"ICICI Securities Limited First Full Year Earnings Conference Call"

April 14, 2018

MANAGEMENT: MS. SHILPA KUMAR – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER, ICICI SECURITIES LIMITED
MR. HARVINDER JASPAL – CHIEF FINANCIAL OFFICER, ICICI SECURITIES LIMITED

Please note that the transcript has been edited for the purpose of clarity and accuracy. Certain statements in this call are forward-looking statements. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from those included in these statements due to a variety of factors

Moderator: Ladies and gentlemen, good day and welcome to the first Full Year Earnings Conference Call of ICICI Securities Limited after Listing. We have with us today, Ms. Shilpa Kumar – Managing Director and Chief Executive Officer and Harvinder Jaspal – Chief Financial Officer. For the duration of this presentation, all participant lines will be in the listen-only mode. I will be standing by for the Q&A session. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone telephone. Please note that this conference is being recorded. I now would like to invite Ms. Shilpa Kumar to make her opening remarks. Thank you, and over to you, ma'am.

Shilpa Kumar: Thank you, Karuna. Good Afternoon, Ladies and Gentlemen. It is my pleasure to welcome all of you to a discussion on the performance of ICICI Securities Limited both for this quarter as well as for the period ended March 31, 2018.

Our Business Presentation is now available on the website for your reference, and you can certainly access it as we walk you through our performance for the two periods.

So, first, let me talk about the "Company Strategy." FY2018 was by far one of the most significant year in our 18 year old history. We graduated to being a listed entity and continued to deliver a strong and balanced performance on a diverse set of parameters.

I am sure most of you would know us through our digital identity icicidirect.com which is our proprietary digital platform offering one of the most comprehensive financial products and services suite, infact we would like to think of it as a one stop financial super market. Through the strength of our platform, we have been able to build a strong business model with leading positions in several business segments that we operate in.

Our strategy is to play the full spectrum of financial products and services market leveraging our technology edge. We believe that ICICI Securities is a natural beneficiary of transforming savings environment in a digital India. We have been able to leverage our digital identity and financial savings focus to build a strong customer franchise.

Our brokerage business would continue to be a significant portion of our revenues and we focus on strengthening our leadership position in both retail and institutional broking space. In the retail business, our strategy is to focus on customer acquisition through better sourcing, activation through client superior experience and customer retention through cross sell. In the institutional business, our strategy has been to leverage our strong position among domestic institutional investors and enhance focus on foreign institutional investors.

Our financial product distribution business benefits from financialisation of retail savings and helps us diversify our revenue sources into other asset classes and annuity income giving product segments. We aim to expand our financial product distribution business by cross selling to our large and young retail client base. We believe wealth business is a strong engine for growth going forward and would add to the diversification of revenues.

In our institutional business, we intend to leverage our leadership position in equity capital markets to strengthen our financial advisory business.

Last but not the least we would continue to invest in technology and innovations in order to stay ahead on the technology curve as well as continue developing relevant product propositions for our customers.

I will now move on to the "Company Performance" specifically and start with the "Financial Highlights":

Our Company registered strong growth in Revenues for FY2018 with our consolidated revenue growing by 32% year on year from ₹14,042 million to ₹18,593 million and with Profit after tax (PAT) growing by 65% from ₹3,386 million to ₹5,577 million.

Within that, Q4-FY2018 registered a stronger growth with revenues growing by 35% y-o-y for the quarter from ₹3,815 million to ₹5,146 million and PAT growing by 91% YoY from ₹832 million in Q4-FY2017 to ₹1,586 million in Q4-FY2018.

The strong earnings translated to Return on Net Worth (RoNW) growing from 77% in FY2017 to 85% this year. Our RoNW has been above ~65% since FY2016 and has been above 35% since FY2014 reflecting the strength of our capital light business model.

We had declared and paid an interim dividend of ₹5.5 per equity share of ₹5 each till December 2017 and have proposed a final dividend of ₹3.9 aggregating to total dividend of ₹9.40 per equity share of ₹5 each for FY2018. This, if approved by the shareholders would translate to a dividend payout of ₹3,028 million and a payout ratio of 54% of PAT for FY2018.

Moving to our "Business Highlights":

For FY2018 our company registered revenue growth across all business segments with broking business growing by 32%, Distribution by 34% and Corporate Finance by 19%.

A little bit about our Broking business. In our broking business, our market share improved from 7.8% to 9.0% during the year based on average daily turnover growth of 99% for us from ₹187 billion / day for FY2017 to ₹372 billion/day for FY2018. This was higher than the market growth (excluding proprietary turnover) of 72% in the same period. In line with our strategy we continued to focus on client acquisitions with new client acquisition of 4.6 Lakhs on the back of which the total number of operational accounts were 40 lakhs.

Our active clients on NSE also registered strong growth of 29% from ~0.6 million clients in the last fiscal to 0.8 million clients in the current fiscal. We have been consistently ranked number 1 in active clients and for this fiscal as well we were able to sustain our leadership in terms of active clients.

Total brokerage revenue, which contributes to over 60 % of our revenues, grew by 34% with retail forming ~90% of total revenue (excluding interest income). Brokerage revenue from retail clients crossed ₹9 billion for the first time registering a growth of 31% YoY. We believe that our proprietary technology platform icicidirect.com and our 3-in-1 product proposition are key success factors for our brokerage business. Our seamless, intuitive, convenient and transparent platform gives us the characteristics of a completely digital business model with high operating leverage. More than 95% of broking transactions were performed online and more than 25% of equity transactions were through mobile devices on NSE.

Brokerage revenue from institutional clients has been growing at a CAGR of more than 30 % for the last four years and crossed ₹1 billion in the current fiscal.

I will now move to our "Distribution" business. Our Distribution revenues, which contribute to approximately 25% of the overall revenue, have grown by 34% year on year from ₹3,497 million in FY2017 to ₹4,675 million in FY2018. Our distribution business leverages our strong online presence as well as complimenting offline presence through our 200+ branches as well as over 5400 IFAs and sub brokers servicing clients in tier II and III cities. Our Premier, Select and Wealth distribution teams cater to the mass/mass affluent and wealth customer segments. We were the second largest non-bank mutual fund distributor in the country as per latest available AMFI data for FY2017.

Mutual funds revenues comprise more than 60% of our distribution revenues. We have been focusing on building a trail based revenue stream through our mutual fund business. Our Mutual fund average AUM has increased by 44% from ₹212 billion to ₹305 billion; however the mutual fund revenues have gone up by 72% from ₹1.65 billion to ₹2.85 billion.

Further our strategy of focusing on SIPs as a means to have a sticky annuity income stream has resulted in MF SIP count growing by 70% to cross more than 1 million SIPs.

In our life insurance business, the total premium garnered grew by 8% however there was a decline in revenues on account of regulatory changes linked to insurance fees. Apart from mutual fund and Life insurance, we distribute a wide array of third party products which contribute to approximately 30% of distribution revenues and have grown 20% year on year.

I will now turn to our "Investment Banking Business:" During the year we successfully managed 27 Equity Capital Market deals compared to 16 in FY2017 involving transaction amount of ₹540 billion compared to ₹202 billion for FY2017. Our revenues grew by 19% and were at ₹1.43 billion for FY2018.

Our diversification efforts towards scaling up of our non-brokerage businesses have resulted in contribution from non-brokerage business increasing from 33% in FY2014 to 37% in FY2018.

Our digital business model has a high degree of operating leverage available as a result of which although revenues have grown at a CAGR of 23% for last 4 years, PAT has grown at a CAGR of 57%. Our cost to income ratio has been steadily declining from 82% in FY2014 to 54% in FY2018.

In summary:

We are well-positioned to gain from the transformational changes and holding in financial saving and the digitization landscape of the economy, our technical edge, our strong brand, our retail focus customer franchise and our ability to innovate has positioned us well to gain from the structural shift in the financial savings market.

Thank you for your patient hearing and we are now open for any questions that you may have.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Rahul Marathe from Akash Ganga Investments. Please go ahead.

Rahul Marathe: I would just like to know how is competition seen on the retail side from the discount brokerages that are coming up?

Shilpa Kumar: I will answer the question in two parts; I think one is from a business model perspective, you will appreciate that our digital business model, which we have been operating from the year 2000, gives us an edge over any other business model in the broking business. However, it is true that discount brokerages do challenge the broking industry in terms of pricing. Over the years, what we have seen is that through our approach of offering full value to customers who come on to our platform, giving them not just the ability to do broking but giving a lot of knowledge, giving a lot of information, efficiency of operating, transparency as well as even services like tax calculation, I think it has allowed us to offer much more value to all our customers. Having said that, we are also aware and conscious of the need for appropriate pricing and we do have a number of pricing packages that we offer to our customers which are fairly competitive and given this combination of pragmatic pricing packages as well as the value that we offer on the platform, we do believe we have a unique niche in the broking space.

Rahul Marathe: One more data point question, like what would be our monthly inflows through SIPs?

Harvinder Jaspal: Overall, our SIP count, have grown at very healthy rates. In fact, we had about 1.03 million SIPs for FY2018. It is a part of a business which is very sticky, it is an annuity giving business, and it is a growing part of our book. It contributes to a meaningful portion of our overall AUM. As far as monthly inflows are concerned, as we know in SIP, the ticket sizes are smaller, but the book is sticky.

Rahul Marathe: What could be the ticket size, so we can like extrapolate?

Harvinder Jaspal: We know that, SIP as a proposition being monthly contributions, the ticket sizes are low. It is difficult to put a number to it, but our ticket size should not be very different from the market.

Moderator: Thank you. The next question is from the line of Manish Dariyani from Spark capital. Please go ahead.

Manish Dariyani: Madam, I wanted to understand what is your view on the brokerage industry in general, it is very much related to the ups and downs in the market itself?

Shilpa Kumar: I think one can look at it in two parts. Of course where the markets are, is an important part of the revenue equation for any brokerage business, but I think the other aspects that one should look at are, A, the financial savings composition for the country and, B, the kind of landscape for the broking industry itself. If you look at how financial savings are currently, I think only around 10% of financial savings are flowing into the category of shares and debentures, and our own belief is that at a time when savings are increasingly moving from physical to financial and also at a time when interest rates have structurally come down from double digit to single digit, the need for a country in which social security is not really available in an institutional form, is to have equity as the part of your savings pool, and therefore, I think the broking industry can look towards growth in the overall number of participants as well as growth in the savings pool which will come in to the space. That is the first point.

The second point is that brokerages which are able to offer services both transparently and efficiently are able to actually take their franchise to customers across the country. If you look at data, you will actually see that top 5 brokers, out of which 3 are bank brokerages i.e. the cohort to which we belong, have actually gained five percentage points of market share in terms of turnover in the last five years, so that is the second part. Then of course, the third part is ICICI Securities specifically, as we discussed in the previous response, given our combination of information available to customers, transparency, and efficiency as well as the array of products and services, is in a leadership space and we would hope to build on that in the industry.

Moderator: Thank you. The next question is from the line of Arshit Toshniwal from Jefferies. Please go ahead.

Arshit Toshniwal: Couple of questions, on the insurance distribution fee, you said that because of some regulatory changes, the premium inflow has been low, can you explain a bit on that, Madam?

Shilpa Kumar: Actually, what happened in the beginning of the last year that has gone by, the insurance regulator changed the way corporate agents and other agents could be compensated for distribution of insurance. As part of that and I would also say as part of our own re-organization in terms of our business lines, we actually saw a dip in our insurance revenue for the last year; however, as we go forward into this year, we do believe that reasonable growth to the extent the market grows, can be expected from ICICI securities.

Arshit Toshniwal: Madam, just if I consider that regulation, that regulation said that commission levels would be capped for different agency channels and all that, so I just want to know that currently our revenue from insurance is around ₹900 crores, so what is the general commission rates which we receive on that, commission and maybe reimbursement of expenses included?

Harvinder Jaspal: Just wanted to correct one data point, so our revenue from insurance as disclosed is about ₹48 crores, not ₹900 crores. As we know in the insurance industry, it is a first-year commission as well as the renewal commission. The renewal commission gives us an annuity book. The first-year commission is linked to the volumes. There as you rightly said that there was a regulation, what you are referring to is an earlier product cap regulation where the overall commission rates were realigned for the industry and they came down, so different product categories have different rates, so for example, unit linked insurance plans have relatively lower rate as compared to traditional plans and protection is on the higher side. This has been the structure of the industry, which is different from what it used to be earlier. There is a recalibration that has happened amongst the distributor and we have also not been very different from that. As Shilpa said, from this base onwards going forward we do expect the normal industry growth. In most of businesses, we have been able to grow along with the market or slightly ahead in the market in some other cases.

Arshit Toshniwal: That I understand, but if I simply look at the premiums which you have underwritten that has been around ₹9 billion for the life insurance premium as mentioned in your slide and your revenue from non-distribution business is around ₹4.6 billion, as Madam mentioned that around 60% was from mutual fund and I believe that another 40% would basically be from insurance distribution, my average commission rate comes out to be around 20%.

Harvinder Jaspal: Again, I just like to clarify, our total insurance premium was 9 billion. This insurance premium would include the first-year premium as well as renewal premium. The total commission that we have earned would not be 40% of the revenue of distribution, let me just take this opportunity to elaborate on our overall revenue mix. Out of the total 100% of the revenue, 62% to 63% of our revenues come from our brokerage business, 25% of our revenue comes from distribution business, and remaining revenue comes from our other lines which is primarily investment banking. Now, if you take a look at our distribution business, around 60% of distribution revenue comes from mutual funds, another 10% comes from the life insurance revenue, and the remaining 30% revenue comes from a long range of products which we distribute. For example, IPOs, gold bonds, sovereign bonds, PMS services, etc. in our portfolio which is a long tail of products. That is the broad revenue mix.

Arshit Toshniwal: Basically, in that way it would be somewhere around 10%, all the commissions, if I simply look at the rates including your entire premium?

Harvinder Jaspal: Yeah, so including entire premium, I would just urge you to model renewal premium separately because we know the rates of renewal commissions are different from first year premium, but yes what you are saying is right, at an overall level we did average it will come to around 5%.

Arshit Toshniwal: If possible, can you give the breakup of your renewal and first-year within that ₹9 billion premium portfolio?

Harvinder Jaspal: We look at it as a total premium kitty, the reason why we do that is because we believe that this part of our distribution earns us annuity income, so it is the overall pool where we are able to earn as long as this pool is there with us as a repeat business, we would be able to earn these kind of commission rates, that is how we try to look at it and that is what we measure.

Arshit Toshniwal: We do it only for ICICI Prudential Life Insurance?

Harvinder Jaspal: Applicable regulations today as well as our agreements with them allow us to do it with at least three partners, but we have chosen to be with ICICI Prudential Life Insurance as of now on an exclusive business for life insurance.

Arshit Toshniwal: We can assume that going ahead at least in the near-term, next one or two years?

Harvinder Jaspal: The reason why we kind of work well with ICICI Prudential Life Insurance is that they are able to sweat our assets at a branch level very effectively and as of now, we believe that relationship is pretty strong and we are pretty satisfied with that, so nothing in active consideration right now is how I would like to address.

Moderator: Thank you. The next question is from the line of Ritesh Poladia from Girik Capital. Please go ahead.

Ritesh Poladia: Just a basic question, what is the difference between active clients and operational accounts?

Harvinder Jaspal: Actually operational accounts are our total number of clients that we have onboarded. While for active clients, NSE publishes a data for all the broking houses of how many clients have actually put a trade in the last 12 months and they call this active clients, so these are clients who have put an NSE trade in the last 12 months, over and above that operational accounts would be the total universe.

Ritesh Poladia: Just 20% of your universe is doing one transaction every year?

Harvinder Jaspal: That is correct and that would be pretty much we believe in line with the industry, so if you look at industry, our sense is that the industry would have about 30 to 32 million demat accounts and out of that roughly about 7 to 8 million clients actually actively trade, so we are pretty much in the same line as industry, however, I will just take this opportunity to tell you that our clients have a very, very long relationship with us and they will be multiple frequency, so they may keep coming every year or every second year, but as long as this stay with us, we keep on earning revenues as their financial savings pie grow.

Ritesh Poladia: It is like average but one active client is giving you ₹12,000 kind of brokerage income, if I do simple?

Harvinder Jaspal: If you do that computation, it will come to around ₹12,000.

Ritesh Poladia: Can you give me a rough-cut idea, what would be your market share if I consider only active clients, not in terms of brokerage?

Harvinder Jaspal: Our active client market share is roughly about 10%.

Ritesh Poladia: Volume and value market share both would remain almost same?

Shilpa Kumar: That is true, but one other thing I would urge you to consider is of course broking is an important component of our identity, but also like we explained we are the country's second largest non-bank mutual fund distributor as well as other third-party product distributors, which means that this number of active clients does not include people who are active with us for other products, so that is one piece of information. The other piece of information I would like to share is that the thing is with retail customers, a number of them might have Demat balances but they might not transact every year on them, so in a sense they will stay potential customers even though they might not be equity active customers so that just two things you can also keep in mind.

Ritesh Poladia: One more thing, in terms of your retail brokerage there are new initiatives of margin trading, online ASM, sector-based portfolio, so now in margin trading your cash would be deployed, so is there any broad guideline how much cash you would deploy in this product?

Shilpa Kumar: There is no guideline, but if you see what has happened, this circular came into being around June or July and since then we built a book size of about ₹500 to ₹600 crores at the end of the very first quarter itself post that guideline coming in. We have sufficient capital, we have the ability to lever that up, and so as the market for this product increases and if there is demand we have the ability to kind of grow that product.

Ritesh Poladia: You would earn the interest on this margin trading also?

Shilpa Kumar: That is right.

Ritesh Poladia: Can you explain factor-based portfolio, what would that be?

Shilpa Kumar: One of the interesting things we did in the course of this year and with our philosophy of doing something new for customers is we actually seeded a very interesting tie-up with MSCI as part of our advisory services, so what we tend to do is that the clients who want financial planning and advisory for a small fee, we do the financial planning for them and then offer them a choice of both research as well as factor-based portfolios. In this case, we tied up with MSCI who would look at the kind of pre-agreed set of listed corporates and who based on certain algorithms would choose 2 sets of portfolios, conservative and aggressive which we could offer our customers as part of our advisory services. So that is something which we had launched in the last 12 months.

Moderator: The next question is a follow-up from the line of Manish Dariyani from Spark Capital. Please go ahead.

Manish Dariyani: Ma'am, continuing from the previous question, would you be able to share in your retail brokerage what is the split between intraday and delivery in the retail brokerage revenue, would it be possible to share the split between intraday revenue and delivery revenue?

Harvinder Jaspal: We have not put out the exact split, but by way of guidance, we all know the market trend and we would not be, being the market participant, very different from the market trend which is slightly more skewed towards non-delivery side, intraday.

Moderator: Thank you. The next question is from the line of Madhukar Ladha from HDFC Securities. Please go ahead.

Madhukar Ladha: I had a question regarding your segmental reporting. So when I look at it, there are no unallocated income and unallocated segment results, but however, there is an unallocated capital employed of about ₹180 crores. Why is that?

Harvinder Jaspal: In the segmental results, as you know the tax cannot be allocated to segments and that is the only big unallocated piece in our segmental results.

Madhukar Ladha: You have own balance sheet cash and cash equivalence of about ₹1500 crores and you are earning interest on that. I believe all of that has been accounted in broking and commission income.

Harvinder Jaspal: Two ways to look at it. If you look at our segmental results, these would be accounted as income in our income arising from brokerage business which is the interest income. If you look at our P&L line items, it will be in the interest income line. So you are right it is arising from brokerage business.

Madhukar Ladha: So the next question is how is that because that should be excess capital right and it probably should be unallocated or treasury in that nature?

Harvinder Jaspal: No, it will not be excess capital. For example, out of the ₹15 billion that you are looking at for FY2018, a large portion of that is from FDs which we have from margin funds. As a broker, you need to place margin funds with exchanges and that you do by creating FDs and you earn interest on that and that is directly correlated with the brokerage activities that we do. That is why it is a part of the broking business in our segmental results.

Madhukar Ladha: So are we then saying that there is no excess capital or no excess cash because all of it is employed in the different lines of business?

Harvinder Jaspal: I would not use excess capital and excess cash interchangeably because in our business the regulatory capital that we require is roughly about ₹20 crores. Our current shareholders fund, as at March 31, 2018 is in excess of about ₹8 billion i.e. a net worth of about approx. ₹830 crores and that is where I would direct you for capital. On the other hand, what happens to cash is what we just discussed that it will be related to customer accounts and whatever cash we received that should not be then correlated with the capital. So we have a capital or net worth position of about 8 billion and total cash and cash equivalent of about 15 billion.

Moderator: Thank you. The next question is from the line of Nidesh Jain from Investec. Please go ahead.

Nidesh Jain: My question is on the concentration of your broking revenue. What we understand that top 5% clients account for more than 50% of your broking revenue. So do not you think it is a risk because if we do the ballpark number, average revenue per those clients comes out to be in excess of ₹1 lakh on a yearly basis? So do not you think there is a risk with such sort of concentration and what you are doing to reduce the concentration?

Harvinder Jaspal: Just to share with everyone, we had in our RHP disclosed that over 50% of our revenue comes from 5% of our customers. So point number one, it will not be very different from financial services market participant such as us where there will be some kind of a customer concentration; however, I would like to point out to a statistic that more than 40 actually of our revenue in the last fiscal came from customers who were more than 10 years old in our system and that displays a very high stickiness. We do have a very long tail of customers who stay with us and this pattern actually is repeated in shorter cohorts as well. What happens is that customers come, they join us, they stay with us and as their propensity to invest as well as their financial savings pool increases, they engage with us on one or many products. Our cross-sell strategy, in fact, is based on this concept that, over time, our customers want to enhance their product suite and we are available for all kind of financial products. The result is that we enjoy pretty healthy stickiness. Yes, there could be attrition in some customer categories, but at an overall level, our experience has been pretty positive on that count.

Nidesh Jain: And secondly sir, what was the blended broking yield for the full year FY18?

Harvinder Jaspal: If you just divide our overall broking revenue that we have disclosed with overall broking volume our average yield would come somewhere around 1.1 basis point for FY18.

Nidesh Jain: So this number has been actually declining for last 3-4 years. Do you foresee this stabilizing at these levels or it may further decline going forward?

Harvinder Jaspal: So Nidesh, two factors in this. One is yes, if you do compare with last couple of years especially 3-4 years that you mentioned, this headline number would look like it is going down numerically; however, just to give you a sense of what is driving this, this is a blended yield and therefore is a mix of our derivative yields as well as our equity yields and here we all know that the market is predominantly derivative and that part of the segment has seen substantial growth. We also know that the yields in derivatives are substantially lower than equity. This is because of the way the pricing is. Consider an example of Options, which is a big proportion of the derivative and in F&O, you have lot size pricing. What that means is that if you have a lot of let's say 5 lakh or a nifty or any such kind of a product, you will have a fixed lot size pricing and not ad valorem pricing which means if lot size keeps on increasing the derived yield will keep coming down. The way we look at it internally is for our derivative product, we look at average revenue for customer because even though the headline yield mathematically so computed would look like coming down, but it gets more than made up because of the high growth in volume. In fact, the F&O registered a growth of about 77% that has been the CAGR of F&O growth. We more than make up for any kind of an yield decline and this is the reason why if you look at our overall revenue growth, we have registered a growth at an overall level of about 34% in our broking business in the current period. Further, in the last couple of years one more thing that has happened for us specifically and that is that we have focussed more on derivative business which was kind of missing earlier or relatively lower earlier. It was a conscious strategy to expand our footprint in derivatives as well and we believe that now we are at a juncture where the product mix is stable. If you compare, for example the 9M yield versus the FY yield, you will not find it to be materially different.

Moderator: Thank you. The next question is from the line of Sneha Ganatra from Subhkam Ventures. Please go ahead.

Sneha Ganatra: What is the breakup of the volume on the brokerage business both in cash and derivatives?

Harvinder Jaspal: With regards to Cash and derivatives, as we were just discussing, derivatives is the higher proportion. For the market as we know, it forms roughly about 95% of the volume. Ours would not be very different from the market, but it is predominantly derivative compared to cash; however, what happens is that in terms of revenue, actually it is a more balanced mix for the market.

Sneha Ganatra: I want the breakup for the last 3 years. The derivative is predominantly 90% for the last 3 years or it would be of 80-20 mix?

Harvinder Jaspal: So my sense is because the CAGR of derivative and equity has been of the order of 2:1, about 38% has been the CAGR for derivatives whereas the equity CAGR has been lower. As a result of this, I would say the mix for the market which is 95% now would have gradually shifted because of the differential growth rates and that has been a trend for the last couple of years.

Sneha Ganatra: I just wanted to understand cost-to-income ratio. It has come down to 54%, what are these other avenues which you think that would able to garner our cost-to-income ratio around sub-30% to 40% here?

Harvinder Jaspal: So Sneha, there was some problem in the line, so I will just repeat your question the way I have understood for clarity. So what you are asking is cost to income ratio for us has come down from 82% to about 54% now and what are the reasons which have driven this and where do we believe that it will stabilize, was that broadly the question?

Sneha Ganatra: Right.

Harvinder Jaspal: Sneha, actually as the way Shilpa explained our business model, it is fairly digital and we have high amount of operating leverage in our model. So over the last 5 years if you analyse our numbers, our revenues have grown at a CAGR of about 23% whereas the expenses have grown at a CAGR of roughly about 10%. The reason for that is that the increase in volume given our digital model does not translate into a proportionate cost. Our cost structure is largely fixed. So 54% of our costs are actually employee cost. Another 29% of the costs are fixed cost and about 17% of our costs are variable in nature. So because of this, we enjoy very high operating leverage. Going forward also, it would primarily be a function of what kind of a revenue growth we will be able to rest because the operating leverage in our model should continue to support us.

Moderator: The question is from the line of Manish Dariyani from Spark Capital. Please go ahead.

Manish Dariyani: Ma'am, I wanted to know why are not there been any new branches that are coming up, is there a regulatory hurdle behind this?

Shilpa Kumar: So none that I am aware of.

Harvinder Jaspal: Why are the new branches you are saying?

Manish Dariyani: No, bank based brokerage like yours, you are backed by ICICI Bank similarly, we are seeing a lot of new banks that are coming up but they are still don't have brokerage business so I want to know why are not new bank brokerages are coming up? Are there any regulatory hurdles behind this?

Shilpa Kumar: No, none that we are aware of. I think it would be more depending on the strategic intent of each of these players.

Moderator: Thank you. Management, you may go ahead with your closing comments, please. That was the last question.

Shilpa Kumar: I would like to thank everybody who participated on the call and we do look forward to an active engagement going forward with the analyst community and especially given that it was a Saturday, I guess really appreciate all of those who dialled in today. Thank you and thanks to you also, Karuna.

Moderator: Thank you very much ma'am. Ladies and gentlemen, on behalf of ICICI Securities Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.