



**“Earnings Conference Call – Quarter and Nine month  
ended December 31, 2018 (Q3 & 9M - FY2019)”**

**January 14, 2019**

**MANAGEMENT: Ms. SHILPA KUMAR – MANAGING DIRECTOR & CHIEF  
EXECUTIVE OFFICER  
MR. HARVINDER JASPAL– CHIEF FINANCIAL OFFICER**

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 evening and welcome to the Earnings Conference Call of ICICI Securities Limited for the quarter and nine month ended December 31, 2018. We have with us today on the call Ms. Shilpa Kumar – Managing Director & Chief Executive Officer and Mr. Harvinder Jaspal – Chief Financial Officer.

For the duration of this presentation all participant's 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 phone. Please note that this conference is being recorded. I am now glad to hand the conference over to Ms. Shilpa Kumar for her opening remarks. Thank you and over to you ma'am.

**Shilpa Kumar:** Thank you. Good Evening. It is my pleasure to welcome all of you to a discussion on the performance of ICICI Securities for the quarter and nine month ended December 31, 2018. Our 'Business Presentation' is available on our website for your easy reference.

First, looking at the backdrop, year 2018 was a volatile year for the global financial markets. At the start of 2018, the optimistic sentiments of the past calendar year 2017 got extended; however, as the calendar year progressed, the traction for US market pulling funds back into US assets and resultant sell-off in other developed and emerging markets influenced our markets as well. Most key emerging markets were also impacted by the global trade war and the surge in crude prices. FII's were net sellers in equity till October 2018 and in the last two months were net buyers amid softening crude oil prices and rupee recovery.

On the domestic front – liquidity issues in the NBFC sector adversely impacted the flows into financial markets and the performance of equity markets in particular. Fund raising through equity slowed down substantially during the year specifically Q3-FY2019 resulting in 77% year-on-year decline in equity fund raising.

On the secondary market front, barring frontline equity indices such as NIFTY and SENSEX which witnessed growth in concentrated set of scrips, most of the broader indices ended 2018 in deep red, for example, the NIFTY Mid Cap 100 and NIFTY Small Cap 100 were down by 15% and 29% respectively. Mutual funds had assets under management up by 8% at ₹ 22.9 trillion as on December 31, 2018 on year-on-year basis from ₹ 21.3 trillion as on December 31, 2017, assisted largely by consistent increase in SIP flows and robust participation of retail investors despite volatile market.

Two significant regulatory changes – in the form of restriction on saving of Aadhaar data and disallowing payment of upfront mutual fund commission to distributors impacted our business: The first impacted our digital client acquisition whereas the latter had significant impact on our mutual fund revenue.

As a fundamental India growth continues, we believe that the structural opportunity in the financial savings market remains attractive while factors such as global trade protectionism, oil price volatility, etc., might have a short-term impact.

In early December, we articulated our long-term strategy for our Retail and Institutional businesses.

For Retail business, we had shared a twin-strategy – More Clients, More Engagement, aided by a technology edge, which we further intend to enhance by adopting a strategy of digital openness to compete in the ever-evolving digital market space.

For Institutional business, we continue to cater to the needs of our corporate clients by helping them with appropriate solutions through their lifecycle.

We believe that we would be able to continue to deliver strong ROE, diversify our revenue streams and tap the opportunity fully by focusing on these key pillars of strategy. We are happy to share some of the initiatives that we undertook during the quarter in line with the key pillars of our strategy:

- The first, our Digital acquisition T20: With the objective of faster client onboarding post Aadhaar Supreme Court judgment, we have redesigned our digital processes of client acquisition and will redeploy our T20 product.
- Second, the company launched revolutionary new offering, e-ATM order with which retail investors can get mere real-time credit of sale proceeds in their bank account when they sell stocks on the BSE instead of the usual waiting period of T+2 days under the current settlement system. The fact that this service is open to all and comes at no extra cost is testimony to our customer-first approach and further strengthen our strong liquidity-based proposition.
- Third, in line with our strategy to focus on tapping the potential in tier-2 and tier-3 cities, we launched a mobile app for our business partners team of more than 6,500 IFAs and authorized person. This app will assist partners to initiate mutual fund transactions on behalf of their customer, provide information on customer transaction, provides analytics and track their receivables which was earlier available only on a desktop version.
- Fourth, we also launched a unique offering for our private wealth clients called Direct2U under our investment advisory services. This offering leverages the power of technology advisory and transparent pricing to enable clients to invest digitally in direct schemes of mutual fund through the ICICI Direct

platform for a fee. Direct2U brings to clients the process-based risk assessment, defined asset allocation strategies and active investment advisory. It also provides integrated portfolio reporting in depth analytics on investments and capital gain statement on the digital platform through a tiered AUM linked fee structure with zero compensation from manufacturers thus ensuring alignment of interest.

**Looking at our Financial Highlights:**

Our company registered consolidated revenue of ₹ 12,987 million for 9M-FY2019 as compared to ₹ 13,505 million for 9M-FY2018.

We continue to focus on our diversification strategy with overall non-broking revenues contributing 46% of our overall revenue. Our Distribution revenue went up by 7% while our Broking revenue and Corporate Finance revenue declined by 6% and 24% respectively. Growth in Distribution revenue got impacted during the quarter because of significant regulatory changes related to mutual fund commission. Broking and Corporate Finance revenues declined mainly on account of high revenue base last fiscal and muted market conditions.

Consolidated profit after tax for 9M-FY2019 was ₹ 3,692 million compared to ₹ 4,024 million for 9M-FY2018.

We were able to maintain our cost with total cost declining marginally from ₹ 7,353 million to ₹ 7,304 million in 9M-FY2019, a decline of 1% implying net margin of 28% for the nine months this year, similar to the nine months last year. Our return on equity continues to remain robust at 55% annualized.

**Some Highlights of our Business:**

We were able to add over 3.2 lakh new clients in 9M-FY2019, resulting in our total operational accounts increasing from 3.9 million to 4.3 million. In terms of client engagement, our overall active customers increased by 10% to 12.2 lakhs in

9M-FY2019 over 9M-FY2018 and NSE active clients increased by 12% from 7.5 lakh clients in 9M-FY2018 to 8.4 lakh clients in 9M-FY2019 despite an uncertain and volatile market scenario.

If we look at some highlights of the Broking business – industry broking volumes ADTO (ex-proprietary) was up 58% Y-o-Y led by 62% growth in derivative ADTO and 4% growth in equity ADTO.

During the same period, I-Sec ADTO grew at 48% with equity ADTO volume growing ahead of market at 10% and derivative ADTO volumes growing by 51%.

Our market share was at 8.5% in 9M-FY2019 compared to 9.1% in 9M-FY2018.

Total Brokerage revenue excluding interest income which contributed to 54% of our revenue in 9M-FY2019 decreased by 6% against same period last year from ₹ 7,489 million to ₹ 7,040 million mainly on account of decline in delivery-based volumes. Retail Brokerage revenue declined by 7% from ₹ 6,676 million to ₹ 6,197 million and Institutional Broking revenue increased by 4% from ₹ 813 million to ₹ 844 million. Interest income from our Brokerage business has grown by 17% from ₹ 1,125 million in 9M-FY2018 to ₹ 1,315 million in 9M-FY2019 primarily on account of margin funds deployed with exchanges.

In our Distribution business, the revenue of this business grew by 7% year-on-year from ₹ 3,272 million in 9M-FY2018 to ₹ 3,510 million in 9M-FY2019 and contribution in total revenue increased from 24% in 9M-FY2018 to 27% for 9M-FY2019

Our Mutual Fund average AUM was ₹ 346 billion in 9M-FY2019, a growth of 19% from ₹ 292 billion in 9M-FY2018 compared to the market AUM (average) growth of 14% on Y-o-Y basis. Our mutual fund revenue was ₹ 2,103 million in 9M-FY2019, growth of 6% from ₹ 1,990 million in 9M-FY2018. Decline in our Q3-FY2019 MF revenues was majorly on

account of significant regulatory change; where for the quarter from October 22, 2018 there was no upfront MF commission. This would now be getting added to the trail income going forward and hence would take some time to get accrued. We believe that our shift in focus from higher upfront to higher trail in 2015 will help us navigate this regulatory change much better.

Further, our focus on SIPs has resulted in 17% Y-o-Y growth in SIPs triggered in the last month of the period from 0.6 million in 9M-FY2018 to 0.7 million in 9M-FY2019.

Our Life Insurance revenue grew by 4% from ₹ 302 million in 9M-FY2018 to ₹ 314 million in 9M-FY2019.

Turning to our Investment Banking business:

The equity capital markets saw decline of 77% in terms of fund mobilised or raised resulting in slowdown in ECM activities of the company. Our investment banking revenue was ₹ 862 million in 9M-FY2019, a decline of 24% from ₹ 1,136 million in 9M-FY2018. The company handled a number of Investment banking transactions in 9M-FY2019 including IPOs, InvIT, Rights issues, OFS and advisory deals.

Going forward, the IPO activities are expected to increase with ~ ₹ 730 billion worth of issues filed with SEBI. We continue to focus on building our advisory capabilities and as a result were chosen advisor in various capacities in 10 deals for 9M-FY2019 compared to 5 deals for FY2018 (as reported by Merger market).

We acted as financial advisor to LIC of India to increase its equity stake in IDBI Bank up to 51%. We have also been selected as an advisor by finance ministry for M&A deals.

I would like to sum up by saying we are very excited about the long-term opportunity facing our business and are confident that our strengths and our strategy of lifecycle approach, focusing on customer acquisition, focusing on

customer engagement, will help us in fully tapping the significant opportunities ahead.

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

**Moderator:** Sure, thank you very much. We will now begin the question-and-answer session. We will take the first question from the line of Laxmi Narayanan from Catamaran. Please go ahead.

**Laxmi Narayanan:** Couple of questions I have; first is on the retail broking side, what is the blended brokerage in terms of bps retail investors give you and what is the plan forward because I understand that there is a decline in your market share? The second part of the question is after the October 22 regulation, where the upfront commission to distributors is removed and is going to be trail commission and you said it will take some time for things to get readjusted for you. If you can just elaborate how it happens, for example, if you are getting 8% revenues in your commission business on mutual fund, how much was upfront and how much was trail and how do you think this will pan out in the next two years or three years?

**Shilpa Kumar:** Let me first start with your first question which was on yield. As we have articulated earlier also, internally we don't manage our business from a yield perspective, as it may be misleading at times. We know that yield is the outcome of the volume mix and for derivatives, specially options where the pricing is not ad-valorem but contract pricing, the computed yields would be lower compared to equity volume mix. The way we look at the business is we like both the equity and derivative part of the business for different reasons. Equity is the more high yielding part of the business; however, what happens is in conditions like the last nine months it is really the derivative customers who are actually engaging in a lot more business with the brokerage platform. So the combination of both is important to us and therefore we actually simply focus much more at a business level in terms of getting customer engagement up and getting customer acquisition up. That is really how we think of the business. If I



look at market share it is true that our market share if we just take all of the numbers, we are still somewhere between 8.5-9% which has been our market share and I think the positive thing that we feel is that we have continued to add customers and also continued to do a lot more with each customer that we add. So, that is the first point.

In answer to your second question about mutual fund, at an industry level, it is estimated that the revenues could get impacted by 25-30% due to cumulative impact of all the changes brought about relating to MF commission by SEBI, starting with expenses linked to exit load, changes from B-15 to B-30, all trail model from October 22 and the changes expected on trail commission linked to size of MF scheme from April 1, 2019. We expect our impact also to be in similar range although we may have slight advantage compared because we moved to a higher trail model much earlier. Second point to be made, which is true for everybody in the industry, is that the reduction due to upfront would reduce as we move ahead because this should come back as trail over a period of time.

**Laxmi Narayanan:** Is it fair to assume that the chunk which you accrued in FY2019 that would be reduced by around 25%?

**Shilpa Kumar:** FY2018 might be a better year to look at because the changes in MF have been rolling out during the course of the year in FY2019. If you look at it B-15 to B-30 came into effect from April 1, 2018 and the exit load came into effect from June 1, 2018. So, it is only the upfront commission which came this quarter. Of course, it is a large one but all of these things are not insignificant because B-15, B-30 was 0.3% and if you take the exit load change, it was actually 0.2% going down to 0.05%. We have been seeing this change all the way from April 1 onwards and therefore you have been seeing it for bulk of this year already. Therefore, only the upfront part you would have been for ~ 2.5-months in this quarter.

**Laxmi Narayanan:** Okay, the upfront has already started, okay, fine. I thought it is from April 1 onwards. Okay.

**Shilpa Kumar:** April 1, 2019 is the last I would think of the changes which is about TER depending on the AUM size and classification what you can charge.

**Moderator:** Thank you. We will take the next question from the line of Nischint Chawathe from Kotak Securities. Please go ahead.

**Nischint Chawathe:** My question actually pertains to cost-income ratio. If you could help us understand how we should be thinking about it and help us kind of how one should be forecasting it going forward?

**Harvinder Jaspal:** Cost-income ratio for us was 56% right now. The total expenses actually have declined marginally on Y-o-Y basis. If you look at the nature of the expenses, most of our fixed expenses have remained either flattish or minimalistic increase and the variable expenses obviously have come down. As a result of which, overall expenses have remained slightly declined. Going forward also, cost continues to be one key focus area for the management. So, cost-income ratio would largely be a function of revenue rather than cost and we don't expect big scale increases in cost. It is more of inflationary or controlled growth from here on, as has been the case also in the past. So, cost-income ratio would actually be a function more of revenue.

**Nischint Chawathe:** What proportion of employee expenses would be variable?

**Harvinder Jaspal:** Employee expenses, part of it would be variable as is prevalent in the industry, roughly about 75-25 which is what the industry assumes. Also just as a direction, in our strategy we have laid down roadmap for cost to income ratio of 50% by FY2022.

**Nischint Chawathe:** And on the other expenses as non-employee expenses, how much would be the variable kind of related to volume?

**Harvinder Jaspal:** Other expenses would largely be not related to volume. So, if you look at our financial line items, operating expenses are the ones which actually vary with volume where you have seen a decline on Y-o-Y basis of about 14%. The title 'other

expenses' refer to largely fixed kind of cost like rentals, etc., So, there we could see a minimalistic inflation going forward also. Right now it has been about 6% Y-o-Y kind of a growth.

**Nischint Chawathe:** Sure. And just other question was on the TER reduction. What have your discussions with mutual funds been kind of indicating? What proportion of it would you be taking and how should the realizations kind of move on from the current quarter to when we begin the next financial year?

**Shilpa Kumar:** So, see largely if you ask me, there is an industry wide number. Now within that most mutual funds we are having separate negotiations and depending on how they see it, etc., you could have outcomes. Now, to my mind you should just go with the industry level number.

**Harvinder Jaspal:** As Shilpa mentioned earlier also, the way to think is that FY2019 is a year where there are mixed impact because some of the impacts have already come in, some have come in for the part of the year. So, the best way to compare would be FY2018 to FY2020 because FY2018 is completely without any impact and FY2020 would have all the impacts for full year. So when we mean 25% - 30% that would be a comparison of FY2018 to FY2020 as broadly the guidance.

**Moderator:** Thank you. Our next question is from the line of Umang Shah from Saif Partners. Please go ahead.

**Umang Shah:** Ma'am, just wanted to understand what is this 25%, 30% number you are seeing? Is the reduction in the revenues for the industry?

**Shilpa Kumar:** That is correct.

**Umang Shah:** So, basically you are saying that there will be 25% to 30% reduction in the yields? Assuming that my AUM will remain the same my revenue should come down by 25%, 30%?

**Harvinder Jaspal:** See, two things to understand over here, one is the benchmark years that we are talking about, so we are talking about FY2018 with a no impact to an FY2020 with a full

impact, assuming April 1 implementation of the TER circular. So, therefore, we assume that between these two full periods there could be a 25% to 30% reduction in yields.

**Umang Shah:** And sir, if you could help us with the ratio of your MF portfolio, which is on trail commission versus the percentage of your MF AUM which is on upfront?

**Harvinder Jaspal:** Effective 22nd October anyways there is no upfront commission and everything is on trail. And as we discussed earlier also majority of our revenues even today was coming from trail, although we did have some upfront. So, to that extent we were slightly better placed, but now from this quarter onwards anyways everything is completely trail.

**Umang Shah:** Correct. So, sir, if you could help us with some numbers on how much of it is upfront versus how much of it is trail?

**Harvinder Jaspal:** We have not put down that specifically, I mean as a guidance we have said that our larger portion of our revenue was trail based and relatively lesser was upfront.

**Moderator:** Thank you. Our next question is from the line of Utsav Gogirwar from Investec Capital. Please go ahead.

**Utsav Gogirwar:** If I look at the SIP count, though we have grown at around 17% on Y-o-Y basis, I see a marginal decline on a sequential basis from 0.7 million to 0.69 million. So, what is the reason behind that? And is it concerning?

**Shilpa Kumar:** No, I think in general while SIPs have grown for the industry as a whole, same thing has happened to us and clearly year-on-year we benefitted. But also it is true that in a sequential basis, there was some rethinking that happens at our customer's end. Having said that, one thing I can assure you is both our customers as well as our sales people have seen the advantage of investing systematically, so that stays as a philosophy with us. And clearly, as we look forward, I would say our focus on continuing to grow this will remain.

**Moderator:** Thank you. Our next question is from the line of Digant Haria from Antique Stock Broking. Please go ahead.

**Digant Haria:** My question is mainly on the employee cost, I was just referring to the annual report that we have close to 4,200 employees and our employee cost for last year, i.e. FY2018, was close to ₹ 550 crores. And when I compare that with some of your competitors, may be HDFC Securities or someone else, it seems that we have a much, much larger employee base and to that much, much larger employee cost. So, I understand that there would be some reason, some of them might be putting the employees of the bank payrolls, we are more retail and more invested in the franchise, but then if I just compare with another guy who is just too much in the news which is Zerodha, they have around 1,200 employees and it just seems that are we over invested in this employee heavy model? Or if I were to think for five years, do we think that we will adopt the right mix of employee plus tech whenever we feel the time is right?

**Shilpa Kumar:** Let me actually just take you back to the strategic presentation we had made in December during the I-Sec day. I think we have two very firm paths in front of us, one is of course when I say twin strategy of more clients, more engagement, within the more client strategy we certainly want to build three to four strands of strategy. I think clearly one strand of strategy will be digital and how to make that much more effective, both in our acquisition on our own through creation of stronger brand, investing in our brand and online acquisition. That will be one part of it. The second part of it is, of course, our partnership with ICICI Bank, we will continue to focus on that. The third is really our partnership with, I would say, business partners across the country and that will stay an important third strand of our customer acquisition strategy. I would say the underlying for all of these three things will be a digital technology-based strategy, whether it means a fully online kind of acquisition or assisted by online. What I mean by that is that product for example T20 which I spoke to you about, we had launched this last quarter, we had to take a step back given the Supreme Court

ruling, but with a new worked around process we are now back with a T20 strategy. And therefore our focus on customer acquisition and engagement will stay. The second part of your question, do we need so many people? One, we certainly believe the opportunity is large and therefore we look at digital tools to help our people to gain more efficiency and productivity. Having said that, we also are actually five different businesses within the same brand, so really to compare us with any one house might be difficult. So, let me say that we have one of the largest feet on street in terms of the wealth team. Also, in terms of our business partnership model, that itself is a separate team. So, in a sense, we are actually running five different businesses under one brand and all of them are moving from offline to digital in various different mixes. And clearly the focus is to look at productivity and digital efficiency going ahead.

**Digant Haria:** So, would it be like is it fair to assume that say next five years if the business doubles and maybe the number of employees might not actually double, or is that too much to ask today?

**Shilpa Kumar:** I think certainly if you were to say, are we looking at any big changes in employee, the answer is No. But I would say on the back of demonetization we had made some investments in people with the idea of actually taking advantage of the trend ahead of us.

**Digant Haria:** Ma'am, my second question is on this Direct2U, so how are we going about execution of this? Because while this is really the good way forward and we do not cannibalize our existing customers fast enough to accelerate our yield drop. So, how are we making this fine balance of pushing the new product at the same time not cannibalizing what has been built over seven, eight years?

**Shilpa Kumar:** This product is actually an advisory product which will mean that there will be an AUM based charge which a customer will have to pay to benefit from this. Now, even if you look at our platform, on one hand the platform offers immense ability for a personal individual investor to stay in control of their overall

investment. We feel that with our research and the advisory function will merit an AUM based fee that the customer will pay us. I think the important thing to realize is that there is nothing we get from manufacturers on account of revenue in this kind of a product, so that is why we have kind of kept it targeted at ultra HNIs who will see the value of the platform and the advice, and will be willing to pay a separate advisory fee for the same. That is how we are thinking about it.

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

**Madhukar Laddha:** This is Madhukar Laddha here. I wanted to know what your margin funding book is for the quarter?

**Harvinder Jaspal:** Our margin funding book is roughly about ₹ 500 crores.

**Madhukar Laddha:** Second question, given that now Zerodha is now number one, do you think that you further need to reduce pricing?

**Shilpa Kumar:** No, the way we think about the number of customers who come on to our platform, actually we have a 1.2 million customers who are active with us over these nine months period. And indeed, the way we are focused is actually looking at our customers not just as people who come to the platform for broking, but actually as investors who through their lifecycle will come to the platform for various different parts of their wallet needs, and that could be broking, it could be mutual fund, it could be IPOs, it could be NPS. So, the way we actually are thinking about our customers is very different. Having said that, one thing which we bring to our customers in a very significant way is the assurance of easy liquidity, we also take liquidity from them only when they execute orders, etc. but clearly it appears that customers, I would say, put a different importance to some of these things, the fact that we are an established ICICI brand name, etc. So, we are also assessing what is it that the customers want, and right now our approach is to focus substantially on giving value to customers in various different ways. If you see e-ATM, I think it was an offering targeted in that direction. The fact that if a customer actually wants emergency fund, or even if he just

wants his money back faster, up to ₹ 50,000 in the next 30 minutes when he sells shares he can get his money. So, I think we are right now actually in a sense giving many different kinds of value to customer and that value can be a mixture of whether it is service, knowledge, pricing or liquidity. So, it is a combination of all of these things.

**Madhukar Laddha:** Do you see any particular customer segment which is more attracted towards Zerodha which you would like to retain with ICICI Securities? Or some sort of segmentation, any strategy in that direction?

**Shilpa Kumar:** See, to be honest, I would say that as a brokerage and investment company, and like I said we want to be a part of not just equity investors kind of choice set, but we would also want to work with people who focus very heavily on derivatives. So, I am saying we want to indeed work with customers across the range. And we keep offering different products, different pricing which appeal to different kinds of customers. So, like I said earlier, our whole focus is to keep increasing the product suit, keep increasing the value suit and keep offering different combinations of pricing, liquidity and features to different sets of clients. I think that process is already on I would say.

**Moderator:** Thank you. Our next question is from the line of Pratik Poddar from Reliance Mutual Fund. Please go ahead.

**Pratik Poddar:** Just one small clarification, sequentially would your active clients have gone up?

**Harvinder Jaspal:** Sequentially on a total basis our active clients went up from about 1.1 million which we discussed during the strategy day to about 1.2 million.

**Pratik Poddar:** And you talked about that you do not look at yields when it comes to the broking part of the revenue but you look at wallet share per customer, but on a Q-o-Q basis if I look at it that way the number of active clients have gone up but your broking revenue has gone down. So, what are your thoughts on that?



**Shilpa Kumar:** See, you are absolutely right and one has to see that this is a year in which there is muted activity from retail clients. On top of it if you even look at mutual funds, there is also impact of regulatory changes. So, all in all with these two things it is a fact that your number of customers will go up but you might see a decline in revenue that each one of them is giving. Let me tell you how we think about it, we think about the fact that if we continue to focus on customer acquisition and customer engagement we feel that will keep yielding us the desired result in the medium-term to long-term.

**Pratik Poddar:** And just one small clarification, you talked about a 30% decline in yields for the mutual fund distribution part, right?

**Shilpa Kumar:** Right.

**Pratik Poddar:** So, this was with regards to FY2018 label, so FY2018 if your yields were say 100 basis point by FY2020 for the industry it would become 70 basis point, that is how I should think about it, right?

**Harvinder Jaspal:** Full FY2018 to full FY2020, this could be the impact.

**Moderator:** Thank you. Our next question is from the line of Anubhav Vashist from Sharekhan Limited. Please go ahead.

**Anubhav Vashist:** I have two questions, first one is, recently in the December meet you had talked about a loyalty program, at this point can you elaborate on that and terms of how will it pan out? And the second question is, can you please provide the ADTO figure in terms of equity and derivative segment?

**Shilpa Kumar:** In terms of loyalty, first I must tell you that when we talked about our strategy there will be lots of things which are work in progress, there will be lot of things which have been rolled out. So, in terms of rollout we have actually planned to come out with maybe a membership kind of programs which will allow customers to benefit from different value propositions from the company. So, that is one part. Second part is, we will probably think of something similar for all sets of people whom we associate with for this business. But like I said, we

have made a lot of progress on our strategic initiatives in this quarter but again we will continue to do that over the coming quarters as well.

**Anubhav Vashist:** And if you could please provide the ADTO figure in terms of equity and derivatives?

**Harvinder Jaspal:** Yes, so the total ADTO for us this quarter was about ₹ 530 billion. Now, although separately we do not provide a breakup of derivative and equity but we understand that industry volumes are roughly in a ratio of about 95:5 or 96:4, somewhere in between it oscillates. We would not be very different from that, but overall our ADTO was ₹ 530 billion for the quarter.

**Moderator:** Thank you. Our next question is from the line of Nikhil Walecha from HSBC. Please go ahead.

**Nikhil Walecha:** Just want to understand a little bit in terms of change in the model moving towards the direct model. The kind of hit that distributor would take moving from an intermediately model to a direct model, would that be far higher than what the impact you anticipate on new SEBI guideline? You talked about 25%, 30% drop in revenues and fees on the mutual fund side. But if one were to move away from brokerage model to advisory fee model, would that also be one more impact on top-line that we should build in over a period of time as you move the clients?

**Shilpa Kumar:** First I want to assure you that we are not moving from distribution to direct, we are actually moving from distribution to advisory. And this advisory is actually being targeted only at our ultra HNI clients. And like I explained earlier, we believe that given what we offer to HNI clients in terms of our platform, the fact of advice plus execution plus control on portfolio I think that combination actually merits a fee based structure. And with a soft launch, we do believe that there is a good case for a product like this. So, indeed this advisory product is one which we are excited about and we think that it will help us grow our business with HNI community. Lastly, I may add, it also gives open architecture, so in a sense for HNI

the whole difficulty of moving between funds, even if that person were direct, through a platform like us it becomes also much easier to execute the thought process.

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

**Nidesh Jain:** The question is on e-ATM, how is the traction in that product? Have you seen material numbers since we have launched that product for retail customer? And secondly, how are we financing the float that we are providing to the customer?

**Shilpa Kumar:** One, I would say the straight-up answer from customer experience is one of delight. I know one often talks about customer delight in a way that actually the word has become very jargonized, but I must tell you that I have actually had people write-in to me to actually appreciate the product and actually to say in 30 minutes we got the money that was wonderful. So, I would say customer delight is something which e-ATM has got. In terms of actual numbers, they have grown, they have grown well. However, I just want to remind you that this product was offered exclusively on BSE, to begin with, so to that extent of course I think the growth is also influenced by the volumes over there. So, as we go forward, we will keep track of this and indeed I see that lot of customers picking up on this proposition.

**Nidesh Jain:** And how are we financing the float?

**Shilpa Kumar:** So, it was very clear even when we launched it that it was actually to be funded by the company, so I think that was very clear which is why there is a cap of ₹ 50,000 which we had put for a customer. So, it was more a convenience thing rather than an economic thing, though of course the extent of ₹ 50,000 is also economic. So, that is really how we looked at it.

**Nidesh Jain:** So, nothing stops us from launching it on NSE if we find it useful.

**Shilpa Kumar:** Sure, nothing stops us. And indeed, there would be discussions going on this front.

**Nidesh Jain:** And if we look at the journey of Zerodha, definitely the customer does not value the interest income that he is forgoing on the float and he is not able to appreciate that opportunity cost of capital and that is why the company has been able to make a sustainable business model. How are we thinking about giving that value proposition or advertising or at least informing the customer that he is better off even in our model because he is paying money only at the moment that he is transacting rather than paying three days or one month before the transaction?

**Shilpa Kumar:** So, see it is a fact of the matter that when it comes to paying a cheque, and you see this in any business that you run, when it comes to cutting a cheque for a service versus actually sometimes parting with liquidity, a customer often thinks of them very differently. Even though like let us assume that to actually move liquidity you are also looking at for example with us, it is an ICICI brand name, liquidity is taken only when your orders are executed, liquidity is given back to you T+2, now these are all very important things, but you are right, different customers are putting different importance to it. I think when I say that we are looking at the entire spectrum of cost benefit that the customer has, and looking to see how we can give it to the customer in different ways, that work is still going on. Right now, what we are doing is focusing a lot on actually giving benefits in the form of things like e-ATM, etc, to all our customers.

**Moderator:** Thank you very much. That was the last question in queue. As there are no further questions, I would like to hand the conference back to the management for any closing comments.

**Shilpa Kumar:** Thank you. I think it has been a late evening and appreciate all of you taking the time out to hear us and to also share some of the thoughts that you did. Thank you and good night to all of you.

**Moderator:** Thank you very much. On behalf of ICICI Securities Limited, that concludes this conference. Thank you for joining us, ladies & gentlemen. You may now disconnect your lines.