



# “IIFL Securities Limited Q4 FY23 Earnings Conference Call”

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**MANAGEMENT: MR. R. VENKATARAMAN – CHAIRMAN & MANAGING  
DIRECTOR, IIFL SECURITIES LIMITED  
MR. RONAK GANDHI – CFO, IIFL SECURITIES  
LIMITED**

**Moderator:** Ladies and gentlemen, Good day and welcome to the IIFL Securities Q4 FY23 Earnings Limited.

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 '\*' and then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. R. Venkataraman – Chairman & Managing Director. Thank you and over to you, Sir.

**R. Venkataraman:** Thank you and Good afternoon everyone and welcome to the Q4 FY23 Analyst Call of IIFL Securities. I am R. Venkataraman. I am the Managing Director of IIFL Securities and accompanying me is Ronak Gandhi – our CFO.

In its latest bi-monthly monetary policy, the RBI has pressed the pause button on rate hikes. This move has come as a relief for the market participants and corporates alike. RBI was quick to underline that the decision should not be construed as the end of the rate hike cycle. This seems to be a prudent approach. March CPI also came in at a 15-month low at 5.6% and core inflation excluding food, fuel stood at about 5.8% and all eyes will be on the inflation trends.

According to NSO's advance projections, India's GDP is predicted to grow at 7% in FY23 effectively retaining its position as one of the world's fastest growing major economies.

During the quarter, global regulators acted swiftly to reign in the crisis caused by the collapse of a few banks in the US which exposed the entire system to vulnerabilities especially in a rising interest rate scenario.

Going ahead, we believe that capital will move in sync with emerging economic news across the global coupled with geopolitical news as well as global interest rate scenario.

During the quarter we put up a good performance on the back of continued traction in the Affluent Broking and Distribution businesses. Our Investment Banking division completed 8 deals across capital markets, debt advisory and private equity. We are working towards sharpening our strategy and focus on affluent customers in line with the reorganization structure approved by the Board which happened last quarter. The reorganization scheme is awaiting regulatory approval.

Coming to the result for March 31<sup>st</sup>:

Consolidated revenues for the quarter came at Rs. 405 crores up 17% quarter-on-quarter, 12% year-on-year. For the quarter-on-quarter basis our brokerage income increased 17%, Rs. 181 crores versus Rs. 155 crores mainly because of growth in our Institutional Broking business.

Distribution income has grown 78% on a quarter-on-quarter basis Rs. 95 crores versus Rs. 54 crores and that was primarily driven because of product closure in our Life Insurance business.

Investment Banking has decreased 22% quarter-on-quarter Rs. 32 crores in this quarter versus Rs. 42 crores in the previous quarter.

On a year-on-year basis brokerage income has increased 15% Rs. 181 crores versus Rs. 157 crores.

FPD income has increased by 69% Rs. 95 crores versus Rs. 56 crores in the last year and Investment Banking has decreased significantly because last year fourth quarter was a bumper quarter for our Investment Banking business where we have clocked in revenues of Rs. 66 crores which has fallen down to Rs. 32 crores and primarily due to muted primary market activities.

Coming to other line-items:

Other income was at about Rs. 3.29 crores which has fallen 34% quarter-on-quarter and 78% year-on-year basically due to mark-to-market losses investment and that too primarily in the BSE shares which we have been holding for decades.

Then comes to employee cost:

Employee cost was virtually flat quarter-on-quarter and down 4% on a year-on-year basis and that is primarily to do with the variable payouts.

Average finance cost was up 6% on a quarter-on-quarter basis and that is primarily due to an increase in the interest rate in line with the overall interest rate hike in the system. Admin cost was increased by 16% quarter-on-quarter and 27% year-on-year mainly due to technology cost increase as well as sub-broker pass outs and marketing cost.

Other line items:

Assets under custody is about Rs. 1,24,573 crores - roughly Rs. 1,05,000 crores in custody asset in demat and Rs. 20,000 crores in other products which is mutual fund, AIF, debt, fixed deposit, etc.

Average turnover for the quarter was Rs. 1,95,604 crores BSE, NSE combined which was Rs. 1,604 crores in cash segment and Rs. 1,94,000 crores in derivatives segment. The corresponding figure for the previous quarter was Rs. 1,56,756 crores which was Rs. 1,569 crores in cash and Rs. 1,55,187 crores in the derivative segment.

With this, I have come to the end of my opening remarks and I will be more than happy to take any questions. Thank you.

**Moderator:**

Thank you. Ladies and gentlemen we will now begin the question-and-answer session. Our first question comes from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

**Prayesh Jain:** Sir, you mentioned that your IE (Institutional Equity) revenues have improved sequentially. Could you quantify that for me as to what was the quantum of IE revenues and how much have they gone up sequentially?

**R. Venkataraman:** We do not share all those details, but roughly 50-50, Investment Banking fell and institutional equities have increased.

**Prayesh Jain:** Out of the broking how much will be institutional equities?

**R. Venkataraman:** Broadly speaking it will be 60-40 now.

**Prayesh Jain:** 60 is retail and 40 IE?

**R. Venkataraman:** Yes 40 is Institutional.

**Prayesh Jain:** Out of the broking Rs. 180 crore that we did?

**R. Venkataraman:** Yes.

**Prayesh Jain:** And sir you mentioned about the interest cost going up, how has been the margin trade funding book for us?

**R. Venkataraman:** Actually, margin trading book has fallen down. Roughly now it is about Rs. 600 crores, at peak it was Rs. 700 crores. We do not have a significant margin funding book, so that is an opportunity for us to grow.

**Prayesh Jain:** How many of your customers will be using; around 4 lakh customers you have - out of that how many would be using the margin trade funding facility right now?

**R. Venkataraman:** Roughly about 25,000.

**Prayesh Jain:** Large scope of growth there.

**R. Venkataraman:** Yes.

**Prayesh Jain:** And have you passed on the increase in interest to the customers or you have retained the cost impact?

**R. Venkataraman:** Actually, Prayesh that is on a case-to-case basis, the business is very competitive and all brokers including your own firm are very aggressive in offering attractive rates. Some we passed, some we retained; that is the correct answer. To say that we have passed 100% is a wrong statement.

**Prayesh Jain:** And sir on the upstreaming of funds to the Clearing Corporation, do you see any impact for you guys, I think one of the broker mentioned that they have some Rs. 40 crores impact?

- R. Venkataraman:** We have not worked on the Mathematics of exactly how it will be impacted, but there will definitely be an impact if the upstreaming guideline comes because now the float income has hold on.
- Ronak Gandhi:** And as of now they have allowed the fixed deposit so there will be no impact as of now.
- Prayesh Jain:** But how much you deposit as bank guarantees, as bank guarantees is something which is not allowed right now?
- R. Venkataraman:** No banking guarantees are allowed. So, now the new guideline which has kick in is that with client funds you cannot make bank guarantees. So, you have to use your own funds to make fixed deposits on which you will get the bank guarantee.
- Prayesh Jain:** Not material impact?
- R. Venkataraman:** There will be an impact, but the impact has not been calculated. So, obviously everybody will find a work around. To say that there is no impact is wrong, there will be an impact. The exact quantum of that is not ascertained.
- Prayesh Jain:** And on your distribution business, the impact once this AMC regulation, which is not yet out, but the way it has been spoken in the media, if the TER cuts are implemented, what kind of cuts you will anticipate on your mutual fund commission and last time because somewhere in 2019 when the TER cuts were implemented that time distributor took a lot of hit so even this time would you think that the distributor hit would be the biggest?
- R. Venkataraman:** At least if you believe the media, everyone is talking about 25-35 basis point cut. So, in my opinion I think the mutual AMCs will pass it on. I do not think they will be taking it on their books. So, I am sure there will be some impact.
- Prayesh Jain:** And last question again on these regulations only, the another part is about broking being included in the TER and that would kind of impact the IE business so that could be challenging for the IE business?
- R. Venkataraman:** So, if this happens obviously IE income will be affected, but the thing is if you look at it the industry has passed through all those challenges, but overall size of the pie keeps on increasing. So, hope that the growth in the pie will offset some of it, but obviously at the unit level there will be no hit.
- Moderator:** Thank you. Our next question comes from the line of Ujvin Nevatia from Nevit Investments. Please go ahead.
- Ujvin Nevatia:** Sir, my first question is regarding the impact of interest rate hike on your finance cost actually can you give you a rough idea how much of the cost has been passed on to the clients?

- R. Venkataraman:** No, actually the previous analyst also asked the same question so basically if we would have passed some cost and some cost we have to take the hit simply because the broking is very competitive and most of the brokers are offering very attractive rates. So, to say that we have passed on 100% of the increase is wrong. I think some of that we have to take it because some big customers you have to maintain the rates or offer them good rates.
- Ujvin Nevatia:** Sir, can you give a rough idea for how much percentage of the AUM it has been passed on?
- R. Venkataraman:** Very difficult to say, I do not have a number in mind, but I will ask the CFO to calculate and get back because I do not want to hazard a guess.
- Ujvin Nevatia:** Sir, my second question is - in your MTF loan book how much it is financed by the internal source of funds and how much is financed by the external source of funds?
- R. Venkataraman:** Actually, it will be 50% from our own funds and we have borrowed about 50% so that is the correct answer. Of the 600 crores book, 300 crores is from own funds and 300 crores is borrowed.
- Moderator:** Thank you. Our next question comes from the line of Prayesh Jain from Motilal Oswal. Please go ahead.
- Prayesh Jain:** I just wanted to pick your brains on how do you see the brokerage rates moving from here on, on the retail side especially now that the compliance cost have been moving up possibly with the loss of float income as and when is implemented, so how do you see the brokerage rate kind of trending from here on?
- R. Venkataraman:** Prayesh that is a very good question and if you ask me to put a forward-looking question in the last 20 years we have seen only way decline of brokerage rates. So, now I have a feeling that given the fact that as you rightly pointed your compliance cost is going up, float is going away, this TER will come and impact institutional broking and you have forgotten one more thing technology cost is also rising every day. So effectively I have a feeling that if this trend continues then all brokers will have no choice but to increase rates. I think there will be a time sooner in the next 10 to 15 months when rates will go up. If not rates going up, then the continuous decline of rates which we have seen in India will at least stop. So, now the days of all this super discount rates in my opinion is difficult to come by.
- Prayesh Jain:** And do you also anticipate more consolidation if you look at the number of brokers that has been reducing ever year, do you think that will kind of gain further momentum and eventually much lesser player will be there in the industry and that will be kind of good for large brokers like us?
- R. Venkataraman:** You know what is happening in the industry is that in the last maybe 5 years all the industry players have always been talking about a consolidation in the industry, but for some strange reason, it has never happened and I think your company Motilal was a pioneer in taking over regional brokers. Even in the last 3 - 4 years, two things have happened, one is technology cost has increased dramatically, second is compliance cost has increased dramatically and you know

with everyday new compliances coming in, the smaller regional brokers who were earlier relationship-based, are finding it more and more difficult. So, all of them have surrendered their cart and become sub brokers or partners of larger brokers. So, in my opinion what you say is correct this trend will increase, especially given the fact that now upstreaming comes, or other changes come, then obviously it will much more difficult for them - they were earlier a class of brokers who were small, but catering to a niche audience, what we call as typically super relationship broking. So, all those people will more or less have problems and the consolidation will happen.

**Prayesh Jain:** And sir more on this affluent strategy say from a 3-year, 5-year perspective how do you see the business kind of shaping up - in between mix of broking, distribution and interest income - how do you see this of shaping up for IIFL Securities?

**R. Venkataraman:** My guess is that as of now we have about 70:30 transaction to non-transaction, and in the next 3 to 5 years, we should be able to flip it fully.

**Prayesh Jain:** I did not get that sir, we will be able to?

**R. Venkataraman:** As of now transaction to non-transaction is 70:30 and this number should become 60:40 meaning 60 non transaction 40 transaction, that is what we are working towards.

**Prayesh Jain:** Again, last question in terms of transfer of 1.5 million demat accounts to 5paisa, at what stage are we in and by when do you plan to complete?

**R. Venkataraman:** Sorry your second question.

**Prayesh Jain:** When do you plan to complete this 1.5 million demat accounts transfer?

**R. Venkataraman:** As of now we are awaiting SEBI approval and then we have go to NCLT. So, I think we are about 8 to 9 months away.

**Prayesh Jain:** And how is IIFL Securities gaining out of this transfer?

**R. Venkataraman:** See if you look at the reason why we did this - IIFL Securities had online retail trading customer, private client group, institutional equities and franchise businesses. The entire online trading business which was a small portion comprising online retail customers has been transferred to 5paisa. This will help us mitigate the overlap with 5paisa and have us focus more on the private client group and franchise businesses. So, I would say the big benefit is about focus and conducive culture for a business that is suited for that because for the same RM, it is difficult to handle a Rs. 1,000 customer and also a Rs 1 crore customer.

**Prayesh Jain:** Trader terminal sits in IIFL Securities as a cost or as an asset?

**R. Venkataraman:** See trader terminal sits with us, but effectively 5paisa has its own separate tech platform and tech cost.

- Prayesh Jain:** So, basically the customers will be transferred from trader terminal to 5paisa?
- R. Venkataraman:** That customer would be transferred from IIFL Securities traded terminal to 5paisa traded terminal equivalent.
- Moderator:** Thank you. Our next question comes from the line of Kajal from ICICI Direct. Please go ahead.
- Kajal:** Sir two things - one are the incremental customers, which we are adding, purely from the flat fee plans or because we want to move to more affluent customers are we seeing some traction there and two the incremental volume surge which we have seen sequentially, is it coming from this bracket only or from sub brokers, any color on that?
- R. Venkataraman:** See if you look at our customer acquisition, as you rightly pointed out, our pace of acquisition of customers has fallen as we have decided not to spend money in acquiring online retail customers. So, most of the customers are coming from either the affluent channel or the sub-broker channel. So, the flat fee proportion is less - I would say that earlier it was 80:20 flat fee and now it is about 40:60 flat fee, because the affluent broking whether it is done through relationship managers or sub brokers has driven the surge in derivative volume.
- Kajal:** What will be the color of this customer like any income bracket or anything?
- R. Venkataraman:** So, the networth bracket will be primarily more than I would say 5 million.
- Kajal:** And sir the breakeven or CAC, is it changing for you for these set of customers then?
- R. Venkataraman:** See earlier we used to spend a lot of money in acquiring customers, so that cost has come down. So, this cost has already factored in the RMs and sub brokers that are in place. So, on an incremental basis I hope that CAC is coming down.
- Kajal:** Because earlier we were having 1000 kind of number on the CAC?
- R. Venkataraman:** Earlier because we used to acquire a large number of customers - if you see our acquisition numbers, we had acquired 2 lakhs or 1.5 lakh per quarter, that has fallen dramatically to 50,000. So, obviously we are not spending money to acquire these customers on that scale. I do not want to say we do not spent money, but not on that scale.
- Kajal:** And anything on breakeven for these customers which you are acquiring?
- R. Venkataraman:** I think breakeven should happen faster because these are from broker acquisition.
- Kajal:** And second in this sequential surge in F&O volume which we have seen, we have not seen a sequential retail back-to-back quarter-on-quarter brokerage income surge – it was Rs. 118 crore in the previous quarter and it is Rs. 121 crore in this quarter on a sequential basis, so how do we read that?



- R. Venkataraman:** No, because of volume the increase has happened.
- Kajal:** Sir, there is no material increase against volume – 1,54,000 crore to 1,94,000 crore is a significant gap on a sequential basis on F&O volume?
- R. Venkataraman:** No, if you see the numbers 1,55,000 crore became 1,94,000 crore.
- Kajal:** But accordingly, we are not seeing retail brokerage income rising QoQ, that's my question?
- R. Venkataraman:** This quarter growth has been driven by brokerage from institutional income and retail income growth has been marginal. So, it is not commensurate with the steep growth because for F&O, all the customers that come in HNI segment, the rates are already quite low. So, there is no direct correlation between the increase in volume, especially on expiry date, they get special rates.
- Moderator:** Thank you. Our next question comes from the line of Sumit Jankar from Vardhaman. Please go ahead.
- Sumit Jankar:** I want to know the contribution of derivatives in brokerage from retail segment?
- R. Venkataraman:** I did not understand your question.
- Sumit Jankar:** I just want to know the contribution of derivatives in brokerage for retail segment?
- R. Venkataraman:** Derivative will be about 70:30.
- Sumit Jankar:** My next question is regarding active clients, so overall in the market active clients are dropping since last 10 months, so how do you see in coming quarter could this phenomenon comes to end or go on?
- R. Venkataraman:** Number of active customers are falling down and as I said right now we are not focused on increasing the number of active customers at all. We are focused on improving the number of active high value affluent customers. So, we are more focused on trying to generate brokerage, do more cross-sell rather than just focus on the one metric which is number of active customers.
- Moderator:** Thank you. Our next question comes from the line of Devvrat Mohta from Capital International. Please go ahead.
- Devvrat Mohta:** I had a couple of questions, firstly on the industry, on the float income, by when does this start having an impact on the financials of all the broker?
- R. Venkataraman:** Actually, we do not know when the circular will come, people are expecting it in this coming quarter. So, once that comes, only then the impact will start. We have to read the fine print on how we can protect ourselves. So, my guess is that directionally speaking yes there will be an impact and we have to wait and watch for the final circular before concluding the extent of impact.

- Devvrat Mohta:** Can you just help me understand little bit on what exactly is the plan here?
- R. Venkataraman:** So, the plan is that the regulator says that the broker will not keep any money of the customer with the broker. So, suppose you have Rs. 1 crore and you give it to me, it is sitting in my bank account and I report to the exchange that this money is lying with me. Now, the regulator says that this money has to be given to the Clearing Corporation, so you lose the float income.
- Devvrat Mohta:** And this would impact mostly independent brokers like yourself or the bank brokers or the new age brokers also - who is kind of most impacted by this?
- R. Venkataraman:** It will impact every broker only the degree of impact will be less. So, people like us will be very badly impacted because we do not have a bank in the ecosystem. So, new age brokers, people like us, everybody will be affected. Bank brokers to some extent will be relatively better off because anyway that money was always staying in the bank account and they were just marking a lien. I do not know what is the transfer pricing or what is the equation they have. So, to that extent they will be affected, but we have to wait and watch for the fine print and read on the concept of lien whether the lien can be done or they have to actually take the money and upstream it.
- Devvrat Mohta:** But basically I mean the impact you are saying will be greater for standalone brokers, so what about the new age one, would they be probably impacted just as much as or worse, I mean similar to you all?
- R. Venkataraman:** They will be similar to us when I say independent brokers I do not mean whether you are old age or new age. So, there are two category of brokers, broker and bank-based broker. So, anybody who is not a bank-based broker, I guess the effect will be equal.
- Devvrat Mohta:** Can I ask one more question on your own financials, if I look at your results quarter-on-quarter you had a big jump in insurance revenue this quarter versus last quarter what is happening there?
- R. Venkataraman:** This year the new regulations kicked in from 1st of April where the 5-lakh cash has been put in for guaranteed return products, so obviously we had a product closure and we will be benefitted from so we sold a lot of insurance in the last quarter.
- Moderator:** Thank you. Our next question comes from the line of Ankur from Alpha Capital. Please go ahead.
- Ankur:** So you are saying that the big jump in this quarter is because of institutional business, so can you comment on the visibility of that in the coming quarters and the year?
- R. Venkataraman:** Actually, it is a very difficult question to comment on and it is very difficult to comment on the visibility, especially in any transaction more on the broking industry space. So, last quarter we were lucky that we got a couple of very large orders from clients so that helped us to bump it up.

- Ankur:** So, any color how has this quarter will be as almost one month has passed, what are your expectations sir?
- R. Venkataraman:** Difficult to make any forward-looking statement.
- Ankur:** And on dividend yield what is our expectation, we have been paying dividend payouts of 30% to 40%, so what kind of expectations can we have?
- R. Venkataraman:** Dividend yield of 30% will continue. So, on that there is no doubt, it is given as per company defined policy. The only reason why we are not being more aggressive in payout, because I assume that your next question would be that some of our competitors are more aggressive, is given the fact that the regulations are becoming tighter on capital requirements on brokers, working capital requirement will increase so it is better to conserve cash.
- Moderator:** Thank you. Our next question comes from the line of Raaj from Arjav Partners. Please go ahead.
- Raaj:** So, to the earlier analyst you were explaining about the free float amount which would go to the Clearing Corporation, so can you explain it to me again?
- R. Venkataraman:** You know what happens is that historically when you give money to the broker so suppose you have Rs. 1 crore and that Rs. 1 crore which comes to me stays with me and as and when you buy, I pay to the exchange and give you the shares. So, there are some customers who give us money and do not trade. So, that benefit of that money comes to that broker. So, SEBI is very clear says that the moment customer gives you money of Rs. 1 you have to straight away give it to the Clearing Corporation. So, for example, you give me money Rs. 1 crore so the 1 crore which was lying in my books will now go to the Clearing Corporation. So, it will be a pass through.
- Moderator:** Thank you. Our next question comes from the line of Prayesh Jain from Motilal Oswal. Please go ahead.
- Prayesh Jain:** Just more clarity on this float income again, the announcement that happened in the SEBI Board Meet was that there can be three forms of money transfer to the Clearing Corporation, one is the cash that directly has to go to the Clearing Corporation, second is we can convert it into FDs and possibly pledge a loan against it and third is converting into overnight mutual funds. So, the second and third options are followed then the float income would continue to be with the broker?
- R. Venkataraman:** That is the reason we said that we have to see the final circular before commenting.
- Ronak Gandhi:** As per the current circular there is no impact on the float income because we majorly invest everything in FDs and overnight mutual funds.
- Prayesh Jain:** I think the only change would be that you have to do this on a daily basis now is that the right thing?

- R. Venkataraman:** Yes.
- Prayesh Jain:** And possibly the mix of overnight funds will increase and that would kind of lower down the yields on the float?
- Ronak Gandhi:** On the cash side, we have to upstream it, but majorly all the money is parked in fixed deposit and which are placed with exchange.
- Prayesh Jain:** And second part is on the ASBA thing - ASBA for the secondary market transaction, currently it is voluntary for both brokers and customers, but how do you see this eventually panning it out because if this has to be implemented then definitely the float income will go away 100%?
- Ronak Gandhi:** As of now it is for UPI clients, so the amount is like Rs. 2 lakh which will not be major because the client base what we have, they do a bigger transfer. So, as of now there is no major impact for us.
- R. Venkataraman:** But theoretically what you said is correct. If they say that do it with ASBA only, then float income will go away entirely. At present, we have alternatives of fixed deposit and liquid funds. Operational intensity will also increase.
- Prayesh Jain:** So, currently only up till Rs. 2 lakh can be blocked is that the right thinking?
- R. Venkataraman:** Rs. 2 lakh has moved up to 5 lakh.
- Prayesh Jain:** That is a very small amount right?
- R. Venkataraman:** Yes.
- Moderator:** Thank you. Our next question comes from the line of Ketan Athavale from Robo Capital. Please go ahead.
- Ketan Athavale:** I just had one question, how many franchise or channel partners do we have?
- R. Venkataraman:** We have about 7,000 franchise and channel partners.
- Ketan Athavale:** And how do you see that number in 3 to 4 years?
- R. Venkataraman:** So, this number should double.
- Moderator:** Thank you. Our next question comes from the line of Pranay Jhaveri from JNJ Holdings. Please go ahead.
- Pranay Jhaveri:** Sir, I have two questions - one is basically what is the status of the real estate sale and the current valuation for it?

- R. Venkataraman:** We have currently 6,20,000 square feet of real estate. The big chunk is Chennai 2,50,000 square feet. So, basically we have offices in Ahmadabad, Mumbai then Pune, Thane, Gurgaon, Hyderabad locations. So, the book value is about Rs. 227 crores and market value as per external valuer is about 670 crores, but we are valuing it at Rs. 220 crores, 27% is leased to outsider and rental income is 27% from outsiders and rest is from within the group, out of which I am confident that in this coming quarter we should be able to get rid of Ahmadabad as talks are in advance stage and others also we will work on exiting.
- Pranay Jhaveri:** How big is Ahmadabad?
- R. Venkataraman:** 25,000.
- Pranay Jhaveri:** Value wise?
- R. Venkataraman:** Value I do not have it written with me.
- Pranay Jhaveri:** So basically, maybe if you can just over a period of time say in next 2 years, 3 years you think what should the sale amount be?
- R. Venkataraman:** To be very honest we sold some properties 2 years ago and then we got hit by a road block. So, my guess is that Mumbai, Thane and Gurgaon will retain and rest we will try to sell, so as and when it happens.
- Pranay Jhaveri:** So, is it fair to assume that out of that, this 27%, which we are for captive, you said it is other way around, right 70% is captive.
- R. Venkataraman:** 70 is captive.
- Pranay Jhaveri:** So, over a period of time is it fair to assume that 25% - 30% will be sold?
- R. Venkataraman:** You can assume that out of 6,20,000, our target is to sell about 2 lakh for sure.
- Pranay Jhaveri:** Sir my next question is seeing the current valuation and your dividend distribution policy which is at 30%, would a buyback be a better option, what is your thought process?
- R. Venkataraman:** No, that is a good question I think one of the previous gentlemen asked us the question on dividend payout policy also. So, as of now roughly about 30% - 35% we are paying out and reason is that we decide to retain cash is simply because working capital requirement for this business is increasing and it is better to see how this new circular unfolds because taking a call on more aggressive pay outs.
- Pranay Jhaveri:** So, 30% - 35% payout would that be used over a buyback?
- R. Venkataraman:** Our CFO we will work and find out which is best for the shareholder and do the needful. We did one buyback.

**Pranay Jhaveri:** Yes, that was on February 21 at 54 bucks.

**R. Venkataraman:** Yes.

**Moderator:** Thank you. Our next question comes from the line of Swarnabh Mukherjee from B&K Securities. Please go ahead.

**Swarnabh Mukherjee:** Two, three questions first one on the client acquisition side so 7,000 channel partners that you have mentioned, so if I were to look at your client acquisition so earlier, as you mentioned that 2 lakh customers you are focusing about a year back or so and now you are bringing it down focusing on the affluent segment, how does your sourcing mix change because of that?

**R. Venkataraman:** The sourcing mix earlier was about 80:20, 80 was acquired by us, 20 was done by sub brokers; we used to spend on online channel and acquire customers. So, now if you look at the business now I think it will be 70:30, 70 will be acquired by partners and 30 by us.

**Swarnabh Mukherjee:** And what we do that is predominantly online or also through branches as well?

**R. Venkataraman:** Through branches, RMs everyone.

**Swarnabh Mukherjee:** But I mean if I were to look at our own direct mix how would that number look?

**R. Venkataraman:** What was the question?

**Swarnabh Mukherjee:** The question is you are saying 30% right now is done by us directly, so right now is that predominantly online stream out of that 30%?

**R. Venkataraman:** I would say maybe 50:50 online and offline. Offline is also there because we are using all the branches and the RM also.

**Swarnabh Mukherjee:** In terms of the kind of customers we are getting right now, what would be the mix in terms of say where they are located, the geography or the demographics?

**R. Venkataraman:** Tier-2 Tier-3 from all over India and for demographics we don't have a clear-cut data handy.

**Swarnabh Mukherjee:** Sir, Tier-2, Tier-3 in this now reduced, I mean with very focused kind of acquisition, what would be the share of Tier-2, Tier-3 right now?

**R. Venkataraman:** I do not have an exact number right in front of me. You can connect with us separately. So, basically your question is that out of this 50,000 customers you acquired last quarter, which are the cities from somewhere we are getting.

**Swarnabh Mukherjee:** So, what kind of geography and I wanted to compare vis-a-vis what it was in Q4 last year when you are kind of hitting the peak in terms of acquisition?

- R. Venkataraman:** Understood.
- Swarnabh Mukherjee:** So, that is one and also wanted to understand that in your retail growth broking revenue what would be the share of what is coming from the partners - what would be the gross broking revenue share that is coming in your overall retail gross broking pie?
- R. Venkataraman:** It is roughly 50:50.
- Swarnabh Mukherjee:** And in the Life Insurance distribution what would be the kind of mix between new premium and the renewal premium and what would be our commission?
- R. Venkataraman:** We collected about Rs. 160 crores in life and Rs. 120 crores in GI so total of Rs. 280 crores and year before that, the same figure was Rs. 188 crores.
- Swarnabh Mukherjee:** Sorry sir, I did not get, so out of say, for example 81 crores of life insurance premium in FY22, how much would be the renewals?
- R. Venkataraman:** 100% is first year, renewal is separate.
- Swarnabh Mukherjee:** And overall, of the commission what would be the commission number, at least the rate at a blended level?
- R. Venkataraman:** Rate we cannot share.
- Moderator:** Thank you. As there are no further questions I would now like to hand the conference over to the management for closing comments.
- R. Venkataraman:** Thank you so much for a set of really engaging questions and whatever questions I could not answer with clear-cut data, you can contact our CFO and maybe he will get back to you. Thank you so much.
- Moderator:** Thank you. On behalf of IIFL Securities Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.