“IIFL Securities Limited
Q2FY21 Earnings Conference Call”

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Management:  Mr. R Venkataraman – Co-promoter and Managing Director
Mr. Ronak Gandhi – Chief Financial Officer
Mr. Anup Vargheese – Investor Relations
Moderator: Ladies and gentlemen, good day, and welcome to the IIFL Securities Limited Q2 FY2021 Earnings Conference Call. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to the management. Thank you, and over to you all!

R. Venkatraman: Thank you. Good afternoon friends. Thank you for joining the Q2 FY2021 analyst call for IIFL Securities. I am R. Venkatraman, Managing Director and along with me are my colleagues Ronak Gandhi, CFO and Anup Varghese, who looks after Investor Relations for the group.

I hope you and your near and dear ones are safe and healthy in these unprecedented times of the COVID pandemic. There has been a growth as well as revival of existing retail traders that has resulted in a surge in the trading volumes. We have reasons to believe that this is the trend which is here to stay mainly because of the untapped potential for new clients in a country like India and the favorable demographics, especially in retail segment. This is further supported by rising financial literacy levels, increasing smart phone and internet penetration. Our strategy continues to be built on improving and fortifying our research content, investing in technology for trading platform as well as human resources. We believe over time market for mass affluent broking and other financial services will grow. On the technology front, our trading interfaces that is Trader terminal for the internet, IIFL market app for mobile or advisor anytime anywhere (AAA) for the IIFL sub-broker segment has become popular and are gaining traction. During the lockdown period, our technology platform worked successfully, our staff managed to service customers from home effectively leveraging the technology. IIFL markets app and the IIFL sub broker app i.e. AAA was used extensively by RM partners and customers for uninterrupted service. We were able to open accounts successfully using a completely digital mode. As you know, we have two broad revenue streams based on broad customer segmentation, retail which had started for mass affluent tech savvy customers, we offered them not only broking but also other products like mutual funds, insurance, PAMS, AIFs etc., on an open architecture model. The other line of business is institutional broking and investing banking, which is combined, which is targeted at institutional clients and corporates. We are one of the leading domestic institutional brokers and we are the part of first call for any domestic institution and that is primarily built upon our research credentials and ability to execute.

On the investment banking front, we are focused on the equity capital market, IPO and QIP. We are focused on the agency business on an open architecture model as I have elucidated before.

Coming to the results for the September quarter, consolidated revenues for the quarter came at 218 Crores up 22% quarter-on-quarter, up 18% on year-on-year basis. Other income was 24.2 Crores down 15% on a quarter-on-quarter basis and up 117% year-on-year basis. The major reasons for the
increase in the quarter-on-quarter revenues has been retail broking, which has increased about 21% on a quarter-on-quarter basis where retail broking was about 80 Crores in this quarter versus 66 Crores for the previous quarter. Our Investment banking increased to 12 Crores in this quarter which was quite low or insignificant in the previous quarter. We have also witnessed an increase in our financial product distribution income, which was primarily driven by insurance sales. With the gradual opening of economy, we hope that outlook for financial product distribution is good. On a year-on-year basis again consolidated revenues was driven by retail brokers, which was up 50% on a year-on-year basis and investment banking which was again up significantly on a year-on-year basis. Other income was down 15% on a quarter-on-quarter basis primarily because the previous quarter we had one-time mark to market gains on some investments which we had. The year-on-year growth was also primarily on account of IPO income, which we witnessed in this quarter that just went by.

Coming to the expenses, employees cost were virtually flat up 3% quarter-on-quarter basis to 48.3 Crores, the finance cost has increased because of the IPO funding activity which I spoke about, admin cost was up 75 Crores which is primarily because of increase in sub brokers commission and also increase in advertisement cost and other cost as the branches are slowly becoming more functional. Our asset under management and custody was about 33,113 Crores as of September 30, 2020.

Coming to turnover details, our average total turnover for this quarter was 23,964 Crores combined BSE NSE which is further split into 1,799 Crores in the cash segment and 22,167 Crores in the derivative segment. The corresponding figures for the previous quarter was 17,175 Crores combined BSE NSE which was 1,566 in cash segment and 15,609 in the derivative segment.

With this, I come to the end of my remark and will be happy to answer any questions that you might have. Thank you so much for giving me a patient hearing.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: Good afternoon Sir and thanks a lot for taking my questions. First question is on the excess properties that we are holding in our balance sheet now that the situation has sort of normalized even in the property markets, so what is the thinking right now and if you can indicate the current value of the asset that we are holding?

R. Venkatraman: Actually, what you say is correct, there is some improvement in the real estate market, especially the commercial segment, we are getting some enquiries and it is difficult for me to make a forward looking statement, but as I has always articulated in the previous analyst call also, our intention is the same, hopefully we should see some closure in this quarter. As of now we have roughly about 6,34,459 square feet spread across multiple locations from Ahmedabad to Mumbai to Pune. We are carrying it at book value of roughly about 300 Crores and the market value is close to about 700
Crores, but it is our management estimate and as I said hopefully that this quarter at least we should see some closure of sales.

Sarvesh Gupta: Okay and secondly, the rental income in relation to the market value looks to be around 3%-3.5%, are some of the property not occupied or if you can throw some light on that and also on the CWIP which is on the balance sheet of around 130 Crores?

Ronak Gandhi: On the rental income, what you are looking at is the consolidated number, that is after elimination which means that is only charge to the outsiders, that is not factoring the self occupied property. So that is why you are able to look at it 3.5%, when you take whole of the rent together, the yield is around 7.5% to 8%.

Sarvesh Gupta: If you can just give some clarification on the CWIP which is on the balance sheet of around 132 Crores?

R. Venkatraman: Actually, the post de-merger, we had got certain real estate property which included flats in Mumbai and Pune for which OC had not come, that is what we are showing as CWIP.

Sarvesh Gupta: Understood and secondly, on the client acquisition side, so while we are acquiring a lot of clients through our new technology initiatives, will it be possible to give some sense of how much is the contribution from these new mobile based and completely online sort of customers versus the offline guys who are relying more on the traditional side?

R. Venkatraman: If you look at the current business right now, most of the customers are trading using the various platforms, so pure offline or the so called traditional broking business has come down significantly, although I do not have an exact figure for that, but I will just tell you roughly about 60% of a trading happens on the mobile platform with the IIFL markets app and then it will be followed by the internet, and I think about 10%-15% will be the so called offline or the RM or the call center mode.

Sarvesh Gupta: Okay and secondly, since you have a group company which is 5Paisa, now most of the new customers especially in the retail segment where we have seen a lot of growth, they are all going for this new technology based discount brokerage like Zerodha or 5paisa etc., so now how are we positioning ourselves in this because obviously we are not going that part because it is a group company which is doing that business, then would it not be like we are more focused towards the traditional sort of cliental, based on existing relationship and the growth has come because of may be increased trading through them rather than the new clients which are coming up because they are all going to the discount brokerage houses rather than the traditional brokers which are charging higher brokerage also?

R. Venkatraman: If you look at the exact 5Paisa model or the other syntex model which you are alluding to, they are discount broking and basically it is something like, no RM, no branches, no advisors and in IIFL
Securities we have a full service positioning which is like having research, RM and something like mass affluent wealth management. We believe that both these models can exist and there is adequate demand for both of them, but if you look at the incremental numbers what you say is correct, incrementally large number of the so called millenials that are opening their accounts with our free or low brokerage model, but we believe that as affluent increases there will be need for assisted models where we can play a role.

Sarvesh Gupta: Okay Sir, thank you for answering the questions and I will join back in the queue.

Moderator: Thank you. The next question is from the line of Kajal Gandhi from ICICI Direct. Please go ahead.

Kajal Gandhi: Good afternoon Sir, congratulation on a good set of numbers. Two-three questions, one is on the MTF brokers, what is the size of the margin funding book that we are carrying right now?

R. Venkatraman: Margin funding trading book is roughly about 54 Crores.

Kajal Gandhi: But loans in the book or balance sheet Y-O-Y from March looks slightly on the higher side?

Ronak Gandhi: In September, loans include MTF book plus what we have landed to other group companies as well. Out of that, MTF book is 55 cr.

Kajal Gandhi: What would be the lending to other group companies?

R. Venkatraman: 80 Crores. That is temporary requirement and that will come back in this quarter.

Kajal Gandhi: Okay Sir and what will be the breakup of the turnover on the retail and the institutional sales?

R. Venkatraman: Bulk of the trading is happening on the retail side especially in the derivative segment, I do not have the exact split between retail and institution right now. Kajal, I will share this with you offline later on.

Kajal Gandhi: Okay Sir, and last you said on this client space, what will be the major source of now acquiring clients given we have seen a sharp addition?

R. Venkatraman: Actually, if you look at our client acquisition models, we have three broad channels for acquiring customers. One is our sub broker channel; one is the direct phase channel and one is the relationship manager channel. So, bulks of the customers are getting acquired by the direct phase channel primarily on the internet on the digital or DYI mode. All are there but as you said that bulk is from this, we have stepped our digital client building initiative, regeneration etc., and the call center so that is driving the bulk of the customer acquisition.
Kajal Gandhi: Okay Sir, thank you very much.

Moderator: Thank you. The next question is from the line of Manan Patel from Equirus PMS. Please go ahead.

Manan Patel: Thank you for the opportunity and congratulations for very good set of numbers. My first question is sort of on the loan side, if I look on the balance sheet, we have around 400 Crores loan on the standalone balance sheet, and on a consolidated, it is around 136 Crores, so just wanted understand what is this 400 Crores, you mentioned 54 for MTF and 80 Crores to group company, so what would be the remaining loan book?

Ronak Gandhi: Manan, Ronak here, on the standalone balance sheet, 55 Crores is MTF loan and rest is 350 Crores which we have landed to wholly owned subsidiary, so that is why on consolidated basis that is getting knock off and on consolidated basis 130 Crores is loan, out of that 80 Crores we have lend to the group companies which is outside the security group and 55 Crores with MTF book.

Manan Patel: Understood and Sir, is my understanding right, on the console side the overall debt number has come down from around 400 Crores to 160 Crores?

Ronak Gandhi: Yes, the overall debt in the console level has come down. I will give you the exact figure, it has come down to 162 Crores.

Manan Patel: So, is that loan we paid from standalone wholly owned subsidiary is that you use to pay down this debt?

Ronak Gandhi: Yes, that has been used for paying down the debts to the outsiders.

Manan Patel: So from now on we can see that debt going down from 160 Crores, is that understanding right?

Ronak Gandhi: Yes.

Manan Patel: Okay, Sir my second question is what would be our market share in F&O segment?

R. Venkatraman: If you look at the overall number F&O market share is roughly about 1.1% which was virtually unchanged from the previous quarter to this quarter and this is overall market volume. We have not separated prop, and to answer next question which might come but for the benefit I will tell you in cash segment there is 2.8% the previous quarter which has become 3.1% in this quarter.

Manan Patel: I saw that from the press release, you guys did not give the F&O market share so wanted to know that, my next question is on the cost side, if I look at the cost to income ratio, it is around 68% versus substantially lower for our listed competitor, so what would explain this?
R. Venkatraman: Because some amount of cost increase as I told in the opening remark has happened because of the increase in admin expenses which includes pay out to sub brokers and commissions, so previous quarter we have seen some increase activity in the sub broker segment of us and also increase in our advertisement and other expenses and branch expenses as the branches have slowly started to opening up.

Manan Patel: My question was again there is a line item called fees and commission, so that is our payments to sub-brokers, is that understanding right?

R. Venkatraman: Yes.

Manan Patel: Okay and that is around 30 Crores, so like do you see the run rate remaining at the same level or will grow up?

R. Venkatraman: Actually it can grow also, because as you know that our plans to increase our sub brokers market share also, so that can grow also.

Manan Patel: Okay, great and the growth in admin and other expenses primarily due to the ad spends that we have incurred?

R. Venkatraman: Yes, see there are two reasons for this, one is that advertisement spend has increased, tech spend has increased and also slowly branches also have open, so now the branches also slowly getting open, so these are the three broad reasons.

Manan Patel: Okay, understood and Sir my last question is on the DCM, M&A side of the investment banking, is there any progress there?

R. Venkatraman: See, to be very honest, I will tell you, we are quite optimistic about our investing banking business and in investing banking business, we have primary capability to be ECS that is the IPO and QIP segment. DCM we have just started, so it is too early for me to give any statements on that, but in ECM we are quite strong. In the M&A side, we do not have a significant presence. So last quarter was good for IB, we closed three transactions and one sale buy back was done. We have also filed for some DRSPs with SEBI and hopefully we should get the approval, the traction is strong, we have a good pipeline, we have mandate it at advanced stages of completion and hope to see some transactions closing in this quarter. But mostly it will be ECM not DCM and M&A kind of thing as you have asked.

Manan Patel: Great, that is very helpful and Sir. One last suggestion, till last quarter there was a slide called revenue mix and segment reserve which is not there in the Presentation. Can you please add them next time as a suggestion?
R. Venkatraman: I am sorry, from next time we will give it, so if you want to know the figures, I will ask my investor relations to send you the sheet. I think Kajal also wanted the details, so I will make sure both of you get an e-mail on this.

Manan Patel: Great Sir, that is very helpful and once again congratulations.

R. Venkatraman: Thank you so much and be in touch.

Moderator: Thank you. The next question is from the line of Piran Engineer from Motilal Oswal Financial Services. Please go ahead.

Piran Engineer: Congrats on the quarter, my first question is just wanted to understand what is your take on the impact on the new regulation set up coming from December 1, do you all expect to be better off than the discount brokers, how do you see that?

R. Venkatraman: From December 1, you are talking about the peak margin guidelines, right?

Piran Engineer: That is right, yes.

R. Venkatraman: In the last three months, we had seen other big transaction that happened was the transaction using OTP and if you look at this thing that happened and what is going to come which is a peak margin reporting, my guess is that well capitalized brokers with superior technology will be better off than others and my guess is that some of the fintech are very well capitalized, so I do not know the extend or impact of that, but the smaller marginal brokers will definitely get adversely impacted. That is what my take is, but it is still too early to comment, so we should wait and see what happens in December and then take a final call.

R. Venkatraman: My thing was more to do with trading in F&O and intraday happening on leverage and with that slowly being phase out from December 1st, how does that impact volume?

R. Venkatraman: See, actually if you look at my views, last time also I said that in the F&O segment especially options which is where the bulk of the intraday takes place we do not have the significance presence and last time I think somebody asked me a question and I replied saying that intraday option traders with low key has emerged as large segment and this is one segment where IIFL Securities has not done reasonably well so I do not know how much negative impact will there, but clearly people who have been depending a lot on funding, options trading and intraday will get affected especially after the peak intraday rules, but having said that if you are well capitalized may be you will be able to do funding so that is why it is very difficult for me to take a call this year.

Piran Engineer: Okay, but what percentage of the customers would be doing intraday on the leverage?
R. Venkatraman: Difficult to give an exact number on that.

Piran Engineer: Any rough estimates?

R. Venkatraman: I am sorry I do not have any estimates, I do not want to randomly give a figure. Anyway we will write down this question and see if I can get back to you.

Piran Engineer: Okay, that will be helpful. Second question you mentioned that mobile trading for you is 60% of trades but when I look at the industry it is only 25% so what does act as large divergence actually?

R. Venkatraman: We have this IIFL market app and trading from the IIFL markets app for us is quite high.

Moderator: Thank you. The next question is from the line of Rishabh Shah from R S Capital. Please go ahead.

Rishabh Shah: Thank you for the opportunity. Just wanted to understand we have tripled our customer base from last year so just wanted to understand where has the maximum growth comes from, is it from the new customers or new markets or is it mainly from existing customers who are trading at other platforms?

R. Venkatraman: See, actually to be very honest we are seeing a mix of both, new to market as well as shift from brokers to others but I do not have the exact data to answer your questions with precise numbers, that is why I do not want to hazard a guess.

Rishabh Shah: Okay and the last question, what is the currently employee attrition rate for the company?

R. Venkatraman: See, the employee attrition rate at the RM level is quite high. At lower level the attrition is quite high which is about 25% to 30% but at middle level if I consider attrition is quite low.

Rishabh Shah: Sir, what are we doing to stop this?

R. Venkatraman: See, RM level attrition was quite high, we checked with others in the industry also and there is also quite high.

Rishabh Shah: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Rajeev Agarwal from the DoorDarshi Advisors. Please go ahead.

Rajeev Agarwal: Hi. Thanks for the opportunity. My first question is that our customer acquisition was very strong in the quarter so can you give some indication of what sort of brokerage fee structure are we giving to our new customers?
R. Venkatraman: See, we are giving the standard package which I think is 10% delivery and I do not know the exact brokerage, but it is a normal brokerage, not a discount brokerage.

Rajeev Agarwal: My second question is that we have almost 2500 branches and yet we have a very strong activity which is coming from the digital channel so would it be useful to understand how many of these 2500 branches are owned directly by the company and how many of them are franchises and what is our expectations going forward around this?

R. Venkatraman: I just wanted to answer that question correctly. We have roughly about 50 to 60 branches only, we do not have 2500 branches. So, effectively out of these total numbers of branches only 60 are of the Company, so rest of it what we are talking about is the outlets are mostly sub broker outlets only. Our own branches will be about 60 and if you add for gold loan branches there will be another 2000 branches across the country.

Rajeev Agarwal: Got it and do we expect this to continue as it is or do, we expect to increase or decrease in our sub broker branches?

R. Venkatraman: See, actually the sub broker branches will continue to rise because we have focused on increase in sub brokers, but our own branches I think we have a fairly good spread across the country and I do not think we will be setting up more branches.

Rajeev Agarwal: Got it. I think that is very helpful and then you mentioned about we have real estate of around Rs.700 Crores on the book and you are expecting some sort of monetization in this quarter, next quarter, so as the cash comes in as this is the business which does not seems to need too much cost capital, what is your thinking around as we realized this money from selling of real estate, how are you thinking of utilizing that?

R. Venkatraman: See, our aim was to first reduce debt and once we become debt free, we have a good dividend payout policy and we will continue to maintain that.

Rajeev Agarwal: Got it but effectively you said the debt is only 130 Crores to 140 Crores and I think real estate valuation…

R. Venkatraman: I think from the basis of advice from the board, this issue will be taken up.

Rajeev Agarwal: Okay. Thanks a lot for answering my question.

Moderator: Thank you. The next question is from the line of Shubhankar Ojha from SKS Capital. Please go ahead.
Shubhankar Ojha: Hi, this is Shubhankar from SKS Capital. I have a related question. What is the cost debt and net cash figure?

R. Venkatraman: Sorry?

Shubhankar Ojha: What is the total debt and cash in the book?

R. Venkatraman: Total cash in the book is about Rs.80 Crores, debt is about Rs.160 Crores.

Yes. Shubhankar Ojha: Sorry, free cash is how much?

R. Venkatraman: Total debt is about Rs.160 Crores, I am giving round off numbers, free cash is around Rs.80 Crores. So net debt will be about Rs.80 Crores.

Shubhankar Ojha: Got it and it was somewhere Rs.240 Crores last quarter end?

R. Venkatraman: Debt has come down on quarter-on-quarter basis, you are right.

Shubhankar Ojha: Right. That is what I wanted. Thank you.

Moderator: Thank you. The next question is from the line of Ritika Dua from Elara Securities. Please go ahead.

Ritika Dua: Thank you for the opportunity and sorry but if you could again recite on the debt transfer on the console, I mean I missed that transaction which you have done in this particular quarter?

R. Venkatraman: I will just quickly explain to you. There is no transaction as such. If you look at the consolidated balance sheet, we have borrowing about Rs.162 Crores against that we have cash of about Rs.80 Crores and loan to our group companies about Rs.80 Crores.

Ritika Dua: Understood. Actually, I think I got disconnected in one of the previous questions...

R. Venkatraman: Actually I will tell you, I am giving you the figures as from the consolidated balance sheet so in the consolidated balance sheet about Rs.160 Crores is the borrowings and against it is the Rs.80 Crores is the cash and Rs.80 Crores is loan.

Ritika Dua: Understood. So, that explains the jump in the quarter-on-quarter on the assets under management for you?

R. Venkatraman: The assets under management, it is about Rs.33000 Crores that is customer asset not ours.
Ritika Dua: Okay. I was just referring on the FPD AUM which you report so that has also increased very considerably on a quarter-on-quarter basis?

R. Venkatraman: That figure has increased to about Rs.33000 Crores out of which about Rs.10000 Crores is financial product distribution, which is a financial product distribution comprising mutual funds, loan PMS, bonds and roughly balance of about Rs.23000 Crores is assets in Demat account.

Ritika Dua: Thanks for the clarification, maybe I misunderstood that and secondly on the client addition, congratulations on this quarter, but if am trying to understand, your sister concern reported like double the numbers, what are really these discount brokers really doing the acquisitions which they are doing like double of what the traditional has been, just want to understand if you benchmark that, why is their numbers is ....

R. Venkatraman: I think there is large breed of customers who want to do low brokerage base trading and fintechs were also spending lots of money in acquiring customers beyond that it is difficult for me to comment so discount broking entity which has no RM, no branches, no advisors targeting mostly millionaires who want to do everything on their own, saving the least amount of brokerage and that might be reason why a bulk of them are acquiring large number of customers.

Ritika Dua: Sir, we are internally not thinking to may be have another discount broking, may be within IIFL to may be capture this space?

R. Venkatraman: If you look at it, in the group we have 5Paisa which is discount broking company, we believe that discount broking activity is done by separate corporate entity and not done by full service brokers as an SBU, so IIFL as a full service commissioning loyal base of customers were serviced by research, RM and we have a personal reach, equivalent to a mass affluent wealth management. So, you asked the question that, if a customer comes and says give me a discount broking rate? the answer is yes. We also have certain customers who do not want RM, who do not want research, who want to do everything online for them we also offer flat brokerage. So, the difference is that the it is the core models of flat broker as well as that of full service. But obviously for retaining the customers, we offer the same as well.

Ritika Dua: Understood. Thank you, Sir.

Moderator: Thank you. The next question is from the line of Piran Engineer from Motilal Oswal Financial Services. Please go ahead.

Piran Engineer: So, what I wanted to understand is that the customer you acquired in the last two quarters to three quarters, of course very good on the volume side but if I have to think about ARPU of the new customers say in the last six months, versus the traditional customers, what would that be?
R. Venkatraman: I do not have the data right in front of me, but just to answer broadly, the ARPU of these customers is much lower than ARPU of the traditional customers. When you say traditional customers, you mean the traditional customers acquired by RM and sub brokers?

Piran Engineer: Yes, what I mean is basically say those who were there up to a year back and in the last eight months or one year the ones that you have acquired, those customers have much lower ARPU?

R. Venkatraman: Yes, your assumption is correct, but our experience shows that typically those customers have better ARPU.

Piran Engineer: Okay but these new customers you all have acquired, do you expect the ARPU to scale up over time, is this the kind of business where a customer gives you more revenue year-after-year or is this the kind of business that the revenues largely flatterish of customer?

R. Venkatraman: It is too early for me to comment. I will appreciate if you can send the list of such data related questions to Anup, so that we can give the data?

Piran Engineer: Sure. Thank you so much.

Moderator: Thank you. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: Sir, this is pertaining to the earlier question on the dividends so if you were able to monetize the real estate partially or fully then what is going to be the use of that cash because I think we are already for all practical purposes debt free with the static or net debt?

R. Venkatraman: To answer your question, first aim to be no debt and then based on the advice of the board of the directors we will see what can be used for business, especially larger funding and expansion and rest will be paid out, we have a dividend payout policy also approved by the board and we will stick to that.

Sarvesh Gupta: Okay and Sir on the margins funding itself now with the new regulations coming up wherein the margin requirements have been tightened a lot, so what is going to be the sustainable decrease in capital that we need to deploy in this business because everyone is giving much lesser margins than previously right, so that would lead to a sustainable decrease in the capital requirement for brokers as well?

R. Venkatraman: Difficult to say because with the margin trading products the brokers can also grow, so it has been tightened but the tightening of the norms will be offset by the increase in the overall percentage of demand for funding. So, although the margins might fall but the total number of customers and the demand might increase so that there will be demand for funding and hence need for capital.
Sarvesh Gupta: That I understand Sir. The volumes may compensate for that but just trying to understand that if the customer base and the volume per customer were to remain the same then if you are using 100 earlier then what will be the capital to be deployed now, just if you can give some ballpark number on that?

R. Venkatraman: My guess will be the virtually same because now given the fact that funding norms are tightened so demand by clients for funds will increase that is what our call is.

Sarvesh Gupta: Okay understood Sir. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Mohnish Vijan from Vijan Shares. Please go ahead.

Mohnish Vijan: Thank you for taking my question. I would like to know that we were looking to exit our AIF investments, so what is the plan on that, when are we looking to exit it?

R. Venkatraman: See, of course we have plans to exit but waiting for the good opportunity and time to sell and these are not third party funds these are funds which was held by sister company only, so as and when the opportunity comes we will let you know.

Mohnish Vijan: Can you tell me the current value of these on our books?

R. Venkatraman: Rs.99 Crores.

Mohnish Vijan: Okay and my second question if you could throw some more light on this Rs.80 Crore loan that has been given to another group company?

R. Venkatraman: It is a loan given to the group company for temporary liquidity mismatch, this will come back, this quarter it will become zero.

Mohnish Vijan: Okay. Thank you and all the best.

Moderator: Thank you. We take the last question from the line of Govind Lal Kilara, private investor HNI. Please go ahead.

Govind Lal Kilara: I have got two questions. One is on standalone there is note number six, this other income includes this dividend received Rs.18.5 Crores from IIFL Insurance Brokers Limited so this is something one time or what is that, is it recurring or one time?

R. Venkatraman: This is a one time; it is an interim dividend declared by wholly owned subsidiary which we have received.

Govind Lal Kilara: So, one time means...
R. Venkatraman: On consolidation it gets knocked off, because it is from wholly owned subsidiary.

Govind Lal Kilara: It is okay but if it is not recurring means this is the one-time income should we treat, something like one time, these Rs.18 Crores?

R. Venkatraman: Yes, what is happening is that we should keep in mind that when you consolidated this effect gets out so there is no effective impact of that because it is from 100% subsidiary.

Govind Lal Kilara: So, as a layman if I want to understand the console, there is not much impact on other income because of this one-time?

R. Venkatraman: Exactly, it has no impact on the consolidation because of the other income.

Govind Lal Kilara: Okay, then this Mr. Nirmal Jain there was interview to Money Control on September 7, 2020, so he was referring that regarding business all that over a period of time over the next two quarters to three quarters from all group businesses will go fully digital something which he was talking, so any thought on that and one more thing is that he was giving guidance about some 20% to 25% per annum business growth in securities and wealth management some 15% to 20% growth, on that any comment from your side?

R. Venkatraman: I cannot make any forward looking comment on that, but other question on a big picture like we are quite optimistic about the prospects of this business primarily because I think it is the product which has low penetration, we are seeing financial literacy, we are seeing rising smartphone and internet penetration so given all that so I would say demand for products like broking and distribution. Now, the other question I could not understand. Is it about SME business of NBFC, which is becoming fully digital or what is the exact question?

Govind Lal Kilara: I will report exactly what Money Control has reported, over a period of time we would do away with most sales offices and staff over next two quarters or three quarters all group business will go fully digital.

R. Venkatraman: Okay. So, the statement was mostly made in the perspective of our consumer finance business in the NBFC Company, there we think that our ability to originate loans is quite high and there will be an end-to-end originating and servicing. In broking business if you see our acquisition is also on the net quite high and servicing because trading is also quite high so with such a high online usage of this product and we have up to 60 branches, so I think the 60 branches will not be increase, but remain as a point of sales. What he meant was more for the lending business.

Govind Lal Kilara: One more last question from my side. Regarding this other income, year-on-year it is generally stable, but quarter-on-quarter every time lot of volatility is there so we get confused about this.
R. Venkatraman: No, actually if the components of this quarter-on-quarter number are simply because of IPO so if you have a good month of IPO then this tends to rise. So, last quarter we had a significant number of IPOs happening so that boosted other incomes.

Govind Lal Kilara: In this other income component only I want to understand most of this mark to market also last time in April and big to mark to market loss was there, so generally what kind of investments we have got?

R. Venkatraman: We have roughly about Rs.99 Crores of investments which is in AIF, that was not also AIF that was all seed money funded for our group business where we are a sponsor you have to invest so if you remember 2 years ago when the entire group was restructured that time a part it came to us. So, we have roughly about Rs.99 Crores as an AIF product and others are just typically assets which we have invested which we are trying to sell.

Govind Lal Kilara: So, it is not something in equities we have not invested.

R. Venkatraman: No Sir.

Moderator: Thank you. Ladies and gentlemen, due to paucity of time, we take that as a last question for today. I would now like to hand the conference back to the management for their closing comments. Over to the management.

Management: Thank you so much for participating in this call. Given the festive season I wish all the participants a very Happy Dusherra. Best wishes for Diwali and if you have any more questions please feel free to reach out to Anup Varghese and we will more than happy to answer the questions that you have. Thank you so much.

Moderator: Thank you very much. On behalf of IIFL Securities Limited, this concludes this conference. Thank you all for joining, you may now disconnect your lines.