




Estimate change   
 TP change   
 Rating change 

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Bloomberg	IIFLWAM IN
Equity Shares (m)	87
M.Cap.(INRb)/(USD\$)	92.9 / 1.2
52-Week Range (INR)	1659 / 710
1, 6, 12 Rel. Per (%)	12/-24/-
12M Avg Val (INR M)	73

#### Financials & Valuations (INR b)

Y/E March	2020	2021E	2022E
Net Revenues	9.2	8.9	11.0
Opex	5.7	5.2	6.1
Core PBT	3.6	3.7	4.9
PAT	2.0	3.3	4.3

#### Ratios

PBT margin (bp)	26	24	25
PAT margin (bp)	15	21	22
RoE (%)	6.8	10.8	13.7
Div. Payout (%)	100	70	70

#### Valuations

P/E (x)	46.1	28.2	21.5
P/BV (x)	3.1	3.0	2.9
Div. Yield (%)	1.9	2.5	3.3

#### Shareholding pattern (%)

As On	Jun-20	Mar-20
Promoter	22.9	22.9
DII	1.4	1.3
FII	20.1	20.1
Others	55.6	55.7

FII Includes depository receipts

**CMP: INR1,065 TP: INR1,240 (+16%) Buy**

### PAT beat driven by lumpy revenues and lower opex

#### L&T Wealth acquisition leads to Goodwill creation of INR2.44b

- IIFLWAM's 1QFY21 PAT grew 33% YoY to INR819m (63% beat), driven by 8%/7% beat on core revenues/opex. **Stronger-than-expected top line was largely due to higher transaction (TBR) revenue (INR710m v/s est. INR500m).**
- Operating expenses were down 20% QoQ (up 2% YoY) to INR1.3b (7% beat), driven largely by lower employee cost. As the company pruned salaries, fixed cost declined ~10% QoQ. In addition, ESOP cost more than halved QoQ to INR140m. **Management is targeting to reduce the C/I ratio to 50% over the next 18 months (~64% in 1QFY21).**
- During the quarter, IIFLWAM acquired L&T Wealth for INR2.96b, which led to Goodwill accretion of INR2.44b. The business contributed 5.4%/7.2% /4.5% of the overall/ARR/TBR AUM in 1QFY21. Total Goodwill on the balance sheet now stands at INR5.2b (17% of net worth).
- Overall core performance was in line with expectation – both on the AUM and earnings front. Traction on ARR assets is a key monitorable for the ensuing quarters. Our earnings estimates remain largely unchanged for FY21/22E. Reiterate **Buy**.

#### New flows muted; Net AUM up 14% QoQ, MTM gains of INR150b

- 1QFY21 was slow in terms of new business – net new money addition stood at INR8.8b (v/s INR124b in FY20).** However, with the acquisition of L&T Wealth (AUM of INR99b) and strong MTM gain of INR150b, net AUM grew 14% QoQ to INR1.58t.
- Annual Recurring Revenue (ARR) assets grew 17% QoQ to INR732b – around half of this increase came from the L&T Wealth acquisition. In this segment, all products, barring NBFC lending products, grew sequentially.
- Revenues from ARR assets declined 10% QoQ to INR1.28b. According to the management, lower ARR revenue was on account of (a) lower AMC fees (of which, 60-70% should be recouped in 2QFY21), (b) NII on loans (due to capital allocation being lower by INR2.3b, translating to INR60m impact), and (c) lower average AUM in distribution and IIFL assets.**
- TBR assets grew 10% QoQ to INR1.04t, driven by 12% QoQ growth in brokerage assets (direct stocks and structured bonds) and L&TW acquisition. However, due to lower volume of transactions this quarter, total revenue declined ~15%/40% QoQ/YoY to INR710m. However, the performance has still exceeded our expectation of INR500m revenue.
- According to management, typical revenue mix is expected at 50-60% from ARR (excl. NII), 10-15% from NII on loan and 25-35% from TBR assets.**

#### Strong traction in IIFL ONE continues; New product in AMC

- IIFL ONE continues to gain traction – AUM was up 13% QoQ to INR200b. Of the sequential increase in AUM, ~55% is from net new additions.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

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- For the first time, the company has disclosed the break-up of IIFL One's assets – non-discretionary PMS comprises 36% of total AUM, followed by advisory at 27%, discretionary PMS at 19% and 'basket' AUM at 18%. Note that the company earns the highest fees in discretionary PMS (49bp), followed by non-discretionary (31bp) and advisory PMS (5bp).
- In the AMC segment, the company introduced a new long-short fund to further strengthen its leadership position in alternate assets. It is also considering other fund options such as a Quant fund, a Solutions fund and an International fund.
- The NBFC's loan book declined to INR29b (v/s INR35b in 4QFY20 and INR46b in 1QFY20), driven by muted disbursements. Spreads remained steady sequentially at 1.9%.

#### Other key highlights

- Contribution of NII to net revenues remains high at 27% (v/s 23%/29% QoQ/YoY).
- The share of AMC assets originated by the Wealth team increased to 37% from 34% sequentially. This, in our view, was largely driven by MTM gains.
- Other income in the quarter stood at INR400m (v/s est. INR200m). This could be largely attributable to MTM gains on Sponsored/Non-Sponsored investments done by the company in its funds. Note that MTM loss in 4QFY20 was INR790m.

#### Key concall takeaways

- There is scope to release equity capital from (a) NBFC segment, and (b) sale of office building. This could potentially free up INR3.5-6b capital over 12-18 months.
- It has retired some liabilities early. Reduced liquidity from INR17-18b to INR11-12b QoQ and expect to further reduce it to INR5-6b in 2QFY21. At the same time, an increase in the loan book is expected in 2QFY21.
- It has witnessed 7-8 new divestment transactions by clients over the past 30-45 days.

#### Valuation and view

Over the past decade, IIFLWAM has evolved into one of the best wealth management franchises in the country, giving tough competition to the private sector and foreign banks. Over the past five years, it has become the alternate asset manager in India with unique product offerings. With IIFL ONE, the company is looking to revolutionize the way wealth management is offered in India. **Traction on IIFL ONE remains healthy; however, improving the retention ratio remains the moot point.** While in the near term, net inflows could be modest, we expect it to improve over the medium term. While there could be some pressure on profitability due to migration to IIFL ONE (net yields of 40bp in IIFL ONE v/s 50-60bp for other distribution assets), it would make revenues more stable and less susceptible to regulatory pressures. We largely maintain our FY21/22E EPS estimates. Buy with TP of INR1,240 (25x FY22E EPS).

**Exhibit 1: Quarterly performance (INR m)**

Y/E March	FY20				FY21E				FY20	FY21E	1QFY21E	Act. Vs Est. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
<b>Net Revenues</b>	<b>2,108</b>	<b>2,316</b>	<b>2,210</b>	<b>2,570</b>	<b>1,990</b>	<b>2,144</b>	<b>2,289</b>	<b>2,433</b>	<b>9,204</b>	<b>8,856</b>	<b>1,849</b>	<b>8</b>
Change (%)	-27.5	-13.7	1.0	5.0	-5.6	-7.4	3.6	-5.3	-10.0	-3.8	-12.3	
ARR Assets Income	1,286	1,249	1,390	1,420	1,280	1,365	1,507	1,648	5,345	5,801	1,349	-5
TBR Assets Income	823	1,067	820	1,150	710	778	782	785	3,860	3,055	500	42
<b>Operating Expenses</b>	<b>1,269</b>	<b>1,304</b>	<b>1,450</b>	<b>1,630</b>	<b>1,300</b>	<b>1,323</b>	<b>1,266</b>	<b>1,280</b>	<b>5,650</b>	<b>5,170</b>	<b>1,400</b>	<b>-7</b>
Change (%)	-11.0	-7.2	12.4	38.6	2.4	1.4	-12.7	-21.5	6.7	-8.5	10.3	
Cost to Income Ratio (%)	60.2	56.3	65.6	63.4	65.3	61.7	55.3	52.6	61.4	58.4	68.3	
<b>Operating Profits</b>	<b>839</b>	<b>1,011</b>	<b>760</b>	<b>940</b>	<b>690</b>	<b>821</b>	<b>1,022</b>	<b>1,153</b>	<b>3,554</b>	<b>3,686</b>	<b>449</b>	<b>54</b>
Change (%)	-43.4	-20.9	-15.4	-26.1	-17.8	-18.8	34.5	22.7	-28.0	3.7	-46.5	
Other Income	62	-191	230	-790	400	100	100	100	-690	700	200	
<b>Profit Before Tax</b>	<b>901</b>	<b>820</b>	<b>990</b>	<b>150</b>	<b>1,090</b>	<b>921</b>	<b>1,122</b>	<b>1,253</b>	<b>2,865</b>	<b>4,386</b>	<b>649</b>	<b>68</b>
Change (%)	-40.3	-47.1	-4.1	-88.3	20.9	12.3	13.4	735.4	-46.7	53.1	-28.0	
Tax	287	136	258	171	271	230	281	315	853	1,097	147	85
Tax Rate (%)	31.8	16.6	26.1	114.2	24.8	25.0	25.0	25.1	29.8	25.0	22.6	
<b>PAT</b>	<b>615</b>	<b>684</b>	<b>732</b>	<b>-21</b>	<b>819</b>	<b>691</b>	<b>842</b>	<b>938</b>	<b>2,012</b>	<b>3,290</b>	<b>502</b>	<b>63</b>
Change (%)	-43.8	-31.9	-8.6	-102.5	33.3	1.0	15.1		-46.1	63.5	-18.3	
PAT Margins (%)	29.2	29.5	33.1	-0.8	41.2	32.2	36.8	38.5	21.9	37.1	24.5	
<b>Key Oper.Parameters (%)</b>												
<b>AUM (INR B)</b>	<b>1,423</b>	<b>1,439</b>	<b>1,508</b>	<b>1,388</b>	<b>1,583</b>	<b>1,649</b>	<b>1,712</b>	<b>1,778</b>	<b>1,388</b>	<b>1,583</b>	<b>1,704</b>	<b>-7</b>
Change (%)	24.3	19.7	15.9	1.6	11.2	14.7	13.5	28.1	1.6	14.0	19.7	
ARR Assets	635	640	704	626	732	790	848	910	626	732	820	-11
TBR Assets	979	993	1,017	943	1,036	1,040	1,045	1,048	943	1,036	1,065	-3
Less: Double Counting	191	194	214	181	185	181	181	181	181	185	181	2
<b>Yield on AUM - Calculated (%)*</b>	<b>0.60</b>	<b>0.65</b>	<b>0.60</b>	<b>0.71</b>	<b>0.54</b>							
ARR Assets	0.84	0.78	0.83	0.85	0.75							
TBR Assets	0.34	0.43	0.33	0.47	0.29							

Source: MOFSL, Company

**Highlights of management commentary****Business Updates**

- All account opening processes, etc. is back to normal now. Expect to make up for lost new business in 2QFY21.
- Some money moved out of liquid funds to savings accounts.
- Saw 7-8 new divestment transactions by clients over the past 30-45 days.
- May see regulations of upfront commissions in AIF over the next 6-9 months.
- There is scope to release equity capital from the (a) NBFC segment, and (b) sale of the office building. This could potentially free up INR3.5-6b capital over 12-18months.
- Typical revenue mix: 50-60% from ARR excl. NII, 10-15% from NII on loan and 25-35% from TBR assets.
- Tech spend has increased from 1.5% of revenue to 2.5% of revenue over the past year. It could further increase to 4-5% over the next few years.
- Client profile:
  - 20% of AUM: Entrepreneur/Industrialist, whose portfolio is created out of dividends received,
  - 40% of AUM: Industrialists, who have monetized businesses,
  - 20-25% of AUM: Professional entrepreneurs (salaried but higher share of ESOPs),
  - 5-10% of AUM: PE/celebrities/consulting professionals,
  - 5-10% of AUM: Treasury clients.

- Given the sharp rise in the Sensex over the past three months, clients have tactically shifted from equity to fixed income investments. Also, only 65% of the equity allocation is currently invested, while the rest is yet to be invested. In addition, there have not been any meaningful withdrawals.
- Bulk of the new inflows in 1QFY21 came from existing clients.

### ARR Assets

- Lower ARR revenue is on account of (a) lower AMC fees (of which, 60-70% will come back in 2QFY21), (b) NII on loans (due to INR2.3b lower capital translating to INR60m impact), and (c) lower average AUM in distribution and IIFL assets.
- Retention in ARR is stable at 80bp.
- IIFL One yields: Non-discretionary – 30-35bp, Discretionary – 60bp, Blended – 40-50bp.
- Target INR900b ARR AUM by end-FY21.

### TBR Assets

- TBR income – INR180-200m comes from brokerage (Equity, FICC). The rest is from syndication income, which could vary on QoQ basis.

### Operating expenses

- Expect level of non-employee opex to sustain over the coming quarters.
- 30-35% of revenue goes in platform payouts (i.e. employee salaries, sourcing opex, etc.). This figure is better for India v/s rest of the world.
- Target 50% C/I ratio over the next 18 months.

### Others

- Entire onboarding of 900+ clients and employees of L&T Wealth was completed during the quarter itself.
- **Large clients (INR1b AUM) prefer to pay fixed fees rather than % of AUM fees.**
- **Retired some of liabilities early. Reduced liquidity from INR17-18b to INR11-12b QoQ and expect to further reduce it to INR5-6b in 2QFY21. At the same time, expect an increase in the loan book in the coming quarter.**
- No large scale changes were required for the new regulations on segregation of advisory and distribution services.
- More than 80-85% of sales team is productive.
- BNP Paribas shut down its wealth management business in India, which had a small pool of clients. IIFLWAM hopes to capture a large market share of that company.
- Joining bonus of INR200m was paid to L&T Wealth employees, which will be amortized over the next 8 quarters.
- Have a good CRM system but much more improvement is needed.
- Clients still don't want to execute large orders by themselves. They prefer doing it through physical format or order instruction over the phone.
- 2.3m ESOPs are unexercised.
- Management is clear that if the AMC were to go the retail way, it would not be a me-too player. Besides strong management bandwidth, it would be increasingly digital.
- Expect to receive more mandates from institutional clients in the AMC segment.
- Dividend pay-out should remain high.

## Valuation view

- IIFLWAM is a unique investment opportunity with direct exposure to the large and rapidly expanding wealth management business in India. Over the past decade, IIFLWAM has evolved into one of the most formidable wealth management franchises in the country, giving tough competition to private/foreign banks. Strong customer focus and a wide suite of products (unmatched by most peers) have helped it to consistently grow its client base.
- IIFLWAM offers a strong blend of the 4P's (People, Product, Process and Proposition), which are the key factors to attain success in the wealth management business. Low attrition at both employee/client level (people), innovative offerings (product), strong technology platform (process) and ability to structure products and offer unique solutions (proposition) are strong moats that the company has created.
- Over the past five years, it has become the largest AIF player in India, with differentiated product offerings such as a pre-IPO fund, a real estate financing fund, etc. The push in the asset management business will be one of its key growth drivers.
- With IIFL-ONE, the company is looking to revolutionize the way wealth management is offered in India. While this could have near-term pressure on profitability, if successful, it would be a trend-setter in the industry.
- The migration from upfront recognition to trail income recognition would take another 1-2 years to complete – post that, we expect revenue to pick up meaningfully. Over the medium term, we expect 65%+ of revenues to come from ARR assets.
- Given the slow but stabilizing equity markets, we expect 23% AUM CAGR over FY20-23E. With improvement in IIFL One's margins, migration of some assets from TBR to ARR and focus on cost rationalization, we expect core PBT (ex-one-offs) to improve from INR3.5b in FY20 to INR6b in FY23E.
- We largely maintain our EPS estimates. Buy with TP of INR1,240 (25x FY22E EPS).

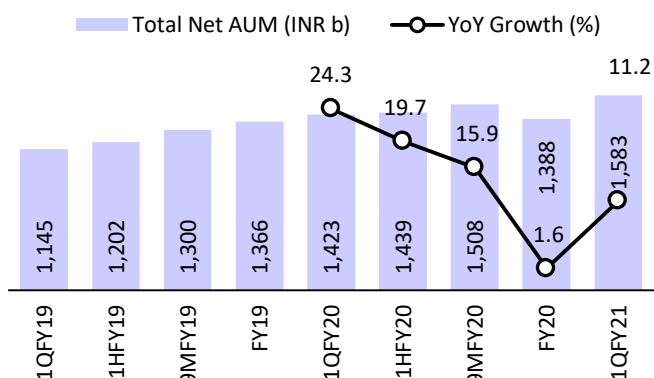
### Exhibit 2: Maintaining estimates largely

INR b	Old Est.			New Est.			Change (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
ARR Revenue	5.9	7.5	9.0	5.8	7.7	9.5	-1.2	2.3	5.4
TBR Revenue	2.7	3.2	3.5	3.1	3.3	3.6	12.6	3.6	2.4
<b>Total Income</b>	<b>8.6</b>	<b>10.7</b>	<b>12.5</b>	<b>8.9</b>	<b>11.0</b>	<b>13.1</b>	<b>3.1</b>	<b>2.7</b>	<b>4.6</b>
Operating Expenses	4.8	5.7	6.5	5.2	6.1	7.1	7.8	7.9	7.9
<b>Operating Profits</b>	<b>3.8</b>	<b>5.0</b>	<b>6.0</b>	<b>3.7</b>	<b>4.9</b>	<b>6.0</b>	<b>-2.7</b>	<b>-3.2</b>	<b>0.9</b>
Other Revenue	0.4	0.5	0.7	0.7	0.9	1.1			
<b>PBT</b>	<b>4.2</b>	<b>5.5</b>	<b>6.7</b>	<b>4.4</b>	<b>5.8</b>	<b>7.1</b>	<b>4.7</b>	<b>4.3</b>	<b>6.9</b>
Tax	0.9	1.3	1.5	1.1	1.4	1.8			
<b>PAT</b>	<b>3.2</b>	<b>4.3</b>	<b>5.2</b>	<b>3.3</b>	<b>4.3</b>	<b>5.3</b>	<b>1.5</b>	<b>1.3</b>	<b>3.2</b>
<b>Total AUM</b>	<b>1,723</b>	<b>2,055</b>	<b>2,441</b>	<b>1,719</b>	<b>2,150</b>	<b>2,586</b>	<b>-0.2</b>	<b>4.6</b>	<b>6.0</b>
Cost-to-core income	55.9	53.1	52.3	58.4	55.8	54.0			
RoE	10.7	13.5	15.7	10.8	13.7	16.2			
Dividend pay out ratio	70.0	70.0	70.0	70.0	70.0	70.0			

Source: MOFSL, Company

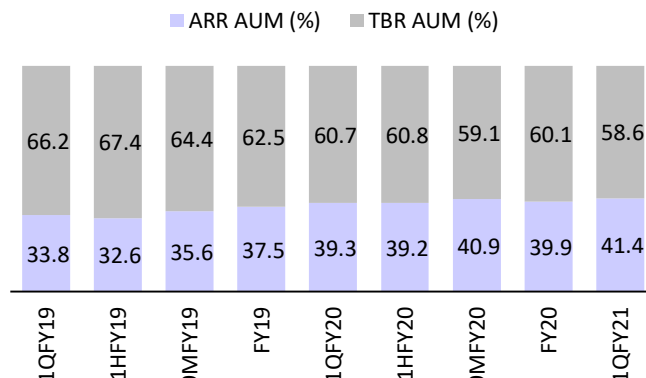
## Key Exhibits

**Exhibit 3: Total AUM stood at INR1.6t**



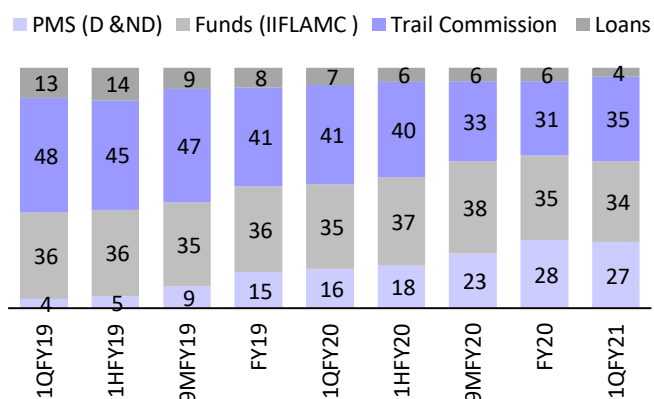
Source: MOFSL, Company

**Exhibit 4: ARR share up 150bp sequentially (%)**



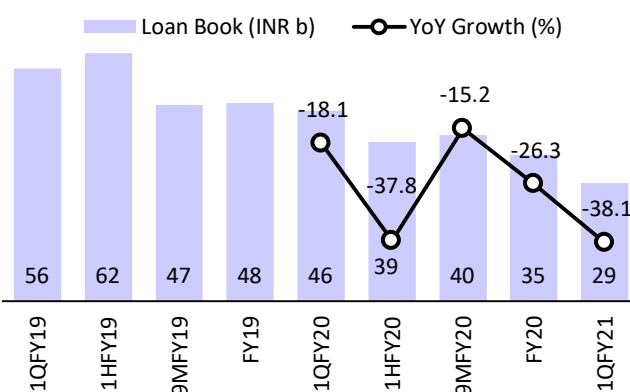
Source: MOFSL, Company; Note: Share in gross AUM

**Exhibit 5: Share of third-party commission assets up 390bp in ARR assets sequentially (%)**



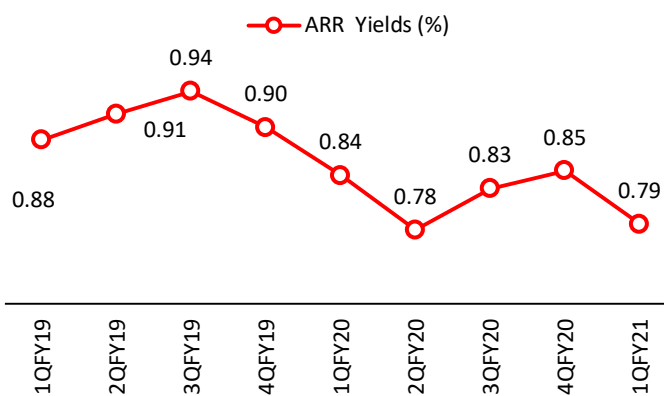
Source: MOFSL, Company, Trail commission on third party products

**Exhibit 6: Loan book declines further**



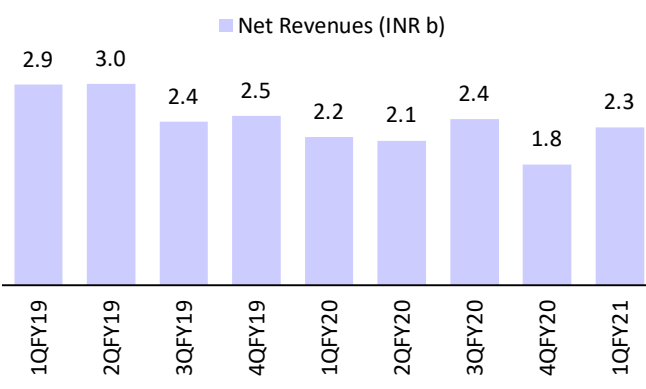
Source: MOFSL, Company

**Exhibit 7: ARR yields declined 6bp sequentially**



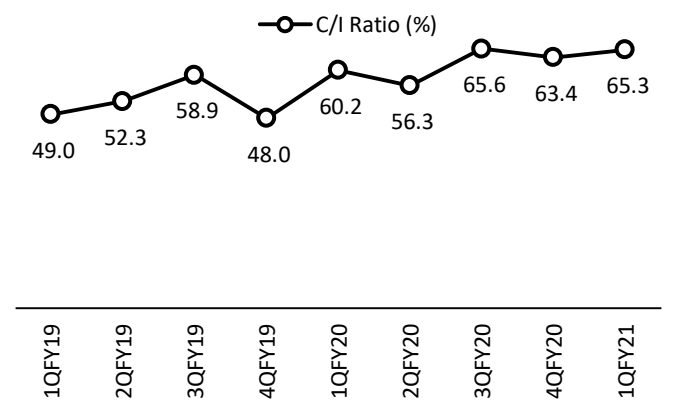
Source: MOFSL, Company

**Exhibit 8: Uptick in net revenue due to other income loss**



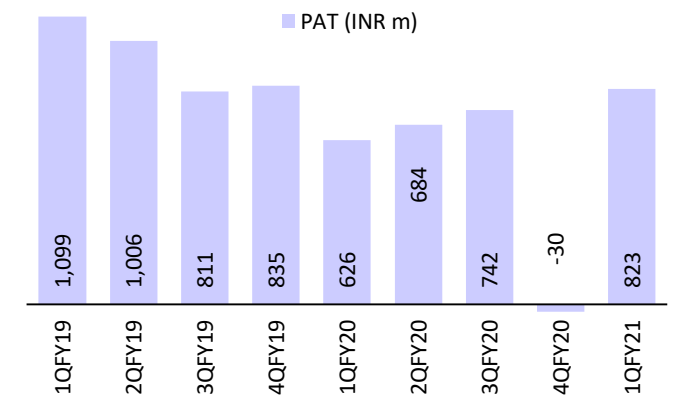
Source: MOFSL, Company

**Exhibit 9: C/I ratio spikes due to lower TBR revenues**



Source: MOFSL, Company

**Exhibit 10: Trend in consolidated PAT**



Source: MOFSL, Company

## Valuation Matrix

	Rating	CMP (INR)	Mcap (USD <b>b</b> )	P/E (x)		P/BV (x)		RoA (%)		RoE (%)	
				FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
<b>HFCs</b>											
LICHF	Buy	267	1.8	6.3	5.6	0.7	0.6	1.0	1.1	11.5	11.8
PNBHF	Neutral	241	0.5	5.4	4.0	0.5	0.4	1.0	1.3	9.1	11.3
<b>Vehicle fin.</b>											
SHTF	Buy	679	2.1	9.5	6.0	0.8	0.7	1.5	2.3	9.2	12.9
MMFS	Buy	133	1.1	18.1	14.9	1.1	1.0	1.2	1.5	6.8	7.0
CIFC	Buy	212	2.4	14.8	10.8	1.9	1.7	1.8	2.2	13.8	16.6
<b>Diversified</b>											
BAF	Neutral	3,384	26.7	45.8	28.0	5.6	4.7	2.5	3.6	12.9	18.3
SCUF	Buy	830	0.7	7.2	6.0	0.7	0.6	2.5	3.0	10.0	11.0
LTFH	Buy	65	1.7	13.2	6.8	0.9	0.8	0.9	1.7	6.7	12.0
MUTH	Neutral	1,227	6.5	13.7	12.0	3.4	2.8	6.7	6.7	27.7	25.6
MAS	Buy	662	0.5	21.5	18.0	3.2	2.8	3.7	4.0	16.0	16.9



## Financials and Valuations

Income Statement						(INR M)		
Y/E March	2016	2017	2018	2019	2020	2021E	2022E	2023E
Annual Recurring Revenues Assets	1,079	2,392	3,670	4,437	5,345	5,801	7,679	9,507
Transactional/Broking Revenues Assets	3,559	4,687	6,618	5,794	3,860	3,055	3,306	3,550
<b>Net Revenues</b>	<b>4,638</b>	<b>7,079</b>	<b>10,288</b>	<b>10,231</b>	<b>9,204</b>	<b>8,856</b>	<b>10,986</b>	<b>13,057</b>
Change (%)	26.1	52.6	45.3	-0.5	-10.0	-3.8	24.0	18.9
Operating Expenses	2,829	4,013	5,652	5,297	5,650	5,170	6,132	7,052
<b>Core Profit Before Tax</b>	<b>1,809</b>	<b>3,066</b>	<b>4,636</b>	<b>4,934</b>	<b>3,554</b>	<b>3,686</b>	<b>4,854</b>	<b>6,006</b>
Change (%)	12.4	69.4	51.2	6.4	-28.0	3.7	31.7	23.7
Other Income	454	779	140	435	-690	700	900	1,100
<b>Profit Before Tax</b>	<b>2,264</b>	<b>3,845</b>	<b>4,775</b>	<b>5,370</b>	<b>2,865</b>	<b>4,386</b>	<b>5,754</b>	<b>7,106</b>
Change (%)	37.5	69.8	24.2	12.4	-46.7	53.1	31.2	23.5
Tax	570	1,161	1,099	1,634	853	1,097	1,438	1,776
Tax Rate (%)	25.2	30.2	23.0	30.4	29.8	25.0	25.0	25.0
<b>PAT</b>	<b>1,694</b>	<b>2,684</b>	<b>3,676</b>	<b>3,736</b>	<b>2,012</b>	<b>3,290</b>	<b>4,315</b>	<b>5,329</b>
Change (%)	51.3	58.4	37.0	1.6	-46.1	63.5	31.2	23.5
Proposed Dividend		534	785	848	2,018	2,303	3,021	3,730

Balance Sheet						(INR M)		
Y/E March	2016	2017	2018	2019	2020	2021E	2022E	2023E
Equity Share Capital		156	160	169	174	174	174	174
Reserves & Surplus		15,043	18,469	28,935	29,741	30,728	32,022	33,621
<b>Net Worth</b>		<b>15,198</b>	<b>18,629</b>	<b>29,104</b>	<b>29,915</b>	<b>30,902</b>	<b>32,197</b>	<b>33,795</b>
Borrowings		56,261	69,663	61,145	88,381	97,988	1,12,359	1,31,695
Other Liabilities		4,505	7,374	7,553	11,912	13,103	14,413	15,855
<b>Total Liabilities</b>		<b>75,964</b>	<b>95,666</b>	<b>97,802</b>	<b>1,30,208</b>	<b>1,41,992</b>	<b>1,58,969</b>	<b>1,81,345</b>
Cash and Investments		32,887	18,564	33,300	76,911	79,767	86,167	96,039
Change (%)			-43.6	79.4	131.0	3.7	8.0	11.5
<b>Loans</b>		<b>36,520</b>	<b>70,561</b>	<b>49,665</b>	<b>36,319</b>	<b>43,550</b>	<b>52,260</b>	<b>62,712</b>
Net Fixed Assets		291	523	5,100	5,754	6,330	6,963	7,659
Net Current Assets		6,267	6,017	9,737	11,223	12,345	13,579	14,935
<b>Total Assets</b>		<b>75,964</b>	<b>95,666</b>	<b>97,802</b>	<b>1,30,208</b>	<b>1,41,992</b>	<b>1,58,969</b>	<b>1,81,345</b>

E: MOFSL Estimates

## Financials and Valuations

Y/E March	2016	2017	2018	2019	2020	2021E	2022E	2023E
<b>AUM (Ex Custody assets) (INR B)</b>	<b>593</b>	<b>859</b>	<b>1,124</b>	<b>1,366</b>	<b>1,388</b>	<b>1,719</b>	<b>2,150</b>	<b>2,586</b>
Change (%)	14.3	44.9	30.9	21.5	1.6	23.9	25.1	20.3
Annual Recurring Revenue Assets	211	299	449	583	626	910	1,206	1,568
Transactional/Brokerage Assets	434	685	861	972	943	1,048	1,232	1,350
Double counted assets	-52	-125	-185	-189	-181	-240	-288	-333

E: MOFSL Estimates

Y/E March	2016	2017	2018	2019	2020	2021E	2022E	2023E
<b>As a percentage of Net Revenues</b>								
ARR Income	23.3	33.8	35.7	43.4	58.1	65.5	69.9	72.8
TRB Income	76.7	66.2	64.3	56.6	41.9	34.5	30.1	27.2
Total Cost (Cost to Income Ratio)	61.0	56.7	54.9	51.8	61.4	58.4	55.8	54.0
Employee Cost	41.5	37.8	37.9	32.4	40.5	42.1	40.7	39.4
PBT	39.0	43.3	45.1	48.2	38.6	41.6	44.2	46.0
<b>Profitability Ratios (%)</b>								
RoE		17.7	21.7	15.7	6.8	10.8	13.7	16.2
Dividend Payout Ratio		19.9	21.4	22.7	100.3	70.0	70.0	70.0

### Dupont Analysis (Bps of AAAUM)

Y/E March	2016	2017	2018	2019	2020	2021E	2022E	2023E
Operating Income	83	98	104	82	67	57	57	55
Operating Expenses	8	55	57	43	41	33	32	30
<b>Core Profit Before Tax</b>	<b>75</b>	<b>42</b>	<b>47</b>	<b>40</b>	<b>26</b>	<b>24</b>	<b>25</b>	<b>25</b>
Other Income	8	11	1	3	-5	5	5	5
<b>Profit Before Tax</b>	<b>83</b>	<b>53</b>	<b>48</b>	<b>43</b>	<b>21</b>	<b>28</b>	<b>30</b>	<b>30</b>
Tax	10	16	11	13	6	7	7	8
<b>ROAAAUM</b>	<b>73</b>	<b>37</b>	<b>37</b>	<b>30</b>	<b>15</b>	<b>21</b>	<b>22</b>	<b>23</b>

Valuations	2016	2017	2018	2019	2020	2021E	2022E	2023E
BVPS (INR)		195	234	344	343	355	369	388
Change (%)			19.8	47.5	-0.4	3.3	4.2	5.0
Price-BV (x)		<b>5.5</b>	<b>4.6</b>	<b>3.1</b>	<b>3.1</b>	<b>3.0</b>	<b>2.9</b>	<b>2.7</b>
EPS (INR)		34	46	44	23	38	50	61
Change (%)			33.9	-4.1	-47.8	63.5	31.2	23.5
Price-Earnings (x)		<b>30.9</b>	<b>23.1</b>	<b>24.1</b>	<b>46.1</b>	<b>28.2</b>	<b>21.5</b>	<b>17.4</b>
DPS (INR)		6	9	10	20	26	35	43
Dividend Yield (%)					<b>1.9</b>	<b>2.5</b>	<b>3.3</b>	<b>4.0</b>

E: MOFSL Estimates

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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