



Performance review Q1-FY2019

July 23, 2018

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ICICI Securities: Natural beneficiary of transforming savings environment

Largest equity broker in India¹ powered by ICICIdirect

Strong online presence aided by pan India distribution

2nd largest non - bank mutual fund distributor²

Garnering scale in wealth management business

Leading investment bank in equity capital market

1. By brokerage revenue and active customers in equities on the NSE since FY14 to FY 17 (Source: CRISIL Report)

2. Source: AMFI (in terms of revenue), period: FY18
Equity Capital Market (ECM): IPO/FPO/InvIT, QIP/IPP, Rights issue, Offer for sale)



Agenda

Key highlights

Business performance and strategy

Industry

Agenda

Key highlights

Business performance and strategy

Industry

Key highlights : Q1-FY2019

Leveraged diversified revenue stream and operating leverage

- **9% increase in consolidated revenues¹**
 - **Broking : 1%, Distribution : 17%, Corporate Finance : 19%**
 - **Brokerage revenues contribution 53% compared to 57%**
- **13% increase in profit after tax¹**
 - **Sustained cost to income ratio**

Continued traction in retail clients amidst risk averse environment

- **1.1 lac new clients acquired**
- **24% increase in active clients on NSE**
- **55% unique triggered SIPs up from 0.7 million 1.1 million²**

Growth ahead of market in retail businesses; robust IB deal pipeline

- **9.2% blended broking market share (8.8%: Q1-FY2018)**
- **31% increase in Mutual Fund average AUM vs. Market 20%**
- **6 completed Investment Banking deals; robust pipeline**

1. Adopted Ind AS effective April 1, 2018

Refer Appendix for details

2. Trailing 12 months

Period: Q1-FY2019 vs Q1-FY2018

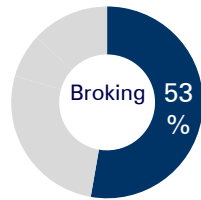


Agenda

Key highlights

Business performance and strategy

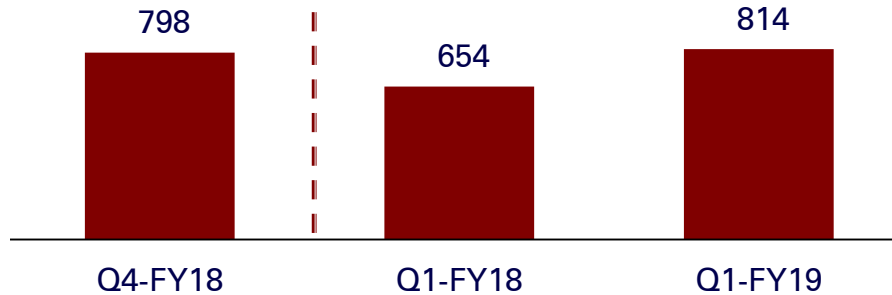
Industry



Consistently gaining broking market share

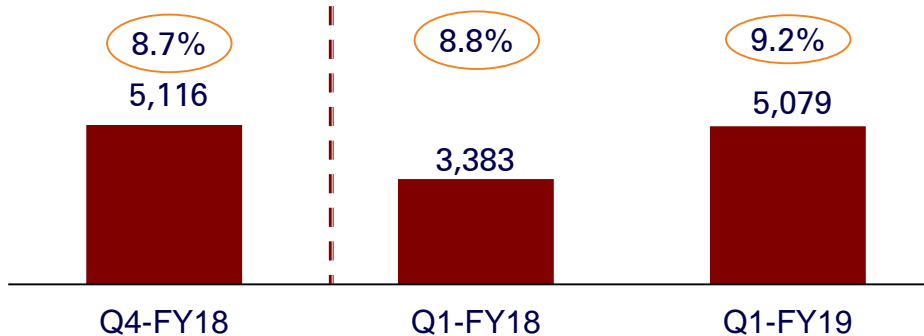
Active clients on NSE

In thousands



Volume and market share (%)

ADTO in ₹ bn

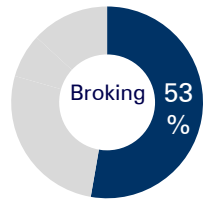


- Maintained leadership in terms of active clients
- 24% Y-o-Y growth in active clients on NSE
- 4.1 million strong base of operational accounts
- 1.1 Lacs new client acquisition in Q1-FY19
- 9.2% market share
 - ADTO grew at 57% compared to market 50% Y-o-Y

ADTO : Turnover on NSE and BSE excluding proprietary

Market share : The ratio of our ADTO to the sum of the ADTO on NSE and BSE excluding proprietary turnover

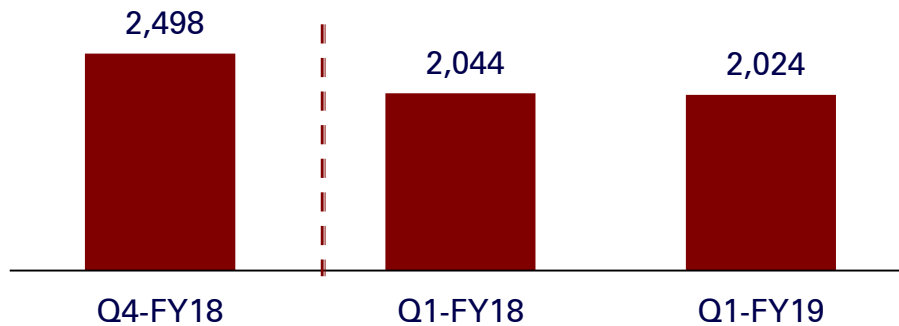




Retail focused technology platform

Retail Brokerage

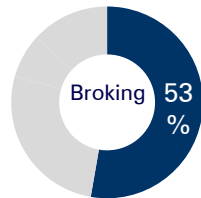
In ₹ million



CNBC TV18 & UTI Financial Advisor Awards 2017-18



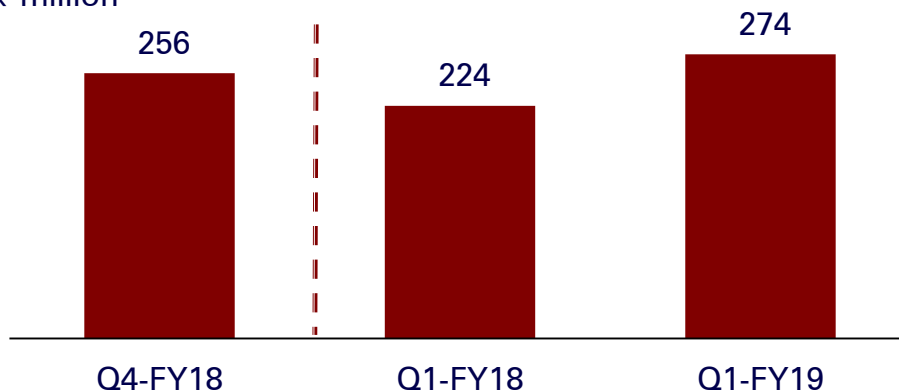
- Retail investors muted participation resulting in decline in retail delivery based volumes
- Market delivery turnover contribution to equity turnover decreased from 32% to 28% Y-o-Y
- 15% Q-o-Q decline in market equity ADTO (ex. Prop)
 - 17% decline in gross delivery volumes
- Market derivative (ex. prop) volume up by 53% Y-o-Y



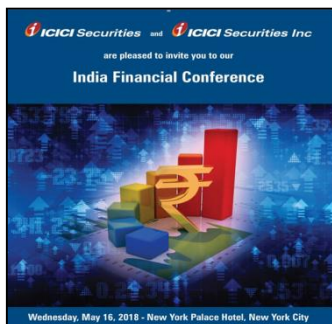
Growing scale of institutional broking

Institutional Brokerage

In ₹ million



India focused conferences

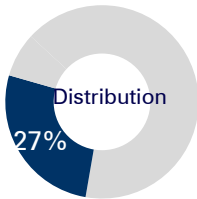


- 22% Y-o-Y revenue growth
 - 7% Q-o-Q growth
- Dedicated sales teams across India, Asia Pacific and USA
- Strong block deals execution capabilities

Research:

- Coverage of 240+ Indian stocks across sectors
- Macro and thematic coverage
- ~40 member team

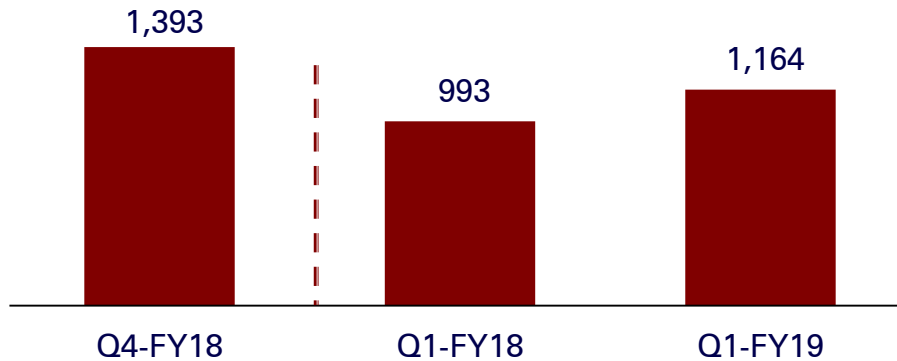




Diversified revenues reducing volatility

Distribution Revenue

In ₹ million

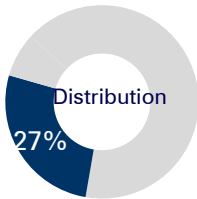


Franchise India: Retail Awards 2018



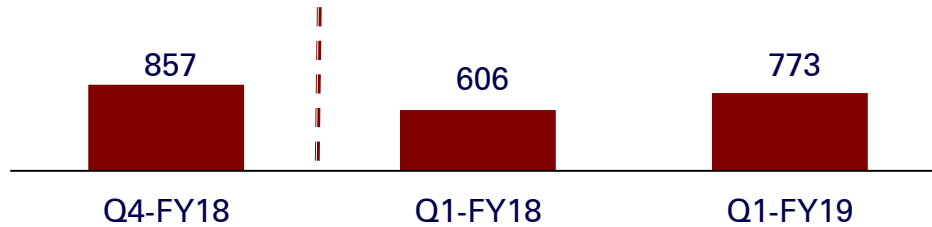
- 17% Y-o-Y distribution revenue growth
- Revenue contribution increased to 27% from 25% Y-o-Y
- ~200 branches, 75+ cities
- Presence in 2,700+ ICICI Bank branches
- 1,400+ relationship managers & product specialists
- Wealth management solutions for HNIs/Family offices
- ~ 5,700+ sub-brokers, authorized persons, IFAs & IAs



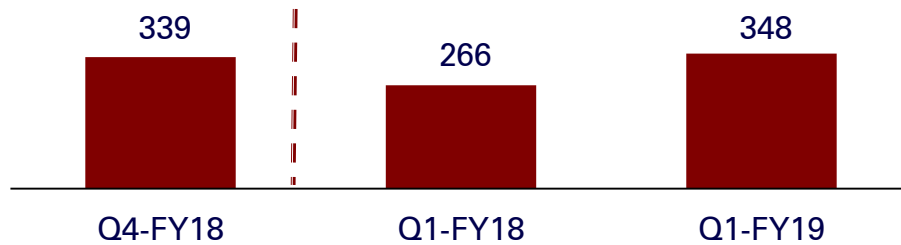


Leading non-bank MF distributor

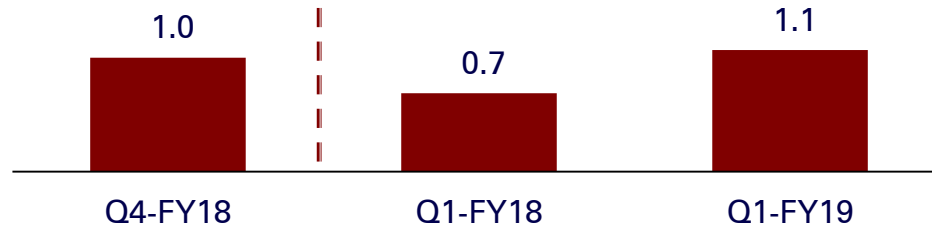
Mutual Fund revenue (In ₹ million)



Mutual Fund Average AUM (In ₹ billion)



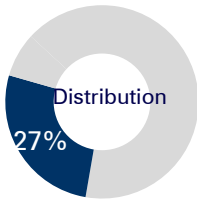
Mutual Fund SIP count# (In million)



- 28% Y-o-Y growth in MF revenues
 - MF revenue contribution increased to 18% from 15% Y-o-Y
- 31% Y-o-Y growth in MF average AUM
 - 20% Y-o-Y growth in Market MF average AUM
- 55% Y-o-Y growth in SIP count
- “Open-source” distribution model
 - Distributes 2,300+ mutual funds

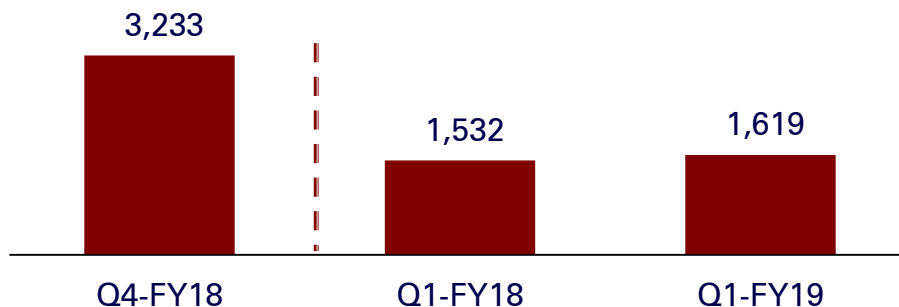
Trailing 12 months triggered SIP





Diverse third party product bouquet

Life Insurance Premium (in ₹ million)



- 6% Y-o-Y growth in Premium
- 30% Y-o-Y growth in revenues to ₹ 87 million from ₹ 67 million

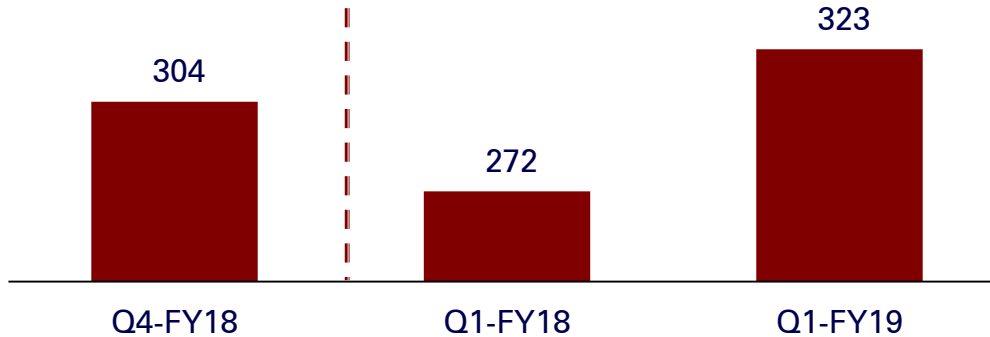
Multiple 3rd party products supporting “one-stop shop” proposition

- Life and general insurance products
- Participation in IPOs, OFS, public bond offerings
- 3rd party corporate fixed deposits
- Portfolio management services / Alternate investment funds
- Loan products from ICICI Bank
- Amongst the first to distribute National Pension System policies online









Leading Investment Bank in India

Corporate Finance revenue (in ₹ million)

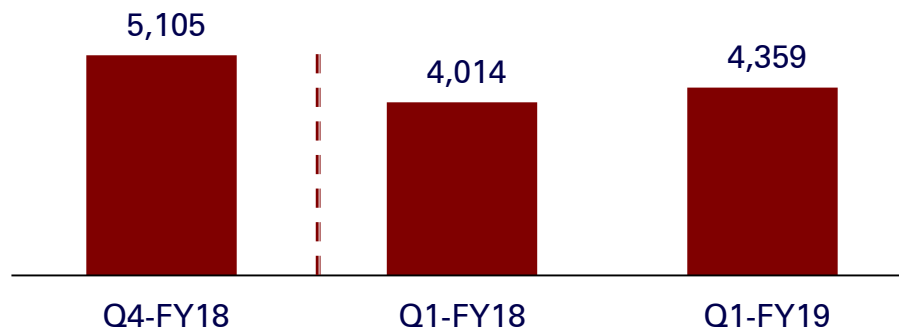


- 19% Y-o-Y growth in Corporate Finance revenues
- Robust deal pipeline

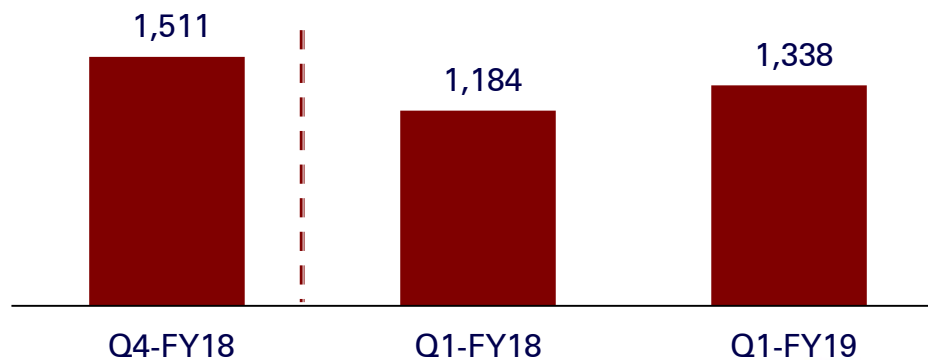
IPO/ FPO/ InvIT		NCD's		Advisory	
 INDINFRAVIT TRUST ₹ 31.5 bn	INDINFRAVIT Trust	 Deewan Housing Finance ₹ 109.4 bn	Deewan Housing Finance	 FEDERAL BANK ₹ 4.0 bn	Federal Bank
Offer For Sale		Open Offer			KIMS Hospitals
 ICICI Prudential Life Insurance ₹ 11.4 bn	ICICI Prudential Life Insurance	 SQE ₹ 1.3 bn	SQS India BFSI Ltd.		

Financial performance

Consolidated Revenue ₹ million



Profit after tax (PAT) ₹ million



- 9% Y-o-Y growth in consolidated revenue
- 14% Y-o-Y growth in Non broking business
- 13% Y-o-Y growth in PAT
- Return on equity (annualized) :
 - Q1-FY19 : ~ 59%
- Cost to income ratio :
 - Q1-FY19 : 54%
 - Q1-FY18 : 55%,
 - Q4-FY18 : 54%

Return on equity = PAT : Average networth excluding Other Comprehensive Income and Translation reserve



Consolidated P&L: Y-o-Y

(₹ million)

Particulars	Q1-FY19	Q1-FY18	Y-o-Y%	FY18
Revenue	4,359	4,014	9%	18,610
Expenses				
Employee benefits expenses	1,366	1,310	4%	5,504
Operating expenses	252	327	(23)%	1,677
Finance costs	131	101	30%	495
Other expenses	584	477	22%	2,410
Total Expenses	2,333	2,215	5%	10,086
Profit before tax	2,026	1,799	13%	8,524
Tax expense	688	615	12%	2,989
Profit after tax	1,338	1,184	13%	5,535
Other comprehensive income (OCI)	(16)	(27)	(41)%	(16)
Total comprehensive income (TCI)	1,322	1,157	14%	5,519



Consolidated P&L: Q-o-Q

(₹ million)

Particulars	Q1-FY19	Q4-FY18	Q-o-Q%	FY18
Revenue	4,359	5,105	(15)%	18,610
Expenses				
Employee benefits expenses	1,366	1,325	3%	5,504
Operating expenses	252	574	(56)%	1,677
Finance costs	131	141	(7)%	495
Other expenses	584	694	(16)%	2,410
Total Expenses	2,333	2,734	(15)%	10,086
Profit before tax	2,026	2,371	(15)%	8,524
Tax expense	688	860	(20)%	2,989
Profit after tax	1,338	1,511	(11)%	5,535
Other comprehensive income (OCI)	(16)	#	-	(16)
Total comprehensive income (TCI)	1,322	1,511	(13)%	5,519

amount less than ₹ 1 million



Segment performance: Y-o-Y

(₹ million)

Particulars	Q1-FY19	Q1-FY18	Y-o-Y%	FY18
Segment Revenue				
Broking & commission	3,967	3,659	8%	16,882
Advisory services	323	272	19%	1,440
Investment & trading	69	83	(17)%	288
Total Revenue	4,359	4,014	9%	18,610
Segment Result				
Broking & commission	1,801	1,671	8%	7,747
Advisory services	170	88	93%	657
Investment & trading	55	40	38%	120
Total Result	2,026	1,799	13%	8,524



Segment performance : Q-o-Q

Particulars	Q1-FY19	Q4-FY18	Q-o-Q%	(₹ million)
				FY18
Segment Revenue				
Broking & commission	3,967	4,717	(16)%	16,882
Advisory services	323	304	6%	1,440
Investment & trading	69	84	(18)%	288
Total Revenue	4,359	5,105	(15)%	18,610
Segment Result				
Broking & commission	1,801	2,187	(18)%	7,747
Advisory services	170	131	30%	657
Investment & trading	55	53	4%	120
Total Result	2,026	2,371	(15)%	8,524

Consolidated balance sheet

(₹ million)

ASSETS	At March 31, 2018	At June 30, 2018
A. Non-Current Assets	2,592	2,447
1. Fixed assets	421	432
2. Financial Assets	329	296
3. Deferred tax assets (net)	666	591
4. Other non-current assets	1,176	1,128
B. Current Assets	26,154	24,904
a) Cash/Bank and cash equivalents	15,426	15,000
b) Short-term loans & advances and other current assets	10,728	9,904
Total	28,746	27,351
Equity & Liabilities		
	At March 31, 2018	At June 30, 2018
A. Equity	8,477	9,816
B. Non-Current Liabilities	1,223	897
C. Current Liabilities	19,046	16,638
a) Short-term borrowings	6,724	6,784
b) Trade Payables	7,744	5,978
c) Other current liabilities and short-term provisions	4,578	3,876
Total	28,746	27,351



Key strategy

Strengthen our leadership position in the brokerage business

Continue investing in technology and innovation

Strategically expand our financial product distribution business through cross-selling

Leverage our leadership in equity capital markets to strengthen our financial advisory businesses

Diversify our revenue streams and continue reducing revenue volatility



Agenda

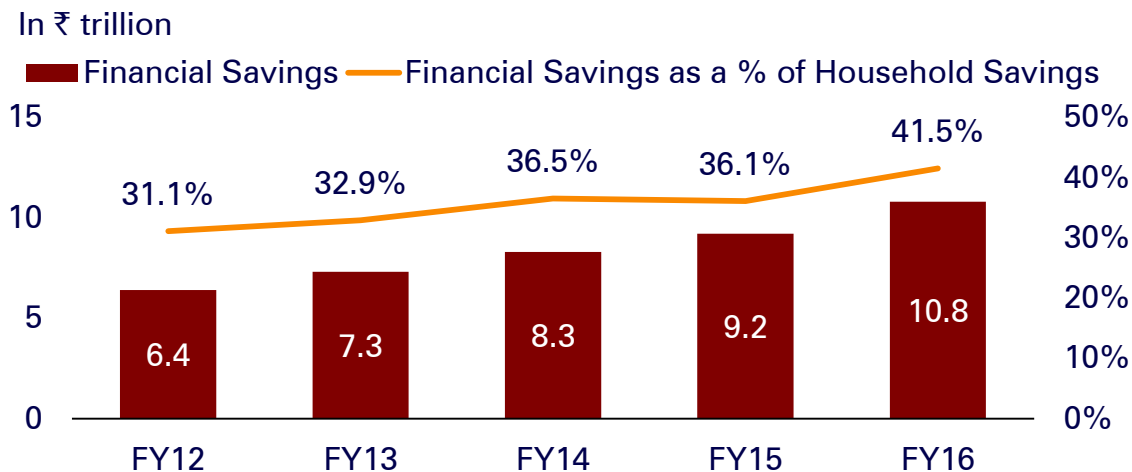
Key highlights

Business performance and strategy

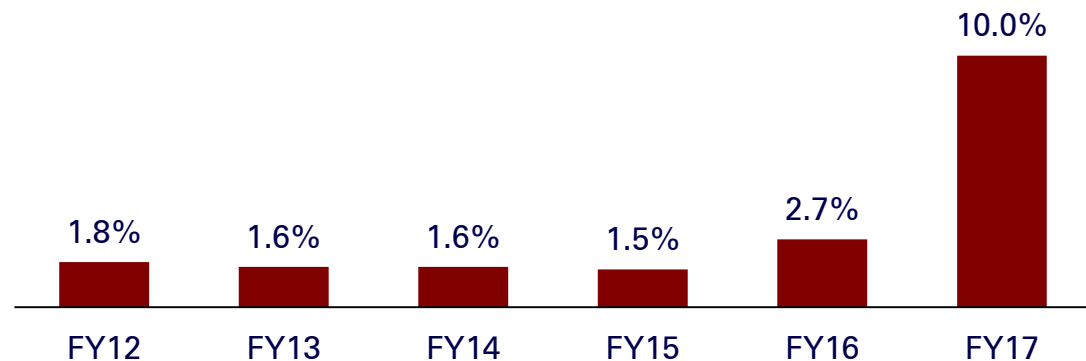
Industry

Increasing share of Financial Savings

Financial Savings as a proportion of household saving



Incremental investments in shares & debentures

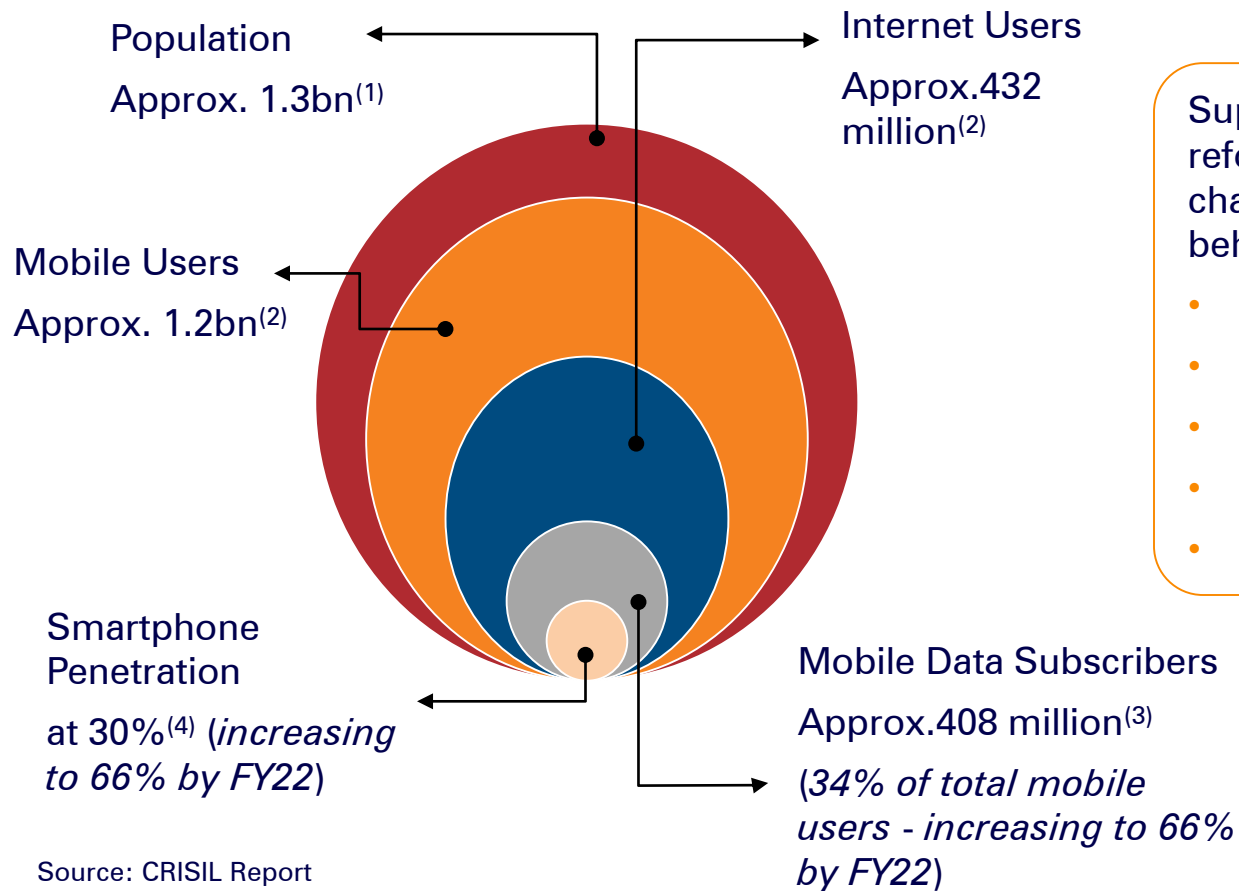


- Steadily increased from 31.1% in FY 12 to 41.5% in FY 16
- Household savings are increasingly shifting from physical assets to financial assets – a fundamental change in behavior
- In FY17, investment in shares & debentures increased to 10.0%

Include investment in shares and debentures of credit / non-credit societies and investment in mutual funds (other than Specified Undertaking of the UTI) (Source: RBI, MOSPI)



Digital infrastructure set to expand exponentially



- Supportive structural reforms leading to positive change in consumer behaviour
- Demonetization
 - Aadhar
 - Financial inclusion
 - Goods & Services Tax
 - Direct Benefit Transfer

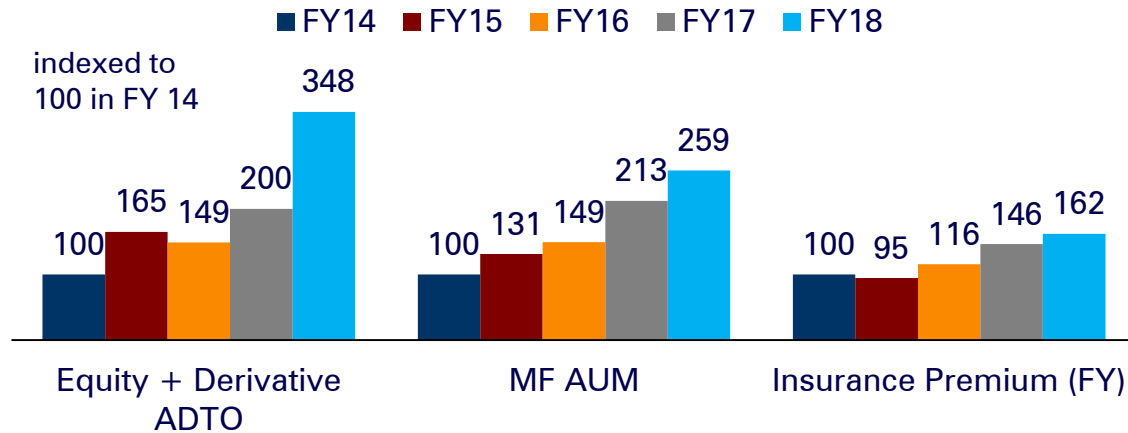
Source: CRISIL Report

(1) Population in 2016 (Source: EIU); (2) Source: CRISIL Report; (3) Calculated as total mobile users (Approx. 1.2bn) * Share of mobile data subscribers as a proportion of overall mobile users in FY17 (34%) (Source: TRAI and CRISIL Report); (4) In FY17 (Source: CRISIL Report)



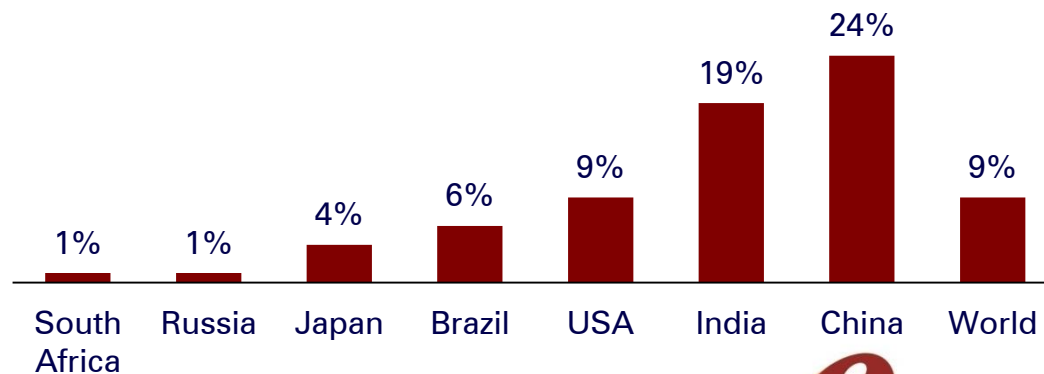
Financial sector being the key beneficiary

Growth Across Financial Asset Classes



- Improved economic conditions and changing savings pattern resulting in to growth across various asset classes

Household saving as % of GDP 2016



- India has high-savings economy, with household savings as a proportion of GDP at 19%

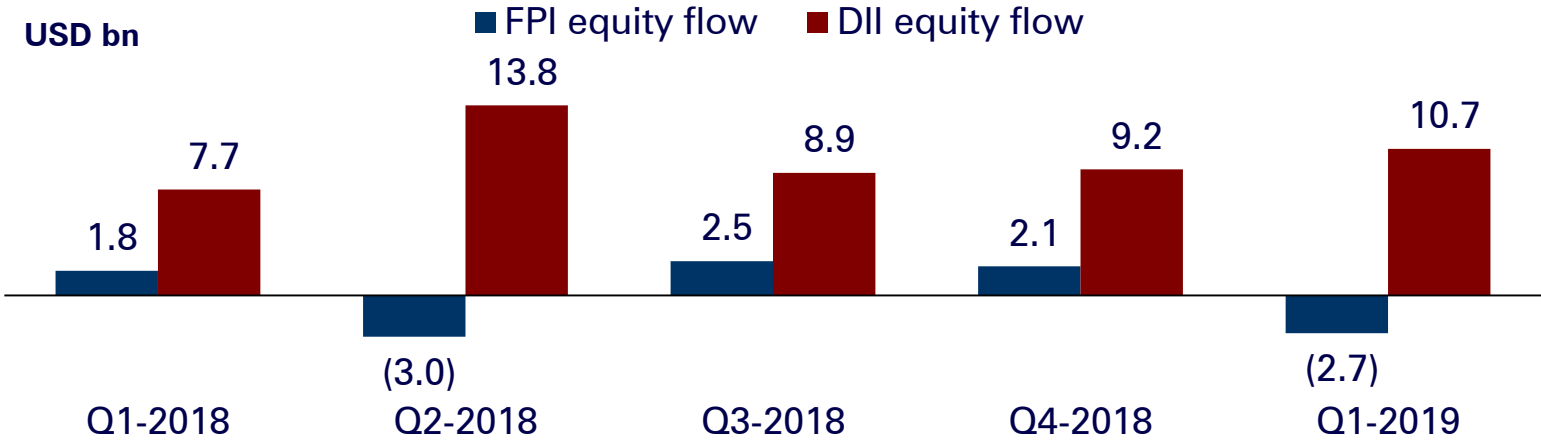
ADTO: Average daily turnover

Source: RBI, IRDA, AMFI, NSE, BSE, EIU

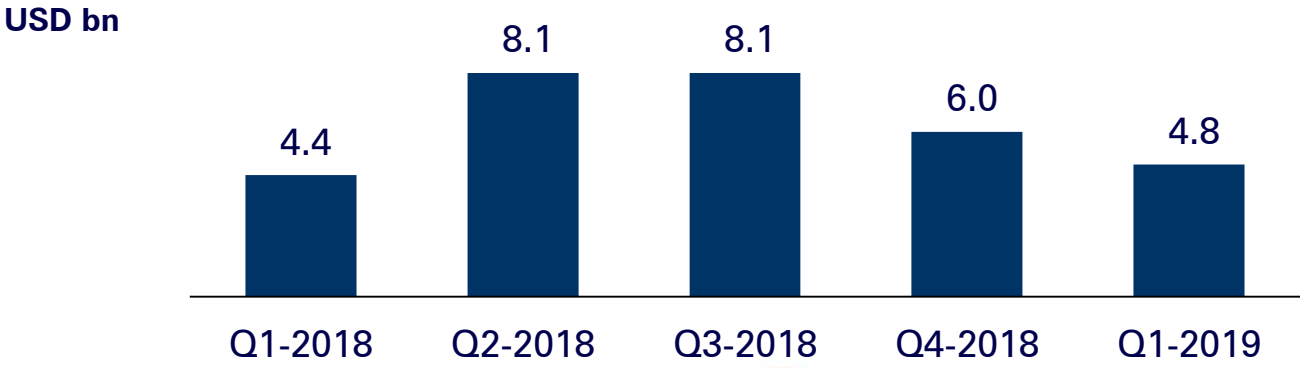


DIIs buoyed by MF flows

Domestic flows remain robust



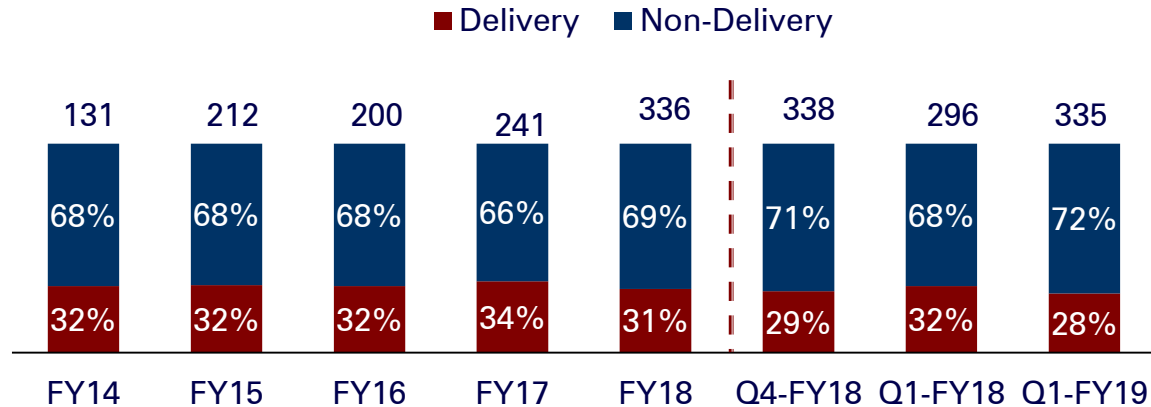
Retail flows in equity MFs



Source: Bloomberg, I-Sec research

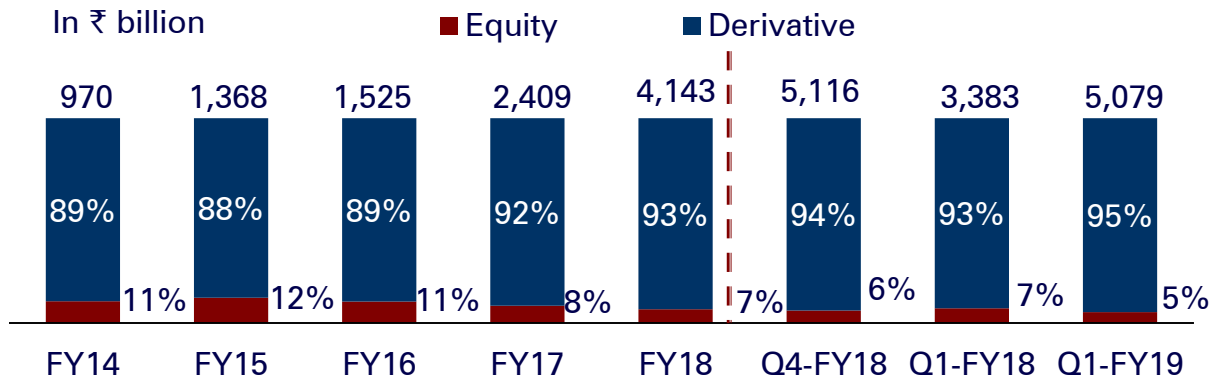
Derivative & Non-delivery volume on rise

Market equity ADTO (In ₹ billion)



- Delivery turnover contribution down from 32% to 28% Y-o-Y

Market ADTO excluding prop (In ₹ billion)



- Derivative contribution in overall volume increased from 93% to 95% Y-o-Y

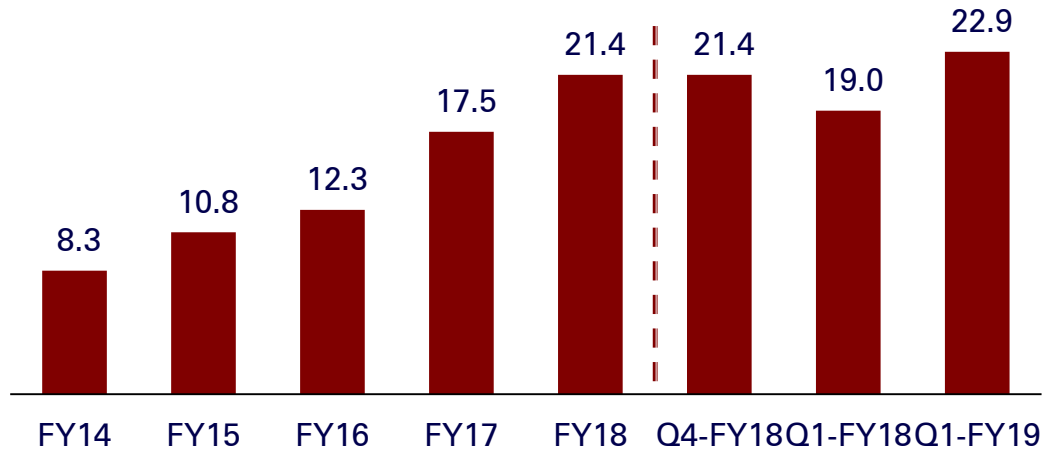
Source: NSE, BSE, SEBI

ADTO – Average daily turnover

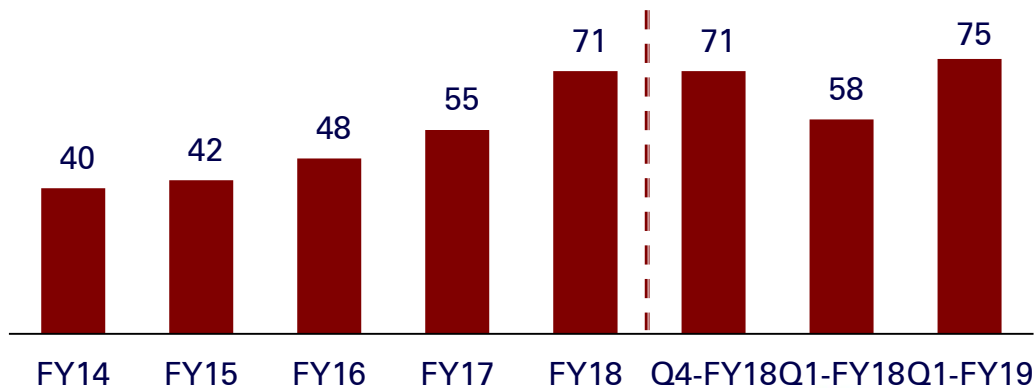


Growing mutual fund Industry AUM

Mutual Fund (Exit AUM) In ₹ trillion



Mutual Fund Folios (Exit) In million



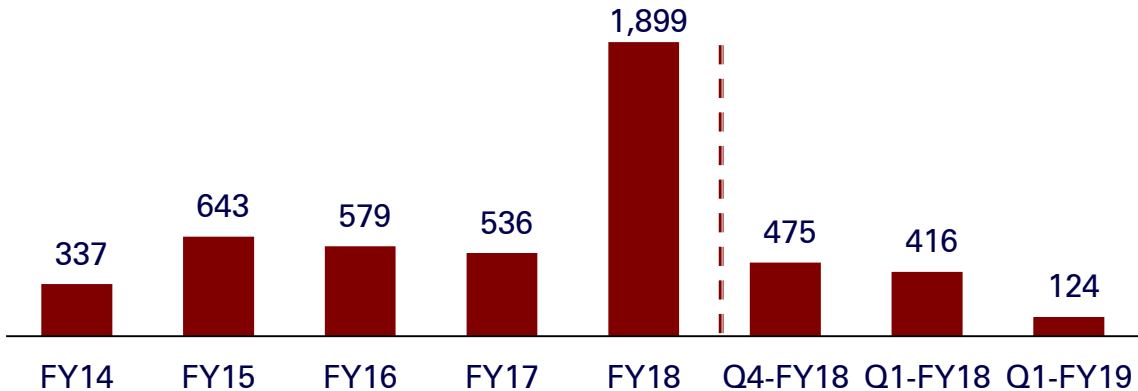
- Mutual Fund industry witnessed significantly higher growth of increased financial savings and improving investor awareness about mutual funds as an asset
- MF AUM (Exit) increased by 21% Y-o-Y
- MF folios count has increased by 28% Y-o-Y

Source: AMFI

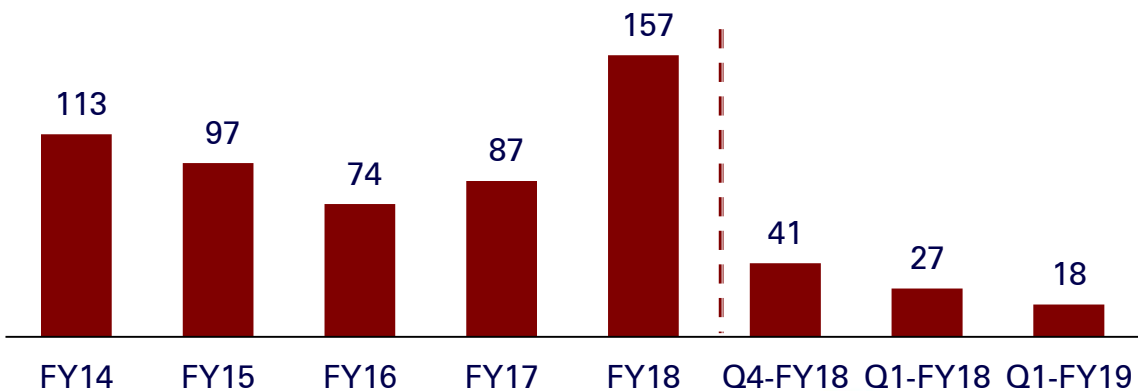


Subdued primary market issuances

ECM Issuance mobilized (₹ in billion)



ECM Issuance



- ECM issuance mobilisation decreased by 70% Y-o-Y
- No. of ECM issuance decreased by 33% Y-o-Y

ECM : Includes IPO/FPO/InvIT, QIP/IPP, Rights Issue, Offer for Sale, Source: Primedatabase

Safe harbor

Except for the historical information contained herein, statements in this release which contain words or phrases such as 'will', 'would', 'indicating', 'expected to', etc., and similar expressions or variations of such expressions may constitute 'forward-looking statements'. These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results, opportunities and growth potential to differ materially from those suggested by the forward-looking statements. These risks and uncertainties include, but are not limited to, the actual growth in demand for broking and other financial products and services in the countries that we operate or where a material number of our customers reside, our ability to successfully implement our strategy, including our use of the Internet and other technology, our growth and expansion in domestic and overseas markets, technological changes, our ability to market new products, the outcome of any legal, tax or regulatory proceedings in India and in other jurisdictions we are or become a party to, the future impact of new accounting standards, our ability to implement our dividend policy, the impact of changes in broking regulations and other regulatory changes in India and other jurisdictions as well as other risk detailed in the reports filed by ICICI Bank Limited, our holding company with United States Securities and Exchange Commission . ICICI Bank and ICICI Securities Limited undertake no obligation to update forward-looking statements to reflect events or circumstances after the date thereof.

This release does not constitute an offer of securities.



Thank you



Appendix



Safe harbor

This appendix is intended to provide information on the key impacts of transition to Ind AS on the Company's reported equity and reported profit. The information presented in this communication includes key accounting differences between Indian GAAP and Ind AS that are relevant for the Company in qualitative and quantitative terms. Ind AS financial statements incorporated in the presentation as well as explained in the Appendix are based on the principles/interpretations and regulations known to date and may be affected by changes to Ind AS or the interpretation thereof published/notified hereafter. The Appendix is for use of readers of the financial information of the Company and is not intended to serve as a guide on Ind AS and/or an exhaustive statement of Ind AS transition aspects.

Applicability of Ind AS to our Company

• Phase I: April 1, 2016

- Listed and unlisted entities having net-worth more than ₹ 5.00 billion.

• Phase II: April 1, 2017

- All Listed/to be listed companies
- Unlisted entities with net-worth more than ₹ 2.50 billion.

• Phase III: April 1, 2018

- All banks, insurance companies and NBFCs

**IRDAI and RBI subsequently deferred the implementation of Ind AS;
However Ind AS has become applicable to our Company being NBFC**

- The Company has applied Ind AS with transition date as April 1, 2017
- Applicable to our Company and our subsidiaries ICICI Securities Holdings Inc and ICICI Securities Inc
- Q1-FY19 is first quarter of Ind AS financials. Comparative periods have been restated from audited Indian GAAP financial statements to conform to Ind AS



Key GAAP differences

	Impact area	B/S	P&L
A	Ind AS 115: Revenue recognition	Low	Low
B	Ind AS 109: Financial Instruments	Low	Low
C	Ind AS 19 and 102: Employee benefits	Low	Low
D	Ind AS 112 : Income taxes	Low	Low
E	Ind AS 17 : Leases	Med	Low
F	Various : Re-classifications		
Low	Impact less than 1% of respective Indian GAAP numbers for FY2018		
Med	Impact less than 5% of respective Indian GAAP numbers for FY2018		

A Ind AS 115: Revenue recognition

Revenue streams	Impact
Brokerage	No
Distribution of third party products	No
Training fees (component of Distribution income)	Yes
Investment banking income & out of pocket expenses	Yes

- GAAP adjustments
 - Out of pocket expenses to be grossed up shown as revenue
 - Training fees for long tenure programs on completion of performance obligation.

B Ind AS 109: Financial instruments

Type of financial assets	Measurement	Application of ECL
Investments - Non current and SIT	FVTPL	No
Loans - MTF and ESOP funding	Amortized cost	Yes
Trade Receivables	Amortised cost	Yes – simplified approach
Security deposit for lease and with Exchange	Amortised cost	Yes – simplified approach
Accrued income	Amortised cost	Yes – simplified approach
Security deposit with Exchanges	Amortised cost	No – based on past history
Fixed deposit with banks	Amortised cost	No – based on past history

- GAAP requirements/adjustments
 - Business model to be ascertained
 - Unlisted securities to be accounted at fair value
 - MTM gain to be accounted in profit and loss statement
 - ECL framework for financial assets



C

Ind AS 102 & Ind AS 19: Share based payments and employee benefits

- GAAP requirements/adjustments
 - Actuarial gains / losses and return on plan assets will be taken to OCI prospectively. No impact on TCI but profit in P&L will increase and OCI will correspondingly go down.
 - ESOPs granted to employees by ICICI Bank to be accounted as expense. No net-worth impact.

D

Ind AS 12 : Income taxes

- GAAP adjustments
 - Tax to be computed following balance sheet approach
 - Current tax remains unchanged
 - GAAP adjustments reflected under deferred tax
 - DTA/DTL created on GAAP adjustments.

TCI : Total comprehensive income



E

Ind AS 17 : Leases

- GAAP adjustments
 - Indian GAAP requires escalations expected during tenure of lease to be smoothed by creating lease rent escalation provision
 - The provision is not required under Ind AS and is reversed in Ind AS
 - Since it will get applied on carrying value, it would increase net worth but will not have significant impact in P&L
 - Rent free period of a lease is required to be taken as expense to profit and loss account under Ind AS; it unwinds over the term of lease

Impact on Profit and Loss account

(₹ million)

Impact on profit and loss account	Period ending June, 2017	Year ending March, 2018
Net profit as per Indian GAAP	1,147	5,577
Adjustments under Ind AS		
A. Deferment of revenue	1	(10)
B. Allowances for expected credit losses	(7)	6
B. CP borrowing cost adjustment	1	-
B. Fair valuation of securities	27	2
B. Valuation of Security Deposits	(1)	(4)
C. Accounting for compensation costs	26	(50)
D. Deferred tax on adjustments	(22)	(18)
E. Lease rent adjustment	12	32
Net profit as per Ind AS	1,184	5,535



Impact on Networth

(₹ million)

Impact on Net worth	As at April 1, 2017	As at March 31, 2018
Networth as per Indian GAAP	4,896	8,342
Adjustments under Ind AS		
B. CP borrowing cost adjustment	1	1
B. Deferment of revenue	(5)	(16)
B. ECL on Trade receivables	(10)	(5)
B. Fair valuation of securities	28	30
B. Lease rent adjustment	173	206
B. Valuation of Security Deposits	(7)	(11)
E. Deferred tax on adjustments	(61)	(70)
Net worth as per Ind AS	5,015	8,477

