

IIFL Holdings Limited

Press Release

For immediate publication

Mumbai, India

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I. Results update

IIFL Consolidated

-Net Profit* for Q3FY18 at ₹301Cr (up 36% y-o-y) and 9MFY18 at ₹844Cr (up 44% y-o-y)

-Income for Q3FY18 at ₹988 Cr (up 34% y-o-y) and 9MFY18 at ₹2,773Cr (up 40% y-o-y)

For the quarter and nine months ended December 31, 2017 (Q3FY18, 9MFY18)

- Net profit stood at ₹301 Cr for the quarter, up 36% y-o-y, and ₹844.1 Cr for nine months, up 44% y-o-y
- Consolidated income stood at ₹988 Cr for the quarter, up 34% y-o-y, and ₹2,773.1 Cr for nine months, up 40% y-o-y
- Loan assets under management in NBFC business at ₹27,288 Cr, up 29% y-o-y
- Wealth assets at ₹1,28,175 Cr, up 58% y-o-y

Summary: Consolidated – Q3FY18

| ₹ Crore | Quarter ended December 31, 2017 | Quarter ended December 31, 2016 | Y-O-Y | Quarter ended September 30, 2017 | Q-O-Q |
|----------------------------|------------------------------------|------------------------------------|-------|-------------------------------------|-------|
| Income [#] | 987.6 | 739.1 | 34% | 944.5 | 5% |
| Profit Before Tax | 429.7 | 329.0 | 31% | 414.0 | 4% |
| Net Profit (Pre-Minority) | 301.3 | 222.3 | 36% | 290.9 | 4% |
| Net Profit (Post-Minority) | 235.8 | 179.1 | 32% | 229.1 | 3% |

Summary: Consolidated – 9MFY18

| ₹ Crore | Nine-months ended December 31, 2017 | Nine-months ended December 31, 2016 | Y-O-Y | Year ended March 31, 2017 | Y-O-Y |
|----------------------------|--|--|-------|------------------------------|-------|
| Income [#] | 2,773.1 | 1,982.1 | 40% | 2,832.6 | 24% |
| Profit Before Tax | 1,219.1 | 861.0 | 42% | 1,224.0 | 45% |
| Net Profit (Pre-Minority) | 844.1 | 587.6 | 44% | 822.2 | 48% |
| Net Profit (Post-Minority) | 663.0 | 499.7 | 33% | 686.1 | 34% |

* Net Profit is pre-minority

[#] Income is net of interest expenses

Mr. R. Venkataraman, Managing Director, IIFL Holdings Ltd., commented on the financial results, *“We are pleased to report another quarter of robust growth in our core businesses. Our loans & mortgages business growth has been driven by mortgages, leveraging our own network of branches. In our overall loan book, we have maintained superior asset quality consistently. Wealth business AUM has grown strongly as well. Investment banking business executed several marquee deals in this quarter.”*

Loans and Mortgages

The Loans and Mortgages business is carried out by a non-banking finance company and its two subsidiaries, housing finance company and micro finance company; conducted through 1200+ branches spanning the length and breadth of the country.

The profit after tax for Q3FY18 was ₹146 Cr, up 30% y-o-y, while total income was ₹499 Cr, up 42% y-o-y. NBFC's ROE¹ for Q3FY18 stood at 15.4% and ROA was 2.2%. Average borrowing costs declined 10bps q-o-q and 90bps y-o-y to 8.4%. Net Interest Margin was up 35 bps y-o-y.

Loan assets under management (AUM), predominantly retail, showed a steady growth of 29% y-o-y to ₹27,288Cr, mainly driven by small-ticket home loans and SME loans. Retail home loan assets grew to ₹7,500 Cr, up 61% y-o-y. CV, Gold and Micro-Finance loans were other drivers.

The securitized loan book currently at ₹3,726 Cr is 14% of AUM, up from 10% a year back. There exists significant opportunity for securitization, which will positively impact profitability and CAR.

Asset quality remains sound with GNPA of 2.1% and NNPA of 1.2% as on December 31, 2017. Against gross NPA of ₹495 Cr, specific provisions stand at ₹218 Cr, giving provision coverage of 44%.

Besides this, provision of ₹96 Cr has been made for standard assets as per statutory requirements. Total provision coverage (including standard asset provision) stands at 63% of gross NPAs.

IIFL Finance has long-term credit rating by CRISIL AA/Stable, [ICRA] AA (Stable), CARE AA (Positive).

Capital adequacy: Total CAR stood at 18.2% including Tier I capital of 16.8% as at December 31, 2017 as against statutory requirement of 15%

IIFL contribution in PMAY-CLSS: IIFL has assisted 6,600 households to acquire homes with benefit of government subsidy of more than ₹147 Cr under the PMAY- CLSS (Pradhan Mantri Awas Yojana – Credit Linked Subsidy Scheme), till December 2017.

Micro-Finance Business: During the quarter, Samasta Microfinance, has continued its steady growth, with additional expansion in the eastern and southern parts of the country. The loan assets for quarter ended December 31, 2017 stood at ₹572 Cr, up 42% q-o-q and MFI base increased to over 3,00,000 customers, up 47% q-o-q.

¹ Figures are annualized.

Wealth and Asset Management operations

IIFL Wealth Management is the leading wealth management company in India. The company has catapulted itself to become the largest private wealth management firm in India in less than a decade since its inception. Today, it actively manages assets of more than 10,000 High Net Worth Individuals (HNI) and Ultra HNI families in India and abroad. Headquartered in Mumbai, IIFL Wealth has more than 800 employees and a presence in 9 major global financial hubs across 23 locations in India and around the world.

The company's total assets under management, distribution and advice witnessed 58% y-o-y growth to reach ₹1, 28,175Cr in Q3FY18. The PAT was at ₹100 Cr, up 54% y-o-y. IIFL Wealth Finance, a wholly-owned NBFC subsidiary of IIFL Wealth focused on providing loan against securities to wealth clients had a loan book of ₹5,847 Cr in Q3FY18, up 21% q-o-q.

Capital Market and others

IIFL is a key player in both retail and institutional segments of the capital market, and category I merchant banker. We have close to 1,200 service locations comprising a wide branch and sub-broker network and providing unparalleled research coverage on over 500 companies. At the back of strong domestic inflows, the business has recorded a robust performance. During the quarter, the average daily market turnover for the broking business was ₹14,924 Cr, up 71% y-o-y with the cash market turnover at ₹1,4211 Cr, up 45% y-o-y.

Our mobile trading app, 'IIFL Markets' continues to be the highest rated on Android and IOS amongst peers (4.3) with over 13 lakh downloads. There has been a steady increase in number of clients trading through the mobile platform; during the quarter, close to 40% of retail customers have traded through the app. IIFL's Mutual Fund App crossed 2.2 lakh downloads and is steadily building on its customer base.

Investment Banking: During the quarter, IIFL has completed 11 transactions across capital markets and advisory transactions. This includes 5 IPOs, 1 rights issue and a number of other capital markets and advisory transactions.

IIFL has been ranked #3 in equity issuances for calendar years 2016 and 2017, covering IPOs, FPOs, QIPs and InvITs (*Source: Prime database, for the period Jan 1, 2016 to December 31, 2017 on full credit basis covering IPOs, QIPs, FPOs and InvIT offerings).

IIFL has a strong pipeline of transactions which are at various stages of execution and continues to ramp up the team to capitalise on the growth opportunities

India Infoline Finance Limited Board changes

Ms Rajashree Nambiar, has resigned from the Board of Directors and as CEO of India Infoline Finance Limited. The Board has taken on record her valuable contribution in building IIFL business during her tenure of over 3 years. Mr R Venkataraman has been appointed as the Managing Director of India Infoline Finance Limited effective February 1, 2018.

Proposed change in Broking subsidiary's name to IIFL Securities

India Infoline Limited (IIFL) is a wholly owned subsidiary of the listed company IIFL Holdings Ltd. The subsidiary deals in the securities market, offering broking services for equities, derivatives etc. The services are branded as IIFL and the proposal is to have the name of the corporate entity to be consistent- "IIFL Securities Ltd", subject to regulatory approvals.

Interim Dividend

The Board of Directors of the Company has declared an interim dividend of ₹5.0 per equity share of the face value of ₹2 each for the financial year 2017-18. The Company has fixed February 08, 2018 as the record date for this purpose.

Awards and Accolades received in Q3FY18:



- IIFL ranked #241 in the **Fortune 500 –India** List, up 42 places from a year back
- National Housing Bank recognized IIFL Housing Finance amongst Best Performing Primary Lending Institutions under CLSS for EWS/LIG
- IIFL was certified by the 'Great Place to Work Institute'
- IIFL was awarded as "India's Greatest CSR Brand" by Asia One magazine
- IIFL team received top honours at the ICAI Awards with wins in the categories 'The CA Entrepreneur Leader', 'The CA Distinguished Achiever - Capital Market Sector' and 'The CA Corporate Contributor - BFSI Sector'

II. IIFL Group reorganization

Group reorganization to result in three listed companies for three distinct businesses

The Boards of Directors of IIFL Holdings and its subsidiary companies, at their respective meetings held on January 31, 2018, have decided to reorganize the corporate structure. Over the last 23 years, IIFL has expanded into multiple financial services activities and has emerged as one of the leading financial services groups in India. Today, the group's business comprises three distinct business lines:

1. Loans and Mortgages;
2. Wealth and Asset Management; and
3. Capital Markets

The reorganization will result in three listed entities, one for each of the above businesses.

Commenting on the proposed reorganization, Mr. Nirmal Jain Founder & Chairman of IIFL Group said *"World over, investors and regulators are favoring corporate structures to change from control oriented close-knit, conglomerates to innovation and idea driven independent enterprises. Financial services industry is poised for an exponential growth driven by domestic growth, demonetization and digitization. At the same time, incumbent players are being challenged by new entrants like never before. We believe, in such an environment, organizations sharply focused on their expertise in niche verticals, are better placed to emerge as the leaders. The reorganization will prepare IIFL group companies for the growth opportunities amidst intensifying competition in the coming decade."*

There is no change in listed company's shareholders' ultimate beneficial interest

The reorganization, subject to necessary statutory and regulatory approvals including NCLT, Mumbai; will result in

Owner of Seven shares of IIFL Holdings' (the listed company) to own post reorganization

- a) Seven shares of **IIFL Finance**;
- b) Seven shares of **IIFL Securities**; and
- c) One share of **IIFL Wealth**

Every individual shareholder's stake in the three companies, post re-organization, will reflect current beneficial ownership directly or indirectly through the subsidiaries.

Why do we need three listed entities?

We believe that all the core businesses have acquired a critical mass. They need flexibility and independence to grow faster in the rapidly changing technology and innovation driven environment. Each of the core businesses has a differentiated strategy, risk profile and growth trajectory. They need to continue to attract high quality talent to sustain growth momentum. Each company, listed separately can attract and motivate its key people with stock options such that their rewards are strongly correlated with their performance. IIFL Group, founded on the culture of 'owner mindset', believes in shared ownership and shared accountability by all team members.

The businesses, regulated by different regulators, can also attract Board members with relevant domain experience to guide the management teams. These listed entities will be subject to public, media, analysts and regulatory scrutiny. A clean corporate structure with no cross holdings, ensures transparency, highest standards of governance and compliance. It also enhances operational flexibility and helps quick response to competitive or environmental challenges.

How will it affect liquidity in listed shares and shareholders' value of the three entities?

All three businesses have attained scale in terms of revenues and profits. We expect each of them to have adequate profitability and market capitalization to ensure reasonable liquidity. Two of the three businesses, namely Loans & Mortgages and Wealth & Asset Management have external private equity investors. They will now have price discovery and exit option on secondary markets, post listing and expiry of lock in periods. Independently listed businesses also make it easier to forge a partnership with a strategic investor. Besides, they would attract different sets of financial investors, helping the process of fair price discovery for all three businesses.

Cross sell opportunities and related party transactions

Each of the proposed entities has multiple products and a distinct customer base. Most of the cross-sell opportunities will be within each of these three independent companies as compared to other companies. IIFL Wealth exclusively focuses on HNIs for all their investment and financing requirements. IIFL Finance will meet borrowing needs of retail customers whereas IIFL Securities will focus on fulfilling investment requirements of retail and mass affluent investors. These entities also have arrangements with other financial services entities including current group entities for cross sell opportunities. Even today, all the companies have such agreements, providing for fair transfer pricing and arm's length dealings *inter se* group companies. Related party transactions amongst these companies have been minimized and when necessary, are done at market price and with requisite Audit Committee and Board approvals.

When will this reorganization be effective?

The reorganization process requires multiple approvals and can take 10-12 months. However, the scheme will be effective from the appointed date.

Business model and strategy

IIFL Finance

IIFL Finance will focus on retail lending and digital delivery. The company has been investing aggressively and digitalizing the operations to reduce cost, improve productivity and enhance customer experience. Demand for credit is growing rapidly, driven by economic growth. Spread of credit bureau coverage and technology is creating opportunities for unorthodox and innovative approach to credit selection as well as delivery. IIFL's strategy is to leverage its vast distribution network covering every nook and corner of the country, highly specialized credit appraisal skills in key segments and strong focus on technology.

IIFL Wealth

IIFL Wealth strategy has been driven by a sharp focus on innovation and customer centricity. The three primary activities comprise-

- Domestic high net worth individuals (HNIs), are offered services including investment advisory, family office, distribution and brokerage services along with assistance in succession planning
- Overseas NRIs and Institutional investors are offered advisory execution support and platform for investment in Indian securities
- Asset Management strategy is driven by AIF products for HNI and mass affluent. It also offers PMS and Mutual fund products managed by experienced professionals with a proven track record

IIFL Securities

IIFL Securities business leverages its internationally acclaimed research to power all its products. It has separate teams of analysts for institutional, retail investors and investment banking activities. The business also has aggressively invested in cutting-edge digital technology to stay ahead of the curve. IIFL Securities will offer securities related products to

- Retail investors and mass affluent investors- equities, derivatives, commodities, currency, life insurance, health insurance products, mutual funds, bonds and other investment products
- Institutional investors- equities research, broking and advisory
- Investment banking- corporate finance, with focus on equity raise through IPOs, QIPs and also debt raising and M&A advisory

About IIFL

IIFL Holdings Ltd (NSE: IIFL, BSE: 532636) is a leading player in the Indian financial services space. IIFL is engaged in the business of loans and mortgages, asset and wealth management, capital markets and financial products distribution, investment banking, institutional equities and realty services through its various subsidiaries.

IIFL Holdings Ltd is headquartered in Mumbai with overseas offices in London, New York, Geneva, Hong Kong, Dubai, Singapore and Mauritius. Started as a research firm in 1995, IIFL is a first generation venture. Today, IIFL is a diversified financial services group with a consolidated net-worth of ₹4,969 Cr as on December 31, 2017, offering a gamut of services to more than 40 lakh customers across various business segments and is continuously building on its strengths to deliver excellent service to its expanding customer base.

IIFL is featured in the prestigious **Forbes list of 'India's Super 50 Companies'** in 2017, a benchmark to identify Indian companies that exhibit high growth in profitability, sales and shareholder returns. IIFL is also among the **'Outlook Business Outperformers'** - a prestigious list of eight companies which have beaten the Sensex over a five-year period. IIFL is ranked as the **#1 Investment Banker** in Equity Issuances for CY2016 and CY2017 YTD(January 2016-December 2017) by PRIME Database. IIFL won **'The Best Private Banking Services Overall, India'** award at Euromoney Private Banking and Wealth Management Survey, 2017. IIFL was recognized as **'India's Most Trusted Financial Service Brand (Non-Bank)'** by the Brand Trust Report India Study, 2016. IIFL Group bagged **'Best Customer Service in the Financial Sector'** by World Quality Congress - service quality awards in 2015. IIFL received **'India's Most Promising Brand'** 2014 award at WCRC Global India Excellence Summit in London, in 2014.

This document may contain certain forward looking statements based on management expectations. Actual results may vary significantly from these forward looking statements. This document does not constitute an offer to buy or sell IIFL products, services or securities. The press release, results and presentation for analysts/press for the quarter ended December 31, 2017, are available under the ['Investor Relations'](#) section on our website www.iifl.com.

IIFL/ India Infoline refer to IIFL Holdings Ltd and its group companies.

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