



Strong Quarter, Results meet estimate

IIFL Finance Ltd has reported a strong set of numbers in Q3'22, strong growth in advances, growth coming back in gold loans on a QoQ basis a big positive, asset quality remains stable.

- **NII came in at INR 8,291 Mn**, 12.0% YoY / 7.4% QoQ above our expectations of INR 8,146 Mn
- **Other Income came in at INR 2,417 Mn**, 37.0% YoY / 22.5% QoQ
- **PPOP came in at INR 3,131 Mn**, (13.0)% YoY / (22.0)% QoQ below our expectations on increased expenses in branch openings and employee expenses.
- **Provisions came in at INR (813) Mn** as provisions were written back
- **Bank reported a profit which came in at INR 3,099 Mn**, 15.0% YoY/6.3% QoQ vs our expectation of INR 3,300Mn
- **EPS stood at INR 8.1** vs INR 7.0 / INR 7.6 in YoY / QoQ respectively.

Financial Highlights

- AUM at INR 4,67,800 Mn (+11% YoY/+5.7% QoQ), growth was seen in all segments on a QoQ and YoY basis other than business and construction real estate loans, QoQ AUM growth of 7.4% was a strong positive after a modest 2.5% QoQ growth last quarter. Gold Loan AUM saw a (20% YoY growth,+7.4% QoQ growth, 31% of advances), home loans (+23.0% YoY growth, +5.1% QoQ growth,35.3% of advances), business loans ((9.9%) YoY growth, (0.1%) QoQ growth, 15.0% of advances) , microfinance saw strong growth in AUM on a QoQ basis (32.0% YoY growth,14.2% QoQ growth, 11.1% of advances), construction and real estate saw a 2.2% QoQ growth in advances.
- Disbursement growth seen across segments except home loan disbursement which was flat on a QoQ basis, this is the only weak point of the result. But management has stated that they have seen strong growth in disbursement in December.
- Reported Asset Quality was stable on a YoY and QoQ basis with GNPA at 2.80% (+119 bps YoY/ +46 bps QoQ) and NNPA stood at 1.50% (+73 bps YoY/ +42bps QoQ). The slight rise in NPA is because it includes impact of RBI notification dated 12th November, 2021 where account can be upgraded only if all past dues (instalments) have been paid.

Financial Summary

Y/E Mar (Rs Mn)	FY20	FY21	FY22E	FY23E	FY24E
NII	22139	27859	32584	39971	49666
Adjusted net profit	2780	3327	7799	10265	12611
Netw orth	47656	53934	66390	82047	100878
Adj BVPS	111	134	162	201	250
EPS (Rs)	7	9	21	27	33
P/ABV (x)	2.8	2.3	1.9	1.5	1.2
P/E (x)	42	35	15	11	9
RoA (%)	1.5	2.0	2.8	3.0	3.0
RoE (%)	11.0	15.0	20.7	21.1	20.6

Source: Dalal & Broacha Research, Company

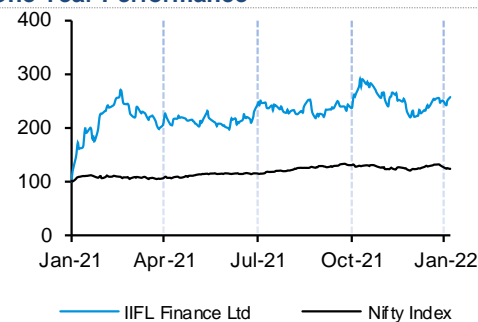
Rating	TP (Rs)	Up/Dn (%)
BUY	406	28

Market data

Current price	Rs	316
Market Cap (Rs.Bn)	(Rs Bn)	120
Market Cap (US\$ Mn)	(US\$ Mn)	1,598
Face Value	Rs	2
52 Weeks High/Low	Rs	375.05 / 118.25
Average Daily Volume	('000)	683
BSE Code		532523
Bloomberg		IIFL.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Dec-21	Sep-21
Promoters	24.93	24.93
Public	75.07	75.07
Total	100	100

Source: BSE

Akshay Ashok
(022) 67141486
akshay.ashok@dalal-broacha.com

- Total number of branches at 3119 vs 2914 in Q2'22. C/I ratio rose marginally to 39% due to expansion in physical and digital footprint. In 9MFY22 company has added over 550 branches and nearly 6,000 employees with emphasis on growth.
- NIMs at 7.3% (-10bps YoY/-30bps QoQ)
- Strong return ratios, ROE at 20.70% and ROA at 2.90%.
- Collection efficiency as on Q3'22 for gold , home , business and microfinance loans stand at 100%, 101%, 98% and 96% respectively.
- Strong Capital Adequacy CRAR at 25.4%
- Interim dividend of INR. 3.50/- per equity share of the face value of Rs. 2/ announced by the company.
- Mr. Arun Kumar Purwar has been appointed as Chairman of the Board w.e.f. April 01, 2022. Mr. Purwar was the Chairman of State Bank of India, the largest Bank in the country from November, 2002 to May, 2006. He held several important and critical positions like Managing Director of State Bank of Patiala, Chief Executive Officer of Tokyo Branch covering almost the entire range of commercial banking operations in his long and illustrious career at the Bank. He was also associated in setting up of SBI Life. Appointment of Arun Kumar Purwar as Chairman of Board augurs well for the company.

Valuation and outlook

IIFL Finance has reported a very strong set of numbers in Q3'22, with QoQ growth in Gold AUM one of the biggest positives. Stable asset quality with growth makes it a lethal combination.

At CMP of INR 317 the stock trades at 1.9x its FY22E adj BV and 1.5x it's FY23E adj BV. We have initiated coverage on the stock at INR 297 and we have a "BUY" rating on the stock with the target price of INR 406. Set of results give us confidence and we are maintaining our "BUY" rating and target price of INR 406

Highlights of the Conference Call

Business Outlook

- Collections have improved across segments.
- Demand for credit is strong across segments

Disbursements

- Flat disbursement in home loans, one off due to pent up demand, disbursement has picked up and December was one of the best months for home loans.

Collection Efficiencies

- Collection efficiency is improving in all segments, third wave slightly affected microfinance collections.

Gold Loans

- Home gold loans, seeing good traction saw disbursements rise by 31% QoQ to INR 137 crores.
- Strong history means trust level is higher and customer can pay off take more loan, everything online.

Co Lending

- Co-Lending seeing good traction.
- Did INR 850 crore worth of home loans via co-lending model.

Asset Quality

- New RBI norms caused rise in GNPA, does not materially affect the company, 30bps excess GNPA this quarter is due to RBI norms.

Digital DIY Channels

- MY Money App and WhatsApp loans seeing good traction. More than 18,000 customers boarded till date. Disbursement grew more than four-fold to INR 114 crores during the quarter.

Growth Guidance

- Targeting AUM growth of 25% going forward.
- Focusing on home loan and gold loan, will continue to fund affordable construction and real estate projects with emphasis on environmentally sustainable green project

Financials

Table 1

P&L (Rs Mn)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22
Interest Earned	12486	13499	13539	14592	14357	15160	16018
Interest Expended	6930	6409	6113	6806	7009	7441	7727
NII	5556	7091	7426	7786	7348	7719	8291
Other Income	465	1654	1764	1892	960	1974	2417
Net Income	12952	15154	15303	16485	15317	17133	18435
Opex	3827	3177	5594	5784	4979	5670	7577
PPOP	2194	5567	3596	3894	3329	4022	3131
Provisions	1621	2781	114	688	(176.0)	307	(813.0)
PBT	573	2787	3482	3206	3505	3715	3943.0
Tax	255	660	797	727	847	800	844.2
PAT	318	2127	2686	2479	2658	2916	3099
Loan Growth(%)							
AUM YoY Growth (%)	10	17	17	18	13	8	11
AUM QoQ Growth (%)	1	7	3	6	-3.4	2.5	5.7
Ratios (%)							
GNPA	1.95	1.81	1.61	2	2.2	2.34	2.8
NNPA	0.86	0.77	0.77	0.9	1	1.08	1.5
CAR	19.3	18.7	21.4	25.4	25.6	25.9	25.4
NIM	6.7	7.4	7.4	6.8	6.6	7.6	7.3

Source: Dalal & Broacha Research

P&L (Rs Mn)	FY 20	FY 21	FY 22	FY 23	FY 24
Interest income	46,189	54,117	63,482	77,189	95,040
Interest expense	24,050	26,258	30,899	37,218	45,374
NII	22,139	27,859	32,584	39,971	49,666
Non-interest income	818	1,496	1,625	1,883	2,188
Net revenues	22,957	29,355	34,208	41,854	51,853
Operating expenses	17,729	18,384	21,847	25,422	31,207
PPOP	5,228	10,970	12,361	16,432	20,647
Provisions	230	5,203	366	892	1,692
PBT	4,997	5,767	11,995	15,540	18,955
Tax	2,217	2,440	4,196	5,275	6,344
PAT	2,780	3,327	7,799	10,265	12,611

Balance sheet	FY 20	FY 21	FY 22	FY 23	FY 24
Share capital	757	758	758	758	758
Reserves & surplus	46,899	53,177	65,632	81,289	1,00,120
Net worth	47,656	53,934	66,390	82,047	1,00,878
Borrowings	2,79,961	3,25,831	3,84,481	4,61,377	5,58,266
Other liability	16,117	26,904	26,580	32,064	39,676
Total liabilities	3,43,734	4,06,669	4,77,451	5,75,488	6,98,820
Fixed assets	1,142	1,043	1,263	1,575	1,969
Investments	10,130	820	820	820	820
Loans	2,85,347	3,35,332	3,66,372	4,46,058	5,63,837
Cash	32,159	47,841	73,252	89,057	86,002
Other assets	14,957	21,635	35,745	37,978	46,193
Total assets	3,43,734	4,06,669	4,77,451	5,75,488	6,98,820

Ratios	FY 20	FY 21	FY 22	FY 23	FY 24
Growth (%)					
NII	2	26	17	23	24
PPOP	-28	104	12	28	23
PAT	-37	51	64	26	20
Advances	4	18	9	22	26
Spread (%)					
Yield on Funds	15.8	17.0	17.5	18.2	18.0
Cost of Funds	8.8	8.7	8.7	8.8	8.9
Spread	7.0	8.4	8.8	9.4	9.1
NIM	5.7	6.1	15.8	14.8	14.2
Asset quality (%)					
Gross NPAs	2.3	2.0	2.3	2.2	1.9
Net NPAs	2.0	0.9	1.4	1.3	1.1
Return ratios (%)					
RoE	11.0	15.0	20.7	21.1	20.6
RoA	1.5	2.0	2.8	3.0	3.0
Per share (Rs)					
EPS	7.3	8.8	20.6	27.1	33.3
BV	126	142	175	217	266
ABV	111	134	162	201	250
Valuation (x)					
P/E	42.0	35.2	15.0	11.4	9.3
P/BV	2.5	2.2	1.8	1.4	1.2
P/ABV	2.8	2.3	1.9	1.5	1.2

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Name	Designation	Email	Phone	Sector
Mr.Kunal Bhatia	Head of Research	kunal.bhatia@dalal-broacha.com	022 67141442	Retail FMCG Logistics
Mrs.Charulata Gaidhani	Sr.Analyst	charulata.gaidhani@dalal-broacha.com	022 67141446	Pharma Healthcare
Mr.Mayank Babla	Sr.Analyst	mayank.babla@dalal-broacha.com	022 67141412	IT Telecom Media
Mr.Avinash Tanawade	Sr.Analyst	avinash.tanawade@dalal-broacha.com	022 67141449	BFSI
Mr.Akshay Ashok	Sr.Analyst	akshay.ashok@dalal-broacha.com	022 67141486	BFSI
Mr.Bhavya Gandhi	Analyst	bhavya.gandhi@dalal-broacha.com	022 67141444	Midcaps
Mr.Miraj Shah	Analyst	miraj.shah@dalal-broacha.com	022 67141489	FMCG Retail

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021 .

Tel: 91-22- 2282 2992 | E-mail: equity.research@dalal-broacha.com