

ICICI SECURITIES LIMITED

Earning Conference Call
Quarter ended September 30, 2019 (Q2-FY20)

October 22, 2019

MANAGEMENT:

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CHIEF EXECUTIVE OFFICER - ICICI SECURITIES LIMITED

MR. AJAY SARAF - EXECUTIVE DIRECTOR - ICICI
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MR. HARVINDER JASPAL - CHIEF FINANCIAL OFFICER -
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Moderator: Good day, ladies and gentlemen and welcome to the earnings conference call of ICICI Securities Limited for the Quarter-Ended September 30th, 2019.

We have with us on the call Mr. Vijay Chandok – Managing Director & Chief Executive Officer, Mr. Ajay Saraf – Executive Director, Mr. Harvinder Jaspal – Chief Financial Officer, Mr. Yagnesh Parikh – Chief Digital & Technology Officer, Mr. Kedar Deshpande – Head of Retail, Distribution, Product and Services Group, who has recently joined ICICI Securities and has been a veteran in the industry, Mr. Vishal Gulecha – Head (Retail Equities) and Mr. Anupam Guha – Head (Private Wealth and Equity Advisory Group).

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. The business presentation can be found on the company's corporate website icicisecurities.com under Investor Relations. I would now like to hand the conference over to Mr. Chandok for his opening remarks. Thank you and over to you, sir.

Vishal Chandok: Thank you very much. Good evening and thank you everyone for joining in and welcome to our second quarter earnings conference call.

At the time of the first interaction with all of you for the quarter one earnings call of ICICI Securities, I had been with the company for just about a month. Now having spent more time in the

company, I have come to realize two very important aspects of the company which I want to share with you: First, I believe that the company has immense talent pool and second, I have developed a far greater appreciation of the resilient franchise which team at ICICI Securities has built over the years which I firmly believe continues to only get stronger.

Our customer franchise has grown further and as at September 30th, 2019 stands at 4.6 million clients. Further, this is not just perhaps the largest in the industry but is also, like I had explained earlier, is a sticky franchise. We are excited about the opportunity that the space offers for playing not just the India growth story, but also the fact that this growth story is resulting in an increasing level of affluence amongst the people and we at ICICI Securities are working towards broadening our horizons to emerge as a virtual supermarket providing comprehensive financial solutions for this affluent Indian all powered digitally. As a part of this approach, our endeavor is to satisfy three need sets of our customers, that is their wealth management and investment needs; second, the need for protection of life and assets and third, the borrowing needs of the affluent Indian customer.

We believe that this broader positioning will help make the customer proposition more comprehensive and at the same time will help us make our business model more diversified, more granular and relatively non-cyclical which in turn, will improve our ability to manage business across cycles.

Let us now have a brief look at the market environment in the quarter ended September 30th, 2019 and the progress made by the company during this period:

All of us have experienced that the Indian equity market have witnessed a tepid quarter coupled with increased volatility. Risk aversion was seen in the market possibly due to muted corporate performance in general and sustained concerns over global and domestic growth. Again, as you are all aware, the mid cap and small cap indices declined by 9% and 10% respectively during the quarter while Nifty was down by about 3%. These movements impacted participation of retail investors in general. On a positive note, initiatives by the government like corporate tax reforms, roll back of higher surcharge on capital gains etc. did provide some interim relief and support to the market.

In such a context, we did face some downward pressure on our revenues due to risk aversion in the equity markets and also due to regulatory changes pertaining to mutual fund distribution which we have already spoken about in the past. However, with sustained focus, we have made some encouraging progress in implementing our strategy and had encouraging gains in market share which I shall talk about in greater detail a little later and while we have been doing all these, we have also been able to contain our costs.

During this quarter, we also saw the impact of reduction in corporate tax which was partly offset by decrease in the deferred tax asset, the impact of which has been completely taken in the current quarter. Consequently, our company has reported a profit after tax of ₹ 1,351 million, an increase of about 1% YoY. We are also happy to share that the board has approved an interim dividend of ₹ 4.25 per share, up from ₹ 3.70 per share last year.

During the quarter ended 30th September, 2019, the entire company has been focused on implementing various components of the strategy that we shared with you in the last quarter. As you would recall, our strategy has got 5 levers of focus namely 1) ramping up scale of business with the focus on quality, 2) monetizing client value, 3) improving customer experience and engagement across a spectrum of customer segments including the wealth segment that we cater to quite actively, 4) making the company more digitally agile and 5) focusing on cost efficiencies.

We will now like to give you an update on the progress made on each of these levers.

- 1) First, with respect to **ramping up scale with quality**, we are working on diversifying our client sourcing which as of now is majorly dependent on ICICI Bank. We are witnessing encouraging run rates of our ICICIdirect Prime, a subscription based plan offering privileged pricing, liquidity and curated research to our clients. We have approximately 1.6 lakh prime subscribers as at September 30th, 2019, up from ~1 lakh as at June 30th, 2019. ICICIdirect Prime is helping us in many ways: one, as an attractive product proposition to source higher quality clients, second, as a tool to activate dormant customers and third by adding annuity revenue of subscription fees to the equity business lines. Our revenue from Prime subscription fees which was nonexistent in the corresponding quarter of FY19 stood at about ₹ 40 million in Q2 FY2020 registering a growth sequentially of 90%. As we had envisaged, the bank arrangements which was effective from the start of this fiscal is also showing some encouraging signs. Our activation rates for the bank sourced clients is now at 46% in Q2

FY20, up from 33% in Q2 FY19, an improvement of about 39%, clearly showing shift in quality of customers towards the more affluent and relevant segments of the market opportunity.

With regards to our focus on targeting the NRI customers, we have started sharing digital leads with the overseas branches of the bank to enable fulfillment and are also making the onboarding process smoother for our customers. With a view to make onboarding of clients more efficient for our field force associated with ICICI Bank, we had developed a tab based instant account opening process using which a pre-existing bank customer can now get his account opened with our tab instantly (within 20 minutes). Our monthly run rate for Q2 FY20 was about 9,500 accounts approximately through this mode.

As mentioned earlier, we are also working on enhancing the scale of our digital sourcing engine. We had launched a 20-minute completely online customer driven onboarding process comparable with the best in the industry in the later part of the previous quarter and we have now started seeing some improvement in daily run rates of accounts opened completely online. Work is underway to further refine this process to make it open architecture which will give an impetus to our digital sourcing strategy.

Our third engine of growth and growing scale is the business partner network. This has also witnessed a strong growth of 29% YoY and our partnership network now has crossed 8,000 partners in Q2 FY20. We expect this will help us grow our customer franchise further not only in certain pockets of tier I cities, but also in tier II and tier III markets.

All these initiatives have helped our company grow the market share in the NSE active clients from 9.6% as at March 31st, 2019 to 9.8% as at June 30th, 2019 and now to 10.1% as at September 30th, 2019. This is a 21-month high for the company. These initiatives have also helped us improve our blended equity market share to 8.7% in Q2 FY20 from 7.8% in Q2 FY19, an improvement of 90 basis points.

- 2) Second, with regards to **monetizing client value** and in line with our stated objective of catering to the borrowing needs of the customer, we have started distributing digital loans. This we believe will also help us build a new noncyclical revenue stream. The proposition is to provide a virtually real time digital delivery of credit to preapproved customers without any need for physical interface. Under this initiative, we have identified personal loans, credit cards, home loan top-ups, auto loan top-ups and loan against securities as offerings and have a total of 0.9 million of our customers eligible to avail these loans digitally. As at September 30th, 2019, we have launched digital personal loans, credit cards and auto loan top-ups.

With regard to our objective of distributing protection services in addition to ICICI Lombard, we are developing the online proposition for our recently added partners. In this context, we have completed the digital integration of Religare to our online platform with its full suite of health insurance products and are currently working on digitally integrating Star Health to our platform.

We want to leverage our ESOP funding for building a high quality client sourcing engine and we have been able to enhance our

revenue stream by adding about 15 new corporates during the quarter. In September, 2019, we also extended our margin trading facilities, MTF which is up to a 360-day margin financing product and which was hitherto available only on BSE, now to NSE as well. Both ESOP funding and MTF adds interest income as a source of revenue for us. For our wealth clients, we have built a proprietary portfolio management service program and are witnessing an encouraging demand from them for the same.

- 3) Our next lever of focus is **enhancing engagement and improving customer experience**. With an objective of increasing engagement with our clients on mutual funds, we have recently launched 'One Click' investment plan. This was done on August 12th, 2019. This product offers an easy, convenient and automated method of allocating a predefined amount periodically into a curated basket of research recommended mutual funds. We have launched a suite of 19 curated baskets offering a variety of investment options ranging from equity to debt to hybrid, both for the purpose of lump sum investment and SIP purchases.

We are working towards building our capabilities to engage a wide gamut of customers with no or low touch models. Towards this objective, we have started a pilot of artificial intelligence based tool whereby based on certain parameters, arrived at after data mining; the tool recommends the most suitable proposition for our clients. As of now, we have launched this as a pilot across 3 equity and 2 non-equity brands and basis the learnings from the pilot, we will extend this to cover a broader spectrum of products and services.

Further in order to build our insurance franchise in a low touch manner, we have recently obtained license from IRDAI for telemarketing business model under distance marketing guidelines. We are currently working on a pilot for calling call based low touch engagement models for distributing insurance.

In order to grow our derivative business and increase engagement with our customers, we have just introduced a new strategic pricing plan for auctions. This pilot was initiated towards the end of the quarter around September 30th, 2019 to a set of select customers and have received an encouraging initial response. Given our understanding of customer behavior and preferences, we believe that this plan will find favor with our client base and will help enhance engagement as well as scale of our derivative business.

- 4) For **building up digital agility capabilities**, we launched API architecture in the month of September. This helps us quickly integrate with a diverse set of Fintech players and other such partners. We have created a digital team within the company to scan the environment and identify new technologies and opportunities. In this regard, we have already analyzed and evaluated about 56 projects and have launched one project out of these while there are two other projects under integration phase. As already indicated, one of these includes an AI based tool to increase customer engagement and to help us increase our ability to upsell and cross-sell. Our trading strategy formulation tools for derivatives and comparison tools for insurance are under various stages of integration being the other two projects under integration. Also, we have already built a new web interface which

is currently in beta version. We have also engaged a company for re-engineering our mobile app including developing a new UI/UX.

- 5) To **rationalize our cost structure**, we are working towards branch rationalization approach and we have been able to successfully close some of the low yielding branches. Our branch network now stands at 187 down from 193 at the end of Q1 FY20. Our quarter end employee count stood at 4,077 as compared to 4,298 at the end of Q1 FY20, a decline of 5% with employee cost coming down by about 7% YoY.

I believe we are making progress in execution of our strategy and over the next few quarters, it should help us strengthen our position in the market and position our company as a virtual supermarket providing comprehensive suite of financial solutions to the affluent Indian.

Now, I would request Harvinder to take you through the financial review of the second quarter of FY20.

Harvinder Jaspal: Thanks, Vijay and good evening to you all.

Let me talk about the financial performance for the period. Our company registered consolidated revenue of ₹4,182 million for Q2 FY20 as compared to ₹4,581 million for Q2 FY19, a decline of 9%; however, revenues registered a sequential growth of 4%. The decline in revenue was primarily on account of 13% decline in our broking revenues and 17% decline in our distribution revenues which was offset partially by 14% increase in corporate finance revenues.

Let me now take you through performance of all our businesses in detail:

In our **broking business**, our total brokerage revenue excluding interest income which contributed to 52% of our revenues in Q2 FY20 decreased by 13% against same period last year and was at ₹2,158 million from ₹2,473 million. Retail brokerage revenue declined by 16% from ₹2,194 million to ₹1,832 million, primarily due to decline in market delivery volumes and lower yields on account of healthy adoption of Prime. As we have articulated earlier, our strategy of countering pressure on revenue caused by lower yields is to build different avenues of revenue growth.

Towards this, we are focusing on building different avenues for revenue growth and increasing the scale of active clients. The initiatives like the bank agreement, which is for sourcing, is showing some early promising sign with the 39% improvement in activation rates. The Prime proposition through its subscription fees has started to contribute an annuity income stream of ₹40 million for the quarter and is a growing pool. For increasing volume, we are focused on increasing active clients through a multichannel and open source acquisition architecture which was already explained earlier. Consequently, during the quarter, we have increased our NSE active client base by 7% to 9.1 lakh clients from 8.4 lakh clients a year ago. Our market share in equity has gone up which has also helped us offset some of the impact of low yields.

In addition to building scale in broking business, we are also aiming to grow our allied equity products. We are striving to ramp up our ESOP book and gain market share. We added 15 new

corporates in this quarter. Also our efforts are focused to grow our margin trading book. Both ESOP funding and MTF adds interest income as a source of revenue for us. We believe that with our focus on increasing volumes and market share supplemented by increased attention to our allied equity products, will help offset pressure on broking yields and provide impetus to our broking segment in coming quarters. We believe that once the confidence in equity market revives, the retail participation in the markets will increase resulting in higher proportion of delivery based volumes which will play out well for our strategy.

Institutional broking revenue, another focus area increased by 17% from ₹279 million to ₹326 million, supported by strong traction in block deals.

Our blended equity market share was up 90 basis points to be at 8.7% in Q2 FY20 compared to 7.8% in Q2 FY19. However, our overall blended market share for Q2 FY20 declined and was at 7.3%. The decline in blended market share was on account of decline in derivative market share at 7.3% in Q2 FY20 from 8.6% a year earlier. Our derivative market share was negatively impacted by structural shift in the market mix of options trading volume towards institutional clients. In such a context in this segment, our focus is getting intensified to cater to the future market demand of our institutional clients where our market share is improved both sequentially and, on a year-on-year basis.

Moving on to the **distribution business**, our distribution business registered a decline of 17% on account of anticipated regulatory changes in mutual fund commissions. The revenue declined to ₹1,062 million in Q2 FY20 compared to ₹1,279 million in Q2 FY19.

In line with our endeavor to grow mutual fund revenues and with enhanced focus on non-MF revenue distribution, our overall active clients, that is number of clients who have done transaction in any of our products in the last 12 months, increased by 5% to 13.3 lakh in Q2 FY20, up from 12.7 lakh in Q2 of FY19.

Our mutual fund average AUM grew at 2% to ₹358 billion in Q2 of FY20 from ₹351 billion in Q2 of FY19; however, on account of new regulatory changes comprising both elimination of upfront commission and reduction in TER, the mutual fund revenue declined by 24% to ₹556 million in Q2 of FY20 from ₹731 million in Q2 of FY19. While our SIP book was stable on a sequential basis with a count of 0.66 million of triggered SIP as at last month of the quarter, on a YoY basis it was down from 0.7 million. We have taken several measures to increase activity focused on mutual funds business. Towards this end, we launched easy, convenient and digital engagement products like 'One click' investments and 'SIP insure' to sustain and grow our mutual fund revenues. We expect these initiatives to yield results in the coming quarters.

Due to our enhanced focus on non-MF distribution, we were able to increase its revenue by 7% to be at ₹474 million in Q2 FY20 which was ₹444 million in Q2 FY19. Within this, our life insurance revenue which had registered a decline in Q1 FY20 improved sequentially and stood at ₹123 million in Q2 of FY20 which was flat year-on-year. With the increased focus on life insurance business including launch of our digital insurance integrated with multiple partners, currently which is for health insurance, we expect that the insurance revenues to accelerate in terms of growth in the coming quarters.

Let now discuss the performance of our **investment banking**. We are ranked first by the value of deals in IPO (including InvIT, REITs and FPOs) as well as we are ranked first amongst domestic financial advisors by number of deals in Merger market league table. In spite of headwinds in terms of weak market conditions, we executed 11 investment banking deals in Q2 of FY20. We have IPO pipeline of over 57 billion as per SEBI filings. Our investment banking revenue was ₹323 million in Q2 FY20, an increase of 14% from ₹283 million in Q2 of FY19.

Our treasury income declined by 14% to 49 million from 57 million a year ago primarily on account of mark-to-market losses on DHFL bonds which was partly compensated by higher interest income arising from debt position that we have built given the interest rate environment.

Coming to our cost, we were able to contain costs. Our costs declined by 7% from ₹2,504 million to ₹2,341 million in Q2 of FY20 led by reduction in employee cost by 7%. Our quarter end employee count was at 4,077 as compared to 4,298 in Q1 FY20, a sequential decline of 5% and a YoY decline of 8%. Our cost-to-income ratio was at 56% which was same as Q2 FY19.

Our consolidated profit before tax declined by 11%; however, due to the changes in the tax rate announced by the Finance Minister, our profit after tax for Q2-FY20 increased by 1% to be at ₹1,351 million compared to ₹1,342 million for Q2 FY19. The impact of the change in the tax rate has two components, increase in PAT by around ₹350 million due to reduction in the tax rate and a negative impact of around ₹200 million due to revaluation of deferred tax asset as at September 30th, 2019, the entire impact of which has

been taken in the current quarter by the company. The cumulative impact resulted in an increase in PAT by around ₹150 million. Going forward for Q3 and Q4, the tax rate should be closer to 25%.

Our return on equity continued to remain robust at 48% for Q2 FY20. We have declared an interim dividend of 4.25 per share compared to an interim dividend of 3.7 per share of H1 FY19. The dividend pay-out ratio excluding dividend distribution tax of 20% was 55%.

Thank you and we are now open for question and answers.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. We take the first question from the line of Madhukar Laddha from HDFC Securities. Please go ahead.

Madhukar Laddha: Congratulations first on a good performance in a particularly weak quarter. My first question is, are we now seeing yields on the cash side also compressing? Next, I think you have done well on the distribution side. Apart from the mutual fund and the life insurance, the other distribution revenue that you get also seems to be showing a good growth, what would be the reason for that? And finally, if I look at your costs on a quarter-on-quarter basis, costs have gone up and employee costs have also gone up. Just wanted to get a sense on what is happening over there.

Vijay Chandok: Thank you, Madhukar. To address your first question on compression of equity yields. The company has clearly recognized that there is a deflation that is taking place in the

broking rates and to offset this, there are two broad levers. Lever number one is to build scale by gaining number of clients, gaining growth in active clients and gaining market share more than what we were doing in the past. The second lever is to build a broader revenue pool, by offering a right set of products which are complimentary to the equity business.

During this quarter, the decline that you see in our broking revenue is on account of two developments. One, the market mix itself is undergoing a change and the second is reduction in yield. A part of the impact of these two factors has been offset by way of gain in market volumes and market share, but we believe that it is still early days. Secondly, the benefit due to some of the allied items that we spoke about, like MTF being available on NSE, have not yet seen too much light of the day. ESOP which was something where we started focusing on from late last quarter saw one full quarter of performance and we have seen some good growth coming there. The book has actually grown well there that has helped us improve our NII coming from ESOP. So, clearly, the compression in yield that has happened is getting offset by some of these. We are also quite encouraged with the subscription that is taking place with respect to Prime and the way we are thinking of Prime is that it gives us an added revenue line item which is not really broking, but is linked with equity business and is a subscription fee.

Madhukar Laddha: So, just a question of here the ₹40 million that I think Harvinder or you referred to, is that included in the broking line item or is it included elsewhere?

Harvinder Jaspal: It is not in the broking line item; it will be income from services on the line item in the financials. However, it is associated with the equity business and therefore we have separately called that out.

Madhukar Laddha: So, that answers that question.

Vijay Chandok: Your second question is around mutual funds?

Madhukar Laddha: The 'others' component actually.

Harvinder Jaspal: Other components of distribution income, other than mutual fund and LI, that have seen a good growth in this period are primarily the distribution income from fixed income products like bonds and fixed deposits. We are trying to build a revenue stream based on fixed income products which particularly helps in this kind of a market environment.

Vijay Chandok: Two more areas of focus that we discussed in our narrative, which are yet to kick in, are one digitally distributing life insurance and the second is digital distribution of loans. We believe that these are still very early days for these two initiatives and both these could start augmenting the revenue pool going ahead in a couple of quarters. Your third question was on cost.

Harvinder Jaspal: On the employee cost, the increases that you see that is consistent with what you would have seen in the last year same quarter as well, some of which arises from changes in actuarial valuation of some of our long-term liabilities. That is generally the reason why between Q1 and Q2, we see a bit of a difference, but on a YoY basis we have seen a decline of 7% both in employee cost and also in overall cost. The leading indicators

like the employee count and branch count continue to be on downward trajectory.

Vijay Chandok: You would notice on physical attributes contributing to cost, two of our biggest line items are infra cost and manpower cost, both these items are lower compared to Q1.

Harvinder Jaspal: One more element which has also led to a slight increase in cost is a slightly higher level of activity in the corporate finance business where you have pass-outs etc. linked to the business. Our corporate finance revenue almost doubled sequentially which resulted in increase in some associated costs under the 'operating expenses' line item.

Madhukar Laddha: Sir, two quick questions again actually. One on what would be our outlook on costs for the year. In terms of employee expenses or in terms of total expenses, how much could be reduced in our fixed costs and second, we are growing a lot in these allied activities in the sense distribution of digital loans or you also mentioned that we have got an IRDAI licence to tele market insurance. So, what is the thought process on that in terms of how large this piece can grow over the next couple of years?

Vijay Chandok: As far as the guidance on cost is concerned, we are not specifically laying out any guidance because you would appreciate that these are sensitive subjects and we will have to play, as we find opportunities for reducing costs. If you look at the articulation of our strategy, we have said that cost and cost efficiencies are an important area of focus and we will focus on all avenues of enhancing efficiency. We have been able to move

positively on this direction for two quarters because we have remained anchored on being efficient and we will continue to focus on the efficiency lever. Your second question?

Madhukar Laddha: The digital loans?

Vijay Chandok: Our strategy is to become more broad-based; that is not to say we will shrink one and grow the other, we are working on growing every item. The narrative that you hear from us is more about adding some of the new things while strengthening the core. Let me assure you and the rest of the members on the call that there is far more activity that is going on our core lines of business and that is reflected in the fact that we have been able to grow our market share in terms of active customers and volumes on our equity business.

Moderator: Thank you. The next question is from the line of Shiva Kumar from Unifi Capital. Please go ahead.

Shiva Kumar: My question is regarding the Prime package, we see that the traction in addition to the subscriber is very strong from 1 lakh to 1.6 lakhs, so can you give some sense on how this traction will continue for the coming quarters and also can you give some sense as to whether you are able to attract customers from other discount brokerages when you started with this kind of initiative?

Vijay Chandok: I am going to request Vishal, Head of Equity, who is the right person to answer this.

Vishal Gulecha: This has been the sixth month for Prime. We launched it somewhere in the month of April, 2019 and since that day, we have seen continuous interest coming from customers both from

inactive customers segment and more recently having opened up for active segment also. We are witnessing a satisfactory momentum although it would be difficult to put out any projection but the initial response is definitely encouraging. Another question was on win back. We do see win backs coming from different entities in the market including discount broking houses because the proposition here is quite different. The instant liquidity is one of the key features which is liked by large number of investors, so yes the answer is we do see movement of customers from discount brokers also.

Shiva Kumar: I just had one question on the DHFL paper, what is the current remaining exposure on our books post the MTM hits we have taken over the last two quarters?

Harvinder Jaspal: We have provided the entire exposure; we don't have any further exposure.

Shiva Kumar: And sir what about the other institutions which are being discussed in the market like India bulls and other paper that we are sitting with or is it the only paper we are sitting with?

Vijay Chandok: It will be difficult to disclose investee level exposure, but at a broader level, I think it would be fair to say that we do not see any specific area for us to feel unduly concerned with respect to that portfolio. Moreover, these are all historical books which have been acquired several quarters back. Our focus is more around better quality instruments for the last several quarters now and that has been holding us in good stead.

Shiva Kumar: Even if you are not giving the account wise number, can you give the sum total of exposure left which you think is risky?

Harvinder Jaspal: 95% of our bond portfolio had a rating of AA+ or higher as at September 30, 2019, the remaining 5% (~₹ 10 crore) was rated AA-.

Moderator: Thank you. The next question is from the line of Adesh Mehta from Ambit Capital. Please go ahead.

Adesh Mehta: Sir, I noticed that this quarter you are paying almost all of your earnings as dividend. If that observation is true, does that mean there has been a change in your dividend payout policy?

Harvinder Jaspal: If you observe all the dividends declared by us, you would notice that we have paid one interim dividend in a financial year. Therefore it may be more appropriate to compute dividend payout ratio for H1-FY2020 rather than Q2-FY2020. That will come to about 55%.

Adesh Mehta: And sir, you mentioned that your SIP count is down from 0.7 million a year back to 0.66 million, did I hear it correctly?

Harvinder Jaspal: That is correct. To just reiterate, this number is the number of SIPs which are getting triggered on the last month of the quarter. In the month of September 2019, we had 6.6 lakh SIPs which got triggered and September 2018, we had 7.0 lakh SIPs which were triggered, this number has been stable sequentially but on Y-o-Y basis, it has come down from 7 lakh to 6.6 lakh.

Adesh Mehta: So, sir, is this number comparable to the number which we see on AMFI site because if I tally that right I can see that your market share in SIP has declined?

Harvinder Jaspal: I am not sure whether the number published by AMFI would also be the number of SIPs triggered in the last month of the quarter. As far as I recall, they publish the portfolio and folio market values and with respect to SIPs, the number of SIPs registered.

Adesh Mehta: No, they publish the SIP accounts as well as the market values.

Harvinder Jaspal: Let me check and come back to you Aadesh.

Adesh Mehta: Yes, because it seems very unlikely that the industry SIP is growing and your SIP count would shrink. There has to be some disconnect somewhere.

Harvinder Jaspal: Our SIP count have indeed declined y-o-y and we have underperformed on a YoY basis although it has been stable sequentially but on this particular comparison, let me come back to you.

Moderator: Thank you. The next question is from the line of Kunal Shah from Carnelian Asset Management. Please go ahead.

Kunal Shah: This in continuation to the question which was asked earlier as far as the SIP count grow, my question is also pertaining to the mutual fund average AUM that we have. So, quarter-on-quarter, the overall AUM has come down from ₹368 billion to ₹358 billion as well as our equity AUM has come down from ₹274 billion to ₹263 billion, so if you could throw some light on that? That is the first question and second question is, as far as the distribution

income goes for the revenue other than the mutual fund, there has been 7% increase over there, so you mentioned earlier that this is on account of distribution of the fixed income products and all those, so just wanting to understand the new lines that we have started for distribution income, was there a contribution from those in the 7% increase or that is purely on account of all the fixed income distribution products which we used to do earlier as well?

Harvinder Jaspal: First, if you look at the market, the overall equity AUM of the market declined by about 2%. We also registered a decline which was partly due to mark-to-market impact and also we do believe that we could have done better in terms of enhancing the net flows even further and that is something which we are focusing on. Secondly, the distribution income was 7% primarily the debt or fixed income kind of products. The new initiatives have started taking shape and we have got some early signals however it is only about a month and a half. We believe that going forward this is something that can start building up. Right now, they do not contribute significantly to the 7% growth.

Moderator: Thank you. The next question is from the line of Prateek Poddar from Nippon India Mutual Fund. Please go ahead.

Prateek Poddar: Sir, just one small clarification again on the mutual fund part, is it fair to say that we have faced redemption because if I were to adjust for the SIP book accretion as well as mark-to-market, is it fair to say that there have been some redemptions in the mutual fund book?

Harvinder Jaspal: On a net flow basis, we did have some pressure on redemption and therefore, a slower net flow. This is something that we are focusing to improve going forward but as of now it will be a fair statement.

Pradip Poddar: Sir, and on slide 16, you talk about new pricing plan for derivative product launched on September 25, this is different from Prime which we have already launched and what is this if at all, could you just throw some lights on this and also on your PMS AUM, I saw one line wherein you have talked about proprietary PMS for HNI clients and the growing AUM, so maybe if you could give some color on this and lastly on your wealth AUM also?

Vishal Gulecha: On the new option pricing plan, this is at pilot stage as Vijay mentioned. This is keeping in mind the growing interest in options and the high volumes which are happening in that segment, we very clearly see an opportunity to scale revenues, number of customers and market share. Just give us some more time and we will appropriately come back with the contours of this scheme.

Pradip Poddar: And could you talk about the proprietary PMS for HNI clients and your wealth AUM please?

Vijay Chandok: I am just requesting Anupam, the head of our Wealth business to step in here.

Anupam Guha: While we have been distributing PMS of other manufacturers and fund houses, we have recently launched our in-house PMS and this is largely in line with our intent to provide curated

solutions to our clients, especially the HNI customers and the first product that we have launched is a passive PMS for HNI. We have got good traction initially with more than 100 investors coming in.

Harvinder Jaspal: With respect to the overall wealth AUA, this is the AUA of our wealth franchise, which we have categorized as clients across the company who have assets under advice of greater than ₹75 lakhs with us and comprises assets on various product lines, mutual fund, equity, PMS, etc. As Anupam mentioned, this is one very key focus area for us. We believe we are one of the leading wealth franchises and we are keen on growing this. The AUA disclosed is more than ₹800 billion.

Pradip Poddar: Sir, what is the AUM sir, I mean I remember asking couple of quarters back and broadly the view was that this was quite nascent at this point of time, has this scaled a bit or it has remained where it was a couple of quarter back, I just wanted some flavor on to at that part of the business?

Vijay Chandok: Prateek, this is Vijay. We said that wealth is going to be an area of focus for our company, we already have a captive wealth, we are in the process of rearranging some parts of the portfolio and giving a fresh impetus towards this. The numbers are moving positively and in an encouraging manner; again I would say early days yet. We expect in a short period of time we will start giving more color around this portfolio. Our endeavor has always been to keep increasing disclosure to our investors over time and we will come back with appropriately greater extent of color and texture of our wealth franchise.

Moderator: We take the next question from the line of Vijay Karpe from Bryanston Investments. Please go ahead.

Vijay Karpe: Sir, what has been the average daily turnover for this quarter and last year's quarter?

Harvinder Jaspal: Our overall Average daily turnover (ADTO), comprising equity and derivative turnover, was ₹711 billion for Q2-FY2020 and ₹556 billion for Q2-FY2019.

Vijay Karpe: And we have spoken that the cash yields have fallen, so from where have they fallen, from last year and the last quarter?

Harvinder Jaspal: Two parts to that. One is, if you calculate yield dividing revenue by ADTO, you would see that there has been and would be a reducing trend but that would have a mix impact as well. Second factor is also healthy adoption of Prime. As we discussed, Prime as a proposition for high volume customers has a privileged pricing and we have seen a healthy adoption of Prime. In order to offset the impact, we have identified couple of areas. One is to increase the total number of active clients. On that count, we saw reasonable increase and our market share has inched up and is now more than 10%. Volumes have also gone up; our blended equity market share has gone up by about 90 basis points. Second area is that we are working on adding revenue streams which are relatively less cyclical and to that end Prime subscription fees, which is an annuity stream, has contributed to ₹40 million for the quarter. We are also building up on our ESOP and MTF loan books to provide us additional income streams. That has been the broad direction and we believe with growing

focus on scale of quality clients, we should be able to counter this.

Moderator: Thank you. Next question is from the line of Madhukar Laddha from HDFC Securities. Please go ahead.

Madhukar Laddha: Just a bookkeeping question, can you give me the size of your margin funding book and the ESOP funding book, how large will that be right now?

Harvinder Jaspal: As of September 30th, our total loan book is about ₹6,700 million.

Madhukar Laddha: And average for the quarter would be about?

Harvinder Jaspal: Average would be less than ₹6,000 million.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Vijay Chandok for closing comments. Over to you, sir.

Vijay Chandok: Thank you very much for all your participation and we really once again thank all the investors for showing such an active interest. If there are any further queries or clarifications, please feel free to reach out to us. Harvinder and our IR team are available and you can reach out to me as well whenever required and we will be happy to be engage. Thank you once again and we look forward to a continued ongoing engagement with all of you. Good day and good night.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of ICICI Securities Limited, we conclude today's conference. Thank you all for joining. You may disconnect the lines now.

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