

**IIFL FINANCE LTD.**

Sector

Nov 21, 2022

Buy at CMP: Rs 446 | Target: Rs 518 (16%) | SL: Rs 412

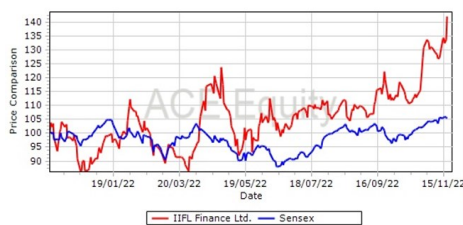
Finance

**Script Details**

BSE Group	A
BSE Code	532636
NSE Code	IIFL
Bloomberg Code	IIFL IN
Market Cap (INR Cr.)	16,948
Free Float (%)	75.1%
52wk Low/High	450/267
Beta (1yr Nifty 50)	0.87
Face Value (INR)/ D. Yield (%)	2/0.8
Total paid Up Shares (Mn.)	379.9

**Share Holding Pattern (%)**

Promoters	Public	Others
24.9%	75.1%	-

**Share Price Relative Performance**

IIFL Finance Limited (hitherto referred to as IIFL) is one of the leading players in the financial services space in India. Together with its subsidiaries - IIFL Home Finance Limited, IIFL Samasta Finance Limited (Formerly known as Samasta Microfinance Limited) and IIFL Open Fintech Private Limited, it provides a diverse range of loans and mortgages.

**Investment Rationale**

- ◆ **Diversified NBFC Company:** IIFL Finance' is Diversified into Gold loans, Home Loans, Business Loans, Micro Finance etc. This segments contributing 32%, 36%, 14% and 12% in Asset under Management (AUM). Company registered a robust growth of 28% in core products on yoy basis and 5% on qoq. The AUM are mainly driven by low ticket home loans, golds loans and micro finance loans.
- ◆ **Aggressive Expansion in Tier 2 Cities to Fuel Growth:** IIFL Finance expanded its network aggressively in last 18 months as it improved its network by 40% during he period. In Q2FY23, IIFL added 400 branches, it also expanding in areas which are difficult to reach for banks as company believe that gold loans are neighbor business. Higher branches addition impacted Cost to Income for the quarter, however it is expected to cool-off in subsequent quarters.
- ◆ **Management Guided for Maintaining Current Growth:** in Q2FY23, Management has guided to maintain the same growth rate of AUM for H2FY23. company has reduced its cost of funds as it repaid its US-Dollar issued worth \$130 Mn, This repayment offered stability in the cost of funds in an quantitative tightening period and management willing to buyback the rest \$240 MN in upcoming period.
- ◆ **Outlook and Valuations:** The ongoing network expansion plans to enable company to open up revenue opportunity and rapid digital onboarding to aid in accelerated growth in revenues. We have valued the company with 1.55 x FY25E BV or 12.5x FY25 earnings which results per share value of Rs 518. We recommend BUY on IIFL at CMP of Rs. 446 with Target price of Rs. 518 (16%).

**Financial Snapshot**

Year	Net Interest Rev.	Pre-Provision Profit	PAT	Cost to Income %	PB Ratio
FY22	3954	2646	1,188	40.0%	2.02
FY23E	4349	2911	1,307	40.0%	1.75
FY24E	4784	3202	1,437	40.0%	1.52
FY25E	5263	3522	1,581	40.0%	1.33

Source: Company Data, Ace Equity, GEPL Research

## TECHNICAL VIEW

### Observation

- While looking at the border picture of IIFL, we can spot that post March 2021 the stock did not correct while getting into Lower Low, Lower High formation which illustrates that the stock is relatively stronger.
- Prices gave a breakout from the rectangle pattern in the last week which indicated beginning of the trend to the upside. The breakout was preceded by the shortfall in the pattern which shows the enthusiasm by the crowd for the breakout.
- Prices since June 2022 have taken support from 20 week EMA, where recently prices have started to deviated on the upside pointing towards the continuation of prior up-trend.
- The Breakout was confirmed as it is followed by higher volumes.
- RSI on the Weekly timeframe have shown a breakout too, reflecting the rising momentum.



### Inference & Expectations

- Post breakout, the stock has gained strong momentum.
- Going ahead we expect the prices to go higher till the 530 level
- The stoploss must be 412 on the closing basis.



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