



Management Discussion & Analysis

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Unlocking ecosystem value

The nearly 200-year-old global wealth management industry is on the precipice of great change catalysed by massive digital and regulatory disruption coupled with the changing contours of investor wealth and expectations. While the growth of wealth has inevitably witnessed several ebbs and flows over the last two centuries, its one striking feature has been its exceptional resilience. Weathering multiple storms and crises, the growth of wealth has proved to be stubbornly robust and enduring. Case in point being the recent Covid-19 pandemic and the ramifications (or lack of) that it has had on the growth in global wealth.

In the aftermath of the pandemic, expectations were rife that the growth of wealth would take a significant blow, perhaps mirroring the effect of the 2008 Global Financial Crisis following which global financial wealth declined by 8%. However, contrary to the expectations of most analysts, global financial wealth grew at a strong clip instead. The prompt action taken by governments and central banks across the globe instilled the much-required confidence in the financial markets, spurring not just a reversal in equity market losses, but 18 months of sustained equity market growth.

Stock markets continued their upward trajectory, scaling new highs as co-ordinated and concerted efforts by governments, central banks, and other ecosystem stakeholders stoked both business as well as investor confidence. After initially pausing to take stock, the housing market also got infected by the prevailing optimism and house prices started rising after remaining sedate for a sustained period of time. Inevitably, the increase in the prices of both financial as well as real assets led to significant gains in household wealth throughout the world.

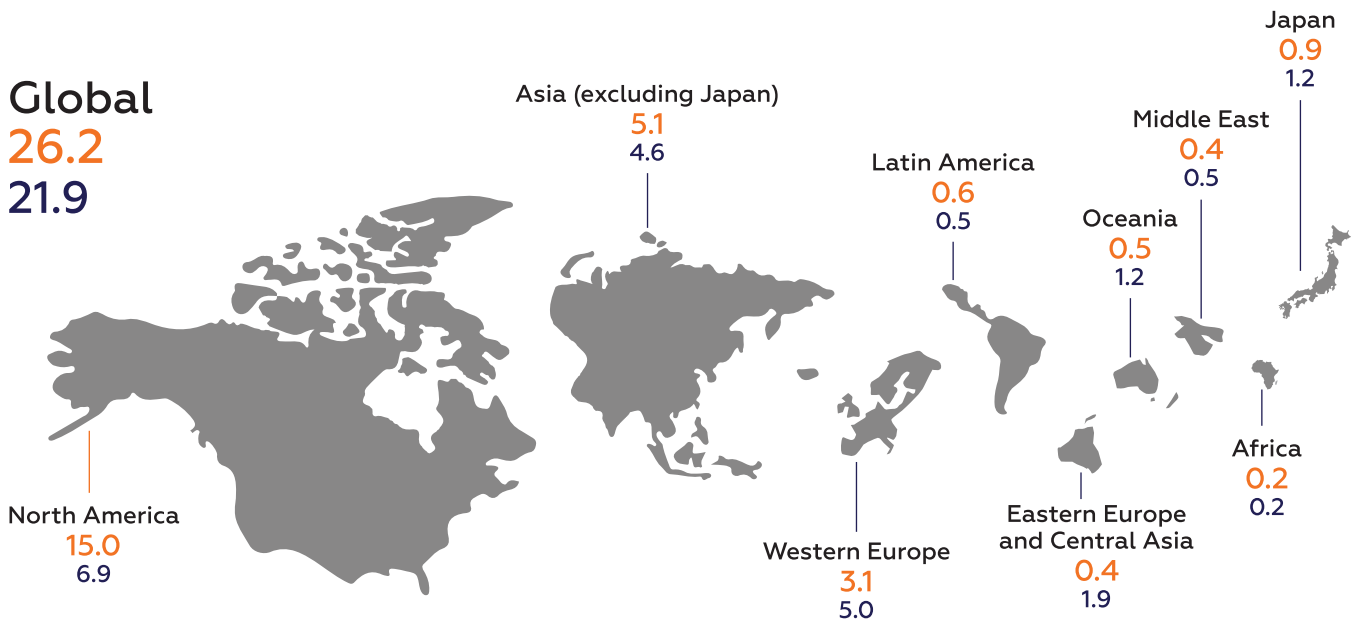
It is estimated that global financial wealth grew by a significant 10.6% from 2020 to 2021, witnessing the fastest growth rate in over a decade. The double-digit growth created USD 26 trillion in new wealth and took total financial wealth and the real asset pool close to USD 530 trillion.

Correspondingly, it was observed that physical goods like real estate, wine, art, watches, and related holding continue to find favour with the world's wealthy. It was further estimated that, over the past year, demand for real assets surged by 9.4% (USD 22 trillion), bringing the total to USD 256 trillion. Taken together, these assets now account for almost 50% of the total wealth pool.¹



¹ <https://web-assets.bcg.com/77/3d/6f72e93e4c5ebc95ee093cc91793/bcg-global-wealth-standing-still-is-not-an-option-jun-2022-r.pdf>

Exhibit 1: Absolute Financial Wealth and Real Assets Growth, 2020–2021



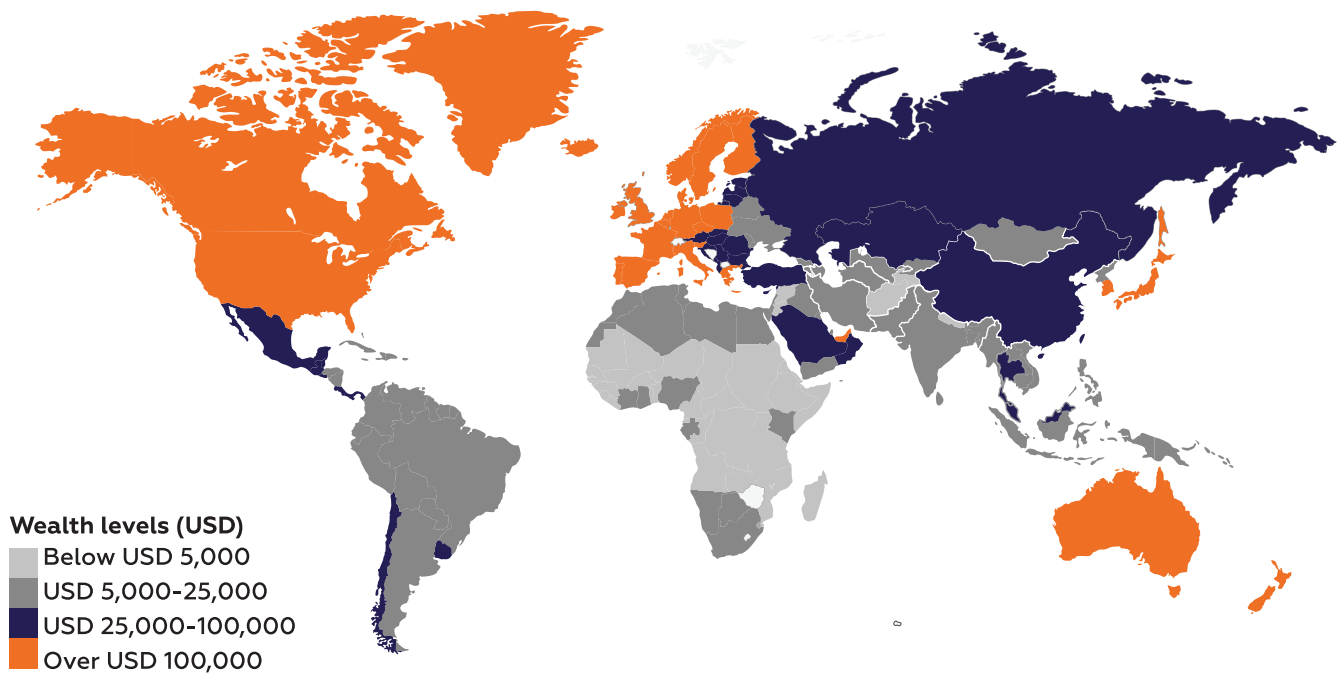
Absolute Δ in financial wealth 2020-2021 (\$ trillions)

Absolute Δ in real assets 2020-2021 (\$ trillions)

Source: BCG global wealth market sizing - Global Wealth Report 2022.

Note: Wealth in local currency was converted to US dollars at the 2021 year-end exchange rate across all time periods.

Exhibit 2: World Wealth Map 2022

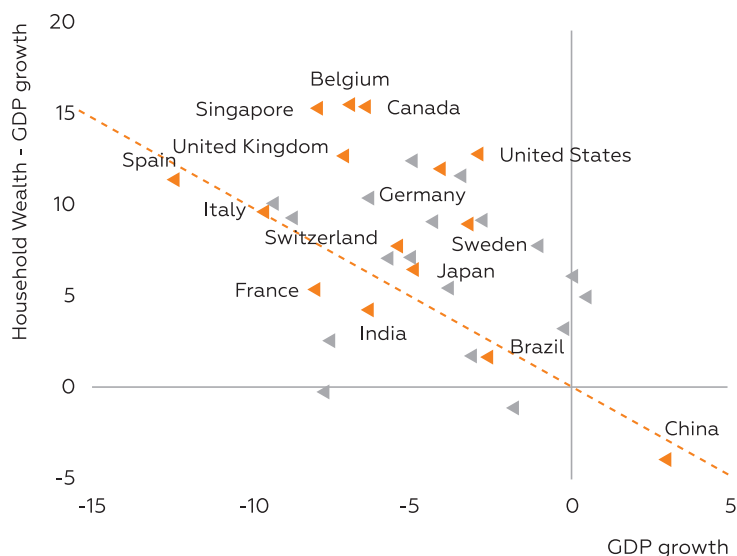


Source: James Davies, Rodrigo Lluberias and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2021

Another report stated that at the end of 2020, wealth per adult rose 6.0% to a new record high of USD 79,952.² While this in itself reveals the massive growth in global wealth, when you evaluate it against the USD 80 trillion in wealth in 1999, you will realise that overcoming multiple crises, global financial wealth has more than quadrupled in just over 2 decades.

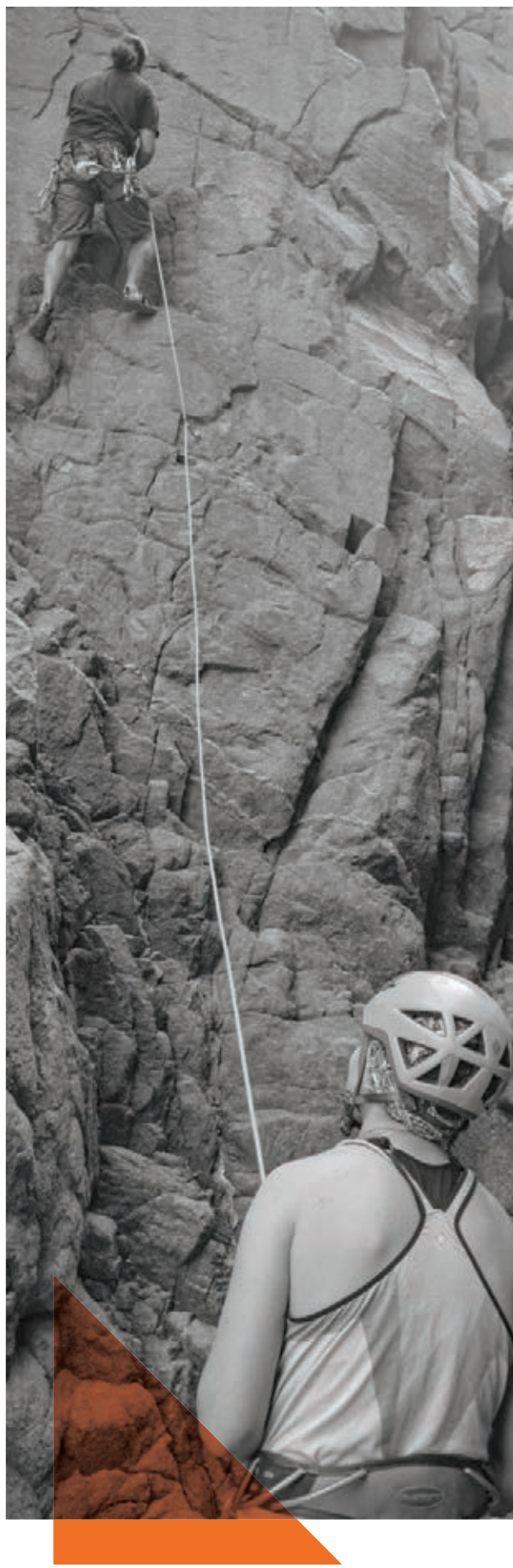
Exhibit 3: Growth of household wealth relative to GDP 2020 (%)

Dashed line indicates no change in household wealth in 2020 in domestic currencies



Source: James Davies, Rodrigo Lluberas and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2021

It is further estimated that the low and middle-income countries will be responsible for 42% of this growth, despite the fact that they currently account for only 33% of global wealth.³ Wealth per adult is projected to increase by 31%, passing the watershed mark of USD 100,000. The number of millionaires will also grow markedly over the next five years, reaching 84 million by CY25, while the number of UHNIs should reach 344,000 by CY25.⁴



² <https://www.credit-suisse.com/about-us/en/reports-research/global-wealth-report.html>

³ <https://www.credit-suisse.com/about-us-news/en/articles/media-releases/global-wealth-report-2021-202106.html>

⁴ <https://www.credit-suisse.com/about-us/en/reports-research/global-wealth-report.html>

Exhibit 4: Change in household wealth 2020, by region

	Total wealth	Change in total wealth		Wealth per adult	Change in wealth per adult	Change in financial assets		Change in non-financial assets		Change in debts	
	USD bn	USD bn	%	USD	%	USD bn	%	USD bn	%	USD bn	%
Africa	4,946	36	0.7	7,371	-2.1	-24	-1.0	26	0.9	-34	-8.5
Asia-Pacific	75,277	4,694	6.7	60,790	5.0	2,974	7.4	2,549	6.4	829	8.9
China	74,884	4,246	6.0	67,771	5.4	3,389	10.2	1,912	4.3	1,055	15.3
Europe	103,213	9,179	9.8	174,836	9.8	6,648	14.0	3,969	6.6	1,438	10.3
India	12,833	-594	-4.4	14,252	-6.1	119	3.8	-782	-6.8	-70	-5.8
Latin America	10,872	-1,215	-10.1	24,301	-11.4	-655	-11.1	-796	-10.5	-236	-17.0
North America	136,316	12,370	10.0	486,930	9.1	10,037	10.0	3,145	7.7	812	4.7
World	418,342	28,716	7.4	79,952	6.0	22,486	9.7	10,023	4.8	3,794	7.5

Source: James Davies, Rodrigo Lluberas and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2021

So far, the United States has been significantly ahead of the rest of the world in terms of the largest number of millionaires, marking a wide distance between itself and the second place which is occupied by China. However, a host of reports suggest that this gap is slowly but surely getting eroded. It is estimated that the number of millionaires in the United States will rise by 28% between 2020 and 2025. Correspondingly, the number in China is expected to increase by as much as 93% to reach 10.2 million. Countries like Japan, Germany, the United Kingdom, and France are likely to see percentage rises somewhere between those of the United States and China. Particularly for India, it is predicted that the number of millionaires will increase to 1.3 million in 2025, witnessing a growth of approximately 82% between 2020-2025.⁵

Changing contours of the Indian wealth management industry

India is currently witnessing the fastest wealth creation in its history, precipitated by an enabling regulatory and business environment, a fecund start-up ecosystem, and strong demographic advantage. It is important to acknowledge that India's growth, in terms of total wealth creation and the number of wealthy is particularly noteworthy.

⁵ <https://www.credit-suisse.com/about-us/en/reports-research/global-wealth-report.html>

Exhibit 5: Number of millionaires in 2020 and 2025 (Selected countries)

Number in thousand

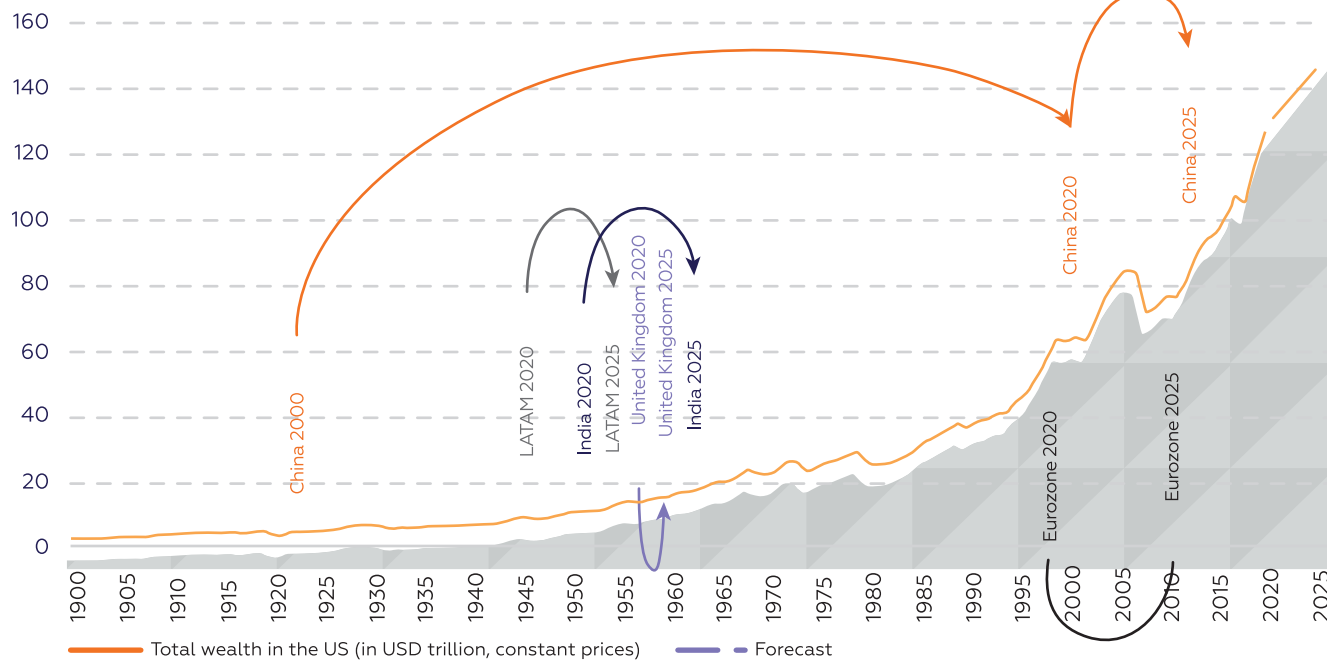
Country	2020	2025	Change (%)	CAGR (%)
United States	21,951	28,055	28	5.03
China	5,279	10,172	93	14.02
Japan	3,662	5,411	48	8.12
United Kingdom	2,491	3,711	49	8.30
Germany	2,953	4,240	44	7.50
India	698	1,269	82	12.70
World	56,084	84,014	49	8.42

Source: Global Wealth Report 2021

Between the years 2000 and 2020, total wealth in India increased eight-fold to USD 12.8 trillion in 2020. While this increase is absolutely remarkable, when you compare it to the United States, which has a quarter of India's population,

you will note that the total wealth in India is comparable to the level for the United States 70 years ago. It is estimated that this will increase to USD 18.4 trillion in real terms in 2025, similar to the level in the United States in the mid-1960s.⁶

Exhibit 6: Total wealth in the United States, 1900–2025, and relative position of selected economies (USD trillion, constant prices)



Source: Original estimates by authors

Wealth in India is on a sustained path of growth as a confluence of factors come together to give it unprecedented impetus. These factors include:

- ▶ India's long-term economic growth prospects
- ▶ Rising income levels
- ▶ Positive demographics
- ▶ Thriving start-up ecosystem
- ▶ Enabling regulatory environment

⁶ <https://www.credit-suisse.com/about-us/en/reports-research/global-wealth-report.html>



Rising affluents

The trinity of innovation, capital, and an enabling environment is now coming together to create a thriving ecosystem of young entrepreneurs and great businesses. This fecund landscape is not only creating wealth in an unprecedented manner but also generating network effects at great scale. The IIFL Wealth Hurun India 40 & Under Self-Made Rich List captures the burgeoning class of young entrepreneurs who have earned the distinction of becoming the hottest rising stars in business from India. Further, it also reveals some interesting trends in terms of how they are creating this wealth and where the pockets of opportunity lie. Within this space, the largest wealth creators for entrepreneurs under the age of 40 have been Software & Services and Transportation & Logistics. Further, 15 of the 45 entrepreneurs reside in India while India's Silicon Valley, Bengaluru has the highest number of self-made entrepreneurs aged under 40.

The list also endorses a transformation that we, at IIFL Wealth, have already been observing. The current economic landscape coupled with the power of technology and digital solutions has created an enabling environment for emerging

entrepreneurs. This has led to two things. One, it is creating network effects at scale as innovative products and services are being launched at every point of the spectrum and second, it is creating thriving relationships amongst ecosystem players. While there are many young entrepreneurs who are on their way to becoming unicorns, there are several others who have had successful exits. These successful entrepreneurs are now setting up investment funds to support innovative ideas and other emerging entrepreneurs. Not only through funding, they are also lending support to emerging entrepreneurs by providing them strategic support in their entrepreneurial journey. The growing list of successful young entrepreneurs acts as a beacon of light for a generation of entrepreneurs. These rising stars are paving the way for immense value and wealth creation in the country.

Correspondingly, the financialisation of savings is also increasing steadily as a larger number of Indians are choosing to park their savings in financial assets. This is evident by the growth being witnessed by the Indian mutual fund industry.

Indian Mutual Fund Industry Overview

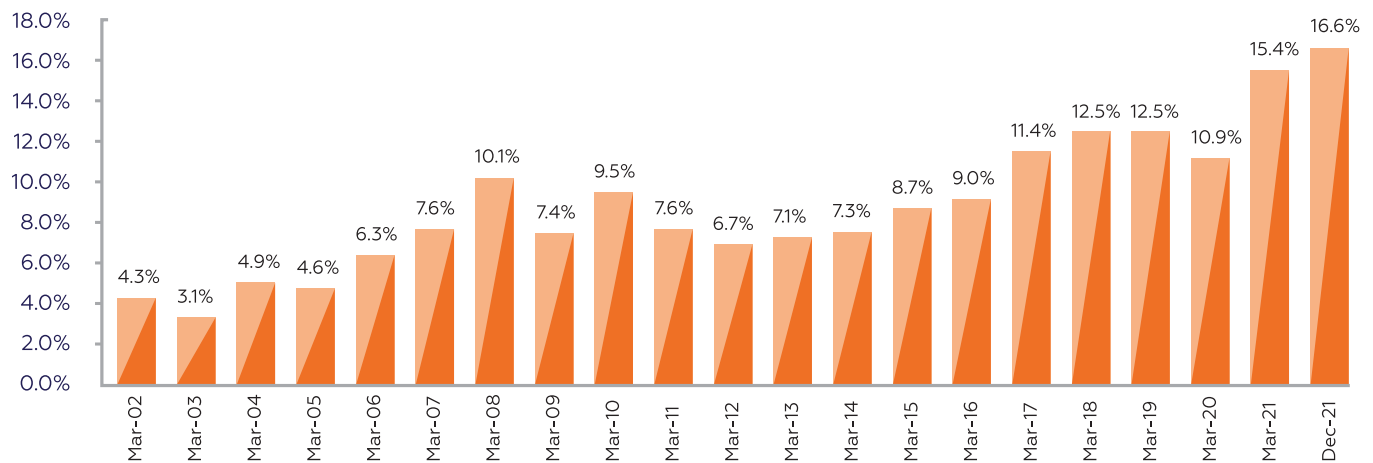
Assets managed by the Indian mutual fund industry have increased from ₹32.1 trillion in March 2021 to ₹338.4 trillion in March 2022, growing at a strong clip of 19.5%.⁷ Despite the size and growth profile, India continues to be underpenetrated with a mutual fund penetration rate (the ratio of

period ending mutual fund AUM to GDP) of 16.6% in December 2021, as compared to 140% in the United States, 84% in Brazil, and a global average of 63%. Further, India accounts for less than 2% of the global mutual fund industry, representing a significant growth opportunity.

⁷https://www.business-standard.com/article/markets/domestic-mf-industry-s-average-aum-grew-19-to-rs-38-37-trn-in-fy22-122040501003_1.html



Exhibit 7: Growth in Mutual Fund AUM (as a % of GDP)



Note: Based on end of Fiscal AUM and GDP at current prices; Source: AMFI, IMF, RBI, CRISIL Research

Another noteworthy trend is the rise in activity from B30 locations, especially in the equity segment due to improved distribution and regulatory changes in fee structure. With improving awareness, access to the internet, and higher mobile penetration, large swathes of people across the country are understanding about and investing in financial instruments, especially mutual funds.

We are currently in the midst of the largest wealth transfer in history as money passes from the previous generation to the current generation. The current decade of the 21st century is seeing a steady rise in the influence that millennials, people born between 1982 and 1995, hold over the innovations and trends being seen on a global platform. From retail and entertainment to workplaces, every entity is adapting to the requirements of the millennials. Correspondingly, digital technology has become pervasive and is changing the contours of the wealth management industry. This has several ramifications for the industry as a whole.

- ▶ We are living in an era of instant gratification. However, creating long-term wealth is something that obviously cannot be achieved instantly. There are several gaps to be bridged in terms of matching customer expectations with on-ground reality.
- ▶ Today, the owners of wealth are shaped by an entirely different set of experiences and wealth management firms need to understand this better.
- ▶ The DIY culture is also accelerating a shift to self-investing or hybrid investing.

- ▶ Impact investing is gaining popularity as individuals are becoming increasingly conscious of the impact of their choices on their ecosystems.

This transitory phase is likely to engender a wealth of opportunities and a few challenges for wealth management firms. Firstly, the demographic advantage presents wealth management firms with a compelling opportunity to create new products that can holistically meet the nuanced needs of a young population and leverage new technologies that can ensure that clients have a seamless and efficient investment experience. Secondly, firms also need to be cognisant of clients' needs to generate positive profits through impact investing. Thirdly, firms should recognise that technology will only serve as an enabler in an industry which is tethered to traditional value and puts a premium on trust and enduring relationships that are built over a period of time.

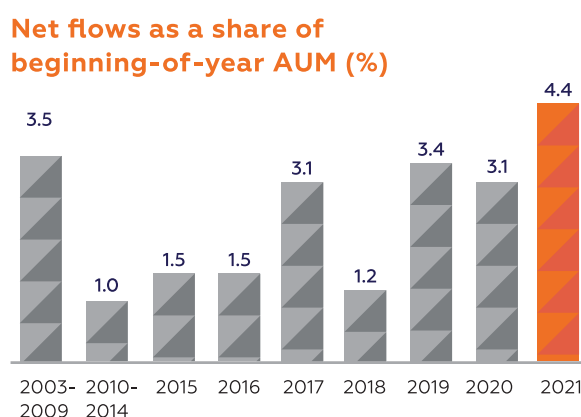
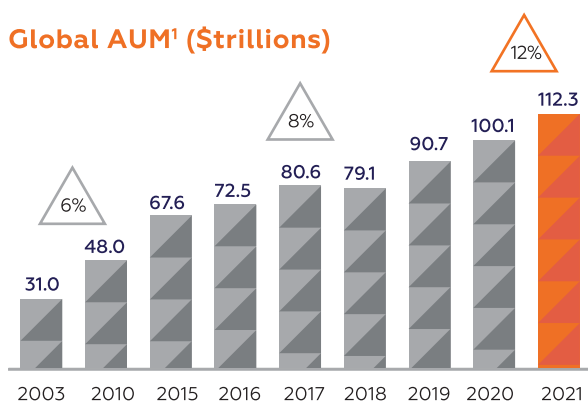
In the backdrop of this demanding landscape, 2021 has been a successful and gratifying year for IIFL Wealth & Asset Management. Our focus on our people, i.e., both internal as well as external stakeholders coupled with our accelerated investments in technology has stood us in good stead and enabled us to holistically meet the nuanced needs of our clients.

Asset Management Landscape

Inarguably, the asset management industry has navigated the pandemic wittingly and emerged in a position of strength. This is evident from the fact that the year 2021 saw global assets under management (AUM) witness 12% growth and surpass the USD 112 trillion mark.⁸ This is encouraging considering that this growth rate is significantly higher than the 2001-2021 average of 7%. Net inflows in 2021 were also higher than the average and reached 4.4% of total AUM at the beginning of the year or approximately USD 4.4 trillion.⁹

Further, it is estimated that the alternative industry will witness exponential growth in the years to come and claim a substantial part of the global AUM. The alternative AUM, which was estimated at approximately USD 13.32 trillion at the end of 2021, is expected to swell to USD 23.21 trillion by the end of 2026.¹⁰ Further, it has been observed that growth in passive products has been particularly sharp in the aftermath of the 2008 Global Financial Crisis. By 2021, AUM in passively managed products such as Exchange Traded Funds (ETFs) had grown at more than 4x the rate of their actively managed counterparts since 2003.

Exhibit 8: Growth in AUM and net inflows



Source: BCG Global Asset Management Market Sizing 2022; BCG Global Asset Management Benchmarking Database 2022.

Note: Market sizing includes assets professionally managed in exchange for management fees; AUM includes captive AUM of insurance groups or pension funds where AUM is delegated to asset management entities with fees paid; 44 markets are covered globally, including offshore AUM. For all countries where the currency is not the US dollar, we applied the end-of-year 2021 exchange rate to all years in order to synchronize current and historic data; values differ from those in prior studies because of fluctuations in exchange rates, revised methodology and changes in source data. Flow analysis is based on our global benchmarking, which includes 101 leading asset managers, representing \$69 trillion AUM, or ~62% of global AUM.

⁸ <https://web-assets.bcg.com/79/bf/d1d361854084a9624a0cbce3bf07/bcg-global-asset-management-2021-jul-2021.pdf>

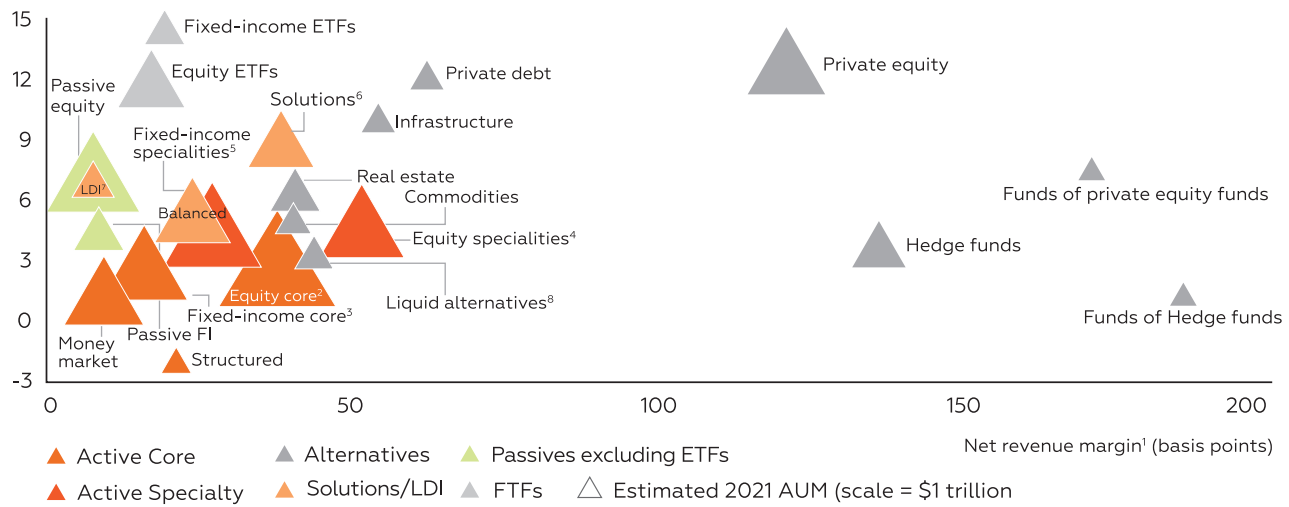
⁹ <https://web-assets.bcg.com/ba/c8/5b65e9d643abac4fa8e6820e86f4/bcg-global-asset-management-2022-from-tailwinds-to-turbulence-may-2022-r.pdf>

¹⁰ <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/global-alternatives-aum-forecast-to-double-by-2026-topping-23-trillion-68404362#:text=AUM%20in%20the%20global%20alternatives,large%20part%20by%20private%20equity>.



Exhibit 9: ETFs and select Alternative products are expected to lead growth through 2026

% AUM growth, 2021-2026 (est.)



Sources: BCG Global Asset Management Market Sizing 2022; BCG Global Asset Management Benchmarking Database 2022; Strategic insight; P&I; ICI; Prequin; HFR; INREV; BCG analysis

Note: ETF = exchange traded fund; LDI = Liability-driven investment

¹ Management fees net of distribution costs.

² Includes actively managed domestic large-cap equity.

³ Includes actively managed domestic government and corporate debt.

⁴ Includes foreign, global, emerging-market equities, small and mid caps, and themes.

⁵ Includes emerging market, high yield, flexible, inflation linked.

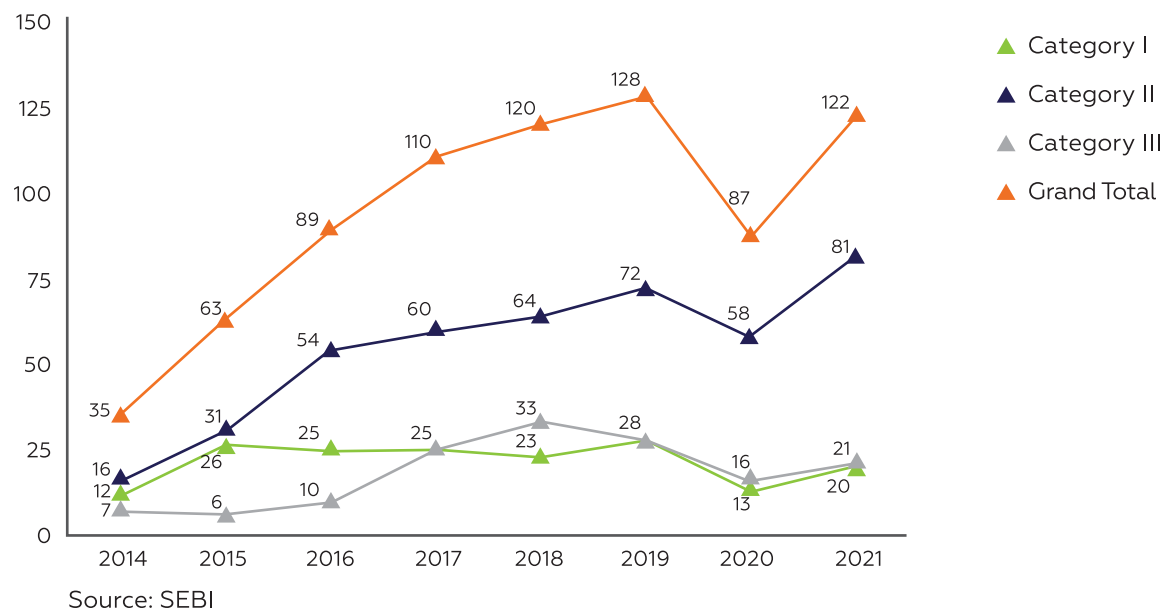
⁶ Includes target date funds, target maturity, and OCIO.

⁷ LDI = liability-driven investment

Another noteworthy trend is the growth in private equity, hedge funds, and real estate assets. As of December 2021, the largest asset class within the alternative AUM was private equity at USD 5.33 trillion. As per research by Prequin, private equity AUM is expected to surge to USD 11.12 trillion in 2026, witnessing double-digit CAGR in AUM while growth in other asset classes is expected to be modest.¹¹

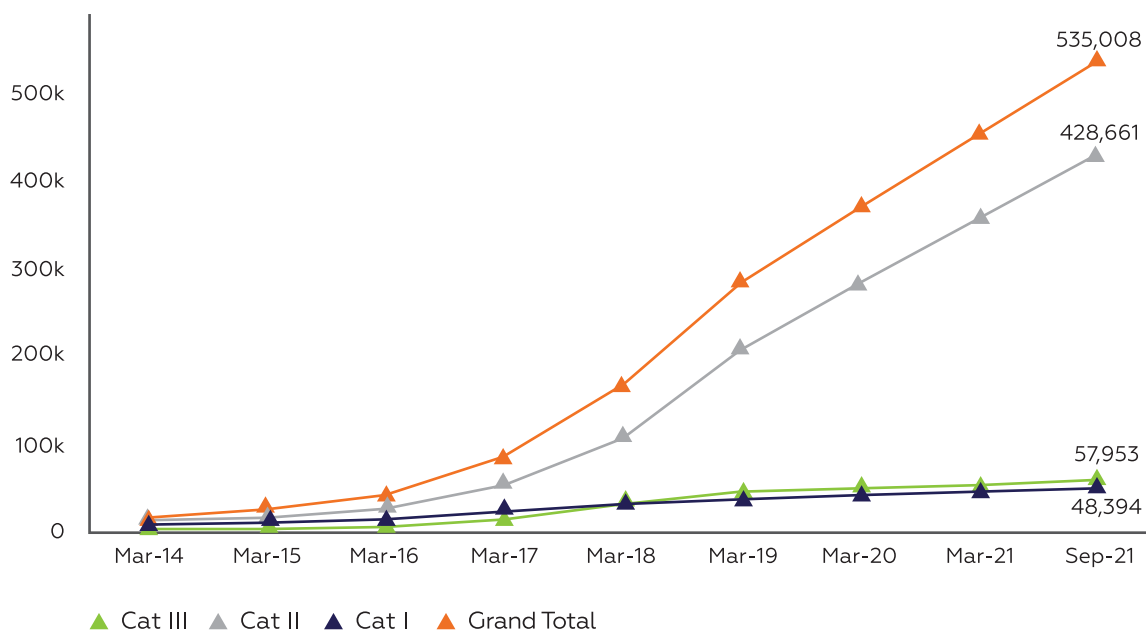
In India, although the alternative fund industry is nascent, just about a decade old, it is growing at a fast clip. This is evident from the number of alternative investment funds (AIFs) launched across categories in the recent past and the growth in commitments raised. Today, an increasing number of AIFs are being launched to meet the nuanced needs of investors and help them enhance the risk-adjusted returns of their portfolios.

Exhibit 10: Growth in the number of AIFs launched across categories



¹¹ <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/global-alternatives-aum-forecast-to-double-by-2026-topping-23-trillion-68404362>

Exhibit 11: Growth in commitments raised (₹ Crs)



Source: SEBI

Further, it is interesting to note that the growth of AIFs is not just limited to top cities. It is increasingly being observed that new AIFs are being launched in the cities of Ahmedabad, Kolkata, Pune, among others, thereby validating the fact that wealth is growing in tier-2 cities. Part of this can be attributed to enabling regulation, especially at Gujarat International Finance Tec-City (GIFT City). The government has taken consistent steps and actions to empower the AIF segment in India, with the latest and potentially most effective one being the launch of India's maiden International Financial Services Centre (IFSC) at GIFT City. GIFT City is especially beneficial to AIFs as it offers access to diverse incentives such as regulatory exemptions and tax benefits as well as a suitable support system aimed at advanced growth and innovation.

IIFL Asset Management has a leadership position in the AIF space. However, the overall penetration is still low and there is high potential for growth. This creates a great opportunity for wealth management firms to offer nuanced solutions to the burgeoning wealthy in India's tier-2 and tier-3 cities.

With an increasing number of people joining the ranks of the wealthy, the asset and wealth management industry is inevitably poised for exponential growth. However, we understand that if we have to optimally harness the emerging opportunities in the asset and wealth management space, then we must be agile and innovative, while staying tethered to our core philosophy of always putting the client first. Clearly, the imperatives for wealth management firms are changing. First, firms need to be prepared for success in some areas and failures in others. This means that they need to reorganise business structures and take a prolonged hard look at what's working and what's not, and where can the changes be made in the most cost-effective manner. Second, firms need to embrace technology with open arms. The speed with which the right digital solutions are adopted will determine who will win or lose in this fast-changing landscape. And third, human capital will become absolutely vital as firms in the industry reinvent themselves. This means nurturing and retaining the right people and empowering them with the right set of technology tools.

About IIFL Wealth & Asset Management

IIFL Wealth & Asset Management (IIFL WAM) is one of the leading wealth and alternatives-focused asset management companies in India. Started 14 years ago, IIFL WAM has catapulted itself to become a financial advisor to over 6,800+ influential families in the UHNI / HNI segment, with more than ₹327,000 Crs of assets under management. Headquartered in Mumbai, IIFL WAM has more than 900 employees and a presence in 5 major global financial hubs and 23 locations in India. IIFL Wealth is the only pure wealth management company to be listed on the Indian stock exchanges with a market cap of ₹13,000 Crs as on 31st March 2022. IIFL Wealth Management Ltd is listed on the NSE (Symbol: IIFLWAM) and BSE (Scrip code: 542772).

Key Differentiators

Sustained progress on business model change

In line with global best practices, IIFL WAM undertook an ambitious program to pivot its revenue recognition model from a transaction driven / upfront commission-based model to a sustainable management fee / annuity distribution commissions model. This change has not only put IIFL WAM at the forefront of positive change in the industry but has also gained acceptance by a large number of clients.

Overall, we have seen a sharp increase in both AUM and revenue growth in FY22 with a commensurate growth in profitability. The company has witnessed a 41.6% growth in Annual Recurring Revenue (ARR) assets and a corresponding 56.4% growth in ARR.

In FY2022, Total Revenue stood at ₹1535 Crs and PAT was ₹582 Crs, as against a total Revenue of ₹1053 Crs and a PAT of ₹369 Crs in FY21. This indicates that revenue grew at a strong clip of 45.8% and efficiencies were well managed such that PAT grew at a higher rate of 57.7%. In FY22, Recurring Revenues stood at ₹912 Crs up 56% over FY21. ARR assets increased more than 42% yoy to ₹1,44,432 Crs. The share of ARR assets in total AUM now stands at ~55%. Net flows for FY22 were at ₹31,422 Crs, primarily towards ARR Assets – thereby depicting a conscious shift and focus towards building an Annual Recurring Asset base.

Other Highlights

During the year, we have declared and paid a total of ₹55 per share as dividend, of which ₹35 constitutes a special dividend and ₹20, a regular dividend. This is in line with our policy of paying out 70-75% of our annual profits as dividend to our shareholders. Further, it is in accordance with our stated aim of efficiently managing our capital and Net Worth and moving towards our Target RoE of 30%.

Segment-wise and product-wise performance

Wealth Management

The wealth management business is an open architecture advisory-based offering with the dual objective of wealth preservation, while providing optimal, steady-state returns relative to the client's risk appetite. While Indian firms have significantly gained market share, most existing players in India offer wealth management as a non-core extension to their core business (banking/ broking/ investment banking). IIFL Wealth on the other hand, is a pure play wealth management firm with a deep focus on managing UHNI wealth. This focus has enabled us to offer full-fledged services including an evolving advisory platform and a holistic suite of offerings that include estate planning, broking, lending, and corporate advisory. Clients benefit from professional and unbiased advice, a scientific investment process, consolidated reporting across advisors, and cutting-edge portfolio analytics. We maintain a healthy balance between fixed income, equity and alternatives investments, in an attempt to ensure that portfolios are able to generate consistent returns and are well-protected during volatile times. This approach has ensured that clients' portfolios grow steadily on a compounded basis over long periods of time. IIFL Wealth's unique approach in wealth management has resulted in high retention of clients and assets. The firm continues to invest in people, products, technology, and compliance to give clients the best platform to preserve and grow wealth.

Key Client Segments



- ▶ **Entrepreneurs:** Who have sold their businesses either partly or wholly
- ▶ **Senior executives:** Who have exercised their stock options, or sold equity in their firms
- ▶ **Professionals:** Including doctors, corporate lawyers, actors
- ▶ **Medium to large industrialists:** Marquee families with substantial liquidity in their personal books
- ▶ **Corporate Treasuries:** Our expertise in fixed income and debt and our capability to synthetically structure products give us access to some large corporate treasuries
- ▶ **Funds, Endowments and Family Offices:** Account for a significant portion of the international assets under FII sub accounts
- ▶ **Large traders:** Our focus is on utilization of platform (funding limits, speed of execution and service levels)

We uphold ourselves to the highest of wealth management and business standards and it is our constant endeavour to ensure that our clients can seamlessly access the most optimal wealth advice and products. In order to achieve this, we believe that it is important to be agile and proactively embrace new opportunities while staying tethered to our core values. Equally important in our approach is the role that our 900+ people play in aligning the interests of our customers and our shareholders. To this end, our processes, performance plan, skill development and a high level of employee ownership has ensured low attrition, especially at the team leader levels. This has resulted in a virtuous cycle where client retention is amongst the highest in the industry and the average AUM per client continues

to increase as the Team Leader vintage increases: 42% of our clients have been with us for over 5 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 low – at approximately 2% and 1%, respectively.

Currently, we have around 60 team leaders and 167 relationship managers. To give an idea about the productivity metrics, the average count of families managed per team leader is above 100. Further, the high continuity of our senior relationship managers – 78% of our Team Leaders have been with the company for over 5 years – gives us a distinct advantage over our peers. Not only does this drive client continuity, but it also allows for significant improvement in productivity and AUM – a testimony of high stickiness of clients and Team Leaders alike.



Asset Management - Agility and resilience is a long-term play

The Asset Management business (IIFL AMC) focuses on creating niche alternative India-focused strategies for the UHNI / HNI space. A disciplined and active investment management approach combined with intensive research and innovative strategies creates avenues for investors to tap into India's potential to facilitate long-term wealth creation. The distinctive and diversified product suite of mutual funds, portfolio management schemes and alternative investment funds span across public and private equities, fixed income securities, credit & real estate and enable investors across the world to participate in India's unique growth story. IIFL AMC has been playing a pivotal role in the growth of the AIF industry in India and continues to be one of the largest AIF managers in the country. We continue to invest in technology, people, and processes. We are also constantly upgrading our digital & 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.

In FY22, the AMC's overall Assets Under Management have grown by ~50% to ₹55,574 Crs. Listed equities and private equities were our top two asset classes with an AUM of ₹24,334 Crs and ₹22,057 Crs respectively.

Our focus on niche product strategies helped us in maintaining a revenue yield of around 70bps on our assets. Further, we were also able to display the flexibility required to operate across market cycles and continued to enhance our product suite across four asset classes, i.e., listed equities, private equities, credit, and real estate.

Our unique offerings coupled with the concerted efforts of our people ensure that the business continued to grow at a strong clip. Net inflows for FY 22 were at ₹11,957 Crs witnessing a growth of almost 33% from the previous year's net inflows of ₹9000 Crs. These were spread across various asset classes, strategies, and geographies. Both listed equity and private equity remain scale strategies with ₹24,334 Crs AUM in listed equity and ₹22,057 Crs AUM in private equity in FY22.

In the coming year, we will continue to explore opportunities to enhance our product offering across our four asset classes i.e., listed equities, private equities, credit and real estate. We aim to maintain our position as the largest alternative asset manager in India and build a complete range of product offerings across asset classes.

Summary of developments across key platforms is as below:

Alternative Investment Funds

Our AIF business is growing at a robust pace and schemes continue to attract flows due to the differentiated and value accretive nature of the strategies deployed. Quarter-wise details shared below:

- ▶ In Q1, we continued to raise commitments in the IIFL Special Opportunities Fund – Series 8 (SOF 8), which is focused on opportunities in the consumer-tech space and service levels)
- ▶ In Q2, we launched the Monopolistic Market Intermediaries Fund (MMIF), which had the same underlying objective as SOF 8, to cater to rising investor interest in that space. We also launched the Turnaround Opportunities Fund – category 3 AIF (listed equity) to focus on investing in companies which are on the cusp of a turnaround and can potentially generate alpha over the long-term.
- ▶ In Q3, we launched the Multi Strategy Fund – Series 2 (a fund of funds) investing in SOF8 and MMIF. We also launched the Income Opportunities Fund – 3, a credit fund investing in a combination of fixed return instruments and instruments that can potentially benefit from an equity upside. In addition, we launched SOF 9 and SOF 10 – late stage pre-IPO funds to capture the opportunity of investing in companies that are likely to do a public listing in the next three to four years.
- ▶ In Q4, we continued to see strong traction in our late-stage pre-IPO fund (SOF 10) and our listed equity offering in the AIF space (Turnaround Opportunities Fund). We also enabled offshore investments in the Turnaround Opportunities Fund to cater to global investors keen on investing in Indian equities.

Portfolio Management Services (PMS)

On the listed equity front, regular sales from distributor platforms continued during the year. Further, multiple updates on product performance and features were sent to the investors. The editable forms ensured business continuity during the second wave. We continued to onboard new distribution partners and achieve scale across our existing products (Multicap PMS and Phoenix PMS). Despite headwinds in the equity market, we saw net sales of ₹500 Crs during the year.

Mutual Funds (MFs)

The total net sales across mutual fund schemes stood at ₹1,600 Crs. We continued to focus on scaling the IIFL Focused Equity Fund during the year. For most part of the year, the fund was among the best performing funds in its category. We added net sales of ₹900 Crs in the IIFL Focused Equity Fund. We launched our first quant-based offering – IIFL Quant Fund and raised over ₹100 Crs in the NFO. Recognising the strength of SIPs as an investment vehicle, we maintained focus on increasing SIPs in the equity schemes. To enable this, we reduced the minimum investment amount which is likely to ensure wider participation from retail investors.

Offshore/Institutions

In terms of client coverage, we have constantly engaged with a wide range of offshore institutions and family offices. During the year, we added two more offshore mandates with a total AUM of ₹4300 Crs. We now have four offshore mandates in a short span of three years.

Outlook

The year 2021 started with positive tailwinds that enabled the global as well as the domestic economy to cover lost ground and get back on the growth bandwagon. However, just as green shoots of optimism made themselves visible, inflation concerns, the imminent interest rate hikes, and the ongoing conflict between Russian and Ukraine unnerved investor sentiment and put a temporary spanner in the works. The second half of the year was dominated by inflation concerns and saw major central banks across the world take initial steps to curb ultra-loose monetary policies. The new Omicron variant of the Coronavirus, spotted at the beginning of 2022, initially indicated that we could go back into lockdown mode. However, it now seems that the coronavirus is likely to evolve into an endemic disease to which we must all adapt. The uncertainty engendered by all these multiple developments inevitably spurred volatility, in the face of which the financial markets showed sustained resilience overall.

Today, India stands at the cusp of transformative growth and at the start of an economic super cycle as its external dependencies reduce further and the country becomes increasingly self-reliant. In a recent article by Deloitte¹², India is expected to grow by 7.1%–7.6% in FY22–23 and 6%–6.7% in FY23–24. “This will ensure that India reigns as the world’s fastest-growing economy over the next few years, driving world growth even as several major economies brace themselves for a slowdown or possibly a recession,” the article stated.

Overarching factors that are enabling this growth include:

Export demand showing strength

One of the biggest repercussions of the pandemic has been a shift towards de-risking global supply chains and reducing reliance on China. Given India’s fairly strong position in the supply of select commodities and robust infrastructure, the country is well-positioned to capitalise on opportunities that will be created as a result of the shift in global supply chains. India’s growing presence in global trade and supply is underscored by its recent trade number – India achieved the highest monthly value of merchandise exports in March 2022 at USD 40.38 Bn. For the period April 2021–March 2022, merchandise exports stood at USD 417.81 Bn, witnessing a y-o-y growth of approximately 43%.¹³

Domestic demand gaining traction

India’s GDP per capita has crossed the USD 2000 per capita income mark and is expected to reach USD 3000 mark by FY25E.¹⁴ One of the factors driving this is the country’s strong demographic advantage, that is, the large proportion of people that are currently in the ‘productive’ age group. This group of people is going to supercharge an increase in consumption as well as improve overall productivity and growth. Further, urbanization is emerging to become a mega trend with almost 40% of India’s population expected to be living in urban areas in the next 15 years. The strong demographic advantage coupled with increasing urbanization and growth in per capita GDP is inevitably going to give a fillip to discretionary spending and positively impact the overall economic growth in the country.

¹² <https://www2.deloitte.com/us/en/insights/economy/asia-pacific/india-economic-outlook.html>

¹³ <https://commerce.gov.in/press-releases/press-release-indias-merchandise-trade-preliminary-data-march-2022>

¹⁴ <https://www.statista.com/statistics/263776/gross-domestic-product-gdp-per-capita-in-india/>

Focus on indigenous production

During the pandemic, much of the growth was fuelled by investments, reflecting the government's capex growth along with a gradual recovery in consumption. Government capex is likely to continue in a similar vein with the Central Government having budgeted a capex of ₹7.5 Tn for FY23 vs ₹5.5 Tn in FY22 (a sharp 35% jump). Further, through the Production-Linked Incentive (PLI) scheme, the government remains committed to expanding the manufacturing sector, localising the manufacturing ecosystem, and significantly reducing external dependencies. With a planned PLI outlay of ₹2.2 Tn, these two dynamics together are likely to create a fecund environment of enhanced capex investments and manufacturing growth.

Revival in housing

After a fairly long hiatus, the housing sector, both in India and overseas, has woken to growth. India's housing cycle witnessed a revival as a result of a low interest rate regime, improving affluence and affordability, and an 8-year-old low inventory. Revival in the sector is also evident from the uptick in hiring activity in the formal sector. With an acceleration in the housing cycle, growth is likely to be seen not only in the construction sector but in ancillary industries like paints, building material, etc.

Clearly, India is about to embark on a virtuous cycle of growth. If managed astutely, intermittent inflation shocks and a change in stance from the prevailing low interest rate regime, will, at best, have a transitory impact on the country's growth. Overall, long-term growth should remain intact.

Correspondingly, for investors looking to build robust long-term portfolios, it is important to create a well-diversified portfolio that is cushioned from domestic stocks. While domestic investment opportunities are myriad, investors must also consider cross-border investment options that can help them diversify their portfolios. Further, with the current INR trajectory, foreign investments can help to reduce the impact of rupee depreciation on the portfolio.

Inarguably, volatility in global markets has risen in the recent past due to the geopolitical turmoil in Europe and the consequent impact on global commodity prices, especially on crude oil. Despite that, volatility in domestic markets is generally higher and thus exposure to foreign assets can, to a certain extent, reduce overall portfolio volatility. From an international investing perspective, foreign equities seem like a great play. There are certain sectoral pockets across geographies that are growing and are likely to deliver robust long-term growth. These can prove to be compelling investment opportunities. While real estate prices have witnessed a rise in the aftermath of Covid-19, real estate abroad has traditionally been a compelling asset class for investments abroad and continues to hold appeal in the backdrop of the current environment.

Equity Market

Growing optimism around the global economic recovery, persistent drop in new cases and the progress of vaccination drives supported the global equity markets in 2021. Vaccination roll-outs across the globe and continued economic recovery kept investor and consumer sentiment buoyant. The Hang Seng Index (Hong Kong) and Nikkei 225 Index (Japan) were down by 21.7% and 3.9% respectively, last year. This correction can mainly be attributed to the Russia-Ukraine conflict and the resulting price pressures on crude oil and various other commodities exported from these countries. European equities suffered from a relatively slow roll-out of Covid-19 vaccines, political uncertainty in Italy, and slower economic recovery amid lockdown restrictions. Brexit uncertainty along with a second wave of virus infections have battered the UK, with the FTSE 100 Index being the slowest performing regional equity market.

Meanwhile, Indian equity markets outperformed the broader Emerging Market (EM) indices, with Nifty 50 increasing by 19.1% and Nifty 500 by 22.2% in the 12 months ending March 2022. Persistent traction in foreign flows and brighter domestic economic outlook as reflected through steady improvement in several high frequency indicators and better than expected Q4 FY 2020-21 corporate earnings also kept investor sentiment buoyant. This was further supported by stimulus measures announced by the government and liquidity measures adopted by the RBI.

A surge in trading by retail investors and Foreign Institutional Investors (FIIs) fueled a rally in equity markets post the sharp correction of March 2020. FIIs were net sellers in FY21-22 to the tune of USD 16 Bn as against net buyers to the tune of USD 36.18 Bn in FY20-21, an all-time high.¹⁵ Unlike the FIIs, the Domestic Institutional Investors (DIIs) were net buyers to the tune of USD 26.8 Bn.

Today, India stands at the cusp of transformative growth and at the start of an economic super cycle as its external dependencies reduce further and the country becomes increasingly self-reliant. According to IMF data as of April 2022, India's GDP growth rate is projected to be 8.2% in FY23. While the growth rate has been revised marginally downwards, India continues to be one of the better performing economies across the globe. Overarching factors that are likely to give a fillip to economic growth in India include growing strength in export demand, increased focus on indigenous production, domestic demand gaining traction, and a revival in housing. These elements will act as catalysts for the India growth story and engender multiple investment opportunities.

Debt Market

The net FPI outflow in FY22 amounted to ₹8731 Crs against outflow of ₹50,444 Crs in FY21. 10-year G-sec yields, which spiked in early April 2020 on the back of massive FPI selling and the fear of a significant rise in fiscal deficit, reversed its course soon and started trending lower. The yield moved above 7%, driven by the Russia-Ukraine conflict leading to higher commodities prices and concerns around higher than budgeted fiscal deficit. The 10-year yield ended 67 bps higher than last year on the back of high inflation, expected rate hike and global uncertainties. Continuing the trend from FY21, the FPI flows into the Indian debt markets remained weak.

Going forward, the outlook on yields will be based on ever-evolving dynamics of inflation and interest rate hike. The Russia-Ukraine conflict has been protracted, which affected prices of numerous commodities including crude oil leading to high inflation globally, among other factors like supply chain disruption. Due to persistently high inflation globally, the central bankers around the world are raising interest rates and reducing the excess liquidity in the system. In India, we have already witnessed 90 bps of interest rate hike by RBI. The market expects a few more rounds of rate hikes till the interest rates are at a pre-pandemic level. The higher borrowing for FY23 is also weighing on the markets and has been the reason for yields inching up. Recently, the RBI has acknowledged the need to tame inflation which is a deviation from the growth centricity exhibited in the previous policy. Rising interest rates will lead to higher cost of borrowing for the government. However, the RBI may intervene time and again to keep a lid on the 10-year yield. Inflation may head lower from the high backed by good monsoon, which may bode well for the overall economy.



¹⁵<https://www.fpi.nsdl.co.in/Reports/Yearwise.aspx?RptType=5>

Risks and Governance

We believe that the following factors have significantly affected our results of operations and financial condition during the period under review and may continue to do so in the future.

Our Assets under Management

Our results of operations are materially affected by our AUM. Accordingly, our growth and success significantly depend upon the appropriateness of investment options provided and the performance of our client portfolios and funds. Good investment performance increases the attractiveness of our products with clients resulting in higher inflows and a consequent increase in our revenues. Hence, events adversely impacting such investment performance (relating to stocks, bonds, commodities or real estate related investments) may adversely affect our business.

To mitigate these risks, we have a Product team that shortlists products which are offered to clients. We also have a Product Approval Committee for complex / structured products. That apart, we do a detailed Risk Appetite assessment of the client, and accordingly prepare an Investment Policy Statement (IPS) for the client. Hence, actual asset allocation can be checked against this and corrective action can accordingly be taken. That apart, our Internal Auditors specifically check that investment rationales are maintained and regularly updated. We also have Investment and Valuation Committees and a Risk Management team that monitor portfolios that are managed by us internally within the group.

General Economic and Financial Services Industry Conditions in India

Our Company is engaged in the business of providing wealth management services and with a majority of our operations within the domestic Indian market, our results of operations are highly dependent on the overall economic conditions in India, including the GDP growth rate, inflation rate, change in demographic profile, wealth levels, the economic cycle, prevalent interest rate regime, securities markets performance, and the increased usage of technology based channels.

The Indian economy has grown rapidly over the past decade and is expected to continue to grow at a healthy rate (leaving apart blips like 2019 and 2020), which, together with the increasing financialization of savings, could in turn, drive the

underlying demand for investment products and services.

However, if the general economic conditions in India deteriorate or are not in line with our expectations, or unforeseen events adversely affect our client investment portfolios, our financial condition and results of operations may be materially and adversely affected.

Competition and Market

We face significant competition in all aspects of our business from other established Indian and multi-national companies. Some of these firms have greater resources and/or a more widely recognised brand than us, which may give them a competitive advantage.

Mergers and acquisitions involving our competitors may create entities with even greater competitive advantages. We also face competition from several players who offer financial advisory services purely on technology platforms, in a highly cost-competitive manner ('Robo-advisors'). These competitive factors could reduce our market share and profitability.

There is also a fundamental change that is happening in the distribution of financial products, as the industry is moving gradually from a commission-based model to a fee-based model, that is having an effect on the revenues of asset allocators like our Company. The IIFL-ONE product platform has been launched to address this change and clients who wish to move to a fee-based model are gradually moving to this platform.

We believe our wide product offering, our relationships with clients, industry and product knowledge, and brand image will allow us to face such competition. We have a dedicated technology team, which has both domain and technology experts, and we are leveraging technology to deliver insights and interact with clients through different platforms.

Regulatory Supervision

We operate in sectors that are regulated in India, and our activities are subject to supervision and regulation by multiple statutory and regulatory authorities including SEBI and RBI, the various stock / currency / commodity exchanges and depositories.

In recent years, existing rules and regulations have been modified, new rules and regulations have been enacted and reforms have been implemented, which are intended to provide tighter control and more transparency in the various regulations and policies. Such changes in government and regulatory policies affecting the financial services industry may require changes to our business operations, products and pricing, and technological processes and thus may involve additional costs and management time.

While it may be possible that certain regulatory changes would be positive for some of our business operations, it may also so happen that such changes could adversely affect our financial condition and results of operations.

We have a dedicated Compliance team to interpret regulations, submit regulatory returns and interface with regulators. We also have Anti-Money Laundering (AML) Policies and AML Committees for our various businesses to deliberate on client onboarding.

Personnel and Operating Costs

We function in a highly competitive industry and accordingly, our ability to manage our expenses directly affects our business and results of operations. These expenses may be impacted by macroeconomic conditions including increases in inflation, changes in laws and regulations, increased competition, personnel expenses and other factors.

Personnel related expenses constitute a significant proportion of our total expenses. However, it can be difficult and expensive to attract and retain talented and experienced employees. In addition, we also strive to ensure effective utilisation of our human resources and may need to adjust to the dynamic business environment as we increase our scope of operations, and expand into new business products.

As we grow our business, we will require additional human resources including relationship managers, investment professionals, dealers and operational, management and technology staff. Changes affecting our expenses may impact our financial condition and results of operations.

Operations and Technology

Any complex set of operations creates the possibility of frauds and errors. To mitigate

against these risks, we have written procedures, maker-checker controls and approval of all exception requests by Risk Management team. The efficacy of these controls is checked by Internal Audit.

Information Technology systems are crucial to the success of our business operations and help us to improve our overall productivity. They also pose a key risk in terms of failure of systems, information security failures and the possibility of cyber-attacks.

Our Technology team has deployed multiple defences to mitigate the risk of cyber-attacks and prevent unauthorised access to, and leakage of, sensitive information. We have network security in the form of a firewall, and Intrusion Prevention Systems; we also have a strict perimeter device security policy, where we have blocked access to personal email, social networking and data sharing websites, USB and local drives and forced users to save working files on a company administered OneDrive. While access to emails is accessible on mobile phones, no files / attachments can be saved on these devices. A Chief Information Security Officer (CISO) is responsible for information security.

We also have a Business Continuity and Disaster Recovery plan, with data being stored on a cloud server, which we have tested. During the Covid-19 induced nation-wide lockdown in 2020 and in 2021 during the second wave we tested our ability to support operations in a work from home (WFH) environment and we managed to execute this in a stable manner, with users logging in through a virtual private network (VPN) to access their office-based applications, thereby ensuring that no information security controls were compromised.

Inflation Risk

Of late, India has experienced relatively higher rates of inflation, which is currently above the RBI's tolerance level of 4% +/- 2%. Inflation affects interest rates and hence, higher inflationary expectations lead to rise in borrowing costs and slowdown in credit offtake, which may affect our profitability. Adverse changes in credit offtake and savings caused by inflation also impacts the overall economy and business environment, as also sectors that depend on leveraged purchases like real estate and automobiles, and hence may affect us.

Development and Implementation of Risk Management System

We have a central Risk Management department that reports to the Chief Operating Officer and the Audit Committee of the Boards of IIFL Wealth Management Ltd and its subsidiaries. There are also separate Risk Management heads for IIFL Wealth Prime (NBFC) and IIFL AMC to focus on the risks pertaining specifically to those businesses. Risk Management relies on the internal controls built into Standard Operating Procedures, and the Risk Management, Product and Investment Policies relating to the various businesses: e.g. the Broking Risk Management Policy, the Mutual Fund (MF) Risk Management Policy, the IIFL Wealth Prime Policies pertaining to Loan Against Shares, Loan Against Property and Unsecured Lending and Investment Manuals and Policies that exist for our NBFC and Asset Management Company. We also have Valuation and Provisioning Policies for our MF and Alternative Investment Fund (AIF) portfolios. There is representation from the Risk Management team on Investment, Valuation and Risk Management Committees of the various businesses.

The internal processes have been designed to ensure adequate checks and balances and regulatory compliances at every stage. Authority matrices have been defined going down from the Board of Directors, to provide authority to approve various transactions.

All trading limits have been put on the respective trading systems in Stock and Commodities broking, and asset management businesses.

That apart, Risk Management conducts internal reviews (using external Chartered Accountants, where required) of various aspects of the business, which include documentation in relation to the lending business; compliance with various regulations in AIF and checking of certain regulatory returns.

The Company has invested in ensuring that its internal audit and control systems are adequate and commensurate with the nature of business, regulatory prescriptions and the size of its operations.

The Internal Audit of the Company and its subsidiaries is conducted by KPMG Assurance and Consulting Services LLP (KPMG), as per the scope suggested by Risk Management Committee(s)

and approved by the various Boards. In the case of IIFL Wealth Prime Limited, from the financial year 2022-23, this will be conducted by a Head – Internal Audit who is part of the central Risk Management team, as per RBI guidelines, and he will be assisted in this by KPMG.

The scope of internal audit covers all aspects of business including regular front-end and back-end operations, HR, Finance, Customer Service, IT and checking for both regulatory and internal compliances. Internal audit team carries out a risk-based audit of various processes to provide assurance on the adequacy and effectiveness of internal controls. The Internal Auditors also check and opine on the state of Internal Financial Control. Internal Audit reports are presented to the Audit Committees of the various Boards directly by the Internal Auditors.

In addition, the Company complies with several specific audits mandated by regulatory authorities such as SEBI / Exchanges / Depositories, and the reports are periodically submitted to the regulators.

The Board/Audit Committee reviews the overall risk management framework and the adequacy of internal controls instituted by the management team, through the monitoring of the Internal Audit and Statutory Audit reports and through the Risk Management Committee, to which a detailed presentation is made by the Head – Risk Management. The Audit Committee reviews major instances of fraud, if any, on a quarterly basis and actions are taken on the same. It also focuses on the implementation of the necessary systems and controls to strengthen the system of internal controls and prevent any recurrence.

We have also strengthened our whistle blower mechanism (backed by a policy that promises that no action will be taken against a whistleblower), and providing multiple channels (email / website / phone) managed by an external service provider (for complete independence) through which employees can record complaints and grievances, anonymously, if they choose to remain so. All whistleblowing complaints are tracked and investigated by a Vigilance Committee, with representation from Human Resources, Risk Management, Compliance and Business.

Our whistle blower mechanism is meant to facilitate reporting of unethical behaviour, actual or suspected fraud, or violation of the Company's code of conduct and ethics.

Another key aspect of governance is managing and resolving conflicts of interest that may arise. We have a Conflict of Interest Policy under which a Conflict Resolution Advisory Board (CRAB) has been formed, consisting of senior executives. Guidance has been provided in the policy on the types of transactions that are covered (e.g. transactions between an employee and a group entity, or an employee and a client, or between a group entity and a firm in which the employee or his close relatives are interested) above certain thresholds. A summary of cases brought before the CRAB, beyond certain thresholds, is also submitted to the Risk Management Committee of the Board.

Internal Financial Controls

The Company has in place adequate internal controls with reference to financial statements and operations and the same are operating effectively. These are encapsulated in the Risks & Controls Matrix (RCM). The Internal Auditors tested the design and effectiveness of the key controls and no material weaknesses were observed in their examination. Further, Statutory Auditors have verified the systems and processes and confirmed that the Internal Financial Controls system over financial reporting are adequate and such controls are operating effectively.



Review of Financial Performance

IIFL Wealth & Asset Management is one of the largest wealth and asset management firms in India. Founded in 2008, IIFL Wealth has grown steadily and now manages assets of more than

₹3,27,237 Crs, as on March 31, 2022. We operate out of 28 offices spread across the world and have an employee strength of more than 900 employees.

Assets Under Management & Profitability

The table below provides a break-up of our Assets Under Management for the periods indicated:

(All figures in ₹ Crs)

Particulars	2021-22	2020-21	YoY Growth %
Annual Recurring Revenue Earning Assets	1,44,432	1,01,969	41.6%
IIFL-ONE Assets	32,724	27,940	17.1%
Funds Managed by IIFL AMC	55,574	37,372	48.7%
Distribution Assets Earning Trail Fees	51,815	33,038	56.8%
Net Interest Margin on Loans	4,318	3,620	19.3%
Transactional Assets	1,17,313	1,05,074	11.6%
Brokerage	99,856	82,422	21.2%
Distribution Assets Not Earning Trail Fees	17,458	22,653	(22.9%)
Total AUM	2,61,745	2,07,044	26.4%
Add: Custody Assets	65,493	39,039	67.8%
Total AUM including Custody	3,27,237	2,46,083	33.0%

The table below is a Reclassified Consolidated Statement of Profit and Loss for the periods indicated:

(All figures in ₹ Crs)

Particulars	2021-22	2020-21	% I / (D)
Gross Revenue from Operations	2,078	1,659	25.3
Less: Direct Costs	(543)	(606)	(10.4)
Net Revenue	1,535	1,053	45.8
Less: Other Income	137	137	0.0
Net Operating Revenue	1,398	915	52.8
Classified into:			
Annual Recurring Revenue	912	583	56.4
Management Fees on IIFL-ONE Assets	90	55	63.6
Management Fees on Funds Managed by IIFL AMC	359	198	81.3
Distribution Assets Earning Trail Fees	242	139	74.1
Net Interest Margin on Loans	221	191	15.7
Transactional / Brokerage Income	486	333	45.9
Brokerage	131	150	-12.7
Investment Banking / Syndication Income	354	183	93.4
Costs	784	568	38.0
Employee Costs	602	417	44.4
Admin and Other Expenses	183	150	22.0
Profit Metrics			
Operating Profit Before Taxes (OPBT)	614	348	76.4
Profit Before Taxes (PBT)	751	485	54.8
Profit After Tax (PAT) Including OCI and FCTR	582	369	57.7
Cost to Income Ratio	51.1%	53.9%	
ROE	20.2%	12.5%	
ROE Ex Goodwill & Intangibles	24.7%	15.0%	

Reclassified Segment-wise performance is as under:

(All figures in ₹ Crs)

Segments	For the year ended March 31, 2022			For the year ended March 31, 2021		
	Wealth Management	Asset Management	Total	Wealth Management	Asset Management	Total
Gross Revenue from Operations	1,614	464	2,078	1,379	280	1,659
Net Operating Revenue	1,038	360	1,398	718	198	916
Operating Profit Before Tax	425	189	614	271	77	348

The key factors to consider are as follows:

- Total Assets under management including custody assets are ₹3,27,237 Crs as on 31st March 2022.
- The wealth management business has client assets of ₹2,06,170 Crs, excluding custody assets. Custody assets were an additional ₹65,493 Crs while the Asset Management business has ₹55,574 Crs of assets under management as on 31st March 2022 of which ₹30,997 Crs are AIF Assets, ₹18,505 Crs are PMS (Portfolio Management Services) and SMA (Separately Managed Accounts) Assets and ₹4,519 Crs are Mutual Fund assets.
- Continuing focus on increasing Recurring Revenues has resulted in an increase in ARR generating assets by 41.6% to ₹1,44,432 Crs and an increase in Recurring revenues by 56.4% YoY to ₹912 Crs.
- IIFL-One has been well received by clients with Assets Under Management increasing by 17.1% YoY to ₹32,724 Crs and Revenues increasing 63% YoY to ₹90 Crs.
- Total Net flows during the year were ₹31,422 Crs. Net Flows in Wealth Management were ₹19,464 Crs and ₹11,957 Crs in Asset Management.
- Total Consolidated Revenue for the year was up 45.8% YoY at ₹1,535 Crs, as compared to ₹1,053 Crs for FY 21, while Revenue from Operations, was up 52.7% YoY at ₹1,398 Crs.
- Overall Retention on Total Revenue stood at 63 bps and Retention on Revenue from Operations was 57 bps. Retention on Wealth Management Assets was 53 bps and Retention on Asset Management Assets was 73 bps.
- Overall Costs for the year were up 38.1% to ₹784 Crs. Employee Costs were up 44.1% YoY at INR 602 Crs, of which, Fixed Employee costs were at ₹304 Crs and Variable Employee costs were at ₹267 Crs.
- Admin and Other expenses increased 21.3% YoY to ₹183 Crs. Operating PBT (OPBT) was up 76.7% YoY to ₹614 Crs. Profit before tax (PBT) for the year was up 55% YoY to ₹751 Crs.
- Profit After Tax (PAT) for FY22 was up 57.7% at ₹582 Crs from ₹369 Crs in FY21. Average Net Worth in FY22 stood at ₹2,882 Crs as against ₹2,953 Crs in FY21. This was largely on account of a Dividend pay-out of ₹55 during the year.
- Return on Equity (RoE) for the year was at 20.2% and RoE Ex-Goodwill & Intangibles was 24.7%.
- Net profit margin in FY22 has increased to 28% from 22% in FY21, due to increase in profit during the year.
- Interest coverage ratio moved from 2.18 in FY21 to 3.04 in FY22, due to increase in profit and reduction in finance cost during the year.

BALANCE SHEET AND CAPITAL DEVELOPMENT

(All figures in ₹ Crs)

ASSETS		2021-22	2020-21
1	Financial Assets		
(a)	Cash and Cash Equivalents	489	437
(b)	Bank Balance Other than (a) above	534	401
(c)	Derivative Financial Instruments	0	167
(d)	Receivables	0	0
(I)	Trade Receivables	255	226
(II)	Other Receivables	259	116
(e)	Loans	3,916	3,670
(f)	Investments	4,072	2,513
(g)	Other Financial Assets	188	153
2	Non-Financial Assets		
(a)	Inventories	0	0
(b)	Current Tax Assets (Net)	137	75
(c)	Deferred Tax Assets (Net)	0	1
(d)	Investment Property	0	0
(e)	Property, Plant and Equipment	278	288
(f)	Capital Work-in-Progress	0	2
(g)	Intangible Assets Under Development	0	0
(h)	Goodwill	373	373
(i)	Other Intangible Assets	150	152
(j)	Right to Use Assets	15	24
(k)	Other Non-Financial Assets	73	142
Total Assets		10,740	8,740

FY21 numbers have been re-grouped as per FY22 to maintain consistency in reporting.

BALANCE SHEET AND CAPITAL DEVELOPMENT (continued)

(All figures in ₹ Crs)

LIABILITIES AND EQUITY		2021-22	2020-21
1	Financial Liabilities		
(a)	Derivative Financial Instruments	141	221
(b)	Payables	674	392
(c)	Debt Securities	5,453	4,710
(d)	Borrowings (Other than Debt Securities)	100	104
(e)	Subordinated Liabilities	254	263
(f)	Other Financial Liabilities	923	43
(g)	Finance Lease Obligation	17	27
2	Non-Financial Liabilities		
(a)	Current Tax Liabilities (Net)	29	59
(b)	Provisions	8	12
(c)	Deferred Tax Liabilities (Net)	95	34
(d)	Other Non-Financial Liabilities	48	49
3	Equity		
(a)	Equity Share Capital	18	18
(b)	Other Equity	2,980	2,810
(c)	Non-Controlling Interest	0	0
Total Liabilities and Equity		10,740	8,740

Key Considerations as on March 2022:

- Consolidated Average Net Worth stood at ₹2,882 Crs vs ₹2,953 Crs in FY21. Average Net Worth Ex-Goodwill and Intangibles stood at ₹2,356 Crs vs ₹2,459 Crs in FY21.
- ROE Ex-Goodwill & Intangibles has increased to 25% from 15% in FY21 primarily driven by the increase in PAT YoY, accompanied by the high dividend pay-out in FY22.
- Debt/Equity ratio increased from 1.80 on March 31, 2021, to 1.94 on March 31, 2022; due to increase in overall outstanding debt of Group by ₹731 Crs.
- Debtors' turnover ratio moved from 6.87 in FY21 to 7.69 in FY22, due to increase in revenue from operations during the year.

FY21 numbers have been re-grouped as per FY22 to maintain consistency in reporting.