



Company Name	: IIFL HOLDINGS
BSE Code	: 532636
Time Duration	: 1 year
CMP	: ₹721.05 (as on 09 Aug, 2018)
Target Price	: ₹902

The Value Pick for the month of August is IIFL Holdings Limited. It is mainly engaged in the business of loans and mortgages, wealth and asset management and capital market related activities. It is headquartered in Mumbai and has presence in nine major global financial hubs spread across 23 locations in India and around the world.

IIFL Holdings is present across multiple lines of lending, but it is a market leader in the wealth management space. Over the last two years, the outstanding growth in wealth management assets and alternative investment funds (AIF) have been the company's major growth drivers. As per the top management of the company, the non-banking lending sector has potential to grow by 25-30%. The asset management business would grow at the fastest pace over the next 10 years.

By end of June quarter of 2018, the revenue mix consisted of IIFL Finance (55%), IIFL Wealth (27%) and IIFL Securities (18%).

Group Performance

Loans and mortgages – IIFL Finance : IIFL Finance's 85% loan book consists of retail lending dominated by home loans segment. In FY18, the loan assets under management (AUM) grew by 40% YoY to Rs 31,134 crore. The portfolio mix consisted of increased share of small ticket home loans, SME loans and micro-finance loans. The gross and net NPA levels stood at 1.71% and 0.79%, respectively, at the end of FY18.

In Q1FY19, the income from IIFL Finance segment grew by 47% YoY to Rs 582.7 cr and PAT for the segment grew by 68% YoY to Rs 195.8 cr. The loan AUM during the quarter grew by 44% YoY to Rs 33,653 cr. Also, the net NPA stood at 0.9%.

Wealth and asset management – IIFL Wealth : The wealth business does not require additional capital, which enables the company to generate growth in profit and leads to RoE expansion. Currently, the wealth management sector is underpenetrated and with rising entrants as relationship managers, the sector is expected to fare well in the upcoming years. Also, some of the foreign banks have exited from the wealth space in India, giving an opportunity to the company to capture the market. Looking at the company's performance, IIFL has reached the level to compete and be at par with the global wealth management companies.

In Q1FY19, the income from IIFL Wealth segment grew by 17%

YoY to Rs 289.1 cr and PAT for the segment grew by 26% YoY to Rs 110.2 cr. The wealth assets grew by 25% YoY to Rs 1,40,898 cr. It is the largest fund manager of AIFs and its AUM grew by 60% YoY to Rs 13,422 cr.

Earlier, IIFL Holdings had 54% stake in IIFL Wealth. Recently, IIFL Wealth raised Rs 746 crore of equity capital which has reduced the stake of IIFL Holdings to 51.1%.

Capital market related activities – IIFL Securities : IIFL is a key player in both the retail and institutional segments with a four per cent share in daily cash turnover. In FY18, the profit growth in the segment was 41% YoY due to buoyant capital markets. In Q1FY19, the revenue from the segment was up by 2% YoY to Rs 194 cr., while the PAT grew by 6% YoY to Rs 53 cr.

Demerger and listing of three new entities

As a part of the company's strategy to reorganise the corporate structure, it has planned to demerge its finance, wealth and capital business into three separate entities and would get them listed on the stock exchanges. The three units would be IIFL Finance, IIFL Wealth and IIFL Securities. Of this the finance segment which is operated as India Infoline Finance Limited will be amalgamated with the company to form IIFL Finance. Post the demerger, the company is optimistic that the units will grow at their full potential. The company's board of directors has approved the reorganisation of IIFL Group on January 31, 2018 and the process will take 10-12 months to complete from the date of filing. The approvals from SEBI, IRDAI, NCLT are awaited.

The share entitlement ratio under the demerger scheme would be as under –

IIFL Finance – For every 100 fully paid equity shares of Rs 10 each held in India Infoline Finance Ltd., the shareholder will get 135 fully paid equity shares of Rs 2 each of the company.

IIFL Wealth – For every 7 fully paid equity share of Rs 2 each held in the company, the shareholders will get 1 fully paid equity share of Rs 2 each of IIFL Wealth Management Ltd.

IIFL Securities – For every 1 fully paid equity share of Rs 2 each held in the company, the shareholder will get 1 fully paid equity share of Rs 2 each of IIFL Securities Ltd.

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Financial Performance

IIFL group's PAT was Rs 1,162 cr on total income of Rs 3,813 crore for FY18, as against a PAT of Rs 822 cr on total income of Rs 4,908 cr for FY17. The overall loan portfolio has grown at a CAGR of 24% over the last three years. Due to high growth in recent years and entry into newer segments, the overall asset quality is yet to go through various cycles. The gross NPAs improved to 1.7% as on March 31, 2018, from 1.82% as on March 31, 2017. As the majority of loans consist of retail lending, the asset quality of the company is expected to improve and stabilise.

In Q1FY19, the income grew by 25% YoY from Rs 1,419 cr to Rs

1,768 cr. The PAT for the quarter was up 36% YoY from Rs 204 cr to Rs 346 cr.

Valuation

On the valuation front, the company is trading at TTM P/B 4.05x and TTM P/E 22.3x. At the consolidated level, IIFL delivered ROE and ROCE of 24.6% and 12.8%, respectively, in FY18. We see that the company's profitability is getting stronger due to strong loan book and the robust growth in the asset management business. We see potential upside of 25% with target price of Rs 902 over a period of one year.

Inc/Exp Statement(Consolidated) (Rs in Crore)

Description	201803	201703	201603	201503	201403
Net Sales	3812.62	4815.89	3952.07	3551.02	2821.90
Total Income	3854.16	4943.59	3962.64	3563.68	2837.29
Total Expenditure	2102.16	1566.93	1364.22	1309.41	1180.13
PBIDT	1752.00	3376.66	2598.42	2254.27	1657.16
PAT	1162.08	822.18	554.81	476.36	291.38
Dividend %	250.00	225.00	212.50	150.00	150.00
Adj. EPS(Rs)	28.57	21.52	15.29	14.30	9.39

Quarter On Quarter (Consolidated) (Rs in Crore)

Particulars	201806	201803	Q on Q Var%	201706	Y on Y Var%
Net Sales	1767.98	1018.28	73.62	1418.50	24.64
Total Expenditure	515.55	277.33	85.90	437.99	17.71
PBIDT (Excl OI)	1252.43	740.95	69.03	980.51	27.73
PAT	345.97	171.63	101.58	254.40	35.99
PBIDTM% (Excl OI)	70.84	72.76	-2.64	69.12	2.49
PBIDTM%	73.01	74.49	-1.99	70.26	3.91
PATM%	19.57	16.85	16.14	17.93	9.15
Adj. EPS(Rs)	8.35	7.79	7.19	6.21	34.46



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