



September 29, 2022

<b>The Manager, Listing Department, BSE Limited, Phiroze Jeejeebhoy Tower, Dalal Street, Mumbai 400 001. BSE Scrip Code: 532636</b>	<b>The Manager, Listing Department, The National Stock Exchange of India Ltd., Exchange Plaza, 5<sup>th</sup> Floor, Plot C/1, G Block, Bandra - Kurla Complex, Bandra (E), Mumbai 400 051. NSE Symbol: IIFL</b>
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**Sub: Disclosure pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations, 2015)**

Dear Sir/Madam,

In furtherance of our intimation dated September 28, 2022, we wish to inform that the said Analysts Meet was held on September 29, 2022. Accordingly, we are enclosing herewith the presentation made to the participants.

The same has also been made available on the website of the Company, i.e. [www.iifl.com](http://www.iifl.com).

Kindly take the same on record and oblige.

Thanking You,

Yours faithfully,

**For IIFL Finance Limited**

\_\_\_\_\_  
**Sneha Patwardhan**  
**Company Secretary**  
**Place: Mumbai**

Encl: as above

**IIFL Finance Limited**

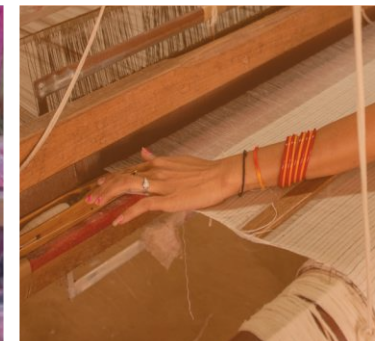
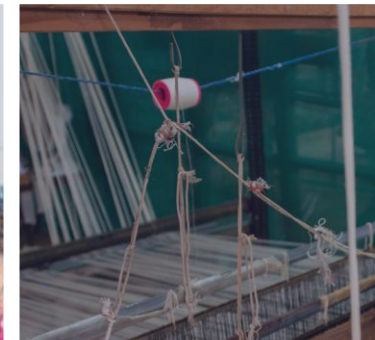
**CIN No.: L67100MH1995PLC093797**

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ANALYST DAY

MUMBAI - SEPTEMBER 29, 2022

Published in September 2022

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Our **mission** is to be the leading non-bank player delivering small loans to under-banked people and enterprises in India

**BBC** [Coverage](#)



Our **strategy** is to partner with banks for 'sourcing and servicing' retail & priority loans, efficiently by leveraging branch network and digital technology.



**RATIONALE FOR OUR STRATEGY IS SYNERGY BETWEEN OUR CORE STRENGTHS AND UN-FULFILLED CREDIT NEED OF THE NATION**



## **CORE STRENGTHS**

~3500 branches, ~30,000 employees, cutting edge technology form our moat to source & collect small loans most efficiently



## **NATION'S CREDIT NEEDS**

Government & banks face a huge gap in target vs actual delivery of credit to people & small businesses in under-banked areas.



# WE HAVE BUILT A STRONG MOAT IN INDIA'S RETAIL LENDING SPACE, POISED FOR RAPID GROWTH



## BRANCH NETWORK

Network of own branches and people built over two decades



## TECHNOLOGY

Proprietary technology and digital innovations' DNA, demonstrated over years



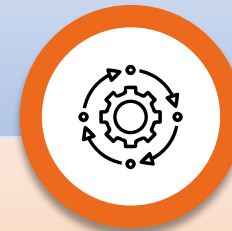
## BALANCE SHEET & BRAND

Robust balance sheet and brand assiduously built with impeccable track record



## MANAGEMENT

Committed and best-in-class management team driven by autonomy & generous ESOPs



## SYSTEM AND PROCESSES

Systems and processes, strong governance structure vindicated in times of crisis

# OUR BUSINESS GOALS\* BY FY25- 25/25/25

Loan AUM CAGR

**25%**

NET PROFIT (₹ bn)

**25**

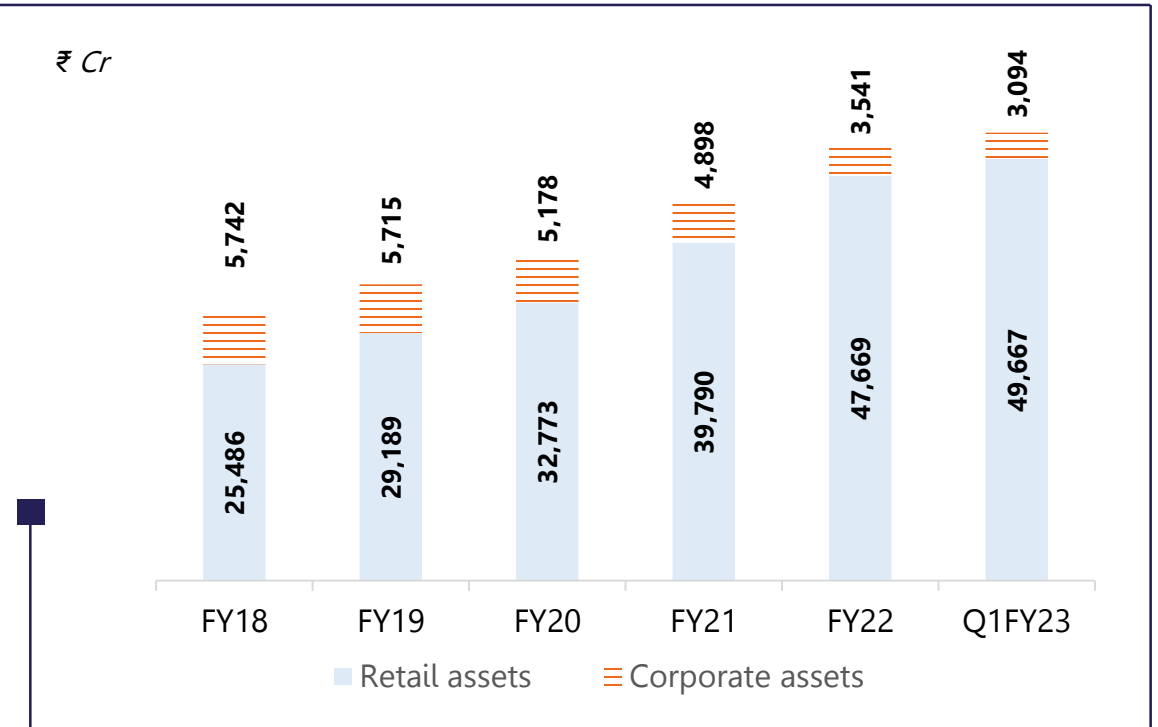
CAPITAL ADEQUACY

**25%**



# LOAN AUM GROWTH

- ▶ Crisis has consolidated the industry
- ▶ Unsatiated demand for retail credit
- ▶ Banks keen on co-lending
- ▶ Physical network expanded
- ▶ Digital technology edge



CAGR over 5 years

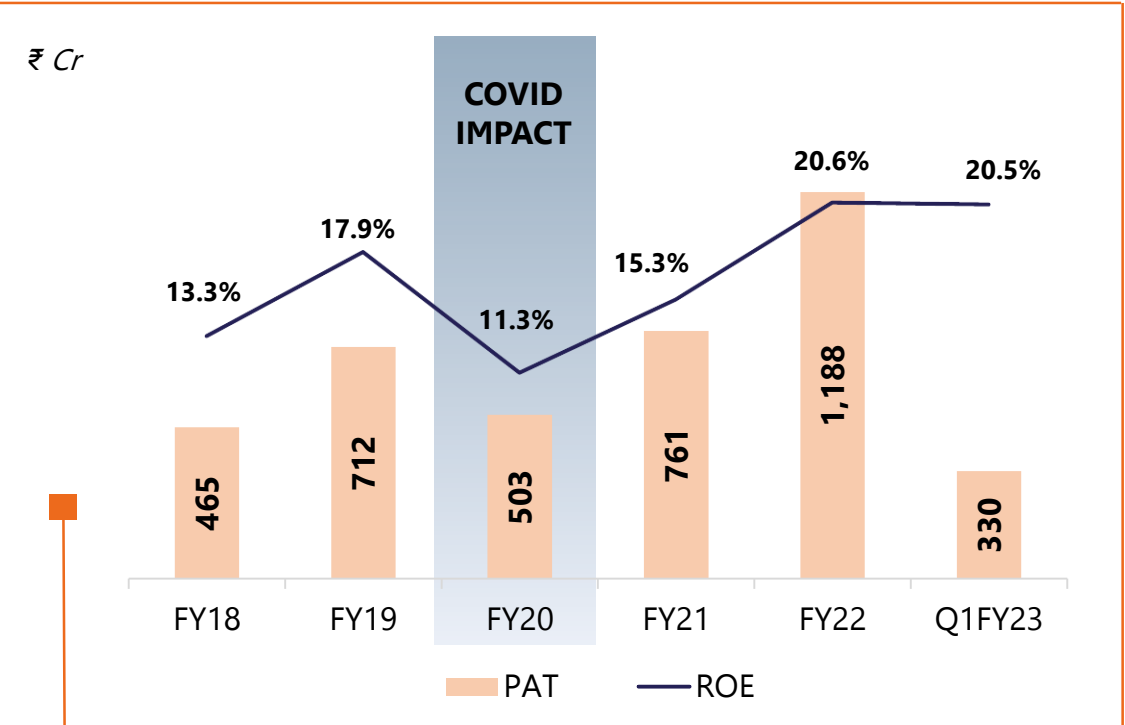
**Retail assets 27%,**  
**Overall 18%**

YoY growth (June, 2022)

**Retail assets 26%,**  
**Overall 22%**

# NET PROFIT GROWTH

- Cost to income to improve
- Expect credit rating to upgrade
- Healthy product mix
- Credit losses to normalize
- Cross sell income/fees to scale up



CAGR over 5 years

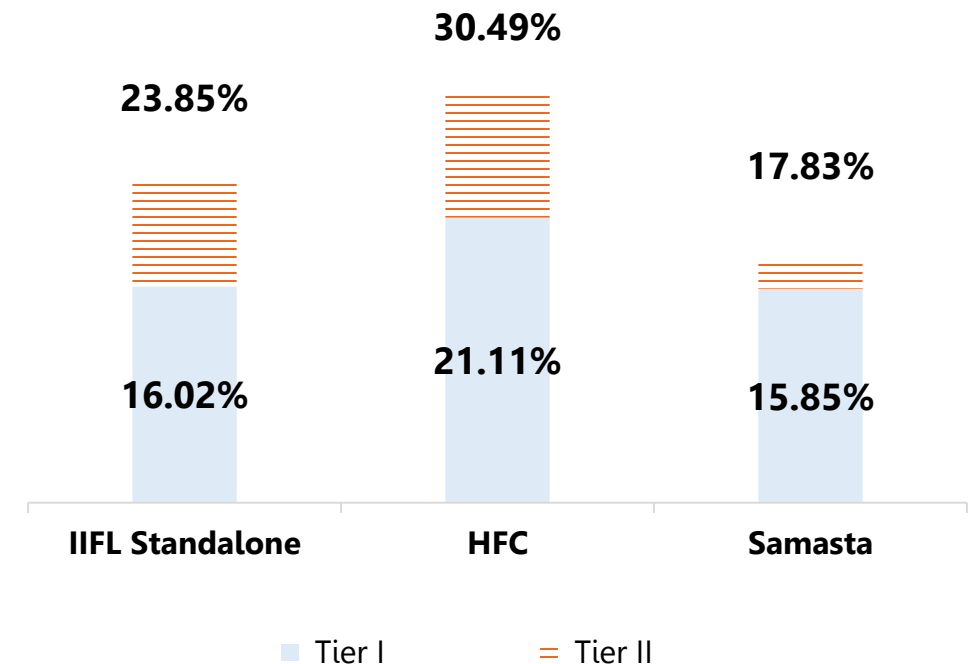
**23%**

YoY growth (June, 2022)

**24%**






# CAPITAL ADEQUACY

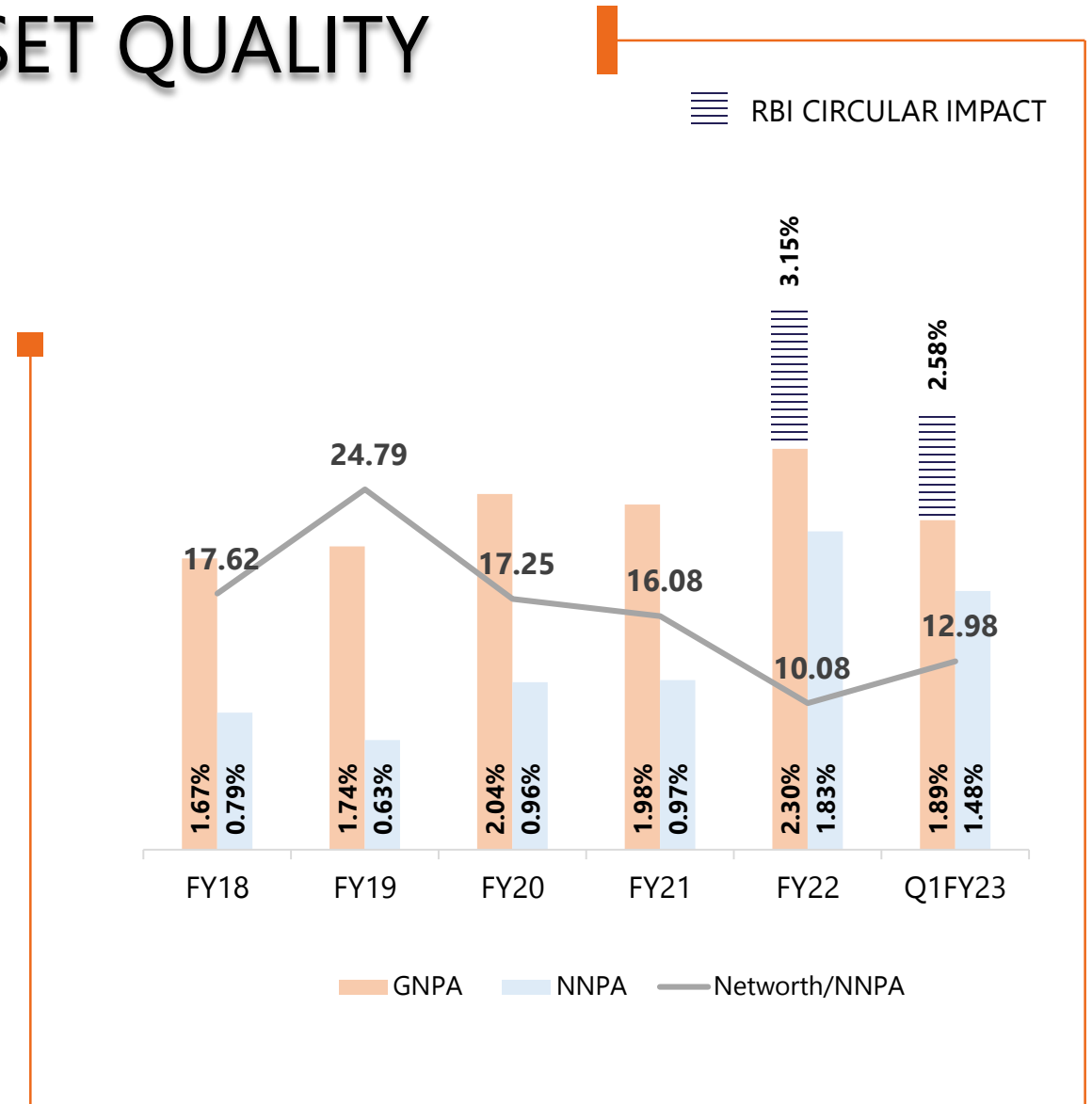
- ▶ Conservative balance sheet policies
- ▶ Conservative dividend payout
- ▶ Co-lending is capital efficient
- ▶ Tier II is not fully tapped
- ▶ Capital infusion done in HFC





# MAINTAINING BEST IN CLASS ASSET QUALITY

-  Experienced Team with proven track record
-  Robust systems & processes
-  Technology first DNA since inception
-  Partnering with the fintech
-  Strong collection team



# LIQUIDITY POLICIES VINDICATED IN CRISIS TIMES

- Board led experienced ALM committee

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- Conservative liquidity & ALM policy

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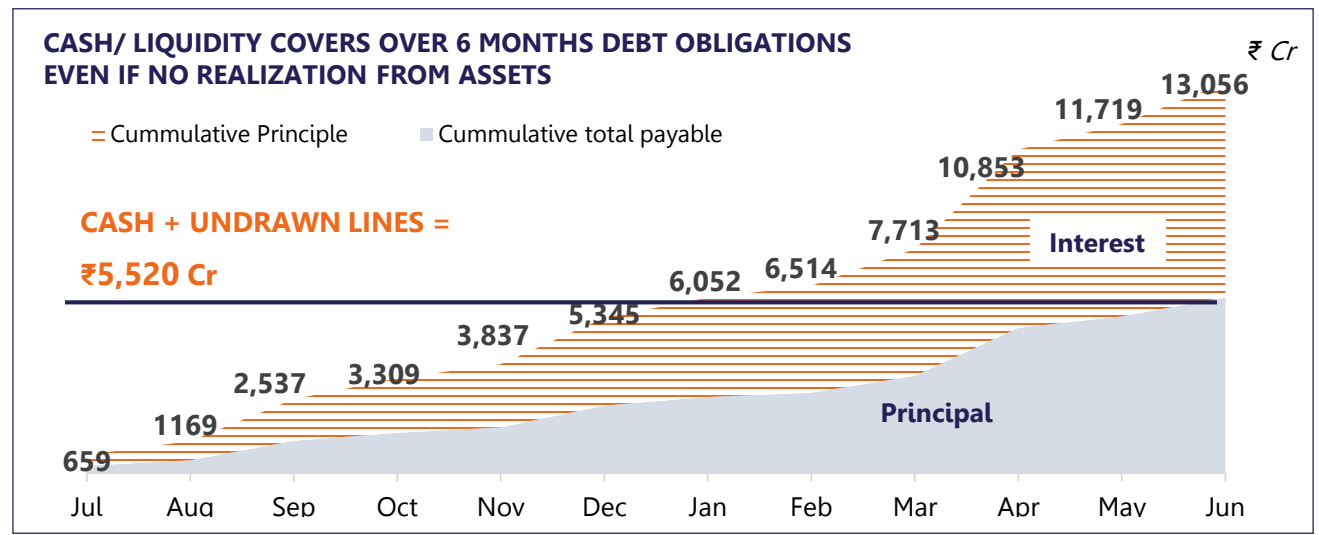
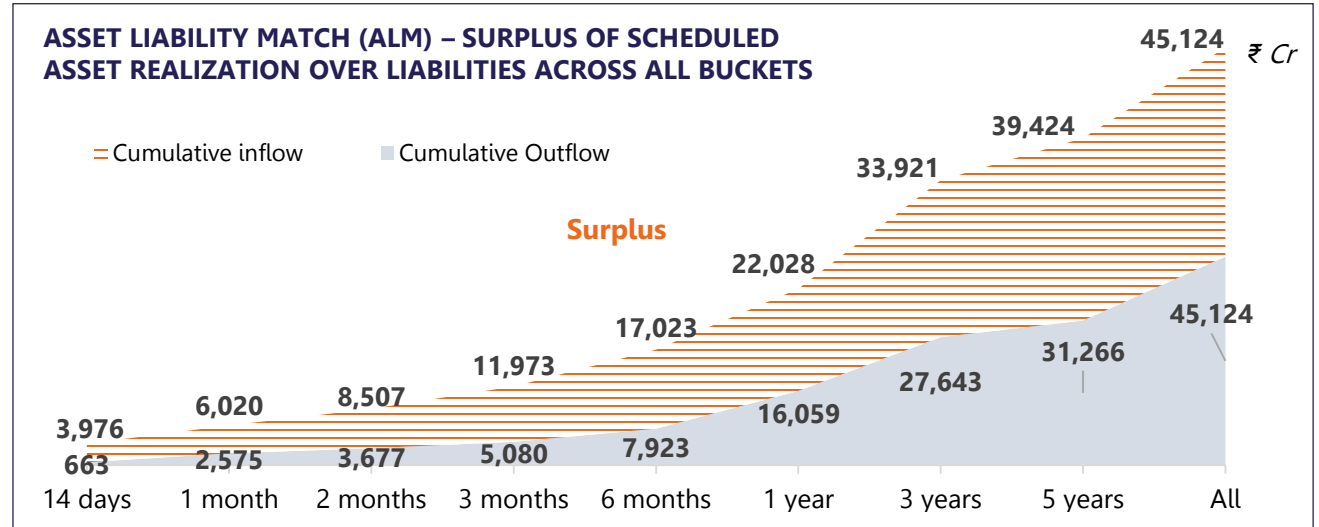
- Maintaining healthy LCR

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- Off balance sheets have no ALM mismatch risk

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- Improved comfort of lenders post crisis



# CURRENT GROWTH FOCUS ON AFFORDABLE HOMES, GOLD & SMALL ENTERPRISES

(as on Q1 FY23)

	AUM (₹ cr)	% SHARE
HOME LOAN	18,618	35%
GOLD LOAN	17,130	32%
BUSINESS LOAN	7,643	15%
MICROFINANCE	6,276	12%
CORE BUSINESS	49,667	94%
CRE & OTHERS	3,094	6%
<b>TOTAL</b>	<b>52,761</b>	<b>100%</b>

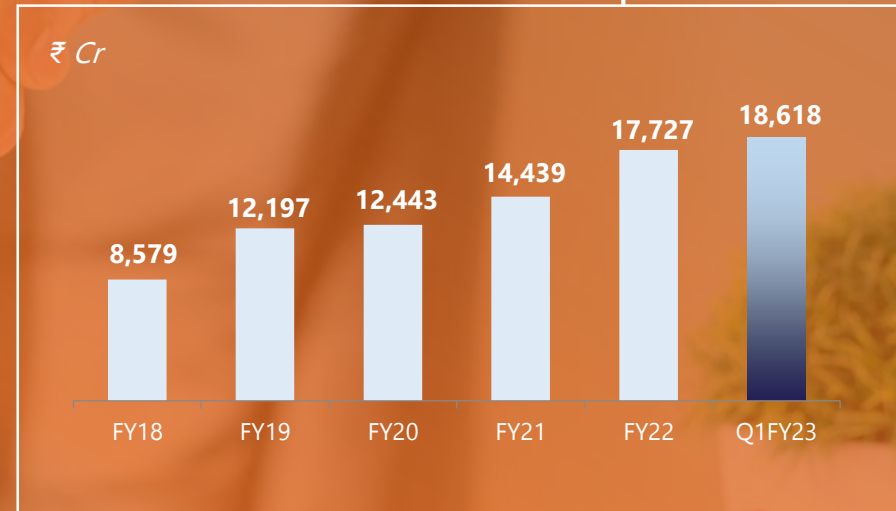
- Most new loan assets are priority sector or zero risk weightage for bank
- Value intact collateral or cash flow backed lending
- Riding on India's rapidly expanding digital infrastructure & adoption
- Diversified but still focused portfolio
- Seedhi Baat positioning highlighting integrity & transparency



# HOME LOAN (MORTGAGES) ARE SOURCED FROM SMALL TOWNS/ SUBURBS, LEVERAGING OUR PROVEN CAPABILITY TO UNDERWRITE WITHOUT FORMAL INCOME DOCUMENTS



- Affordable home loans ~₹1-2mn is growing & under-penetrated market
- ADIA equity infusion of ₹22bn
- Expanding branches & reach
- Growing small LAP (SORP) product
- End-to-end paperless, digital process



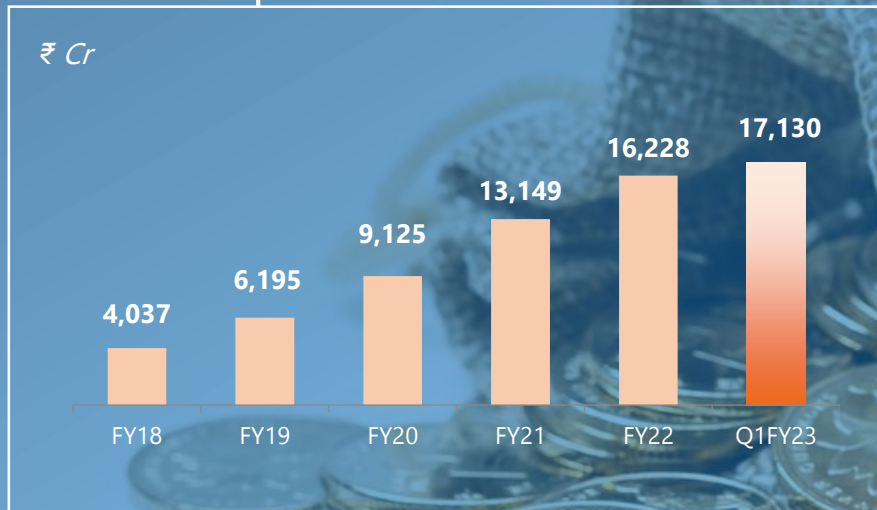
CAGR over **5** years

**27%**

YoY growth (June, 2022)

**26%**

# GOLD LOAN CUSTOMERS LOOK FOR QUICK, FLEXIBLE LOANS IN A NEIGHBORHOOD BRANCH AND ARE ATTRACTED BY OUR FAIR AND TRANSPARENT BUSINESS PRACTICES



CAGR over 5 years

**41%**

YoY growth (June, 2022)

**29%**

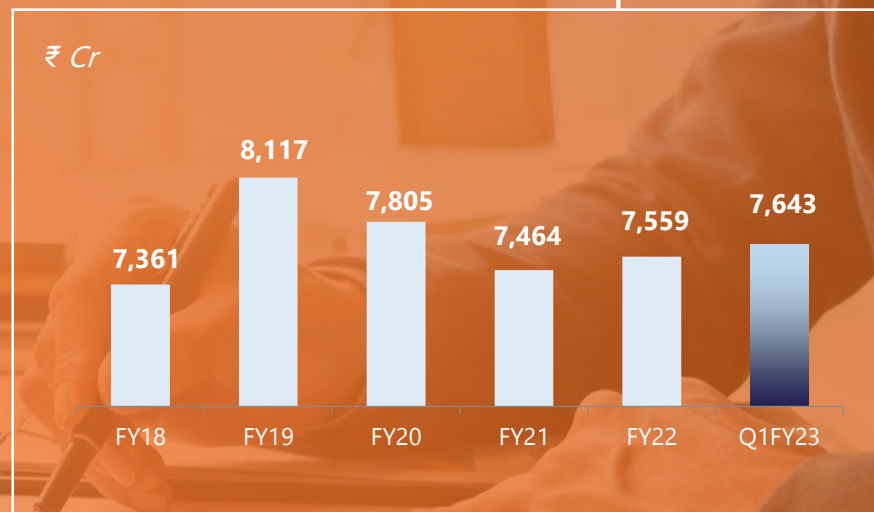


- Safe collateral and short duration
- Growing through physical branch network
- Gold loan @ home launched in 35 cities
- Digitally advanced systems & controls
- Huge cross sell potential

# BUSINESS LOANS ARE A MIX OF SECURED AND UNSECURED, SOURCED AND SERVICED DIGITALLY AT LEAST COST, THROUGH OWN BRAND AND DIGITAL PARTNERS



- Huge addressable market- 63mn MSMEs<sup>1</sup>
- Technology advances are game changers
- Strategic partnership to drive growth
- Industry leading innovations
- Enormous repeat and cross sell potential



CAGR over **5** years

**5%**

YoY growth (June, 2022)

**7%**



# MICROFINANCE IS TYPICALLY FOR VERY SMALL WOMEN RUN ENTERPRISES. RBI POLICY CHANGES GIVE A FILLIP TO THE BUSINESS & GEOGRAPHICAL SPREAD MITIGATES THE RISK



CAGR over 5 years

**92%**

YoY growth (June, 2022)

**43%**



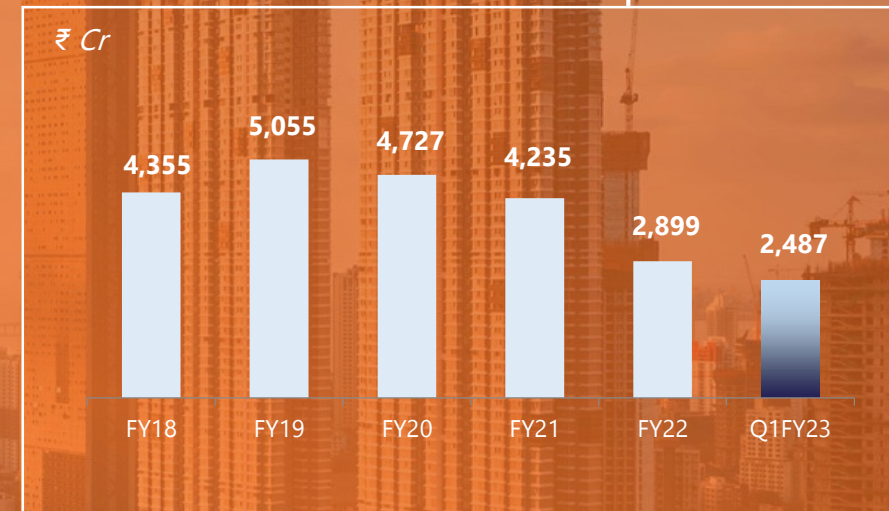
- Vast untapped market
- RBI reforms resuscitate the industry
- Operate with scale in all major states
- Management team being augmented
- Scaling up will bring cost/ income down



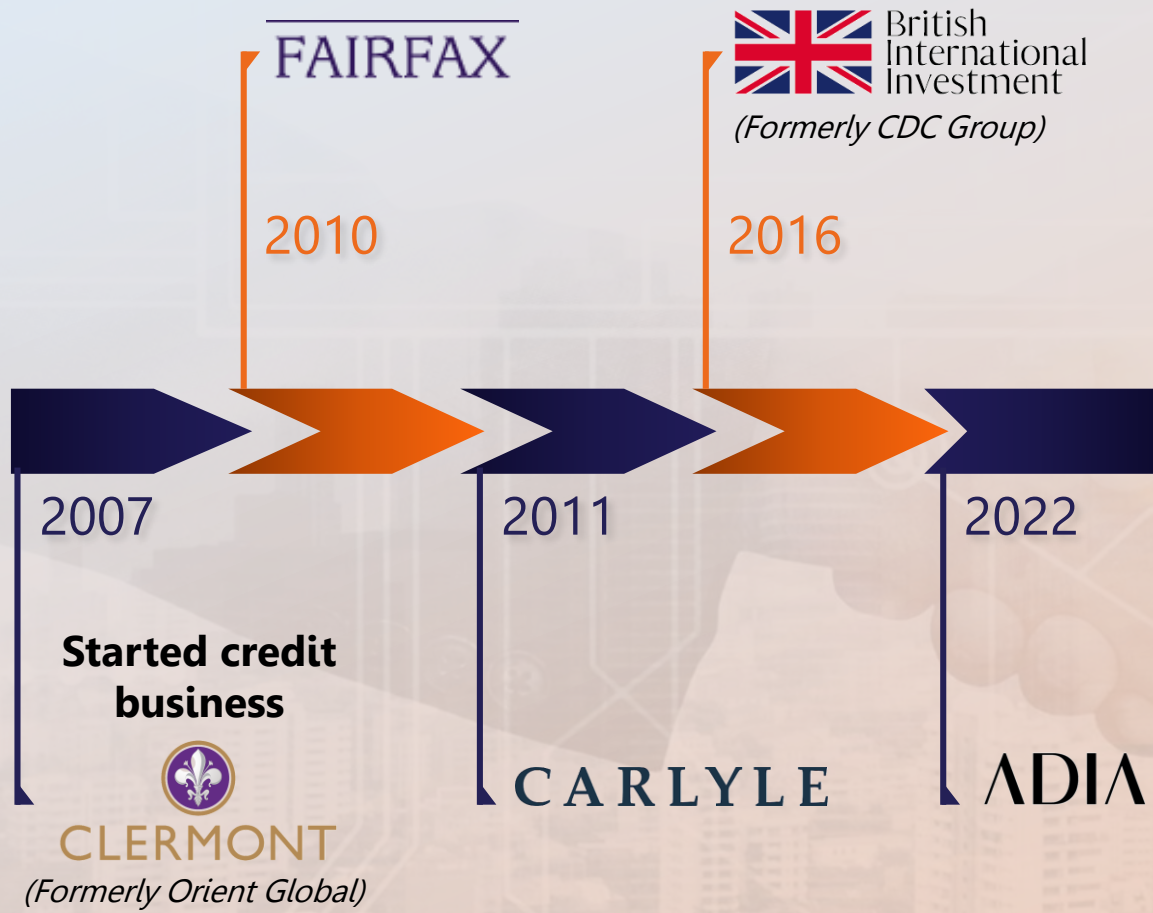
# CONSTRUCTION & REAL ESTATE PORTFOLIO IS NOW LESS THAN 5% OF BOOK AND INCREMENTAL LOANS ARE FOR AFFORDABLE/ GREEN PROJECTS POST APPROVALS



- Discontinued funding against collateral of land or projects awaiting approvals
- New funding only for construction where IIFL gets preference for retail home loans
- ADB & other institutions supporting us for financing affordable & green projects
- Focused team for faster recovery of earlier loans



# SINCE INCEPTION, MARQUEE GLOBAL INVESTORS HAVE REPOSED FAITH IN OUR BUSINESS & MANAGEMENT



Top Institutional Shareholders	% holding
Fairfax	22.3
Capital Group	5.2
Bank Muscat India Fund	3.3
Ward Ferry	2.8
Vanguard	2.8
Nomura	1.5
Abakkus	1.2
Morgan Stanley	0.9
Life Insurance Corporation of India	0.8
Bavaria Industries Group	0.8

As on Aug, 2022



# PIONEERING & INNOVATIVE ESG INITIATIVES HAS BEEN APPLAUDED BY GOVERNMENT & GLOBAL INSTITUTIONS

## ENVIRONMENT



- Multiple recognitions from Govt. of India for contribution towards affordable housing
- Received funding from Asian Development Bank (ADB) to improve **funding** to **affordable green housing** for **lower-income groups** in India

## SOCIAL



- Brought 32,000+ out of school girls back into the education fold
- Recognized for supporting economic activity and financial inclusion

## GOVERNANCE



6 of 9

Independent Directors

2

Executive Directors

7

Non-Executive Directors

- Strong standards guided by our tenets of Fairness, Integrity and Transparency
- Independent Director as Chairman of the Board of Directors



# LATEST QUARTER RESULTS



₹ Cr	Q1FY23	Q1FY22	Y-o-Y	Q4FY22	Q-o-Q
Interest income	1,451.30	1,245.00	17%	1,423.40	2%
Interest expense	-776	-700.9	11%	-773.2	0%
<b>Net interest income</b>	<b>675.3</b>	<b>544.1</b>	<b>24%</b>	<b>650.2</b>	<b>4%</b>
Non-fund based income	513.7	280.4	83%	488.3	5%
<b>Total income</b>	<b>1,189.00</b>	<b>824.5</b>	<b>44%</b>	<b>1,138.40</b>	<b>4%</b>
Operating expense	-515	-315.2	63%	-468.5	10%
<b>Pre provision operating profit</b>	<b>674</b>	<b>509.3</b>	<b>32%</b>	<b>670</b>	<b>1%</b>
Loan losses & provision	-248.7	-165	51%	-256.4	-3%
<b>Core Profit before tax</b>	<b>425.3</b>	<b>344.3</b>	<b>24%</b>	<b>413.6</b>	<b>3%</b>
Net Gain/(Loss) on Fair Value Changes	8.6	6.2	38%	6	44%
<b>Profit before tax</b>	<b>433.9</b>	<b>350.5</b>	<b>24%</b>	<b>419.6</b>	<b>3%</b>
<b>Profit after tax</b>	<b>329.7</b>	<b>265.8</b>	<b>24%</b>	<b>321</b>	<b>3%</b>
<b>Total Comprehensive Income(TCI)</b>	<b>331.6</b>	<b>249.7</b>	<b>33%</b>	<b>338.2</b>	<b>-2%</b>
Book value per share (₹)	174.2	145.6		165.3	
Earnings per share (₹ not annualized)	8.7	7		8.5	

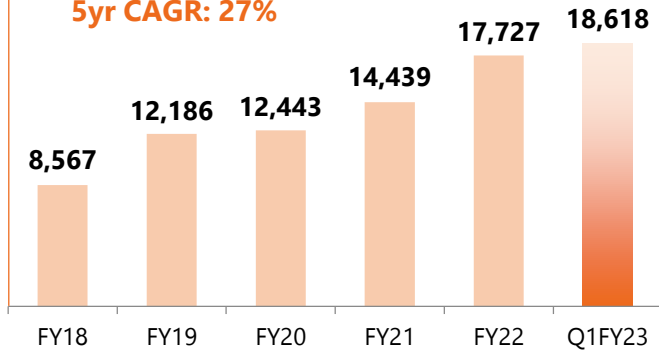
# HOME LOANS



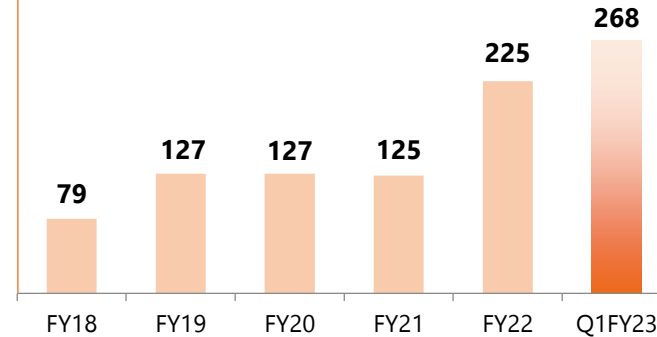
# BUSINESS SNAPSHOT

## ASSET UNDER MANAGEMENT (₹ Cr)

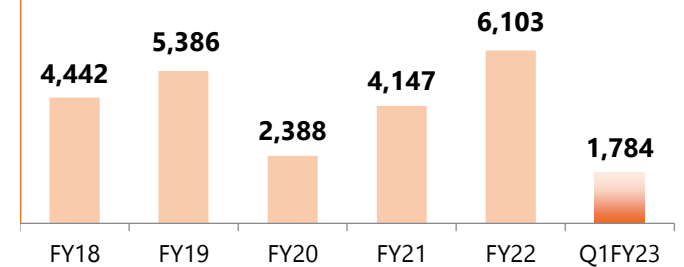
5yr CAGR: 27%



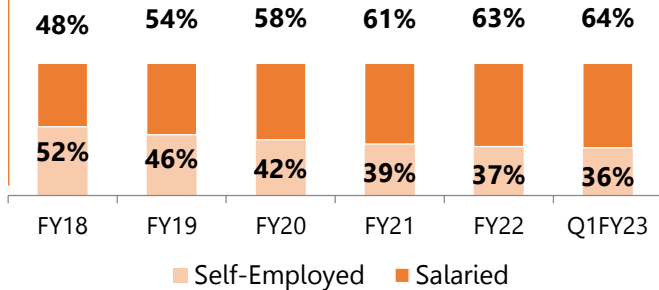
## HOME FINANCE BRANCHES



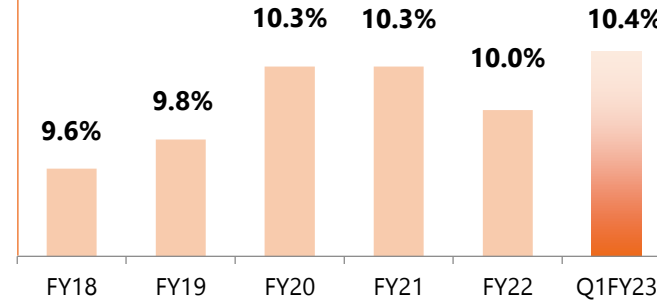
## DISBURSEMENT (₹ Cr)



## SALARIED / SELF-EMPLOYED AUM MIX (%)

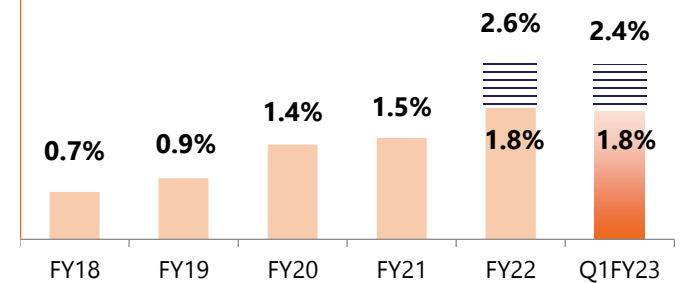


## PORTFOLIO YIELD (%)



## Gross NPA (%)

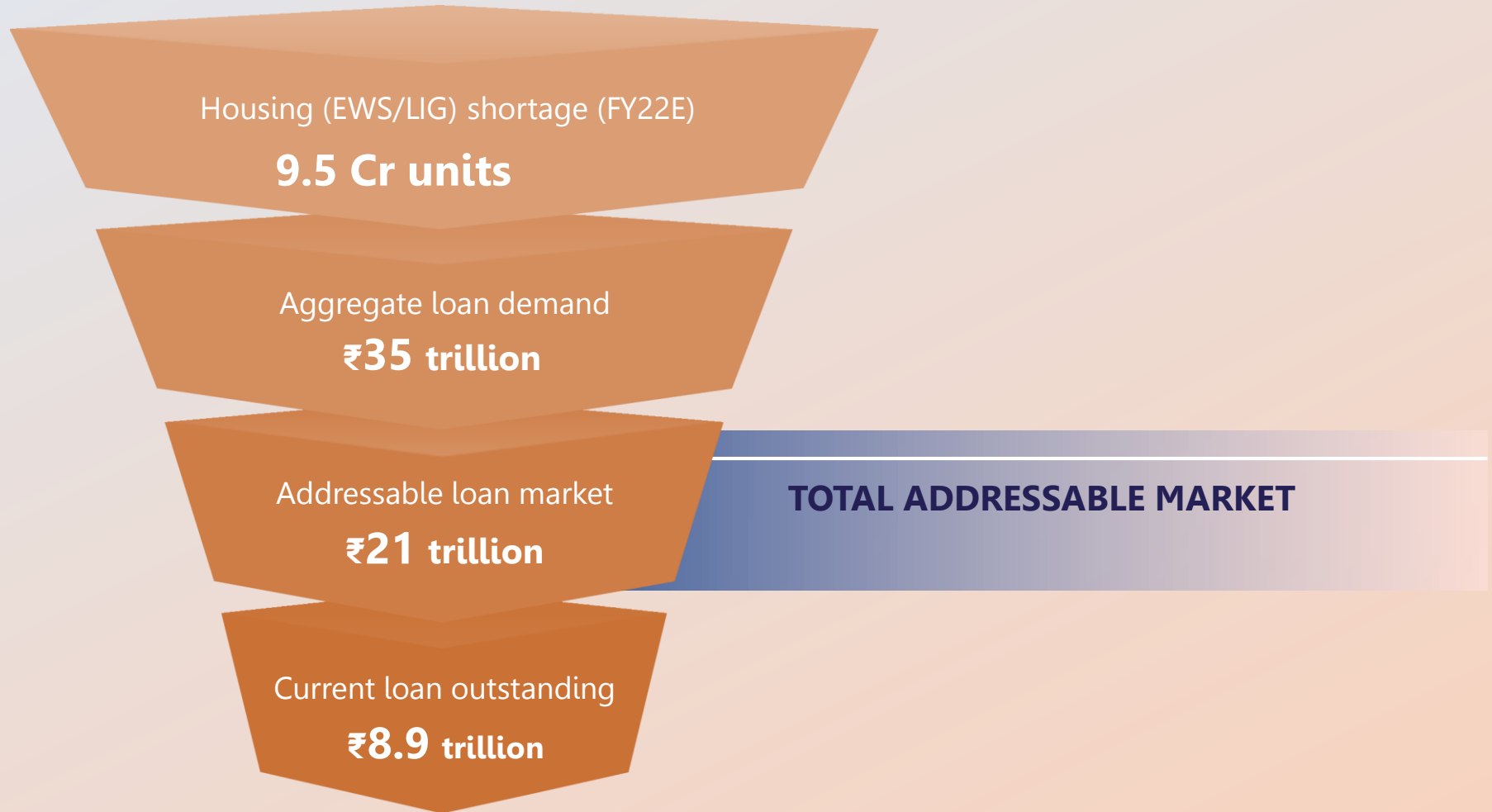
≡ RBI CIRCULAR IMPACT



(Q1 FY23 Portfolio yield on loan book - 11.37%)

(Q1 FY23 GNPA on AUM - 1.87%; w/o RBI impact - 1.43%)

# TOTAL ADDRESSABLE MARKET





## ENVIRONMENT & INDUSTRY LANDSCAPE

- Credit growth outlook for FY23 is 9-11% and affordable HFC is expected to grow at a faster pace than the overall industry
- Housing finance industry has consolidated with a few players exiting the space
- Multiple government initiatives, PMAY, tax incentives, RERA, GST, special financing window, aimed at bridging the demand supply gap has shown a positive impact
- Significant regulatory measures by RBI & NHB aimed towards affordable housing has enabled easy flow of credit and hence increased uptick of new projects
- Impact of rising interest rate would be milder for our target segment



## IIFL COMPETITIVE ADVANTAGES

- Ability to underwrite and source small ticket home loans for low income segment without formal income documentation
- Captive technology team which enables customizations and provides agility for best in class TAT which brings scalability and operational efficiencies
- Ability to leverage group distribution and operate in a Phygital model with minimal branch infrastructure
- Effective controls through in-house sales and collection team with in-depth local knowledge
- PSL compliant book and social & sustainable finance enabling lower cost of funds and balance ALM (Asset Liability Mismatch)





Focus on low ticket home loans with priority to first time home owners and women owners. Offer small ticket LAP loans to small business and traders

Continuous digital innovation across the value chain of business

Focus on Tier 2/3/4 towns

Partner with banks for growth through co-lending and assignment

Focus on sustainable financing

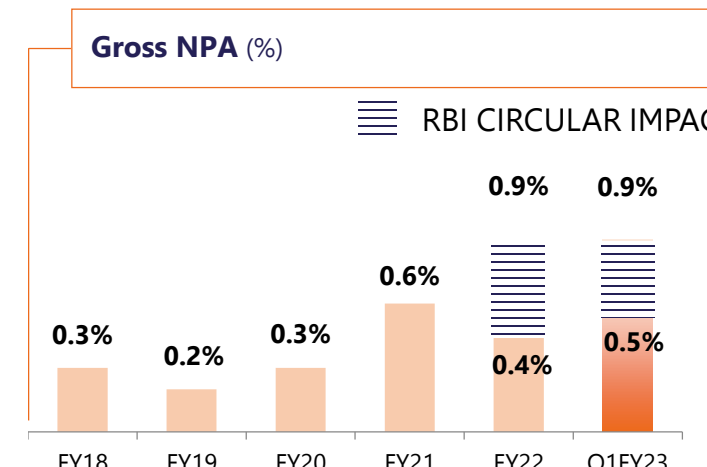
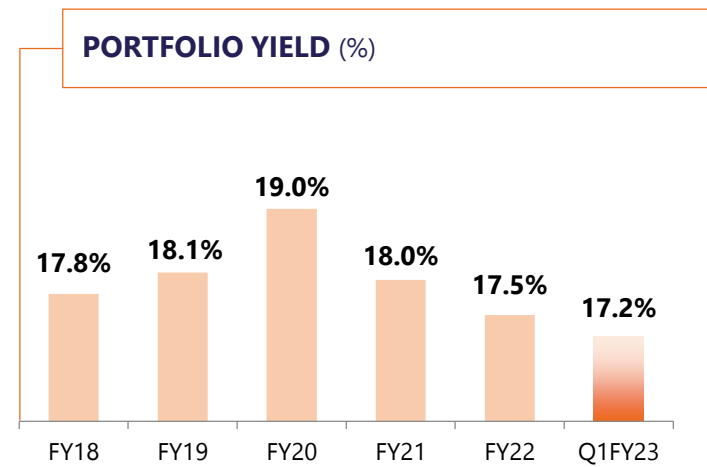
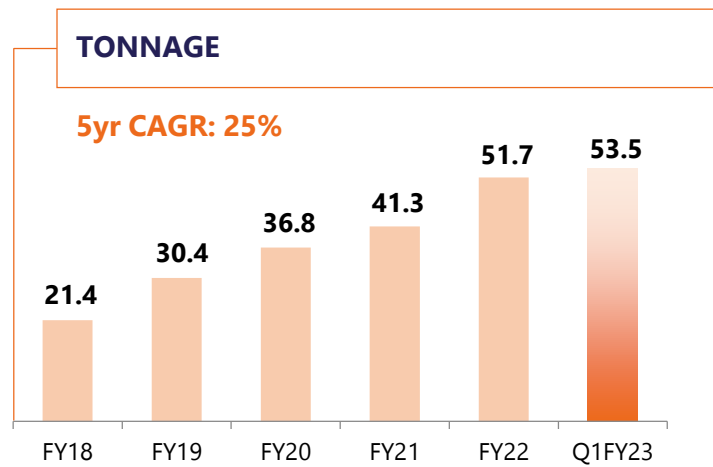
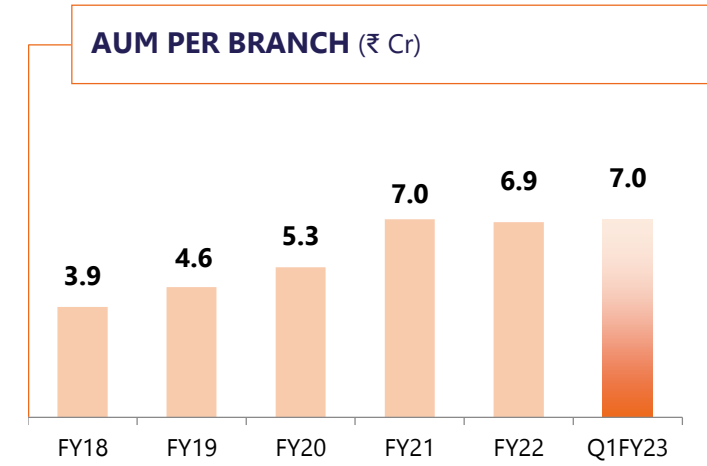
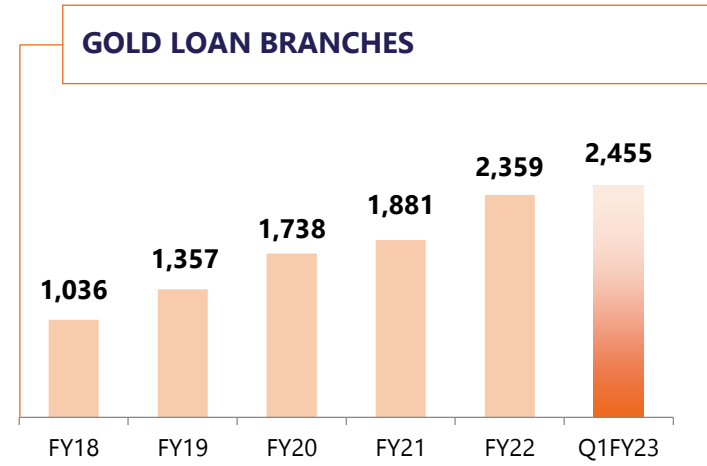
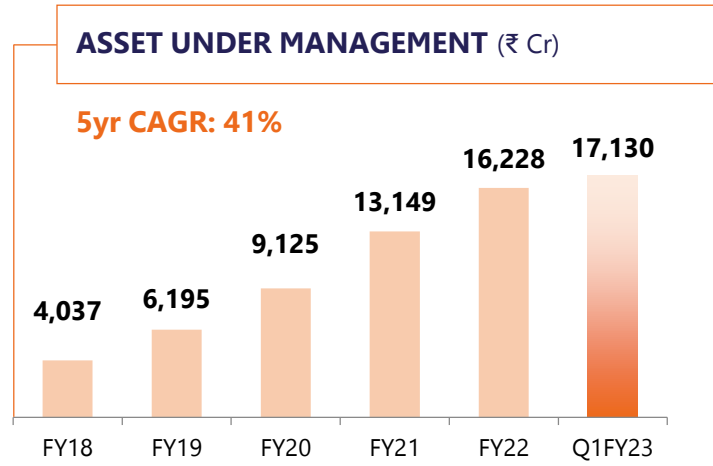




# GOLD LOANS



# BUSINESS SNAPSHOT



# TOTAL ADDRESSABLE MARKET



**SOURCES:**

1. World Gold Council Report
2. Return of gold financiers in India's organized lending market, KPMG in India, Jan'20
3. Gold Financing Sector Outlook, CLSA, Sep'21
4. NBFC Report 2021 , CRISIL Research

# ENVIRONMENT & COMPETITIVE LANDSCAPE

- Banks have become more aggressive than ever before
- Intense competition from new NBFCs, Fintechs
- During FY22, established NBFCs had reacted with teaser schemes which have stopped now
- Gold prices rose sharply in 2020 and remain at higher levels
- Gold loan companies require RBI approval for expanding beyond 1000 branches

10 Year Gold Price in INR/g



10 Year Gold Price in USD/oz



# IIFL COMPETITIVE ADVANTAGE



## OWN NETWORK AND PEOPLE

- Over 2,400 dedicated gold loan branches spread across 25 states/UT, manned by ~14000 own employees



## DIGITAL TECHNOLOGY

- Industry first proprietary tablet based fully digitized processes for paperless on-boarding & servicing
- Loans app for customer convenience
- Gold loan at home in more than 35 cities



## STRONG VISIBILITY AND BRAND RECALL

- Aggressive investment in national and local branding in media and on- ground activities
- Policies in line with positioning of Seedhi Baat i.e. honest & transparent businesses practices



## SECURITY & CONTROLS

- Innovative security controls for physical security
- Strong audit, vigilance and control systems and processes to minimize fraud risks



## CUSTOMER SEGMENT FOCUS

- Focusing on MSME and small businesses, with cash- flows to minimise auction liquidation and optimize on cross sell opportunities for other loan and investment products





- Expand branch network in Tier IV and under-penetrated markets
- Focus on scaling up recently set up branches
- Focus on SME cross-sell to supplement core business along with insurance
- Build on co-lending/BC partnerships (Canara Bank, DCB, DBS, Union Bank, Shivalik SFB)
- Grow customer base with partnerships (Airtel, GPay), innovative products and hyperlocal marketing
- Take digital technology edge to next level to drive productivity & cost efficiencies

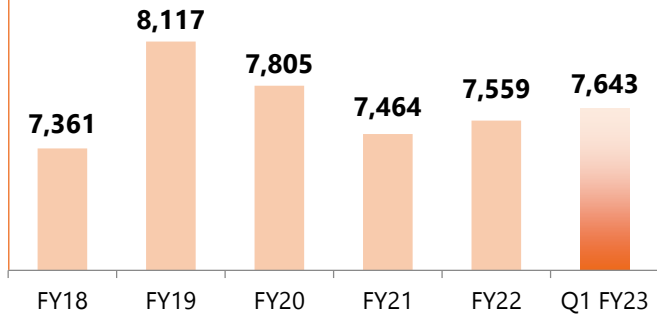


# BUSINESS LOANS

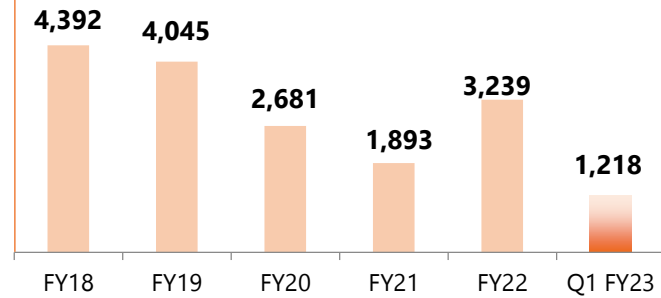
# BUSINESS SNAPSHOT

## ASSET UNDER MANAGEMENT (₹ Cr)

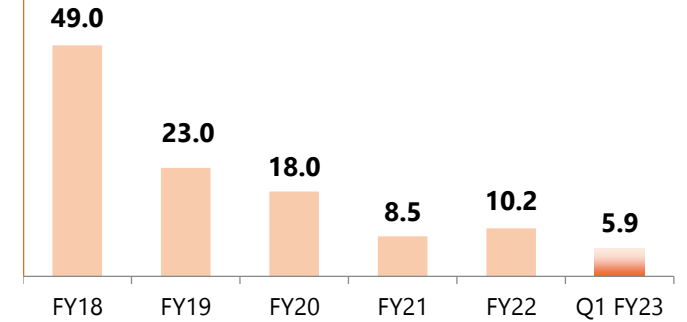
5yr CAGR: 5%



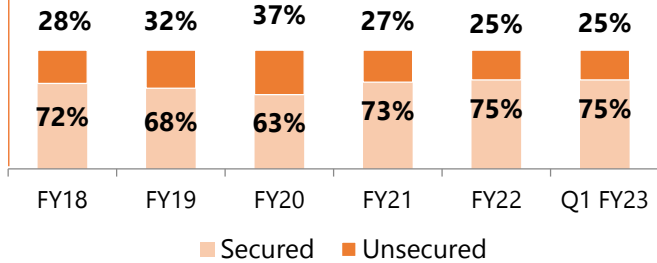
## DISBURSEMENT (₹ Cr)



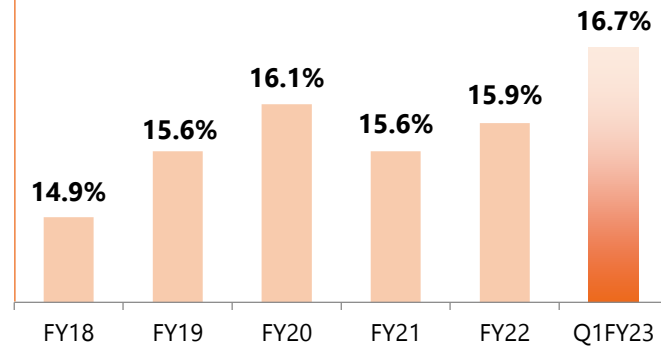
## ONBOARDING ATS (₹ lacs)



## SECURED / UNSECURED MIX (%)

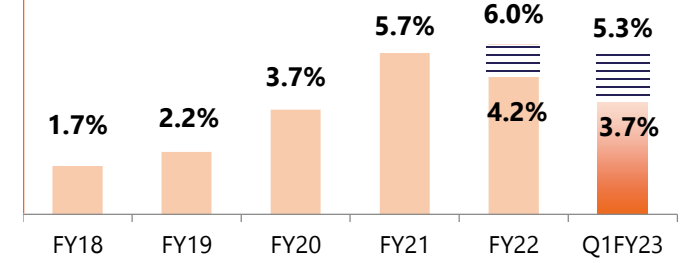


## PORTFOLIO YIELD (%)



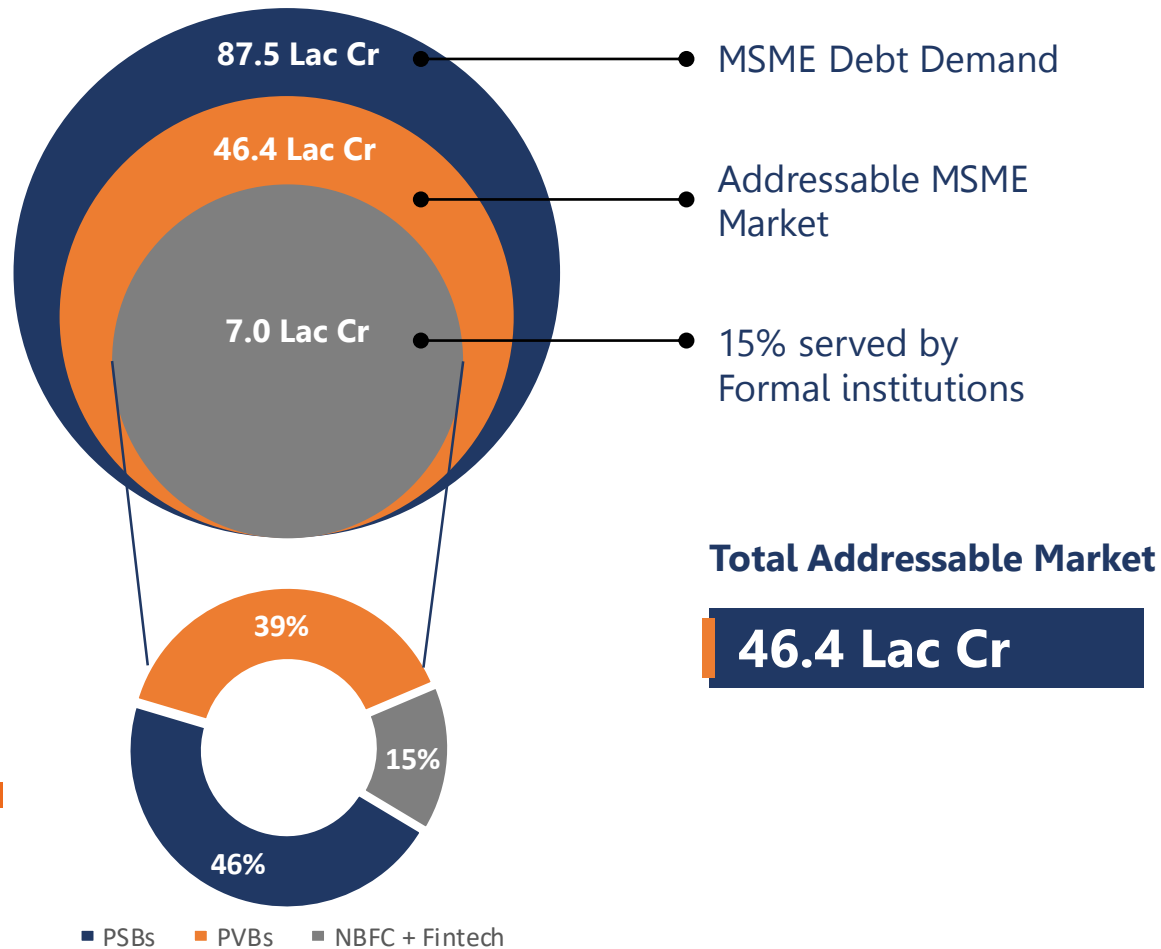
## Gross NPA (%)

≡ RBI CIRCULAR IMPACT





# TOTAL ADDRESSABLE MARKET



- ▶ ~ 95% of the MSME Market is primarily Proprietorship firms and ~ 70% of requirement is for Small ticket size loans
- ▶ The **Digital lending market** is growing by **34% CAGR** from FY'20-'23 with the **MSME credit demand** growing at a **CAGR of 13%**.

**Sources:**

# ENVIRONMENT AND COMPETITIVE LANDSCAPE

- Industry is getting consolidated / rationalized
- Slew of measures by RBI intended towards fortifying the digital ecosystem
- India Stack (Aadhaar, UPI, Account Aggregator, OCEN) form the biggest enabler
- 1.1bn accounts linked on the Account Aggregator network; Twelve banks live
- OCEN network will enable flow of credit between borrowers, distributors and lenders



# IIFL COMPETITIVE ADVANTAGES

## Strategic fitment in the lending ecosystem

- IIFL is uniquely placed in terms of reach, financial and innovation capital

## Best-in-class digital journeys

- First to launch an end-to-end loan to disbursement journey on Whatsapp with digital fraud checks and verification
- 100% digital journey enabled through Account Aggregator, o-KYC, e-KYC & c-KYC, OCR checks to limit the need of physical in-hand document.

## Group synergies

- Ability to leverage the extensive reach of IIFL gold loan branches for quality lead sourcing, rationalizing the cost of acquisition and collections

## Partnerships

- Partnerships with leading fintechs (Finbox, Setu) for best-in-class experience to customers
- Strategic alliances with digital aggregators and players in B2B ecosystem to source high intent & good quality business customers.





Expand reach through strategic partnerships and via IIFL branch network

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Build brand awareness among SME businesses

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Optimization of lead funnels through implementation of AI/ML models

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Loyalty programs to enhance customer lifetime value

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JV with Open Money to transform banking & borrowing experience for microenterprises



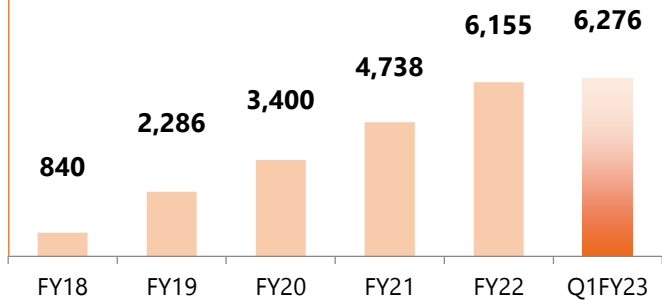
# MICROFINANCE



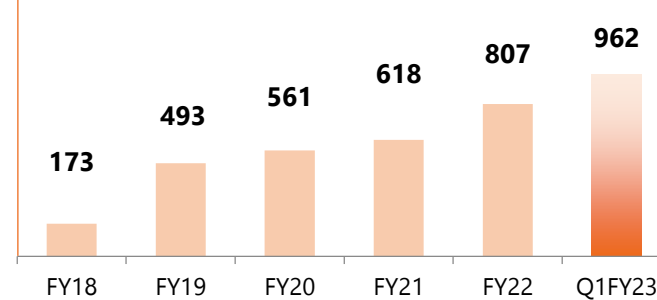
# BUSINESS SNAPSHOT

## ASSET UNDER MANAGEMENT (₹ Cr)

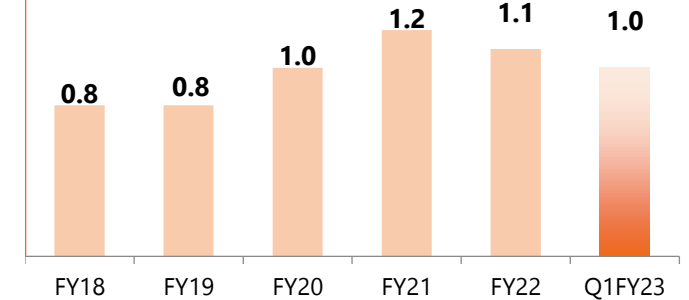
5yr CAGR: 61%



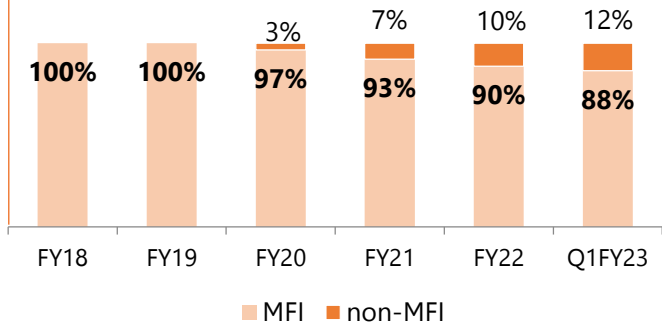
## MICROFINANCE BRANCHES



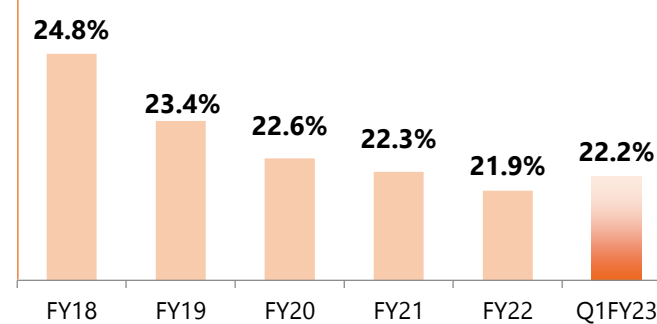
## AUM PER LOAN OFFICER (₹ Cr)



## AUM MIX %

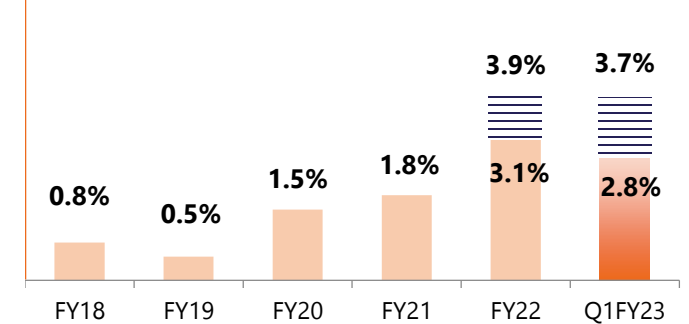


## PORTFOLIO YIELD (%)



## GROSS NPA (%)

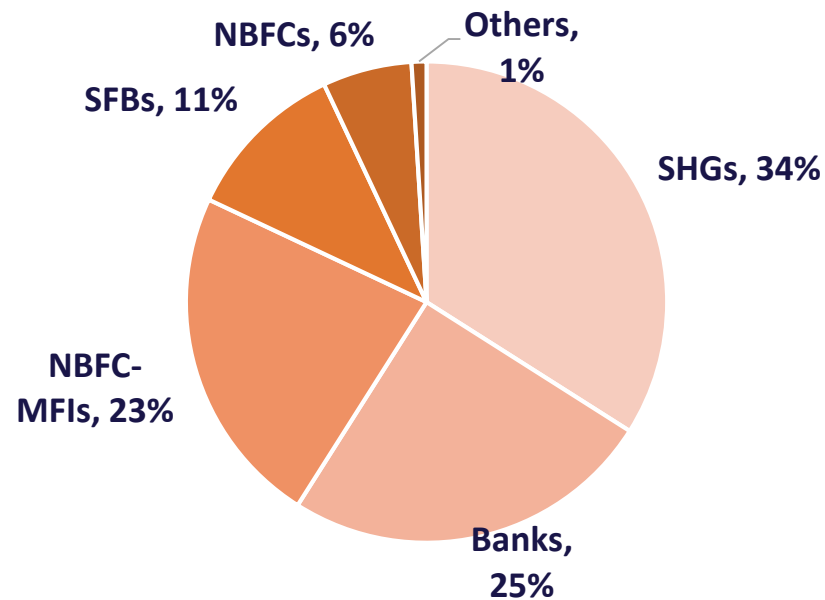
▨ RBI CIRCULAR IMPACT



# TOTAL ADDRESSABLE MARKET

## MICROFINANCE LANDSCAPE

Total MFI Universe (GLP) - ₹4,82,681 Cr






## MARKET OPPORTUNITY

 **Market Opportunity:** Current MFI market in India is **₹2.6 trillion** (FY21) for JLG loans

 Indian MFI Market is anticipated to **grow at a CAGR** of more than **40%** through **2025**, driven by women oriented MSMEs

# ENVIRONMENT & COMPETITIVE LANDSCAPE

## COMPETITION LANDSCAPE

-  Many MFIs are going through turbulent times due to covid related restructuring and losses
-  New players with no legacy book in certain geographies are picking up market share
-  Opportunity for geographically diversified MFIs as many of the states have started coming back to pre-covid level

## NEW RBI GUIDELINES TO BOLSTER GROWTH IN THE INDUSTRY

1

**Flexible Interest Rates**  
No capping



Increased revenue for a sustainable business model

2

**Asset Qualification (75:25)**  
Secured loan share can now be upto 25%



Balanced portfolio mix with increase in secured portion

3

**Income Criteria**  
Upper cap Increased to ₹3 lacs  
No limit of lenders



Access to new & improved customer segment

4

**Cash flow Analysis**  
Mandatory for lending



Aid in getting better customers with upsell opportunity



# IIFL COMPETITIVE ADVANTAGES



## Well diversified MFI portfolio to weather geopolitical risks inherent in the industry

- IIFL is well distributed across 17 states/UT with no state contributing more than 20% of the overall portfolio



## Balanced product mix to diversify risks further

- Retail book constitutes 12% of the AUM, of which half is secured



## Foundation in place to achieve scale

- Amongst the first few MFIs to successfully disburse loans via the co-lending model
- Robust digital infrastructure in place for customer selection, field monitoring, efficient tracking and controls
- Huge potential to increase business in under/non penetrated states





## Separate vertical to focus on collections

- Hard bucket to be tracked by a separate vertical to improve both collection and sales efficiencies

## Drive Productivity from existing branches

- Achieve scale in new branches
- Increase in center size and customer per Loan Officer

## Retail products for MFI customers moving up the pyramid

- Income assessment backed higher ticket size of loan for eligible customers

## Target new potential markets

- Focus on under penetrated market with tremendous potential
- Selection of geography for expansion to be jointly validated by business, risk and credit

**THANK YOU**