

# IIFL WEALTH AND ASSET MANAGEMENT

Quarterly Performance Review - Q2 FY 20  
October 2019



# A LEADER IN WEALTH MANAGEMENT & ALTERNATES

## #1 Wealth Manager in India

### WEALTH MANAGEMENT

- Discretionary
- Non Discretionary
- Broking and Distribution Services
- Corporate Advisory & Custody Services

**AUM: Rs. 136,021 Cr.**



**26  
OFFICES**



**FY 20 Q2  
PAT at  
70 Crs**



**950+  
Employees**



**Consolidated AUM  
Incl Custody Assets  
Rs 1,72,763 Cr.**

## #1 Manager of Alternates in India

### ASSET MANAGEMENT

- Alternate Investment Funds
- Discretionary Portfolio Management
- Mutual Funds
- Global Asset Management

**AUM: Rs. 23,420 Cr.**



**5,500+  
RELEVANT  
FAMILIES<sup>1</sup>**



**66  
Teams  
with 290+ RMs**

1. Relevant Families: Basis Number of families with AUM as on the 30<sup>th</sup> of Sept 2019 in excess of Rs 1 Cr  
2. AUM as on 30<sup>th</sup> Sept 2019. Wealth AUM excludes custody assets.

# KEY BUSINESS HIGHLIGHTS

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1

While overall client sentiment for new investments remains weak, our continuing philosophy of wealth preservation positions us well with clients

- Industry continues to grow with wealth creation due to monetization and corporate action events
  - New client acquisition remains strong with 100+ relevant families added in the last quarter
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Stable revenues with Q2 FY20 PAT at Rs. 70 crs; Net new money at over Rs. 7,000 crs for H1 FY 20

- Annual Recurring Revenues (ARR) remain strong, growing 21% YoY; Advisory (incl. IIFL One) continues to be our key focus area, with revenues increasing by 19% QoQ.
  - Reduction in net revenues (QoQ) is due to one-time provisioning of Rs 18 Crs (~62% of holding value) as a write down on exposure to Reliance Capital
  - Improvement in PAT QoQ includes benefit of reduction in effective tax rate to 16% in Q2FY20 (32% in Q1)
  - Interim dividend of Rs 10 declared – expected to maintain a dividend policy reflecting 50-75% of yearly PAT
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3

Wealth business focus continues towards strengthening advisory platform and building sustainable, long-term relationships and assets

- Focus on geographical expansion – increased client traction across non-metro cities (tier 1 / tier 2); 4 new offices in this financial year
- Industry continues to see consolidation trends, providing potential client and talent acquisition opportunities
- Launch of pooled Discretionary PMS product – will provide strong growth push to driving our ARR revenue over next 12-18 months

# KEY BUSINESS HIGHLIGHTS

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4

Strong momentum in Asset Management business – expected to continue

- Total Assets Under Management grew more than 43% on a YoY basis and have now crossed Rs 23,420 crores. AUM grew by 5% on a QOQ basis
  - Continued focus on scaling up AUM across existing products and selectively adding new strategies
    - Maintaining industry leading market share of 13% in AIFs
    - Well placed to become largest player in listed equity PMS over next 2-3 years
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Other key highlights from the quarter

- Successful completion of demerger of IIFL Wealth from Parent and listing on BSE & NSE
- IIFL Wealth has entered into an agreement to acquire the wealth management business of L&T Finance (subject to regulatory approvals)
- Continued focus on maintaining industry leadership position on adoption of technology
  - Implementation of Salesforce as the preferred CRM solution
  - Digitally-enabling key processes and deployment of analytics to drive superior client experience and improve internal efficiency
- Ongoing focus on cost optimization and productivity enhancement to improve overall cost-to-income ratio across all business segments

# QUARTERLY PERFORMANCE HIGHLIGHTS

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# BUSINESS SUMMARY

INR Cr	FY 20 H1	FY 20 Q2	FY 20 Q1	FY 19 H1	FY 19 Q2	FY 19 Q1
<b>Closing AUM</b>						
Recurring Revenue Assets	64,016	64,016	63,530	45,561	45,561	45,021
Transactional / Brokerage Assets	99,276	99,276	97,930	94,197	94,197	88,179
<b>Total AUM</b>	<b>163,292</b>	<b>163,292</b>	<b>161,460</b>	<b>139,758</b>	<b>139,758</b>	<b>133,200</b>
Less: Double counted Assets	19,436	19,436	19,149	19,541	19,541	18,674
<b>Net Total AUM</b>	<b>143,856</b>	<b>143,856</b>	<b>142,312</b>	<b>120,217</b>	<b>120,217</b>	<b>114,527</b>
<b>Revenues</b>	<b>429</b>	<b>212</b>	<b>217</b>	<b>589</b>	<b>295</b>	<b>294</b>
Recurring Revenues	253	125	129	203	103	100
Transactional / Brokerage Income	189	106	82	356	165	191
Other Income	-13	-19 <sup>1</sup>	6	29	27	3
<b>Retention</b>	<b>0.61%</b>	<b>0.59%</b>	<b>0.62%</b>	<b>1.01%</b>	<b>1.01%</b>	<b>1.03%</b>
Recurring Revenue Earning Assets basis avg AUM	0.83%	0.78%	0.84%	0.90%	0.91%	0.88%
Transactional / Brokerage Assets basis Gross Flows	0.53%	0.56%	0.49%	0.84%	0.78%	0.90%
<b>Costs</b>	<b>257</b>	<b>130</b>	<b>127</b>	<b>283</b>	<b>140</b>	<b>143</b>
Employee Costs	163	83	81	198	94	104
Fixed Employee Costs	155	76	78	143	69	74
Variable Employee Costs	8	6	2	55	25	30
Admin and Other Expenses	94	48	46	85	46	39
<b>Profit Metrics</b>						
Profit before Taxes (PBT)	172	82	90	306	155	151
Profit After Tax (PAT)	131	70	61	223	106	117
Effective Tax Rates	24%	16%	32%	26%	35%	28%
<b>Cost to Income Ratio</b>	<b>59.92%</b>	<b>61.40%</b>	<b>58.47%</b>	<b>48.07%</b>	<b>47.56%</b>	<b>48.58%</b>
<b>RoE</b>	<b>8.78%</b>	<b>9.27%</b>	<b>8.32%</b>	<b>19.27%</b>	<b>15.88%</b>	<b>20.96%</b>
<b>RoE Ex Goodwill &amp; Intangibles</b>	<b>9.60%</b>	<b>10.13%</b>	<b>9.20%</b>	<b>19.27%</b>	<b>15.88%</b>	<b>20.98%</b>
Earning Per Share- Basic (Rs )		7.88	7.23		11.87	
Earning Per Share- Diluted ( Rs )		7.77	7.03		11.50	

1. Includes the provisioning of 18 crs (representing 62% of the market value) on account of the Reliance Capital exposure

# CONSOLIDATED FINANCIALS – RECLASSIFIED RESULT TABLE

Particulars	Quarter ended			Half year ended	
	Sept 30, 2019	Jun 30, 2019	Sept 30, 2018	Sept 30, 2019	Sept 30, 2018
<b>1. Income</b>	<b>375</b>	<b>362</b>	<b>435</b>	<b>737</b>	<b>864</b>
(i) Interest Income	192	184	177	376	346
(ii) Dividend & Distribution income on investments	0	1	1	1	27
(iii) Fees and commission Income	177	124	234	301	465
(iv) Net gain on fair value changes	-	24	14	24	6
(v) Sale of products	-	20	-	20	-
(I) Total Revenue from operations	369	354	426	723	844
(II) Other Income	6	8	9	13	21
<b>2. Expenses (Direct Cost)</b>	<b>163</b>	<b>145</b>	<b>140</b>	<b>308</b>	<b>275</b>
(i) Finance Costs	142	107	116	248	239
(ii) Fees and commission expense	20	20	16	40	27
(iii) Net loss on fair value changes	1	-	-	1	-
(iv) Impairment on financial instruments	(2)	(3)	3	(5)	(2)
(vi) Changes in Inventories of finished goods, stock-in-trade and work-in- progress	-	20	-	20	-
(ix) Others expenses (Reclassified)	2	1	5	3	11
<b>3. Net Revenue (1-2)</b>	<b>212</b>	<b>217</b>	<b>295</b>	<b>429</b>	<b>589</b>
<b>2. Expenses (Indirect Cost)</b>	<b>130</b>	<b>127</b>	<b>140</b>	<b>257</b>	<b>283</b>
(vii) Employee Benefits Expenses	80	78	92	158	195
(viii) Depreciation, amortization and impairment	10	10	4	21	8
(ix) Others expenses	39	39	44	78	80
<b>4. Profit before tax</b>	<b>82</b>	<b>90</b>	<b>155</b>	<b>172</b>	<b>306</b>
<b>5. Profit After Tax</b>	<b>70</b>	<b>61</b>	<b>106</b>	<b>131</b>	<b>222</b>

# CONSOLIDATED BALANCE SHEET

Rs in Crs.

ASSETS		As at Sep 30, 2019	LIABILITIES AND EQUITY		As at Sep 30, 2019
<b>1</b>	<b>Financial Assets</b>		<b>1</b>	<b>Financial Liabilities</b>	
(a)	Cash and cash equivalents	696	(a)	Derivative financial instruments	249
(b)	Bank Balance other than (a) above	111	(b)	Payables	411
(c)	Derivative financial instruments	100	(c)	Debt Securities	4,299
(d)	Receivables		(d)	Borrowings (Other than Debt Securities)	2,360
	(I) Trade Receivables	386			
	(II) Other Receivables	270			
(e)	Loans	3,937	(e)	Subordinated Liabilities	570
(f)	Investments	5,161	(f)	Other financial liabilities	360
(g)	Other Financial assets	89		Finance Lease Obligation	41
<b>2</b>	<b>Non-Financial Assets</b>		<b>2</b>	<b>Non-Financial Liabilities</b>	
(a)	Inventories	9	(a)	Current tax liabilities (Net)	28
(b)	Current tax assets (Net)	50	(b)	Provisions	10
(c)	Deferred tax Assets (Net)	18	(c)	Deferred tax liabilities (Net)	20
(d)	Investment Property	-	(d)	Other non-financial liabilities	84
(e)	Property, Plant and Equipment	299	<b>3</b>	<b>Equity</b>	
(f)	Capital work-in-progress	4	(a)	Equity Share capital	17
(g)	Intangible assets under development	-	(b)	Other Equity	3,042
(h)	Goodwill	188	(c)	Non-controlling interest	-
(i)	Other Intangible assets	91			
	Right to use	40			
	Other non-financial assets	42			
<b>Total Assets</b>		<b>11,491</b>	<b>Total Liabilities and Equity</b>		<b>11,491</b>



# BREAKDOWN OF INVESTMENTS

	Sep 30, 2019	June 30, 2019
<b>Investments</b>	<b>5261.81</b>	<b>4,371.64</b>
Derivative financial instruments [1c]	100.48	115.47
Investments [1f]	5161.32	4,256.17
<b>Investments split as</b>	<b>5261.81</b>	<b>4371.64</b>
Hedged Investments*	3938.25	3,158.35
Liquid Investments	430.23	291.30
In-transit Investments (Available for Sale)	244.66	317.27
Investment in AIF		
<i>Sponsor</i>	423.94	423.05
<i>Non-Sponsor</i>	224.73	181.67



	Sep 30, 2019	June 30, 2019
<b>Borrowings</b>	<b>7478.41</b>	<b>7,305.35</b>
Derivative Financial Instruments [1a]	249.30	226.70
Debt Securities [1c]	4298.80	3,814.71
Borrowings (Other than Debt Securities) [1d]	2360.18	2,693.81
Subordinated debt [1e]	570.13	570.13
<b>Borrowings split as</b>	<b>7478.41</b>	<b>7305.35</b>
Hedged Borrowing	3938.25	3,158.35
Net Borrowings for business	3540.17	4,147.00

\* Hedged Investments consist of products structured for clients on

1. Government of India Securities (Gsec) – 69%
2. Perpetual Bonds issued by Nationalized & Private Banks – 25%
3. Market linked debentures basis Nifty Performance – 6%  
(Includes Derivative financial instruments – 100.48)

Total Capital used for Hedged Investments: 85 Crs. This allows for a 25-30 bps reduction in cost of borrowing without any MTM risk on the capital deployed

# BREAK DOWN OF INVESTMENTS

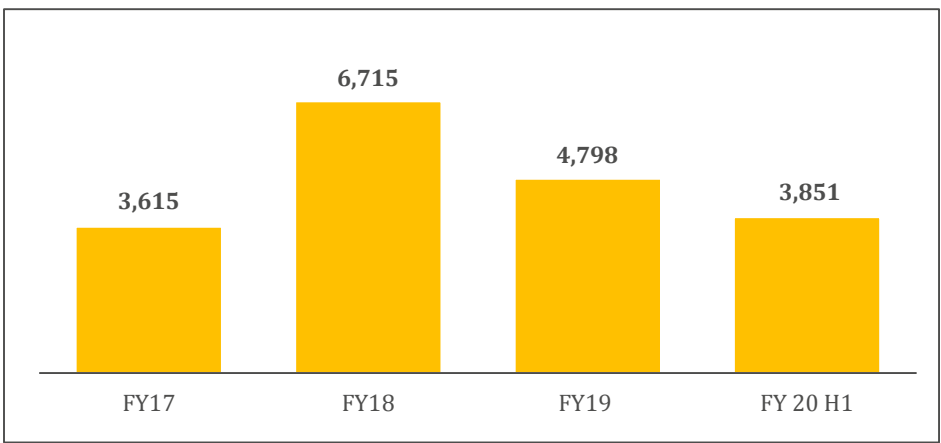
Investment Type	Category	Description	Amt(inCr)	% of total
Hedged Investments – Price movement of these investments has no impact on the P/L statements and are invested to create structured products for clients	Govt Securities	Govt Securities	2,705	51%
	PSU Bank Perpetuals	State Bank of India	288	5%
		Punjab National Bank	270	5%
		Syndicate Bank	140	3%
		Union Bank	48	1%
		Bank of Baroda	5	0%
		ICICI Bank	142	3%
	Private Bank Perpetuals	Indusind Bank	74	1%
		Axis Bank	5	0%
		HDFC bank	3	0%
Market Linked Debentures	Reliance Finance Limited <sup>1</sup>	156	3%	
Nifty Linked Option	Exchange Traded	100	2%	
Hedged Investments			3,938	75%
Liquid Investments	Mutual Funds	Liquid Fund	337	6%
		HDFC FMP	31	1%
		HDFC Short Term Debt Fund	29	1%
		IDFC Equity Fund	17	0%
		HDFC HOF	13	0%
		Other Funds	3	0%
Liquid Investments			430	8%
In Transit Investments - held for short term	Bonds	Embassy Office Park Reit – CRISISL AAA	93	2%
		Tax Free Bonds	44	1%
		Hinduja Leyland Finance Ltd	33	1%
		IRB Units	33	1%
		Reliance Capital <sup>2</sup>	11	0%
		HDFC, HDB	10	0%
		Axis Finance	5	0%
		Indigrd	5	0%
Other Bonds	10	0%		
In Transit Investments			245	5%
AIF	AIF	Sponsor	424	8%
		Non Sponsor	225	4%
AIF			649	12%
Total Investment			5,262	100%

1. As on 21st October, Reliance Finance exposure has been fully realised and we have no further exposure

2. As on date market value of Bonds held which are issued by Reliance Capital stood at Rs 29 Crs. Provision of Rs 18 Crs (representing 62% of the market value) has been taken and the residual exposure of Rs 11 Crs is now shown in the books.

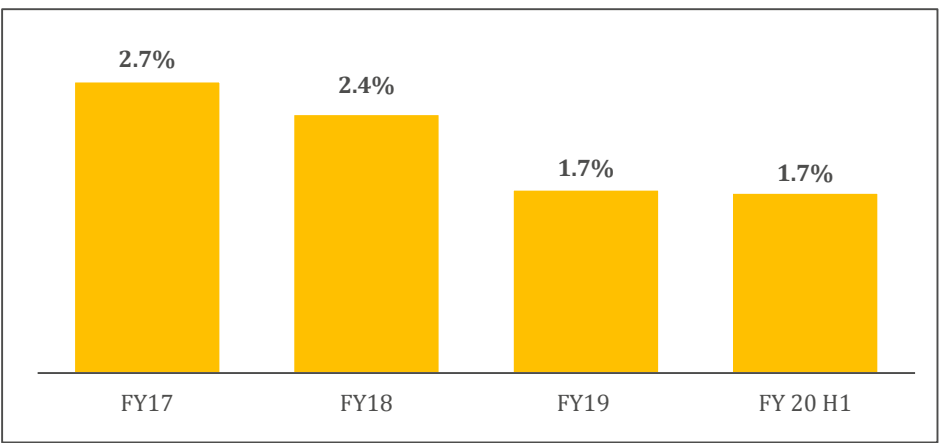
# BREAK DOWN OF LOAN BOOK

## Loan Book



- NBFC is an enabler for Wealth Management Business. No Sales / Distribution Cost as all loans sourced by the Wealth RM's
- Loan book on 30<sup>th</sup> Sept 2019 at INR 3,851 cr was ~7% lower than Q1 FY20 loan book of INR 4,159 cr
- Borrowing book (~80%+ on average) remains in the form of market linked, long dated liabilities – median cost and stable source of money
- The book has had zero credit losses since inception

## Net Interest Margin

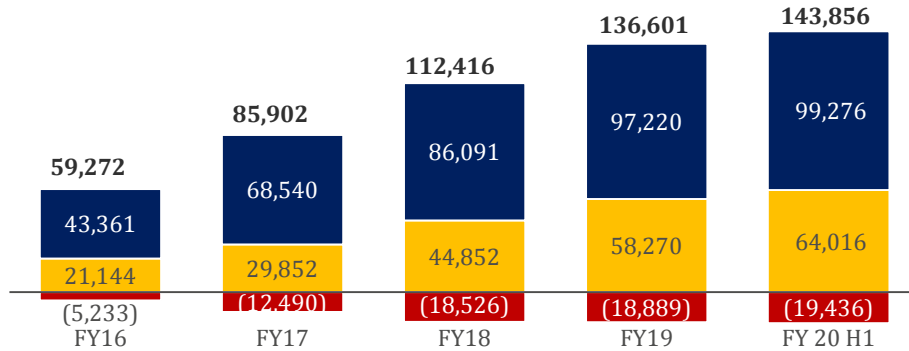


H1 FY 20	INR cr
Loans Disbursed	3662
Loans Repaid	4610
Net Movement	-948

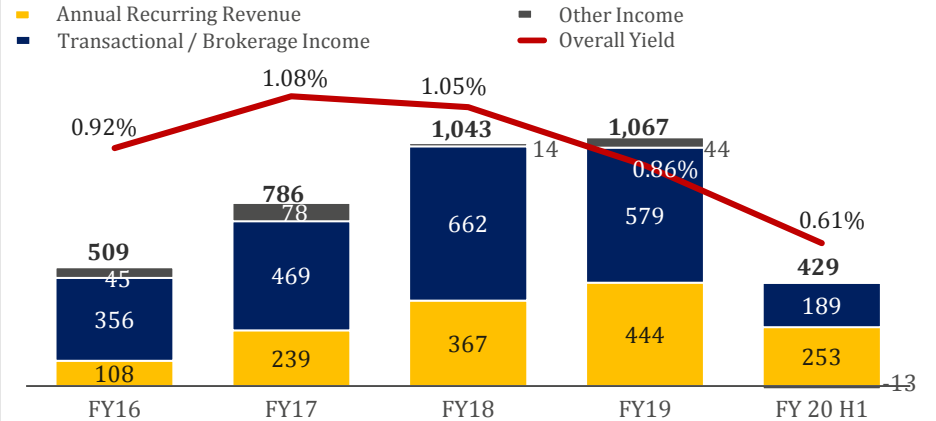
# CONSOLIDATED METRICS YOY

## Assets Under Management (Rs. Cr.) Excluding Custody

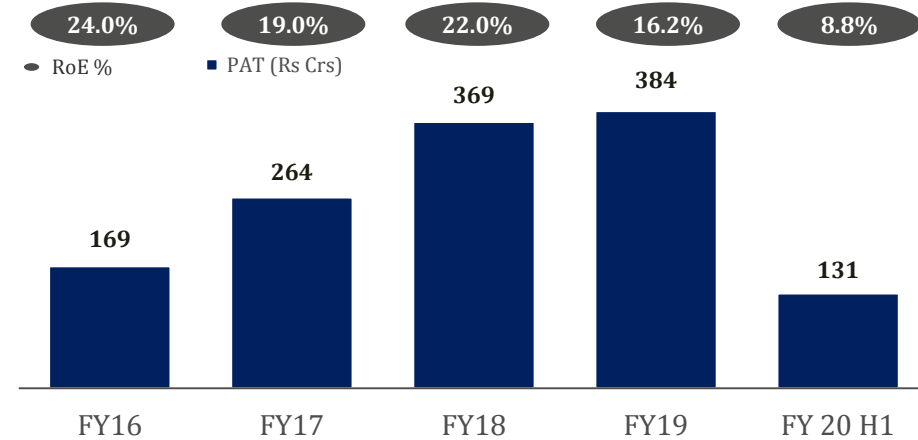
- Transactional / Brokerage Assets
- Annual Recurring Revenue Assets
- Less: AMC Assets distributed by wealth + Loan Assets double counted



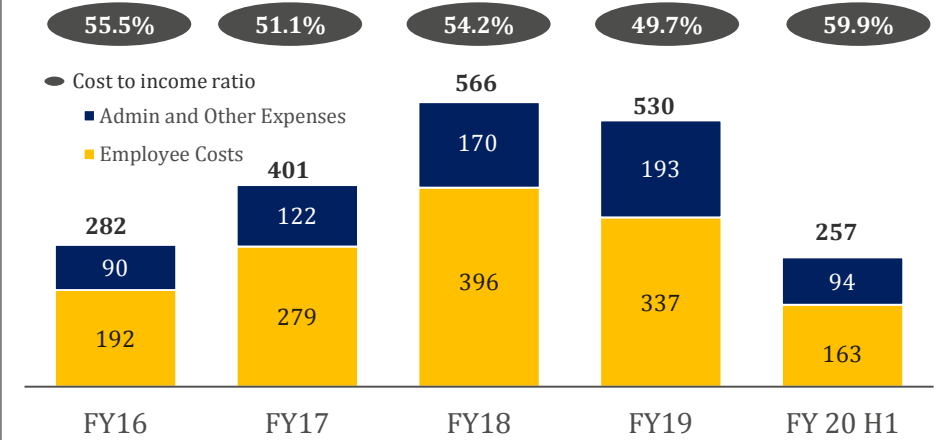
## Net Revenues (Rs. Cr.) & Yields (%)



## Profitability (Rs. Cr.)



## Cost Mix (Rs. Cr.)

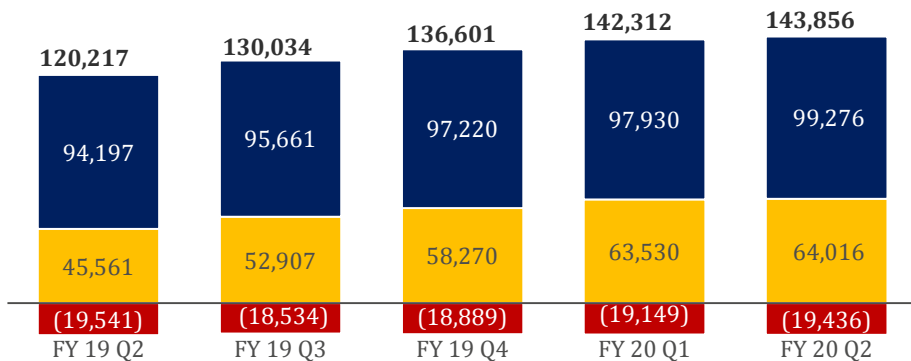


1. Net Revenues are calculated after setting of all direct operating and financing costs
2. Cost to income ratios have been calculated basis Net Revenues
3. Yield = Current year Net Revenue / Avg. of current year Assets and Previous year assets ( Excluding custody Assets)

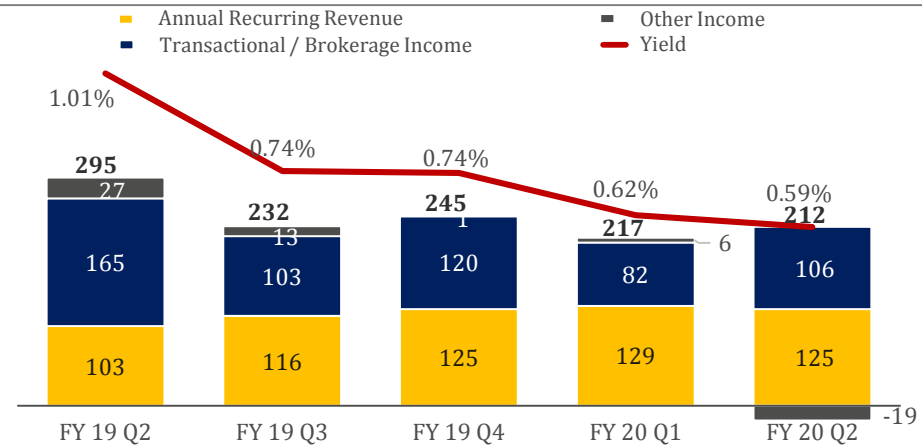
# CONSOLIDATED METRICS QoQ

## Assets Under Management (Rs. Cr.) Excluding Custody

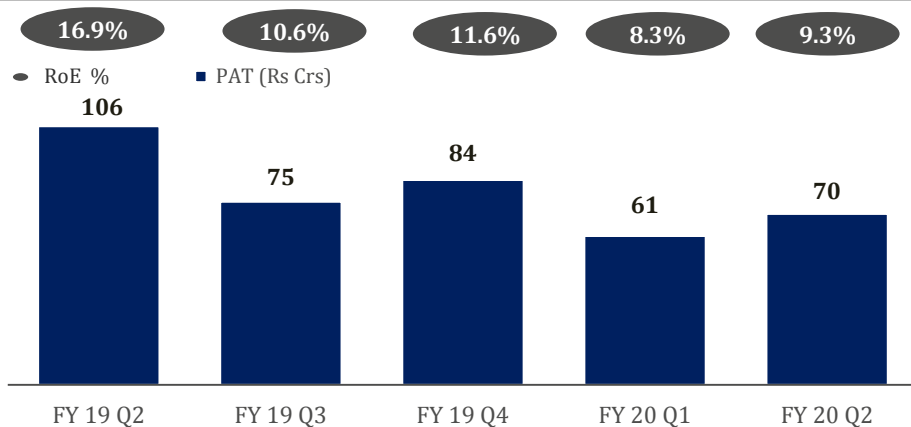
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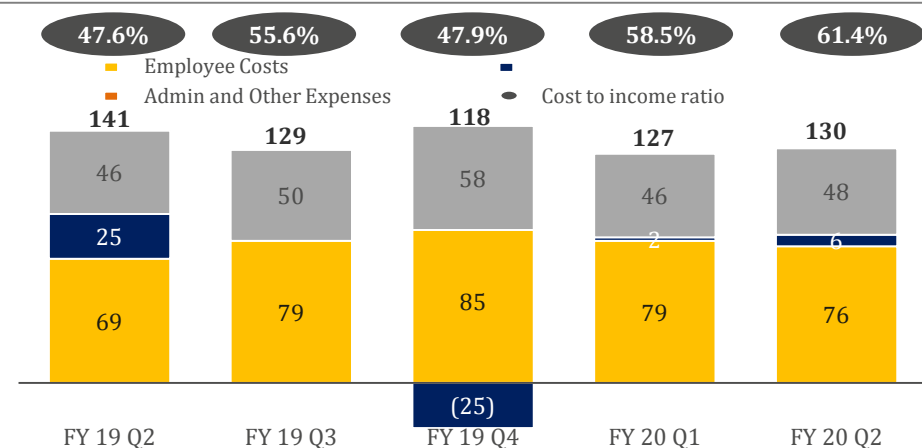
## Net Revenues (Rs. Cr.) & Yields (%)



## Profitability (Rs. Cr.)



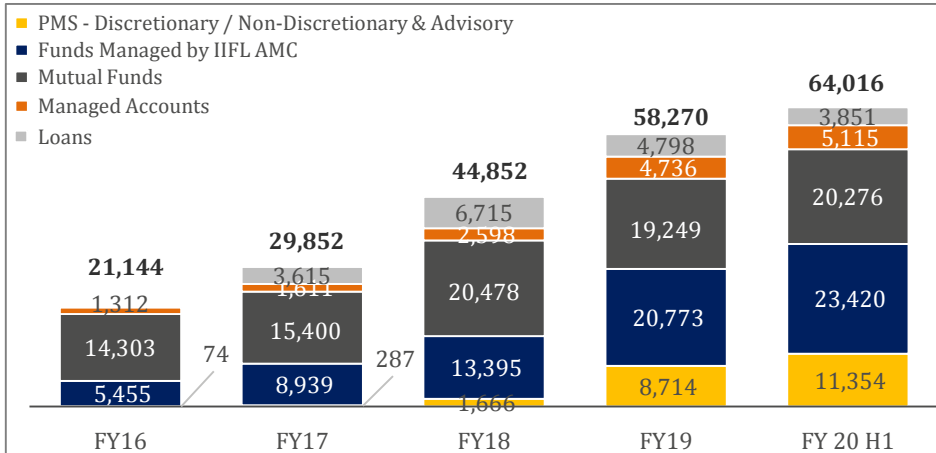
## Cost Mix (Rs. Cr.)



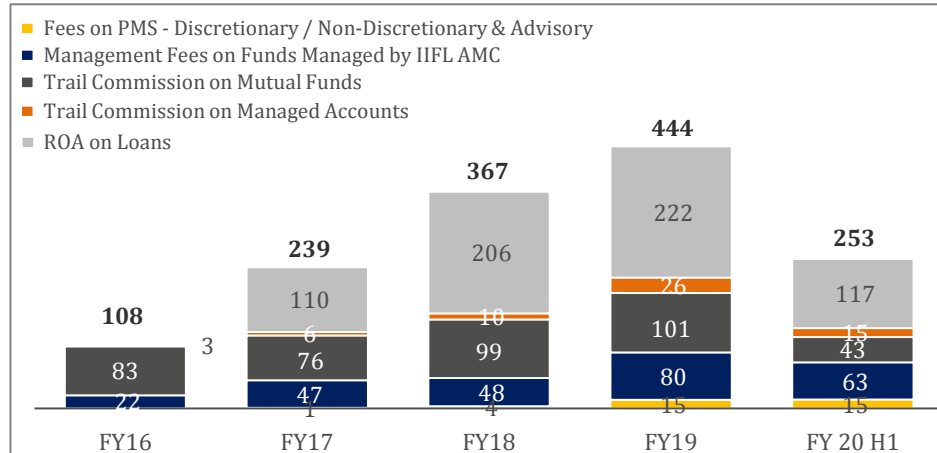
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# CONSOLIDATED METRICS YoY

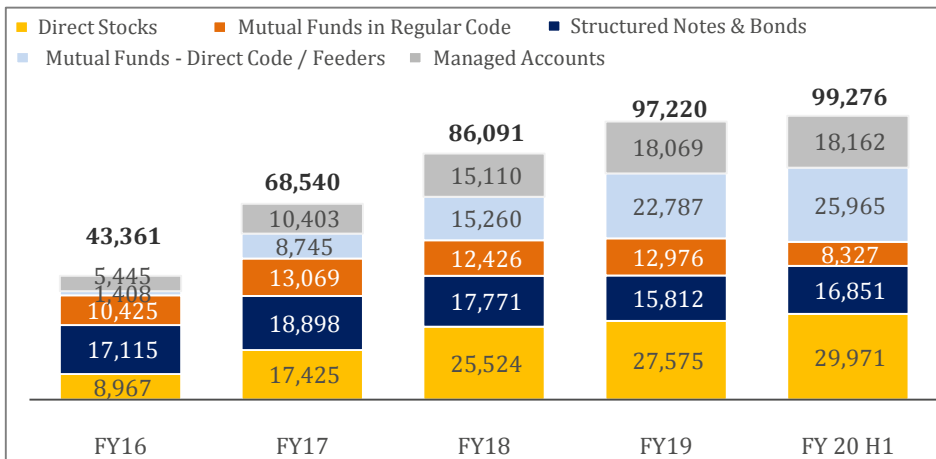
## Recurring Revenue Assets (Rs. Cr.)



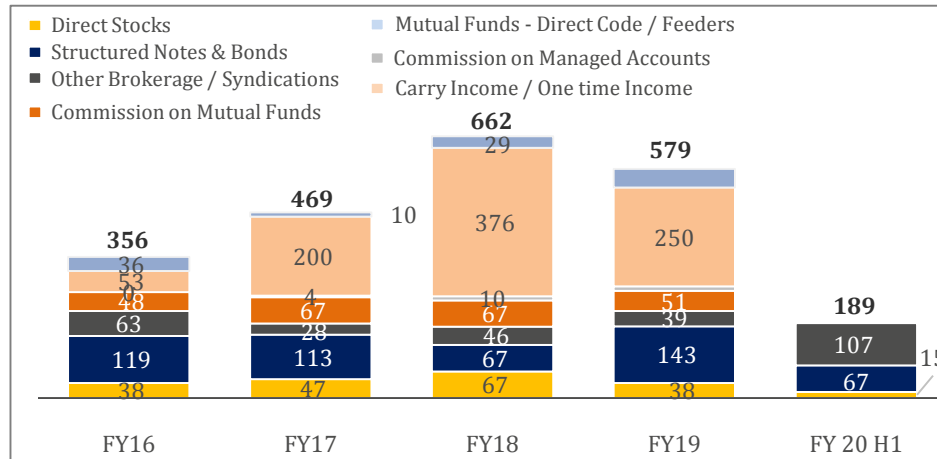
## Recurring Revenues (Rs. Cr.)



## Transactional / Brokerage Assets (Rs. Cr.)



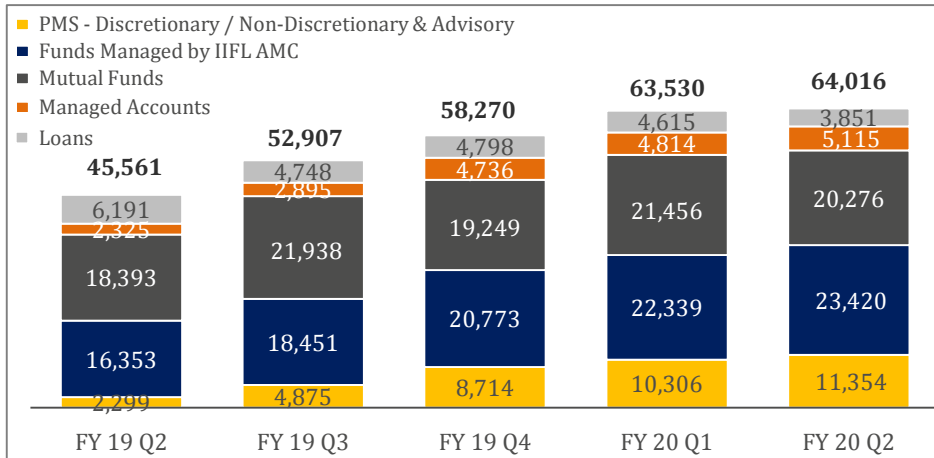
## Transactional / Brokerage Revenues



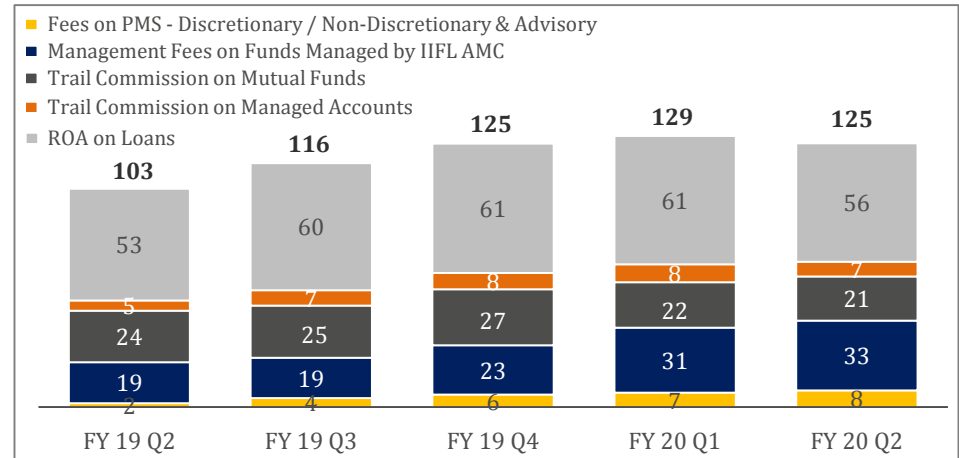


# CONSOLIDATED METRICS QoQ

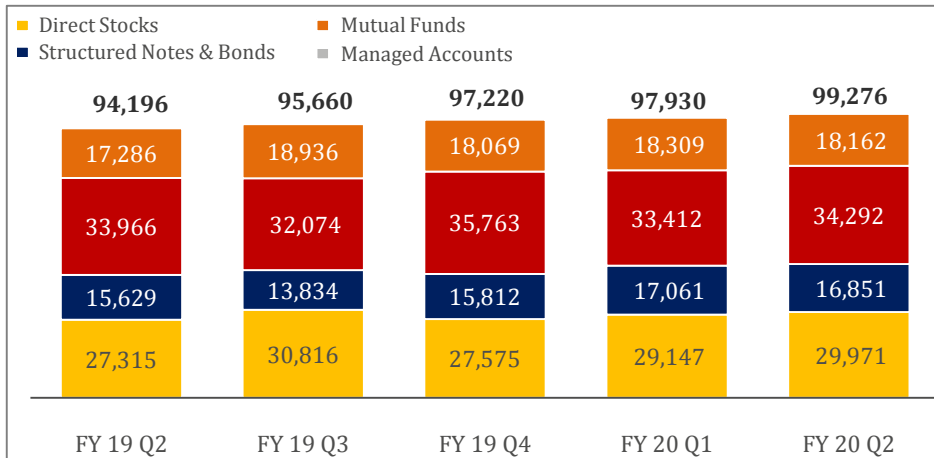
## Recurring Revenue Assets (Rs. Cr.)



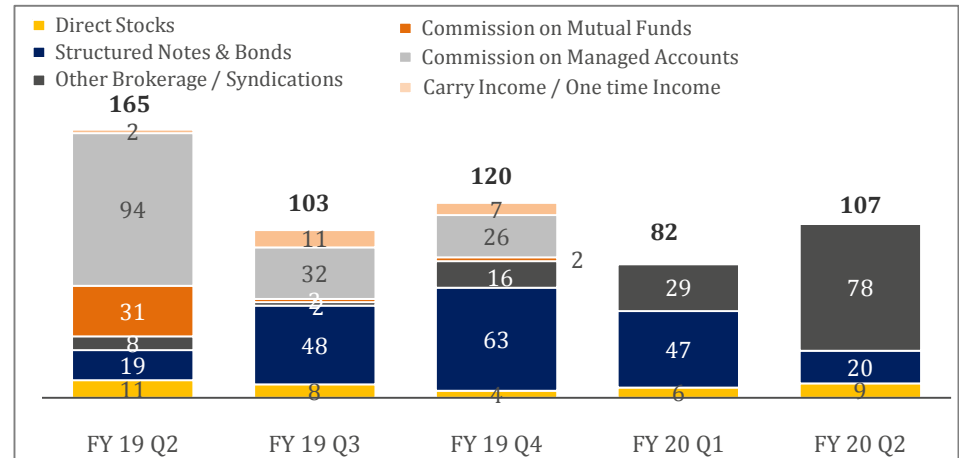
## Recurring Revenues (Rs. Cr.)



## Transactional / Brokerage Assets (Rs. Cr.)



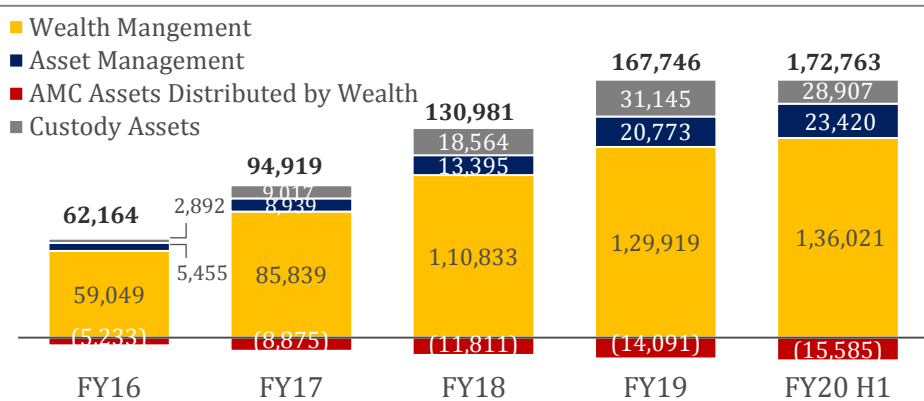
## Transactional / Brokerage Revenues



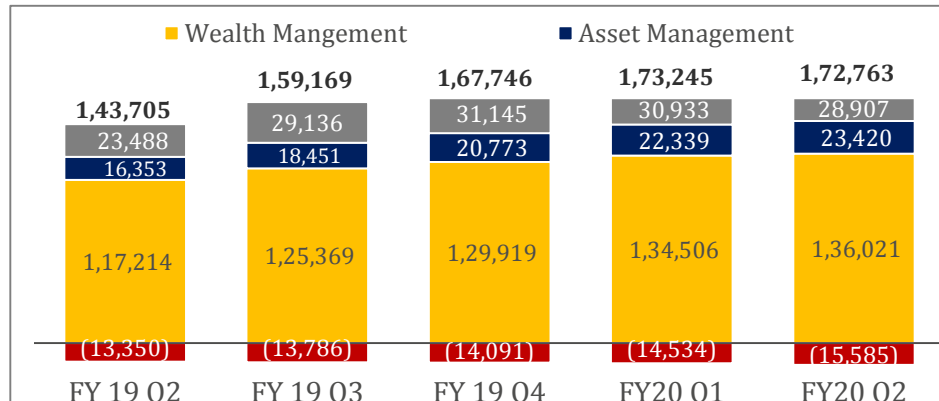
1. Recurring Revenues for FY 20 Q1 already reflect a Rs 5 crs reduction in Mutual fund revenues due to TER reduction.

# CONSOLIDATED METRICS BY BUSINESS SEGMENT

## Assets Under Management - YoY (Rs. Cr.)

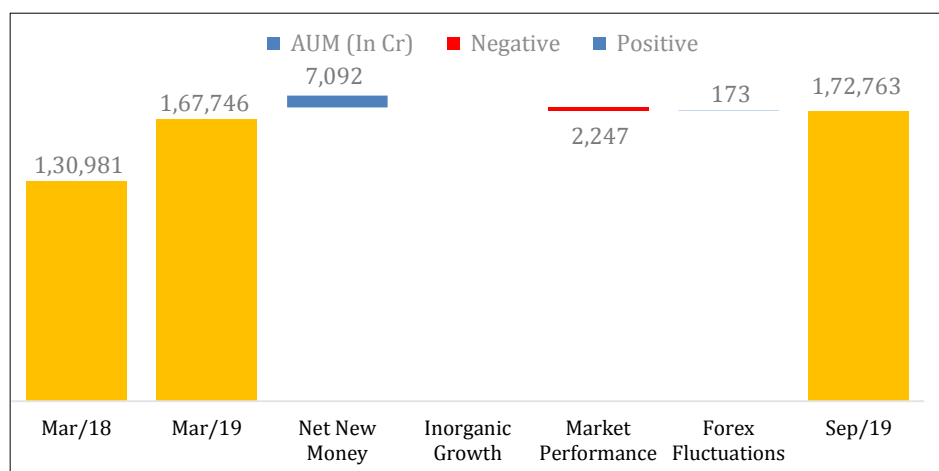


## Assets Under Management - QoQ (Rs. Cr.)



Profitability	FY16	FY17	FY18	FY19	FY 20 H1
<b>Wealth Management</b>					
Revenue	451	691	930	919	352
Costs	240	338	474	427	204
PBT	211	353	456	492	148
<b>Asset Management</b>					
Revenue	58	95	113	148	78
Costs	43	63	92	103	54
PBT	15	32	21	45	24

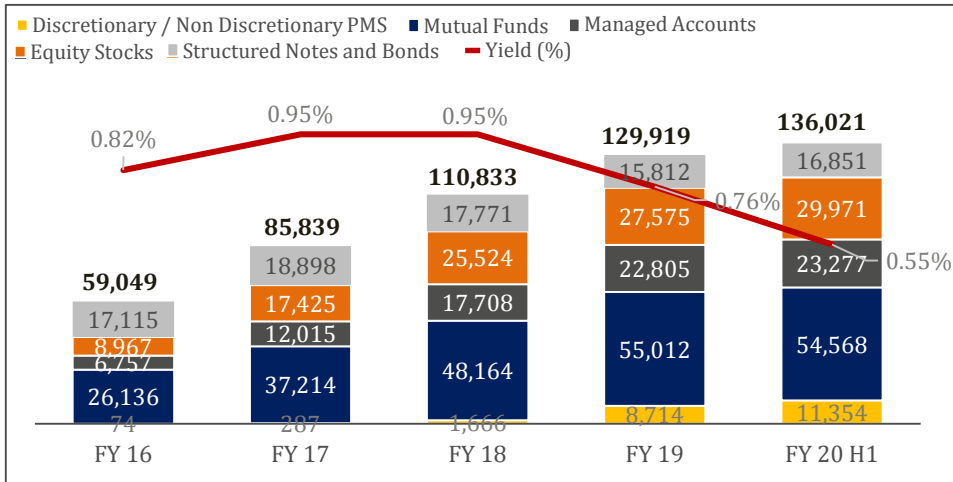
## Net Flows



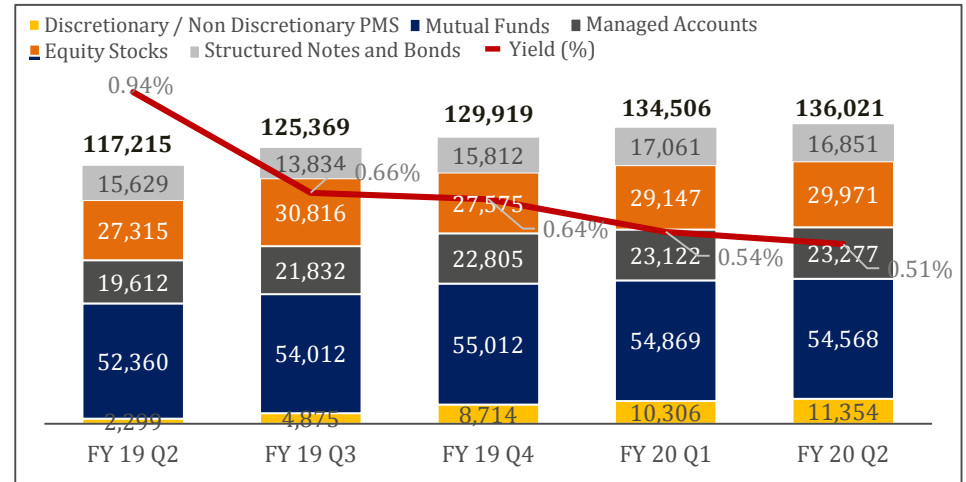
1. Costs include allocated costs that have been split between the Wealth and Asset Management verticals on the basis of a formula that gives 50% weightage to Net Revenues & 50% weightage to Employee Costs
2. AUM split for Q2 FY 20: Debt 55%, Equity 45%

# WEALTH MANAGEMENT

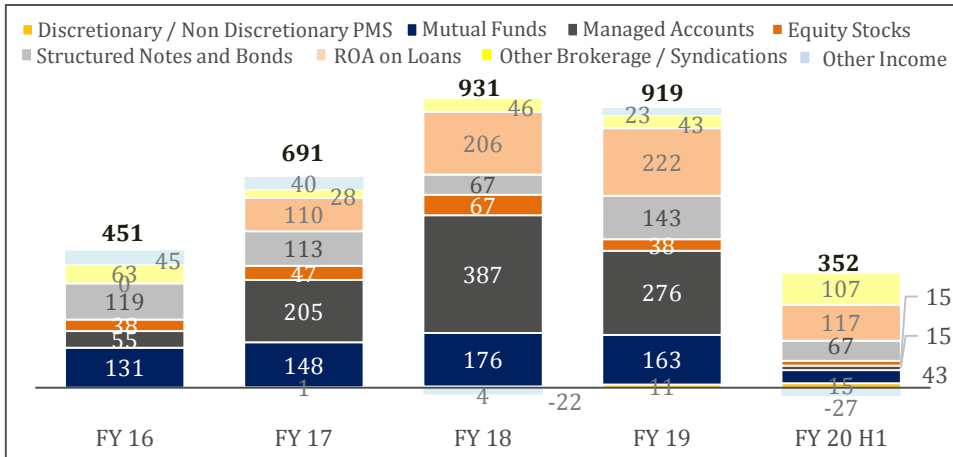
## AUM by Products YoY (Rs. Cr.)



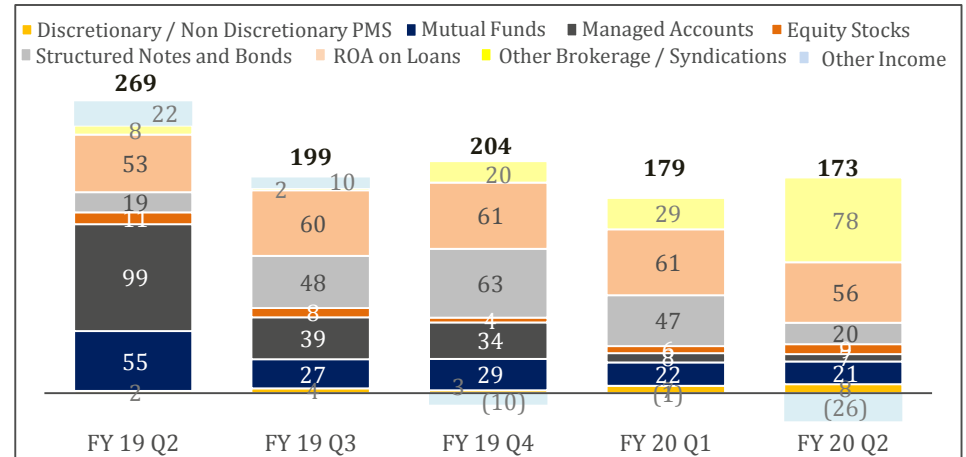
## AUM by Products QoQ (Rs. Cr.)



## Net Revenues by Products YoY (Rs. Cr.)



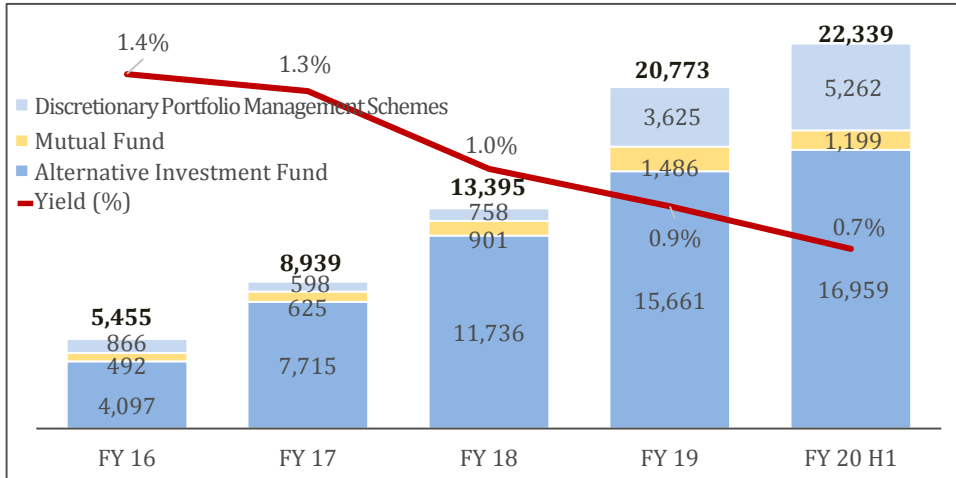
## Net Revenues by Products QoQ (Rs. Cr.)



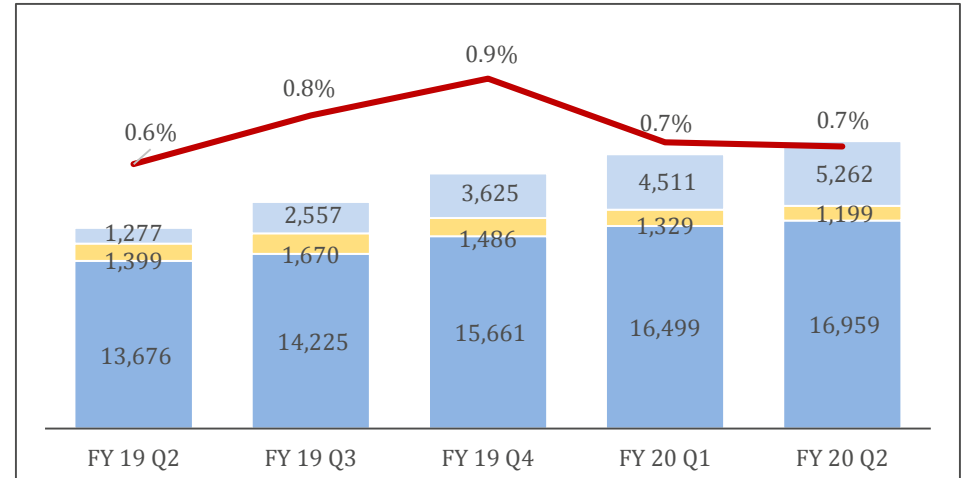
1. Yield = Current year Revenue / Avg AUM. (Current year AUM / Previous year AUM)

# ASSET MANAGEMENT

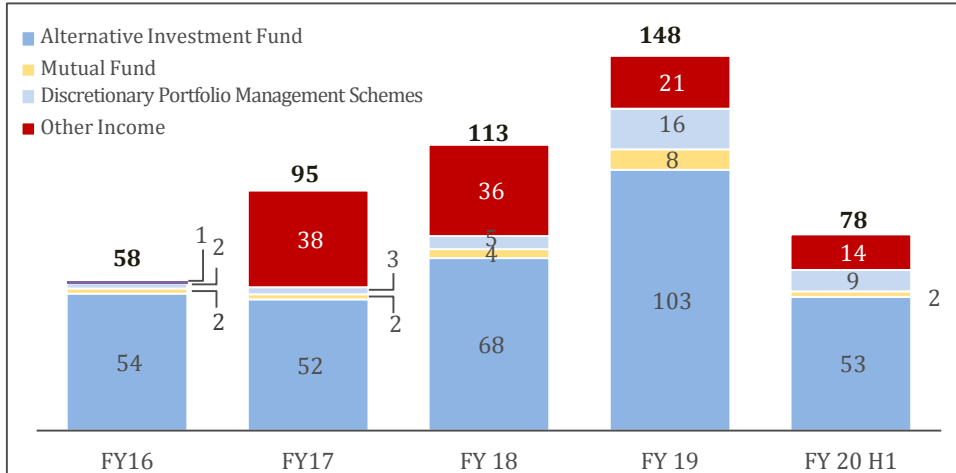
### AUM by Products YoY (Rs. Cr.) and Yield %



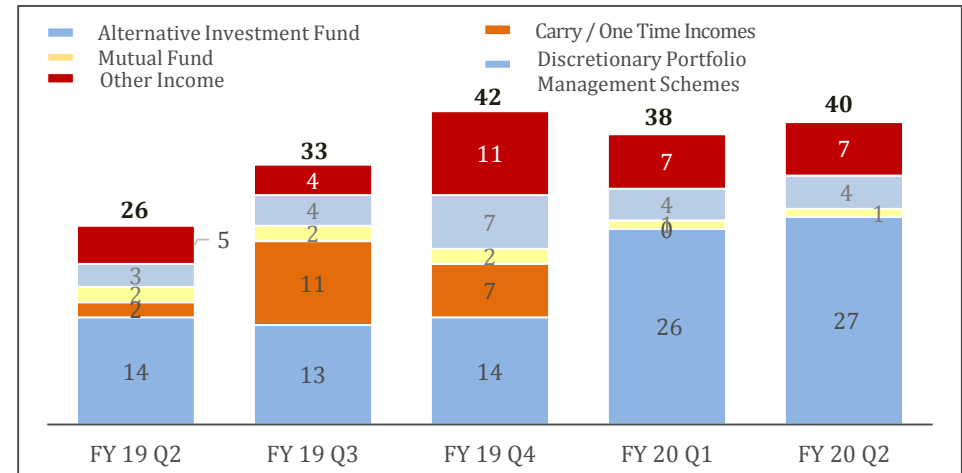
### AUM by Products QoQ (Rs. Cr.) and Yield %



### Net Revenues by Products YoY (Rs. Cr.)



### Net Revenues by Products QoQ (Rs. Cr.)



1. **Carry Income:** Revenue earned as performance fees at the maturity of a fund, or at the end of a defined period as agreed with clients / investors.  
 2. **Yield** = Current year Revenue / Avg AUM. (Current year AUM / Previous year AUM)

# MULTIPLE AWARDS & ACCOLADES



BEST FAMILY OFFICE SERVICES  
BEST SUCCESSION PLANNING  
ADVICE AND TRUSTS



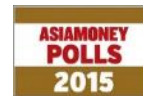
BEST PRIVATE BANK ,  
INDIA 2018



BEST DIGITAL WEALTH  
MANAGEMENT EXPERIENCE -  
2017



BFSI BEST BRANDS 2017  
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