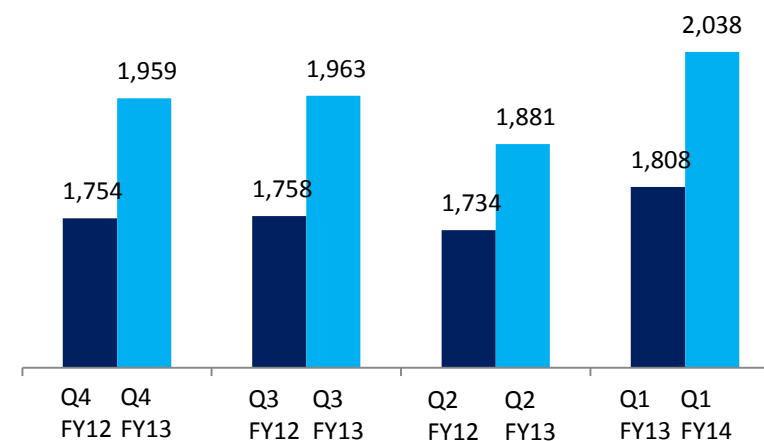
## Profit after Tax (₹ Cr)

After Minority interest



## Networth (₹ Cr)

Before Minority



## IIFL Group consolidated quarterly results for Jun'13 compared qoq and yoy

Rs Cr	Q1FY14	Q4FY13	Q1FY13	YoY	QoQ
Financing and Investing income	477.4	481.0	408.3	16.9%	(0.7%)
Marketing and Distribution income	68.3	101.1	47.9	42.5%	(32.4%)
Capital Market and Related Fee income	127.6	150.1	125.0	2.0%	(15.0%)
Other income	3.1	1.6	1.4	125.9%	92.0%
<b>Total Income</b>	<b>676.4</b>	<b>733.7</b>	<b>582.6</b>	<b>16.1%</b>	<b>(7.8%)</b>
A. Operating cost	89.6	91.1	73.1	22.6%	(1.6%)
B. Employee cost	124.3	133.9	124.7	(0.3%)	(7.1%)
C. Other expenses	86.3	116.1	92.7	(6.9%)	(25.6%)
<b>EBITDA</b>	<b>376.1</b>	<b>392.7</b>	<b>292.1</b>	<b>28.8%</b>	<b>(4.2%)</b>
Interest	266.1	259.6	190.9	39.4%	2.5%
Depreciation and amortization	17.5	17.1	19.1	(8.3%)	2.7%
<b>Profit / (Loss) before tax</b>	<b>92.5</b>	<b>116.0</b>	<b>82.1</b>	<b>12.7%</b>	<b>(20.3%)</b>
Provision for taxation	27.7	31.8	29.3	(5.6%)	(13.1%)
<b>Profit/(Loss) after tax before minority</b>	<b>64.8</b>	<b>84.2</b>	<b>52.8</b>	<b>22.8%</b>	<b>(23.0%)</b>
Minority Interest	1.6	3.2	0.6	178.0%	(50.7%)
<b>Profit/(Loss) after tax</b>	<b>63.2</b>	<b>81.0</b>	<b>52.2</b>	<b>21.1%</b>	<b>(21.9%)</b>

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# NBFC's Q1FY14 performance highlight

## Income up 21% yoy; PAT up 12% yoy

### Financial performance

Income for the quarter was up 21% yoy and PAT was up 12% yoy. However income and PAT when compared qoq, were down 3% and 13% respectively. During the quarter, the asset mix was diversified further, impacting margins

### Overall loan book

Overall loan book was ₹ 9,463 Cr up 29% yoy and up 1% qoq. The loan book did not register any significant growth in the quarter but witnesses a change in mix. Medical equipment and commercial vehicles are new businesses, together accounting for 6% of loan book

### Gold loan

Gold loan share in financial assets has fallen from 41.3% to 29.6% on a yoy basis. This has impacted margins as seen in NIM and spread falling by 80 bps and 70 bps respectively on qoq basis. However, this has made the asset mix more stable and de-risked

### Mortgage (Home loans/ LAP)

Mortgages remains the thrust business segment for growth. The segment accounted for 37.8% of financial assets in Q1FY14. IIFL continues to focus on retail assets with stringent credit selection and monitoring process

### NPAs

NPAs have risen marginally, gross and net NPAs were 0.58% and 0.24% in the quarter as compared to 0.49% and 0.17% respectively in the previous quarter. The NPA levels compare very favorably with industry, indicating superior asset quality

## IIFL Finance consolidated results for quarter ended Jun'13

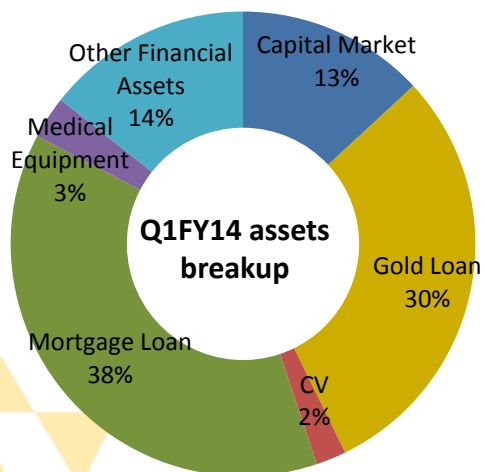
Rs Cr	Q1FY14	Q4FY13	Q1FY13	YoY	QoQ
Income from operations	433.7	436.7	378.4	14.6%	(0.7%)
Other income	34.6	44.1	8.1	328.0%	(21.4%)
<b>Total Income</b>	<b>468.3</b>	<b>480.8</b>	<b>386.5</b>	<b>21.2%</b>	<b>(2.6%)</b>
A. Operating cost	43.8	52.4	38.2	14.9%	(16.4%)
B. Employee cost	41.3	48.0	42.4	(2.5%)	(14.0%)
C. Other expenses	48.2	46.0	49.4	(2.5%)	4.8%
<b>EBITDA</b>	<b>335.0</b>	<b>334.4</b>	<b>256.6</b>	<b>30.5%</b>	<b>0.2%</b>
Interest	262.0	249.7	192.4	36.2%	4.9%
Depreciation and amortization	9.9	10.2	5.0	99.3%	(2.7%)
<b>Profit / (Loss) before tax</b>	<b>63.0</b>	<b>74.5</b>	<b>59.2</b>	<b>6.4%</b>	<b>(15.4%)</b>
Provision for taxation	18.5	23.4	19.4	(4.7%)	(21.1%)
<b>Profit/(Loss) after tax</b>	<b>44.5</b>	<b>51.1</b>	<b>39.8</b>	<b>11.9%</b>	<b>(12.8%)</b>



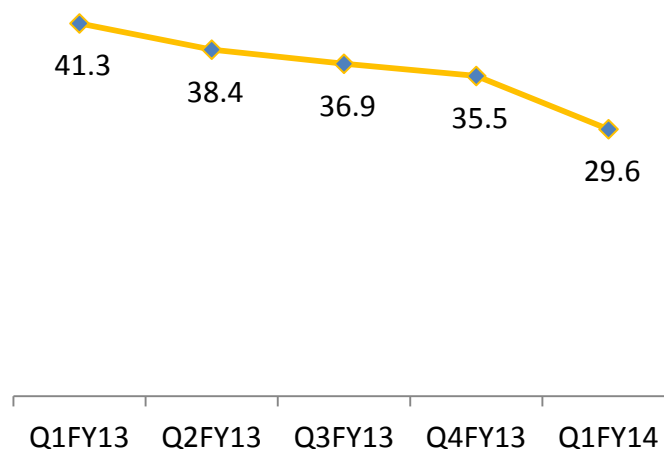
# Loan book is diversified and growing steadily, relative share of Gold Loan has fallen

- Loan portfolio in Q1FY14 steadily increased to ₹ 9,463 Cr as against ₹ 9,375 Cr in Q4FY13
- Loan book comprises entirely secured lending against tangible collaterals
- Gold loan relative share has been falling and was 29.6% in Q1FY14 as compared to 41.3% in Q1FY13
- Diversifying risk with multiple products against collaterals of mortgage, property, gold jewellery, medical equipment, commercial vehicles, shares etc

Changing mix of financial assets



Gold loan as a % of financial assets



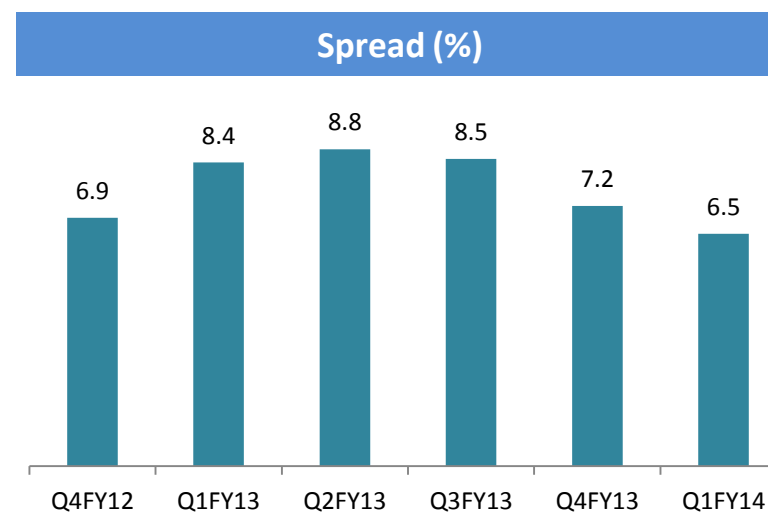
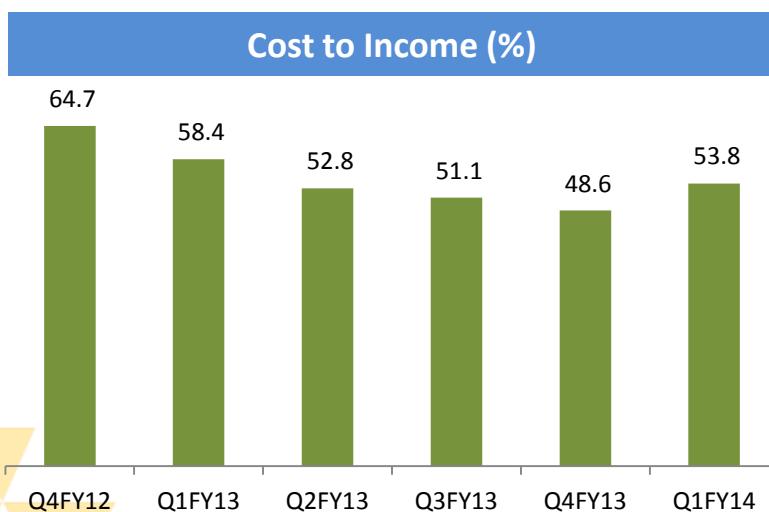
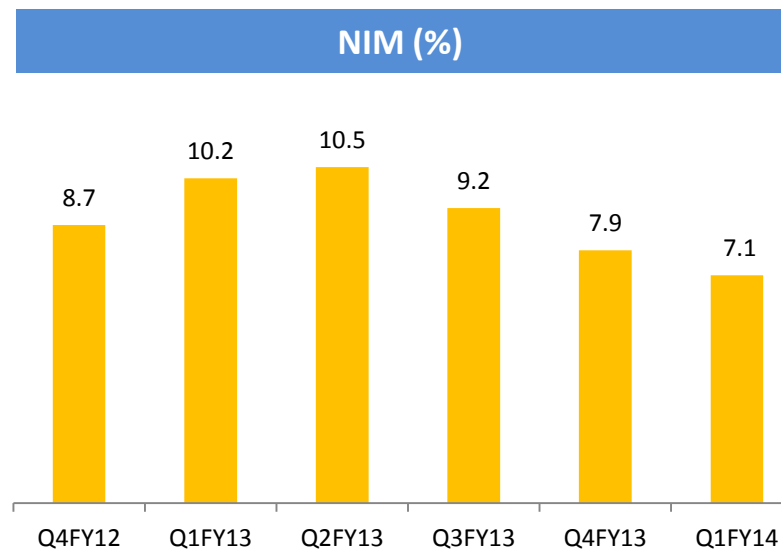
Financial assets as on Jun 30, 2013

Rs Cr		
A	Loan Book	9,463
B	Securitized /assigned portfolio	362
C	Other Financial Assets	1,585
D AUM (A+B)		9,825
E	Total Financial Assets (A+C)	11,048

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

# NIM and spread impacted by change in portfolio mix

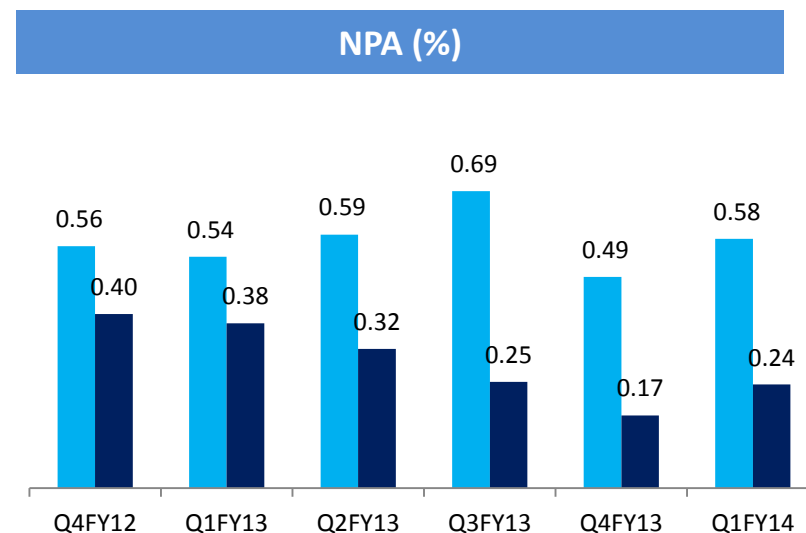
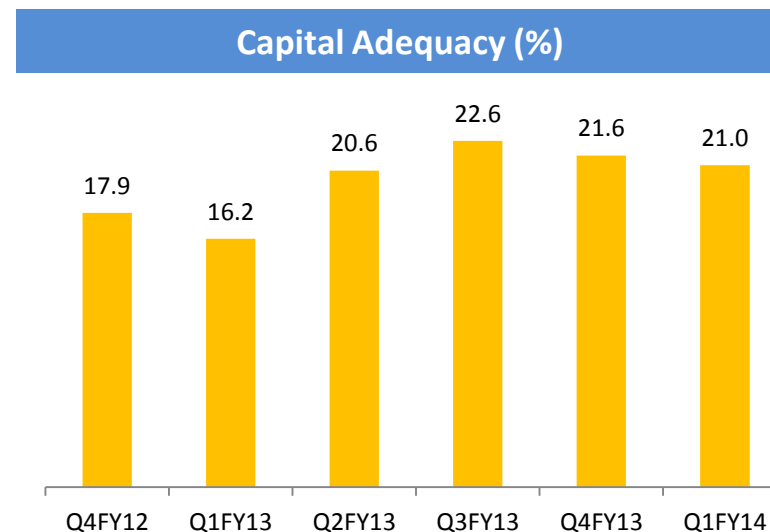
- NIM and spread have fallen in last quarter, with decline in share of Gold Loans which enjoy higher NIM
- Cost of fund remained at similar level and was 11.8% on weighted average basis
- Cost to Income ratio rose marginally as loan book during the quarter was flattish
- IIFL plans to remain focussed on retail business and maintain healthy NIM



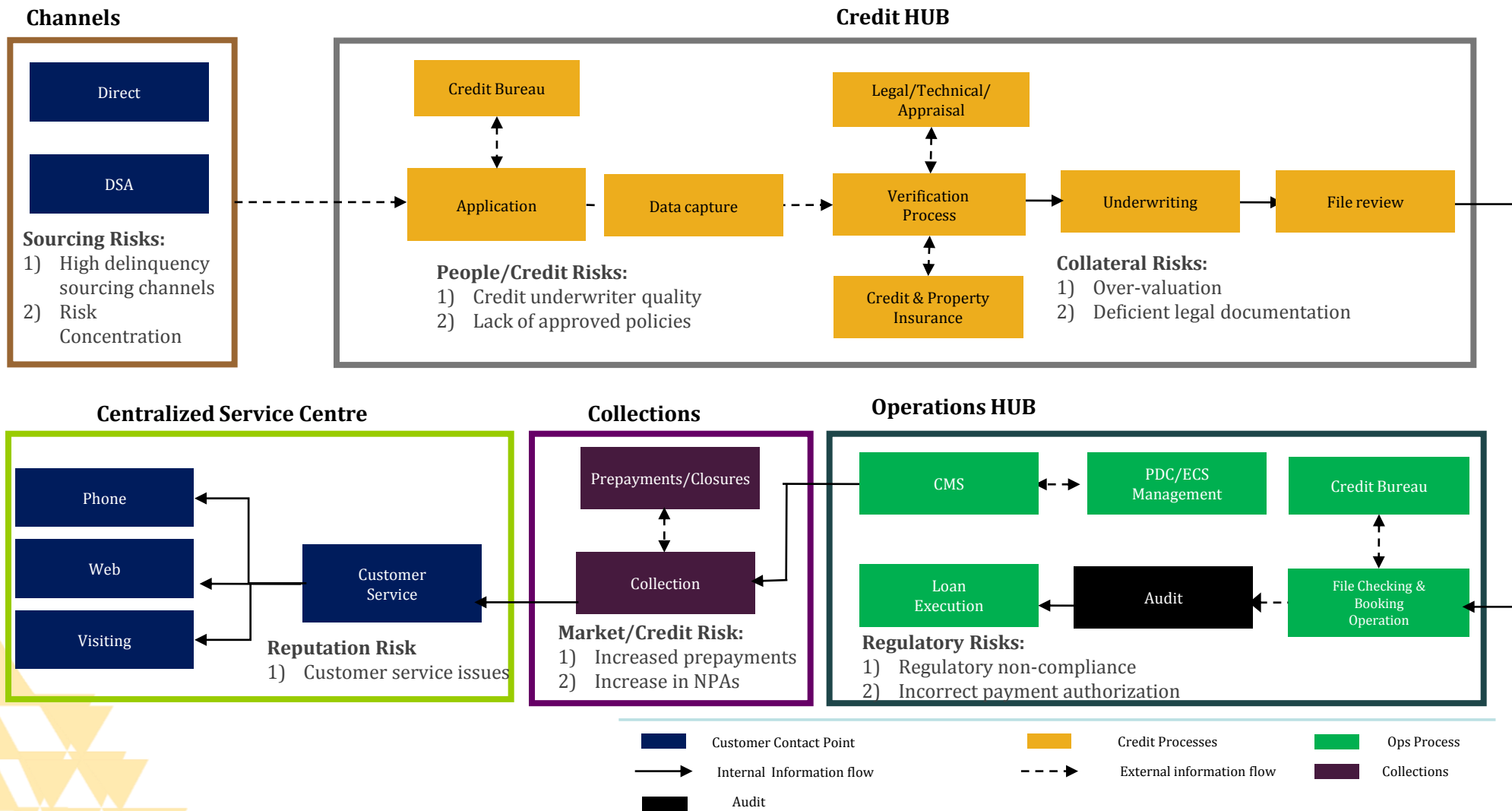
# IIFL's high asset quality is reflected in low NPAs and strong financials in robust capital adequacy

- IIFL's steadfast commitment to maintain high asset quality through superior credit processes is reflected in low NPA levels
- Although NPAs were a shade higher on qoq basis, they compare well with industry
- Capital adequacy continues to remain healthy

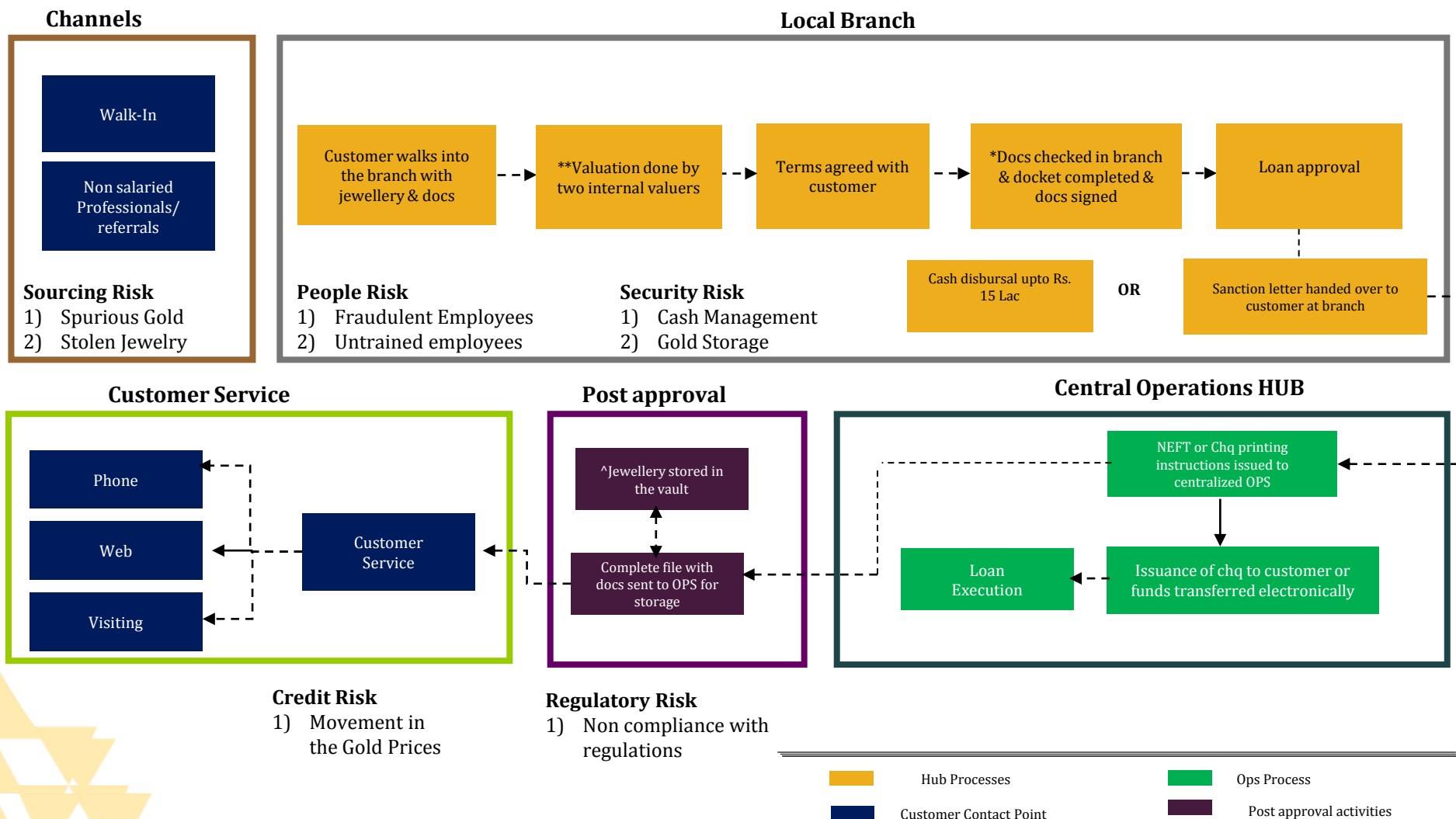
Provision for the quarter		₹ Cr	%
A	Gross NPA	54.6	0.58%
B	Non Standard Asset Provision	31.8	0.34%
C	Net NPA (A-B)	22.8	0.24%
D	Standard Asset Provision	23.9	0.25%
E	Total Provision (B+E)	55.6	



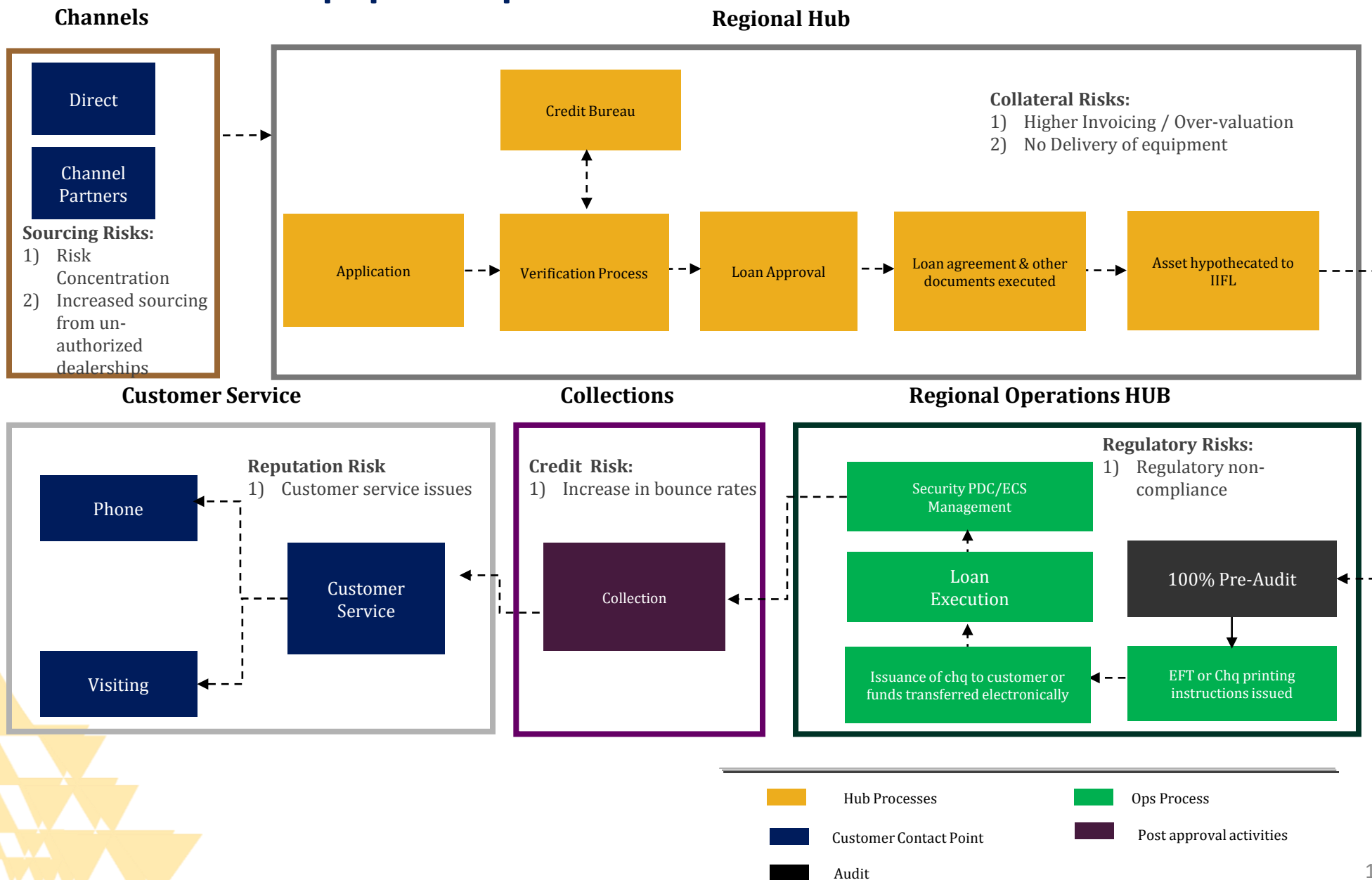
# Retail mortgage process flow



# Gold loan process flow



# Medical equipment process flow



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**Annexure I: Corporate overview**

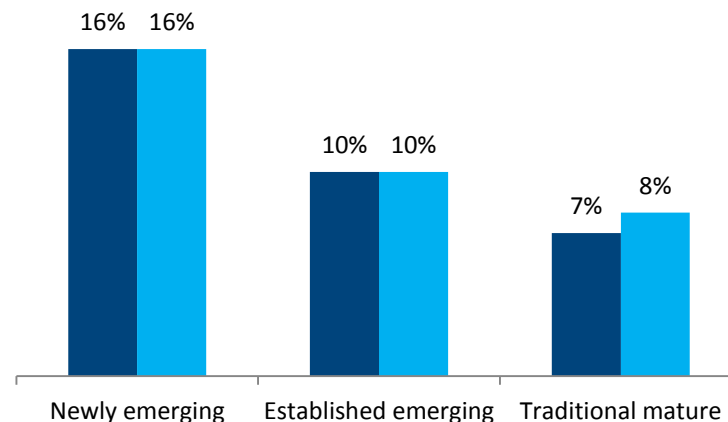
**Annexure II: Industry update**



# Insurance, financial product distribution and wealth management business registers steady growth

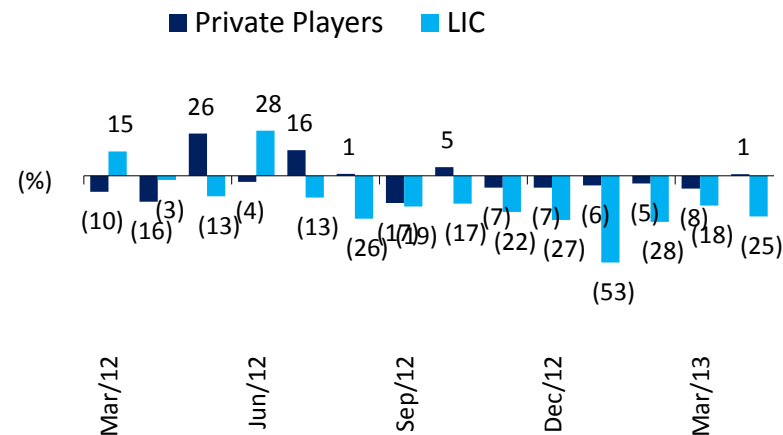
- Assets under advice of over ₹ 44,000 Cr
- IIFL distributes mutual fund on open architecture. Mutual fund AUM mobilised by IIFL is close to ₹ 14,000 Cr
- Enhanced focus on discretionary managed accounts through the AIF platform, which offers clients unprecedented alignment of interests and superior regulatory compliance
- Updated the client proposition in compliance with the advisory guidelines issued by SEBI, to retain competitive edge and leadership position in the industry

Growth in net new money as a % of AUM



Source: PWC research

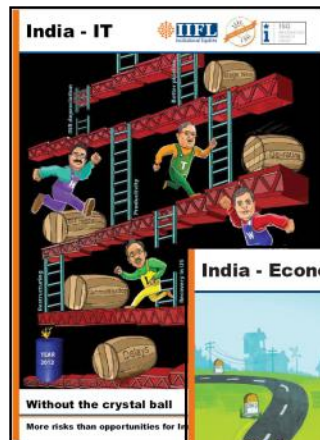
Industry APE growth YoY



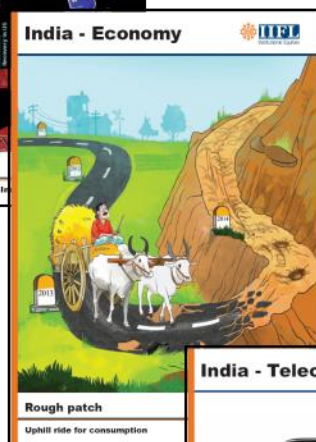
Source: IRDA



# Despite challenging market conditions IIFL gains market share



Highlights structural headwinds to growth and limited margin levers for Indian IT companies



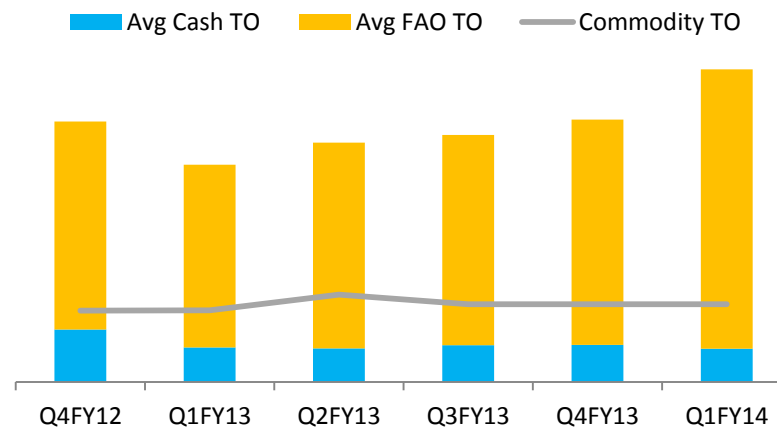
The report argues that household consumption will sharply slow in the next 1-2 years



This report assesses the potential of mobile money and quantifies the possible upside to telcos in the next 3-5 years

- Average daily turnover was at ₹ 6,518 Cr in Q1FY14 up 19% qoq, up 44% yoy
- Average daily commodities turnover was at ₹ 1,701 Cr in Q1FY14, 5% up qoq and up 14% yoy
- Our in-depth, thematic research published during the quarter include reports on Economy, Telecom and IT

## Average daily turnover (₹ Cr)



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# 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	Finance	Dhruv Jain
Investment Banking	Nipun Goel	Compliance	R Mohan
Consumer Finance	Pratima Ram	Operations	Narendra Jain
PMS & Retail Broking	Prasanth Prabhakaran	Audit	Kamal Ahuja
Wealth Management	Karan Bhagat	Risk	Upendra Jaiswal
International Operations	Bharat Parajia	Human Resources	Pallab Mukherji
Offshore Asset Management	Amit Shah	Technology	Tejas Mehta
Insurance Distribution	Mukesh Singh	Customer Service	Loveena Khatwani

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



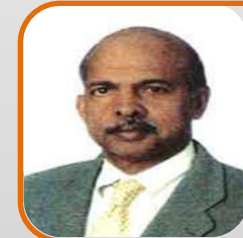
**A K Shukla**  
*Independent Director*  
Former Chairman of LIC



**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

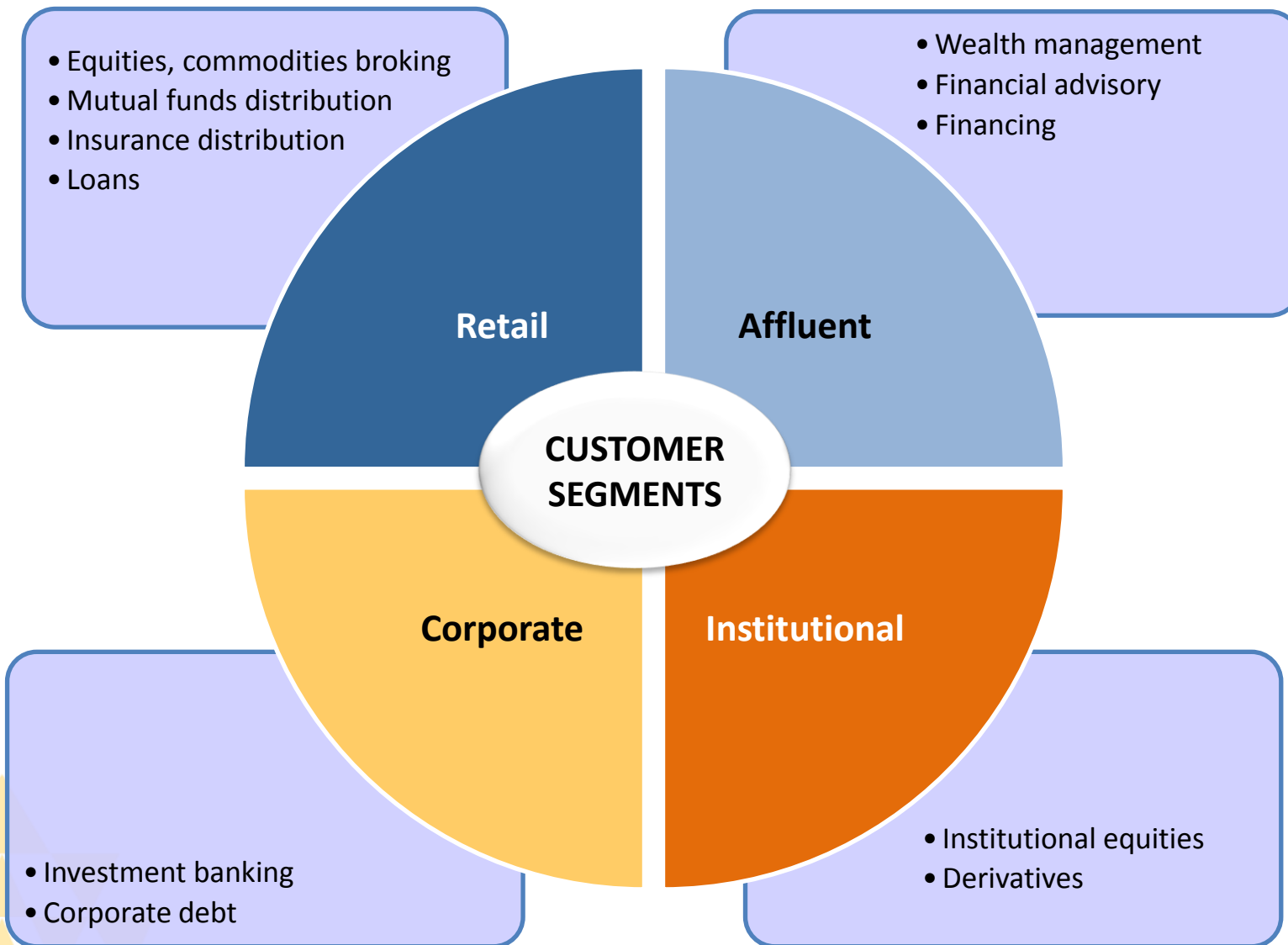


**Homai Daruwala**  
*Independent Director*  
Former Chairperson &  
Managing Director of  
Central Bank of India



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

# Business model



## Our service offerings

- Equities

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- Insurance

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- Credit & finance

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- Wealth management

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- Asset management

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- Investment banking

## How we differentiate ourselves

### Managerial depth

- Promoted by first generation professional entrepreneurs
- Highly qualified and experienced Management team

### Well-capitalized

- Group networth of ₹2,038 Cr
- Significant unutilized capacity to leverage

### Distribution reach

- Present at close to 4,000 business locations across more than 900 cities in India
- Global footprint covers Colombo, Dubai, New York, Mauritius and Singapore

### Owner-mindset

- The top management is driven by pride and reward of ownership
- 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
- Effectively harnessed technology to provide superior customer experience

### De-risked

- De-risked and diversified business model across multiple revenue streams
- Multiple products across all segments of financial services

## Recent awards and accolades received by IIFL



**BEST WEALTH MANAGEMENT COMPANY IN INDIA (>50 EMPLOYEES) 2013**



**BEST EQUITY PORTFOLIO MANAGEMENT 2013**



**BEST CUSTOMER SERVICE IN FINANCIAL MARKETS 2013**



**BEST REAL ESTATE INVESTMENT 2013**



**ENTREPRENEUR OF THE YEAR (MR NIRMAL JAIN) 2012**



**BEST BROKING HOUSE WITH GLOBAL PRESENCE 2011 & 2012**



**TOP PERFORMER – EQUITY – FI CATEGORY – 2012**



**BEST WEALTH MANAGEMENT HOUSE – INDIA 2011 & 2012**



**BEST MARKET ANALYST 2009 & 2012**



**BEST COMMODITIES INVESTMENT 2012**



## FLAME (IIFL's Financial Literacy Campaign) update

Over 53,000 students enrolled for Financial Literacy across the country. Students, who appeared for an objective-type evaluation were presented with certificates of participation and merit. Over 15,000 students have already evinced interest for the next batch.



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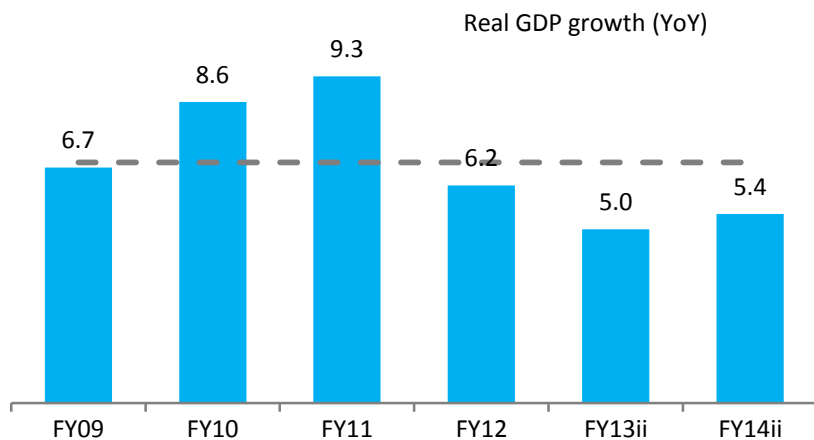
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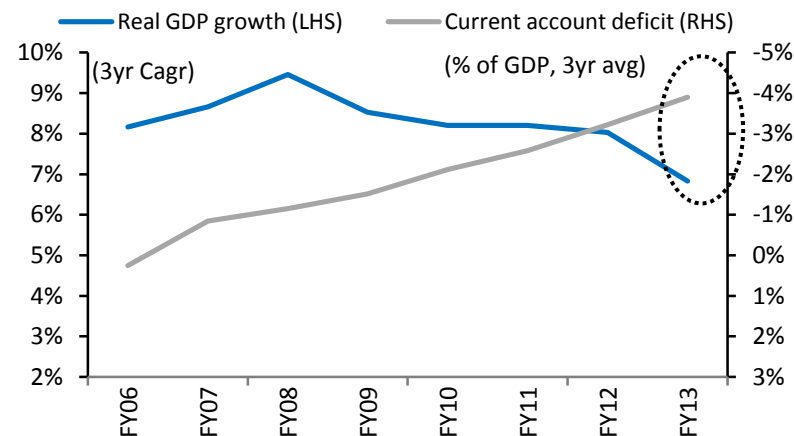
# Macro economy

## Growth may remain below trend



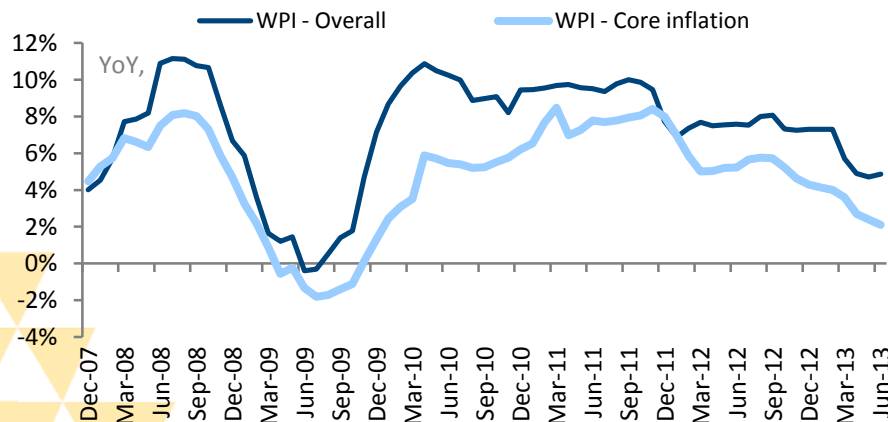
Source: CMIE, IIFL Research, FY13 GDP data is Advance Estimate

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



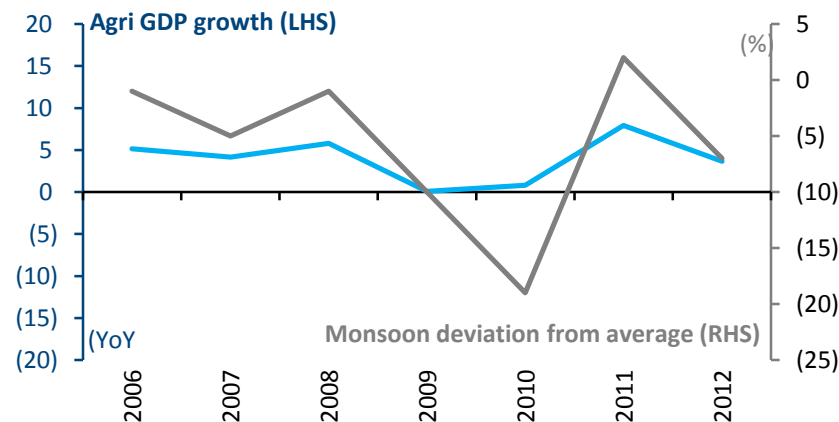
Source: CMIE, IIFL Research

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



Source: Bloomberg, IIFL Research

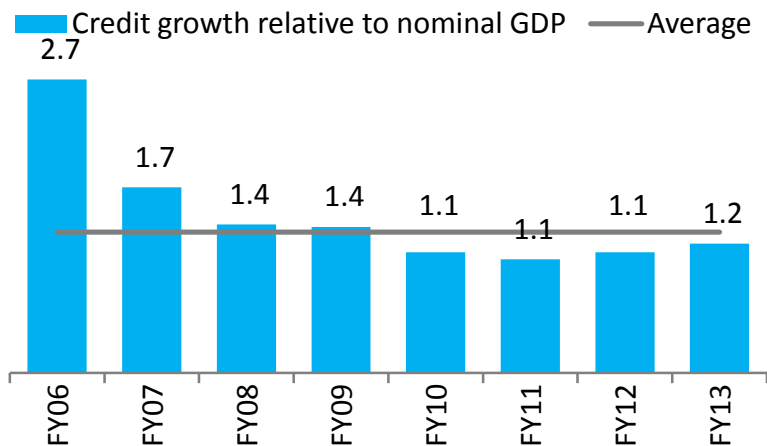
## Monsoon is the key driver of near term growth



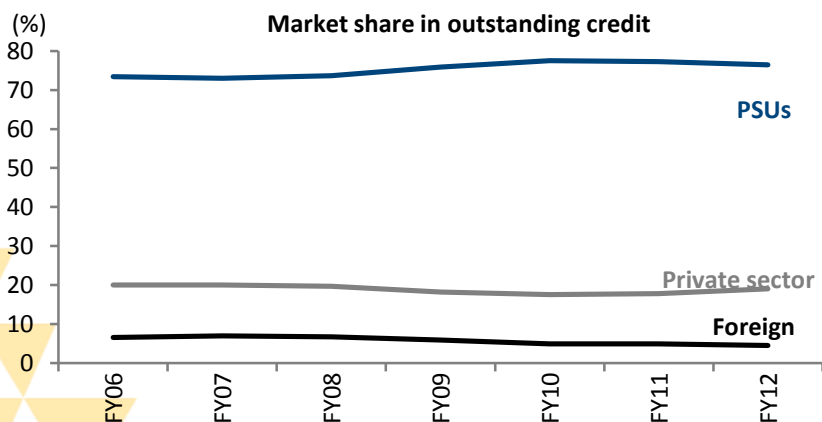
Source: CMIE, FAO, Govt of India, NDDB, IMD, IIFL Research

# Credit and Finance

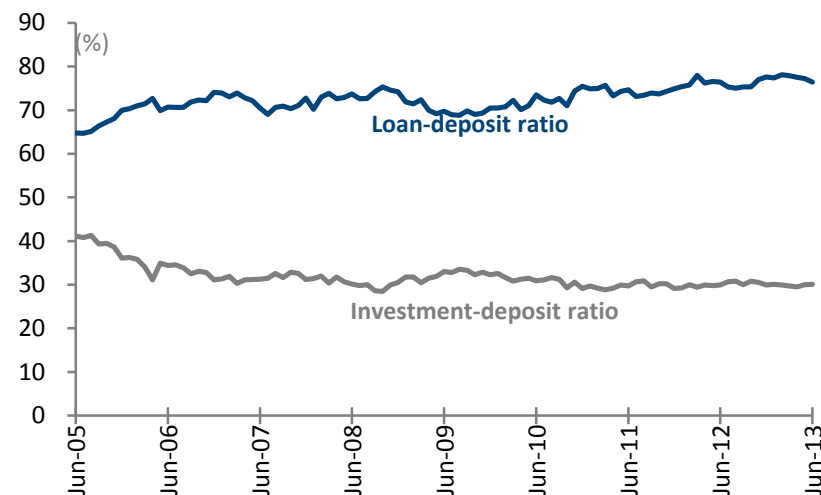
Credit growth to nominal GDP has been relatively sluggish



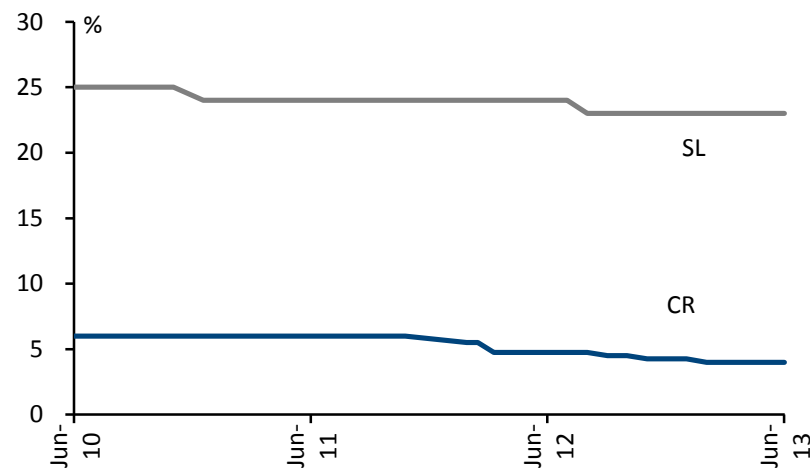
PSU banks steadily losing market share in the credit market



Loan-deposit ratio has structurally moved up

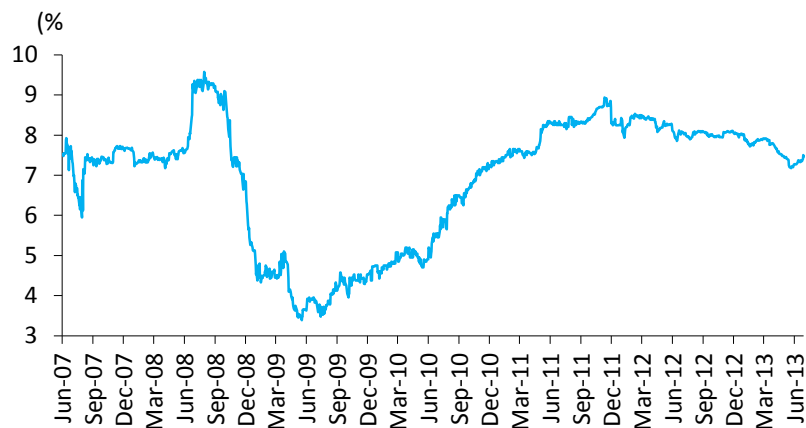


Reserve ratios - CRR and SLR trend

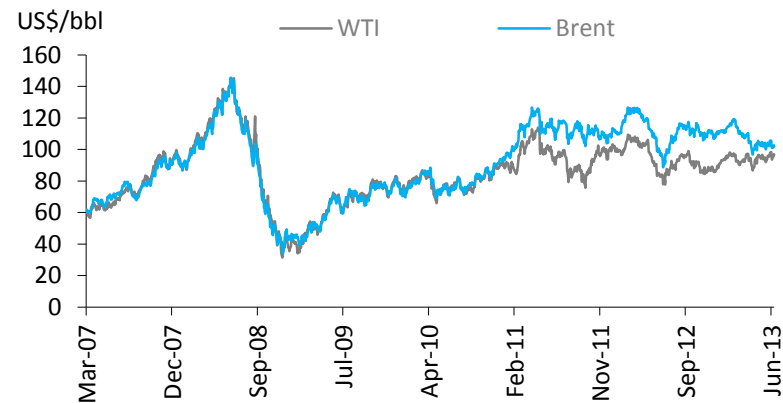


# Capital raising and fund flows

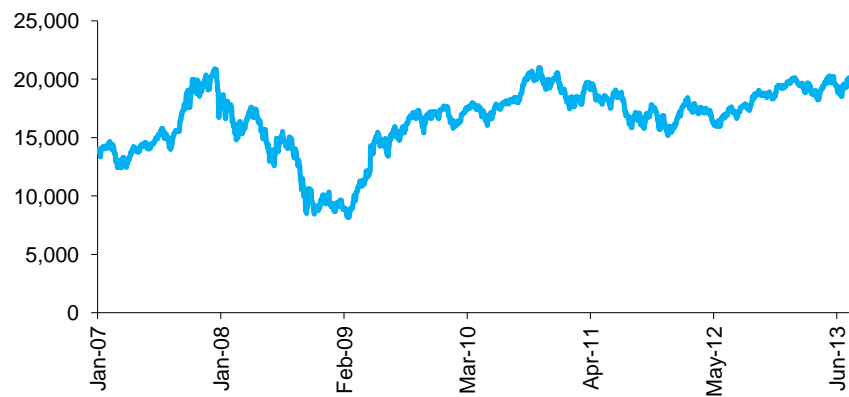
### 364 Day T-Bill yield (%)



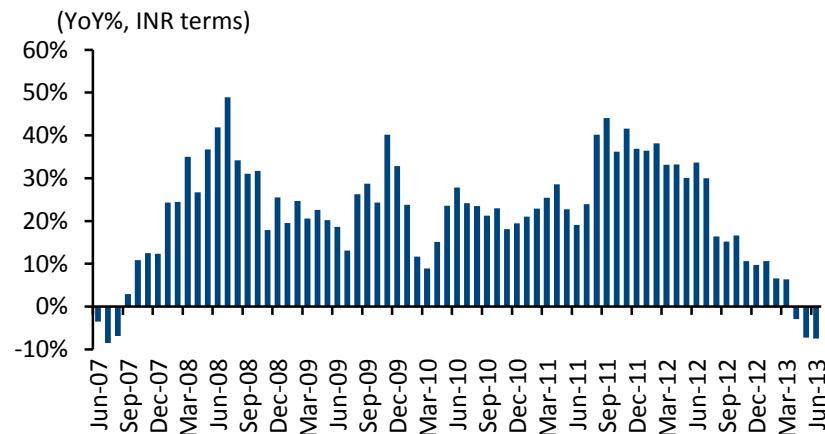
### Crude Prices (US\$)



### Sensex movement



### Gold price change

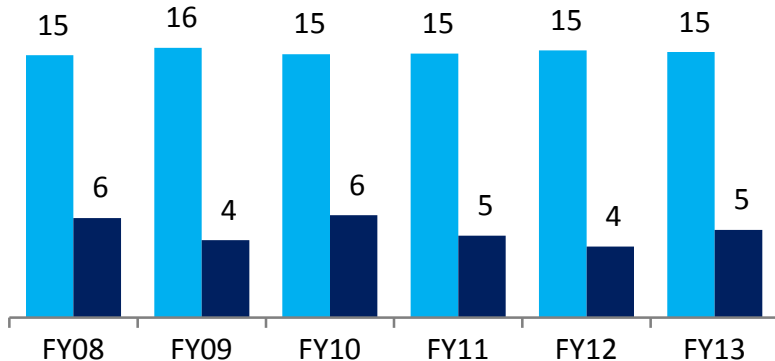


# Insurance and Mutual funds

## Modest increase in non banking system

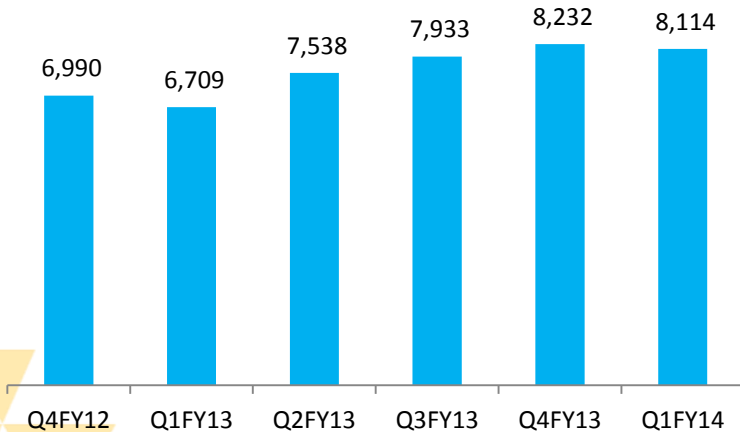
■ Fixed income investments of insurance companies

■ Fixed income AUM of mutual funds



Source: CMIE, RBI, World Bank, IIFL Research

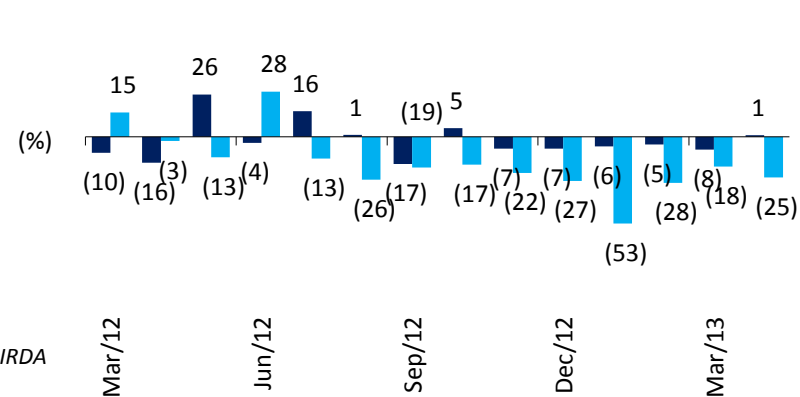
## Average MF AUM (Rs bn)



Source: AMFI

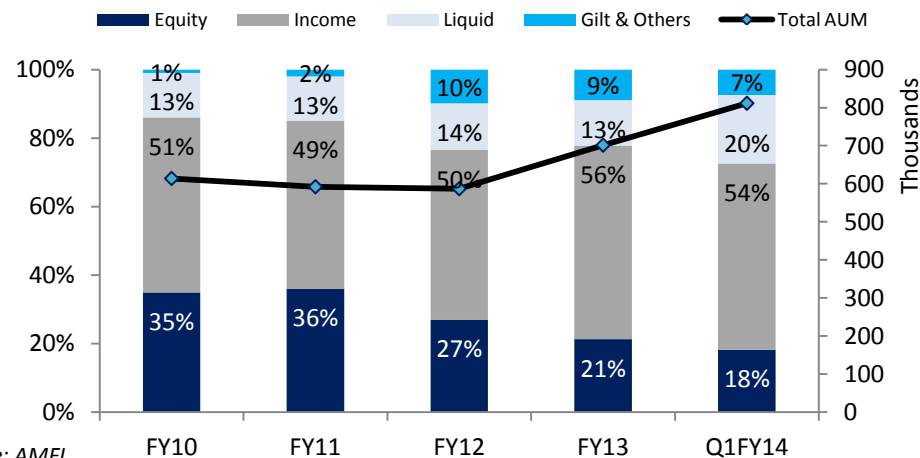
## APE growth yoy (%)

■ Private Players ■ LIC



Source: IRDA

## AUM by asset class (Rs Bn)



Source: AMFI

# Thank you

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