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IIFL holdings to be soon divided into three

MUMBAI: IIFL Holdings plans to break into three companies. The Mumbai-based financial services company, promoted by Nirmal Jain, will hive off its finance company, wealth management arm and securities division before they are listed separately on the local bourses.

For every seven shares of IIFL Holdings, investors will get seven shares of IIFL Finance, one share of IIFL Wealth and seven shares of IIFL Securities. Shareholders' stake in the three companies, post re-organization, will reflect current beneficial ownership directly or indirectly through the subsidiaries. After the split, IIFL Holdings will cease to exist and Loans & mortgages businesses will be merged into IIFL Finance while wealth, asset management and alternate investment fund would be transferred to IIFL Wealth. Other businesses like broking, distribution and investment banking would be part of IIFL Securities.

"In a stiff competitive environment, organizations sharply focused on their expertise in niche verticals, are better placed to emerge as the leaders" said Nirmal Jain, founder of IIFL Group. "The reorganization will prepare IIFL group companies for the growth opportunities amidst intensifying competition in the coming decade".

Nirmal Jain and R Venkataraman, who jointly own 29 per cent stake in the company, will continue to be part of promoter group in all three entities. Fairfax, the financial services firm founded by Toronto-based billionaire Prem Watsa, owns 35.49 per cent in the company.

In 2015, Fairfax had acquired about 27 per cent stake in the company for Rs 195 per share through its subsidiary FIH Mauritius Investments Ltd. The stock price of IIFL Holding has risen 272 per cent since then to Rs 726 on Wednesday. In the same year private equity firm General Atlantic picked up 23 per cent stake in IIFL Wealth Management for Rs 1,122 crore.

Later in 2016, U.K.'s governmentowned development finance institution CDC Group plc. (CDC) acquired 15 per cent stake in IIFL Finance for about Rs 1,000 crore.

When asked whether the restructuring would lead to Fairfax's stake in the companies increasing, Jain said, "Fairfax will be the most significant non-promoter shareholder in all three companies and they have strong conviction in growth opportunity of all three businesses."

"A clean corporate structure with no cross holdings, ensures transparency, highest standards of governance and it also enhances operational flexibility and helps quick response to competition or environmental challenges" said Jain.