Moderator: Good evening, ladies and gentlemen and welcome to the Earnings Conference Call of ICICI Securities Limited for the Quarter and Financial Year-ended March 31, 2022.

We have with us on the call, Mr. Vijay Chandok -- Managing Director and Chief Executive Officer; Mr. Ajay Saraf -- Executive Director; Mr. Harvinder Jaspal -- Chief Financial Officer; Mr. Vishal Gulechha – Head, Retail Equities; Mr. Kedar Deshpande – Head, Retail, Distribution, Product and Services Group; Mr. Anupam Guha – Head, Private Wealth Management; Mr. Subhash Kelkar -- Chief Technology and Digital Officer; Mr. Ketan Karkhanis – Head, Digital Client Acquisition & COO, Head New Solutions Group; Mr. Prasannan Keshavan – Head, Operations and Mr. Niloptal Gupta – Head, Data Science Unit.

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 this conference call, please signal an operator by pressing 'star' then 'zero' on your touchtone phone. 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 call Mr. Chandok to take over the proceedings. Over to you, sir.

Vijay Chandok: Thank you. A very good evening to all of you and welcome to the ICICI Securities Q4 as well as the Full Year Earnings Call for fiscal 2022.

So, I'm sure that by now, you would have already perused through our financial year numbers and also the Q4 Results, and also, of course, our presentation which has been uploaded.

I will start with highlighting a few points.

First, on the financial side. Three things, I would like to highlight. If you look at the FY'22 revenue, this stood at ₹3,438 crores registering a 33% growth over the last fiscal year. This has been led by strong performance across all businesses that we are in. Our profit after tax for FY'22 grew by about 29% and it came in at about ₹1,382.6 crores.

The Board of Directors approved a final dividend of ₹12.75 per share, taking the full year dividend to ₹24 per share for fiscal 2022.

As we look at the operating side this year, what we find is diversification as a theme has really stood out, and it has stood out for us in the areas of revenue mix and also in terms of client segmentation.

When I talk about revenue mix, what here we see is that broking as a contribution to total revenue has now come down to about 45% in fiscal '22 which used to be 58% in fiscal 2021. In fact, when you look at Q4, it has come down further to 42%.

The retail allied equity income contribution to the total equity has actually increased now to 32% in the full fiscal, which was 16% last fiscal. And if you look at Q4, it has actually further increased to 38% of the total retail equity. This is on the back of traction from Prime and MTF which has gained by quite a margin.

We also see diversification with respect to age group and revenue mix. Of our total equity retail revenue, what we find is that 40% of revenue is coming now from millennials and GenZ; 30% is coming from 40-to-50-year-olds, and another 30% coming from above 50-year-olds. 60% of revenue in each of the fiscal '15 to '22 is contributed by greater than five year vintage customers relating to our ability to retain vintage customers as we move along.

With respect to client sourcing and the client mix, we see that there has been a strong momentum in client addition. We added close to 22.7 lakh customers in fiscal 2022 which is the highest that we've ever done in any year. Today, our customer base has now expanded to about 75.6 lakh customers.

In the last three years, millennial and GenZ clients are now constituting more than 80% of our active customers and 65% of our customers acquired in FY'22 are actually less than 30 years of age. 84% of these customers are from tier two and tier three cities.

Pursuing this theme of diversification, the open architecture strategy has actually helped us reduce our dependence on ICICI Bank for new customer acquisition because today we find that 79% of customers are sourced from channels other than ICICI Bank.

The other point we want to highlight with respect to this year is that there is clear traction in product proposition and our digital properties which we've been launching in the past few quarters. So, to name a few, our PMS book has now crossed ₹700 crores, the Prime proposition to our customers has now crossed 1 million customers. Markets App and Money App that we have launched, have crossed a combined download of about 1 million and are rated ~4 on the Play Store.

There is clearly a gaining traction that we see on some of our properties like One Click Basket, which is both for equities and mutual fund, Premium portfolios, Masters of the Street. These are very interesting products that we've launched to gain share of business in the equity side of our market opportunity. The MTF book on an average for this fiscal actually scaled up by 3.6x from what it was last year. And we are clearly a market leader with a 22% market share in the MTF side of the business.

Also, finally, when we looked at the year, our efforts were actually recognized by various awards that we won. I don't want to talk about them. I'll just highlight two of them actually. One of them is where we were ranked as India's Best Securities House by Asiamoney 2021.

And the second one I'll highlight is the Digital Wealth Manager of the Year Award by AAA which is a Digital Award for 2022.

I will now turn our attention and talk about Q4 performance. While we look at the entire fiscal and look at it as a strong year on a whole, the quarter gone by was a mixed bag as far as the industry was concerned. We witnessed in the industry a reduction in cash equity volumes, and also postponement of various primary market issuances owing to uncertainty in the market led by the geopolitical tensions arising out of the Russia-Ukraine war.

The retail client additions to this industry, whether in terms of NSE active or also in terms of total number of demat accounts also lost momentum in this quarter compared to the sequential previous quarter. While the cash volumes reduced in the quarter, derivative trading volumes continue to show growth, but clearly there was some moderation in the growth rate relative to the previous quarter.

So, in Q4, our revenue grew by 21% on a YoY basis to ₹892.3 crores and again, this is on the back of growth in all our business segments on a yearly basis. However, when you look at it on a sequential quarter basis, revenue declined 5%. This decline is primarily attributed to our issuer and advisory business which was impacted as I mentioned due to postponement of various public issuances due to the geopolitical uncertainties going on.

When you look at our distribution business, it actually showed an improvement. Equities business overall remained flat on a sequential basis. Even when you look at our cost structure, they remained flat. As a result, profit after tax for the quarter increased by 3% on y-o-y basis but declined by 11% on a sequential basis. This came in at about ₹340.3 crores. The sequential decline in profit can be attributed to lower revenue in the issuer and advisory business.

Let me now just take you through some of the key highlights of our performance for the period. In the past, all the feedback that you've been giving us to increase our disclosures, this time around we have gone ahead and added additional disclosures. This is for the first time we are giving you a disclosure on our retail market share in equities and derivatives side. On the retail equity market share, we are happy to report that our market share improved by about 30 basis points in Q4 on a sequential basis as compared to Q3. So, market share now has crossed 10% and is at 10.1%, which was at 9.8% in Q3. This is clearly a result of the traction that is coming on various products that I just spoke about earlier in my commentary.

On the derivative side, our market share in derivative actually declined in Q4 to 3.3%. Our efforts to regain market share continue, and it remains a focus area. To recoup this market share, we have identified four key levers, namely, pricing, experience, various tools to facilitate derivatives and finally, the algos and the open architecture platform.

To update you on the pricing front, we have already launched NEO which is gaining traction. On the experience and analytical tools side, we have launched our new Markets app, One Click Derivatives platform, New Trading View on Charts, Option Express, we've invested in improving UI/UX among some of the other initiatives.

As far as the open API architecture is concerned, we have very recently launched the same called Breeze API and it is currently in the adoption phase. It has several industry-first features. We in a short period of its launch, signed up more than about 1,000 traders. A lot of that has to actually play out in the times forward.

On the back of these measures, what have we seen? We have seen an improvement in some of the input parameters like number of customers, orders and lots. There are many more initiatives in the pipeline which are in the domain of algo trading platform. We are coming out very shortly with a platform which we have branded as Meta Cockpit which is directed towards high volume traders. We are also coming out with one touch simplified options trading products, which we have branded as Flash Trade. With all these initiatives being launched, we remain totally committed to start showing you a gain in market share as we move forward.

Our distribution business witnessed a growth in revenue driven by insurance and other distribution products. Our loan base broadened with distribution of home loans and also some of the other loans that we distribute are picking up momentum. We registered market share gains both on a sequential as well as YoY basis for flows into debt and equity mutual funds. We feel satisfied when we look at the strong gains that we have made at a granular level on the SIP count as far as mutual funds are concerned. This is on the back of the launch of our “Money App”, which has seen good adoption from customers.

So, when you look at the mutual fund data, the noteworthy points are as follows: The mutual fund average AUM is up by 22%, which is an all-time high for us. The AUM market share increased from 1.6% to 1.7%. Market share in SIP improved and it came in at about 3.7%. SIP count for Q4 touched 1 million per month. This used to be 700,000 a year ago. And the SIP flows increased by 31% YoY now.

So, in context of our insurance business, we are working on multiple prongs to harness the entire insurance opportunity. We are working on creating intuitive customer journeys, which is highlighted by our partnership that we recently announced with Coverfox. In fact, the product, with Coverfox has also been launched a few days back.This is enhancing our product suite and is helping us integrate with insurance, and it is helping us provide an analytical-driven personalized experience for our customer, which is leveraging our Money App. Loan distribution continues to scale up; this quarter we disbursed ₹660 crores as against ₹530 crores that was done last year same quarter.

As far as the issuer and advisory business was concerned, it was impacted in this quarter, considering the environment not being very conducive for IPOs. Having said that, the franchise continues to strengthen its leadership position and the pipeline is pretty strong. We also continue our efforts on growing recurring sides of the issue and advisory business like QIP blocks and other advisory services.

Having looked at Q4, I'll now shift our attention and give a little bit perspective on the way forward. As we enter FY'23, we are entering it on the back of a slowing market environment. However, we continue to believe quite strongly on the medium-term story for the industry. That story remains intact despite the short-term headwinds. So, FY'23 will be a year of investment for us. We will be making strategic expenditure on investments on technology and marketing. This is in line with our endeavor to stay ahead of the curve.

Investment in technology will be to magnify our digital capabilities, modernize our data center and also help us transform our tech architecture to become cloud-enabled.

Key areas where we are spending on technology are cloud migration, launching new digital properties, addition of digital layers to existing ones to enhance customer experience, and finally building a reliable and risk protected data infrastructure.

This year, our tech cost increased by 70% as compared to the previous year. And in the year that is FY'2023, we are budgeting a commitment of two and a half times what we spent in the year that just got concluded.

Marketing spends is primarily proposed on brand building activities and increasing promotion and awareness on new properties, products and features to increase our presence. Today, if you look at the listed fin-tech space, we would rank as amongst the most diversified business models, and this diversified business model has a meaningful presence and market share in several business segments. And today, it would be fair to say that we have established ourselves as one of the leading fin-tech players in the country.

We continue to press the pedal to strengthen our franchise and gain market share in the equity side of the business. And continue as we do so to diversify into other revenue opportunities of insurance, loans and other distribution products so that we can emerge as an open architecture digital new financial services.

I'll end my commentary and throw it open for questions that you may have. Thank you very much for your patience here.

Moderator: Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from Kashyap Javeri from Emkay Investment Managers. Please go ahead.

Kashyap Javeri: First, I just wanted a clarification. You mentioned about some budget being 2.5x expenses last year. Was the marketing and promotion budget that you mentioned?

Harvinder Jaspal: This is technology spend. Technology spends have been growing. So, that was higher by 70% this year. And on top of that, we spoke about a two and a half times approximately for the coming year.

Kashyap Javeri: Would this be expensed in P&L or this would be like a capitalization on the balance sheet?

Harvinder Jaspal: It'd be a combination. So, I mean, the overall outlay is both CAPEX as well as OPEX but the bulk of it would be CAPEX.

Kashyap Javeri: Would you be able to quantify FY'22 number?

Harvinder Jaspal: FY'22 number in terms of CAPEX would be of the order of about ₹60-odd crores.

Kashyap Javeri: Couple of questions from my side; one, we have again sort of reclassified revenues in our presentation, both in terms of let's say equity and the allied as well as distribution. So, if you could help us understand, how do we compare that with the previous classification, what has changed? Second question is in terms of client addition. While you mentioned that for the industry as a whole, the addition has declined and which is pretty much visible in some of the large players also, but the decline for us in terms of new active net client addition has been much sharper decline vis-à-vis let's say competitors in this quarter. So, what would explain that sharper fall? Third question is in terms of your interest expense. While MTF and ESOP interest income has grown by about 1.6x versus last year, interest expenses have grown almost about 3x. What has driven that number? And last question is in terms of employee cost. Was there any one-off write back or something in the same quarter last year where the costs have sort of gone up from about ₹105 crores to ₹170 crores?

Harvinder Jaspal: Kashyap, let me try to take it in the reverse order. Those answers are fairly straightforward. Yes, last year, if you remember our commentary, we had a slightly upfronted variable costs for the first half, as a result of this Q4 was relatively lower than the run rate. In fact, our employee cost-to-income ratio was one of the lowest in Q4, which was 20%. And we had given a guidance that a more normalized number is of the order of about 23% to 25%. So, against that normalized, the increase is primarily on account of growth in the employee base and increment. So, that is the answer to the fourth one. Now, let me go to the third one, where you're asking about the interest income increase; that is is on account of two parameters. Number one is, as you rightly said, growth in MTF and the entire loan book. The second is also that we have interest income increase because of FDs that we place with exchanges, and those FDs have to keep on increasing as the volumes keep on increasing. So, that is the interest income on account of FDs. Both of them put together is showing that growth, which is three times.

Kashyap Javeri: My question was that expense has gone up to about ₹90 crores. So, I couldn't understand what you're trying to say in terms of FD. So, are FDs with the exchanges that we put, is there any expense that you are clubbing over here? I couldn't understand actually.

Harvinder Jaspal: No, so, let me tell you, the interest income line items, one is interest income that we generate from MTF and loan books. The second interest income is from the fixed deposit that we place with the exchanges. We have two line items which impact the overall interest income. On the expense side, the borrowing, which funds both these line item is basically commercial paper borrowing which comes under finance costs. So, the finance costs increase is for both these line items. That is what I was trying to say.

Kashyap Javeri: So, what would be the growth of NII number if I see net of this expense?

Harvinder Jaspal: So, on NII basis, the growth you're seeing in the MTF interest component, that would be the growth because FD and the commercial paper borrowing would be almost even. So, there is no negative carry or a positive carry. Now, moving on to your third question, which if I remember was on account of slower growth in NSE active vis-a-vis players, as you rightly said, one is a bit of a moderation that we have seen in Q4 in the market in most of the players, I mean, you've seen month-on-month for Jan, Feb, etc., the numbers have been softer. That is one theme. The second theme as we have been articulating is that we are focusing on improving the quality of the mix and consciously we are wanting to have a scale which helps us to improve the mix of the sourcing after which we want to scale. So, that has been a conscious effort, because of which you are seeing a slightly more delta vis-à-vis some of the other players.

Kashyap Javeri: If I look at attrition from the client addition, this quarter is slightly higher for us, the drop out of the clients at the net level. So, I'm just trying to calculate open plus whatever you have added, which is about 618,000 and closing in about 3.03 million, so dropouts would be roughly about 3,40,000, which is significantly higher than what we have seen in the past.

Harvinder Jaspal: In fact, our emphasis on quality is from this particular aspect that once a client does even a first transaction, getting a second transaction is where this parameter of quality comes in. Now we have got an experience of let's say, 12 -13 months of higher scale of sourcing, we are trying to gauge the channel, which gives us more sustainable quality. That is the reason why we've seen a higher drop off, and that is also leading to our conscious effort of improving the mix before scaling.

Kashyap Javeri: Lastly, on the reclassification?

Harvinder Jaspal: So, reclassification, let me clarify once again. I think you're referring to the retail equity and allied which is oneline item. We have always been saying that retail equity and allied is our total income from equity businesses. Apart from the presentation, we upload a very detailed excel spreadsheet, which gives you all sub-breakups, but the point that we wanted to make was the ₹521 crores that you're seeing for retail equity and allied, that is the total income that we have been able to generate in our equities business, and it includes the income that we earn from broking, the interest income, the charges that we have, and it has to be seen together. And the way we look at it, and that's why what you'll see is consistent, it is ₹527 crores and ₹521 crores, these are the two numbers. The breakup between broking and allied is also there detailed as a disclosure annexure.

Kashyap Javeri: But I didn't get a change in the institutional brokerage number also, which this quarter you have reported about ₹63 crores and in this presentation, the previous quarter number is about ₹69 crores. But if I look at our Q3 presentation, that number was only about ₹44 crores and similarly, if I look at even distribution on YoY basis that has been changed. So, has that been changed across the line items?

Harvinder Jaspal: Institutional equity does two types of businesses. One is the flow business and the second is it also helps in the corporate finance deals or investment banking deals. And there is a revenue sharing which is an industry practice which is what is called the allied income, which also the details are available in the disclosure. So, this is what we started from the last quarter with that explanation.

Moderator: The next question is from Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain: Firstly, on the corporate finance side, you mentioned that the recurring segment is growing. Could you give some color as to what is the share of that recurring segment right now? And how do you see this business shaping up in FY'23? While you have a good pipeline of deals in store, but looking at the market conditions, do you envisage a sharp decline in the revenue from this segment? Secondly, on the MTF book, with market volatility increasing, would you take a call to reduce the income or reduce the lending on this side of the book? And thirdly, on the distribution income side, what is the kind of traction you expect in the next year?

Ajay Saraf: If I can answer your first question on the corporate finance side and a bit of predictability there, what we are doing also is given our dominance in the equity capital market, with a 70% market share last year, what we have invested is building up on the advisory side which is the private equity and M&A and we are seeing traction. So, that kind of gives a bit more stability on the incomes, while continuing our dominance on the equity capital markets.

Prayesh Jain: Basically, I wanted to understand in FY'22, what would be the kind of revenue you would accrue and can you give that split up?

Harvinder Jaspal: So, overall revenue we have disclosed which was Rs.65 crores for the quarter as compared to ₹110 crores. Within that predominantly, it is capital market activities and that is definitely our key strength. There we have a strong pipeline of about ₹870 billion. A lot of deals with strong left lead mandates but as Ajay commented, it'll depend on how things evolve. But yes, that is our strength and market share over there is important, which is where we have worked towards and tried to gain. If I were to move to your question on MTF, MTF is a product strategically that we have been focusing on. It has given us dividends in terms of revenue diversification, it also is a key source of attracting customers with high value action base. Going forward our endeavor would continue to be to focus on this product with diversification as a theme and broad basing. So, reduce concentration, broad base, have more number of customers, increase penetration - these are the themes, but per se the product is something that we are focusing on and we in fact intend to scale it up even further.

Prayesh Jain: Just following up on that, so ESOP funding impact would be seen in next year, right. What would be that quantum?

Harvinder Jaspal: So, ESOP funding right now is roughly about ₹1,400 crores. Out of the total ₹7,500 crores that you see and it is a bit of a rundown. So, next year we should expect it to have a bit of a slow wind down because of the regulatory changes that we discussed last time, but right now it's at about 1,400 crores.

Prayesh Jain: So, next year it would be much lower than this? Close to possibly half of that?

Harvinder Jaspal: That's reasonable to assume, Prayesh. Vishal, if you want to add on the MTF point?

Vishal Gulechha: As you said that market volatility also has a role to play, so I just wanted to keep everyone informed that we work in a very strict governance system and all the positions which are open are governed by that. So, if you go back, March 2020, actually we brought down the book by almost 40% to 45% keeping in mind the market conditions, etc., however, when we saw the opportunity to scale up, we immediately put all levers in place and quarter-on-quarter we added to the funding amount. So, we will have adequate margins and as Harvinder said that the effort is how many more stocks we can add so that the risk is diversified among quality stocks and also how many more customers we have so there is no concentration on a particular set of customers.

Harvinder Jaspal: Prayesh, also you had a question on distribution traction and what we can expect in the coming year. So, our focus consistently over the last many quarters has been to diversify our revenue, distribution has shown a good growth, we are seeing improving traction on many products; mutual funds, insurance, loans, fixed income, etc., These are some of the products which did well. Our focus is to build up this particular franchise. The loan book which is scaling up, insurance where there are partnerships that we are trying to do, we are getting more partners, insurers, manufacturers, on our platform and also digitizing journey. So, these are some of the initiatives that we are taking. Our endeavor is to improve and build up traction in this across all products.

Moderator: The next question is from Aditya Jain from Citi Group. Please go ahead.

Aditya Jain: A few data keeping things. So, could you give us a breakup of the total ₹373 crores of brokerage revenue into retail and institutional?

Harvinder Jaspal: So, if you look at retail brokerage for the quarter, it's about ₹325 crores and institutional brokerage would be ₹48 crores. This is the brokerage income. But as I clarified earlier, total business retail equity revenue is about Rs.521 crores including allied.

Aditya Jain: And institutional the amount which is there, that is including allied revenue share?

Harvinder Jaspal: Yes, that's right, that's about ₹14.8 crores of allied plus ₹48 of broking, totaling up to ₹63 crores of institutional equity business.

Aditya Jain: Could you tell us the number of NEO subscribers and operational accounts? I know that separately you haven't mentioned this number for a couple of quarters but if it makes sense to share that number the number of operational accounts and the NEO subscribers now?

Harvinder Jaspal: In terms of the data points, Aditya, offline also I will direct you to our disclosures which is a separate link that we have where all these data including historical data is there. The NEO customer base is now 2.2 lakhs right now as of quarter end. The total client base again is disclosed over there as 7.6 million.

Aditya Jain: I was looking in the wrong portion of the website I guess. And then two qualitative things, so one, the API business which you are building more, how does monetization in that happen? So is it like some sort of a bulk pricing or is it volume-related? Just broadly to understand how that works. In a similar way,the partnership with Coverfox how does that work and which part of revenue will it enhance?

Vishal Gulechha: So, API monetization is again by way of the brokerage which customer generates and also the allied income. So, just two months old initiative and as we just said that we have crossed 1,000 customers. When we look at the initial patterns we see that the number of orders have grown almost 2x in the same period. So, it is kind of giving those opportunities to customers and customers are able to encash that. So, that is how we see the monetization happening. We are adding many features, first of the kind features in the industry like giving historical data, one minute candles, etc., which is not the current industry standard so far and we also want to bring the complete back testing modeland many strategies which customers can form using our platform. So, I'm sure that the volume and the brokerage plus allied income will justify the monetization.

Harvinder Jaspal: Aditya, just to kind of further elaborate, so we have various plans, API would be a manner of transacting from the customer to us, depending on whichever plan the customer has chosen, for example if he's a NEO customer versus a Prime customer or a lifetime prepaid, depending on whatever plan he has chosen, the brokerage will be charged on overall volume that is done through API or directly, either which ways. We don't have as of now any plan which is a bulk pricing, one payment, unlimited volume plan. Your second question was with respect to Coverfox. So, there the partnership with Coverfox is expected to help our insurance business. They are helping us build a technology interface with the assisted digital journey for both general insurance, health insurance, some of those products which we are focusing on. And our expectation is that traction should build there. The partnership is Coverfox being a technology provider and us doing the marketing. So, that is the partnership.

Aditya Jain: So, a customer of ICICI could buy insurance on the iSec platform and because Coverfox already has linkages with insurers, you could leverage on the back of those rates to offer the insurance plans to customers, is that the right understanding?

Harvinder Jaspal: Yes, that's right. The way we have worked out this partnership is that we have agreed a kind of a revenue share with them so that jointly both the players will work towards creating or scaling up this business. That is the way we have designed the commercials, but what you're saying is right, the model is tech partner journey.

Vijay Chandok: Just to elaborate, conceptually what you have explained is correct but for our partnership with Coverfox is giving us a specific UI/UX customized for us and the back end is tied up with our partners using our license. He is just a software service provider. So, that is the arrangement. So, whoever are our insurance distribution partners, the pipes are connected only with those insurance partners. In our case it will be the general insurer partners that we have, the health insurance partners that we have and as and when we launch life, it will be the life insurance partners that we have, but it's ICICI Securities partners that would be on the back end.

Aditya Jain: So, the broker of record will be ICICI Securities on the insurance policy and not Coverfox?

Harvinder Jaspal: Correct, just to clarify, technical term would be corporate agent, broker technically is a different term in insurance policies.

Aditya Jain: So, we are working under corporate agent license and not a brokerage?

Harvinder Jaspal: That's right.

Moderator: The next question is from Karthik Sani from Myriad Asset Management. Please go ahead.

Karthik Sani: I just want to ask one question that would be around your spend that you're aiming of 2.5x compared to FY'22 and you said that this will be a mix of both CAPEX and OPEX. So, I just want to understand what will be your cost to income, given that it's 49%

right now and your target being around 40% if I'm not wrong. Can you just give me some color on that please?

Harvinder Jaspal: So, this spend will enhance our cost-income ratio maybe for the next year. We have been guiding on this earlier as well that a journey to 40% or a much higher operating leverage compared to today might go through a slight increase before it starts coming down, because we are investing in a couple of areas in the coming year. We could see an expansion further up from the current 49% in the coming year before it starts trending down.

Moderator: The next question is from Aejas Lakhani from Unifi Capital. Please go ahead.

Aejas Lakhani: Two quick questions. One is I'd like to understand your thoughts on why a trader will come and trade on the platform more, what is the key driving metrics? If my understanding is correct you guys have the best rate on the MTF in the industry and that provides leverage. Despite that we're not able to garner incremental derivative market share. So, can you just expand a bit on that strategy because that is quite crucial for us, the way I understand?

Vishal Gulechha: See, every product on ICICIDirect, we take it as a separate customer segment, right, so be it cash, be it MTF, be it intraday, equity trading or derivatives. Within derivatives again, futures is a separate market for us and options is a completely different market. Now the effort is in each and every product - how do we create that niche which adds value to a customer. So, we have looked at each and every product. I mean as I said that all these five, six products and try to add features, tools, attractiveness in terms of rates. Also, the other important commercial parameters like interest, etc., On derivatives, we have taken a number of initiatives apart from the new pricing in terms of tools, in terms of APIs. Even in the current quarter when we look at the initiative, I think we have completely simplified the derivatives journey on our website. We have also simplified our journey on Markets app. We have added number of tools and it is getting traction like One Click Derivative which has a readymade strategy execution tool which otherwise user will find it very difficult to do in a fragmented way, the execution of that strategy, that also is getting traction. Other initiative like Option Express,APIs where we are trying to give set of data and also connectivity which is not the market norm so far, I mean, it is completely at a different level and we will keep adding value to that. So, that is on derivatives segment. As far as cash is concerned, I think Prime is the key proposition there. We have added new attractiveness by bringing lifetime Prime plans now. Just two months and we have seen a very healthy adoption rate from the dormant customers, from the new customers and also customers who want to explore our products like MTF, etc., and needs that absolutely fine commercial terms. So, that's what our endeavor is that each and every product should be looked at as a separate market, separate customer segment and we should fine tune each and everything what matters to customers.

Aejas Lakhani: Thanks for that, but on the derivative side I just want to understand since switching costs are low, what is it that segment would require from us that we were lacking today which causes the shift. So is it platform, because the traders are used to executing their trades on a different platform or is it is it price that is determination for him to move? Or is it features or what exactly is that you have that you didn't have earlier?

Vijay Chandok: So, I'll just add to what Vishal said. What Vishal was basically saying that every sort of product that you're trying to offer to your customer, you need to have a winning proposition around it, right, and you create an entire ecosystem supporting that product so that it gives the customer a winning feeling and you have a winning outcome. So, with respect to derivatives, there are four items required to win in our assessment. A trader always looks for low cost. It's a high volume low margin business. Therefore, all types of costs that he incurred, hidden, non-hidden, direct, indirect has to be the lowest. The second is it's a fast game. He wants a platform which is fast, responsive, salient, giving him easy entry, easy access and multiple platforms to access and the features that he expects on each platform has to be consistent, right, that's the second thing. So, I would summarize all this by calling it a great experience. Third, he needs tools to win. Today, tech has given the ability to create a number of tools which translates its strategies into simple trades which he enters in English and gets an outcome which can be sort of executed at a very short notice. So, I'll call this as tools to win. The fourth is APIs and algos because then he creates his own front end and uses as an execution platform. So, these are the four sort of elements that are required. We have actually been investing in some of the other areas to modernize,to upgrade and to improve. You would have seen that on equity side, we've been able to successfully do that and we are seeing gains in market share. It would be fair to say that we made a rather late start with respect to derivatives and we were able to make a higher market share in the past because of the extra leverage that we were able to give, given what was possible in the pre-peak margin norm. It is only after or around the peak margin norms that real proposition investment started beyond the leverage proposition. Pricing, that piece is significantly done and getting absorbed in the market. Great experience is about seven or eight month old story. I mentioned that there are many more refinements going on. You will never make the Taj Mahal in the first go, but we have a good app now, good acceptance Markets app along with our Money App, it's crossed more much more than a million downloads. We are seeing a four star plus rating there. Tools to win - I elaborated there are several tools that have been added and more tools are coming. I would say these tools are three months to four months old tool in the platform. So, there is still familiarity which is going on. So, there is a lot more marketing and communication efforts that we need to do. And then finally APIs and algos. Algos is yet to be launched. It's going to be a Q1 launch. APIs have been launched maybe a couple of weeks back and we've got a thousand plus traders sort of taking that facility. So, if you really look, we are a youngster in this field and it may sound a little strange to hear this from me, but the fact is that in these areas our investments are a few months old. We are going to invest on fundamentals, we are going to invest on investment input parameters. We are quite confident because we've been able to invest in input parameters and we got an output parameter on other sides. This is one area where we have not got the output parameters. I must say it is disappointing for all of us, it pains us a lot and we remain totally, committed on building these capabilities into the company so that the trader feels that, yes, he's got a winning ecosystem here. That's the eventual sort of a place. Are we seeing green shoots? Definitely, we are seeing green shoots because we are seeing on a daily basis, improving number of trades, increasing number of orders and so on and so forth. It's got to translate into gains at a faster clip than what we are seeing for sure, there's no running away from that, and that's what we are committed for, and we hope that during the course of this year, we'll be able to really cross that hurdle.

Aejas Lakhani: We've seen month-on-month additions in clients as high as two lakhs and then probably at the lower end because we are choosing the channel mix like you have rightly called out for quarters. So, in terms of the run rate of clients, what is the number that we should sort of be thinking around, is it on the more recent lines, is that how you're looking at client additions or is it that once you figure out all of this, the acceleration will take place in the latter half of the year?

Vijay Chandok: There is no perfect answer for this. So, let me tell you how all of us are thinking about it. The pullback in numbers, it would be fair to say is a deliberate pullback. And the reason why we pulled back is because we said that, like I probably would have explained in some of the earlier calls that we've done, digital acquisition is not an amorphous acquisition, there are at least five or six sub-channels of acquisition, each sub-channel has got its own cost and its own behavior characteristics and its own participation in the market. Obviously, out of the five, not all five are of the same quality and caliber, some channels are really good, some channels are really bad. As it would be natural in anything which is giving you not so good quality is probably the easiest for any team member to acquire and in the initial stages of our growth, we got a mix which was not certainly not optimal. We learned that the good channels now that we have about five, six, seven quarters of data with us and clearly there are, what we call, green channels, orange channels and red channels. Red channels we are suppressing which means that some of the clients which were coming off, not so good quality, are just been sort of shut off. The orange and the green channels are the channels that we are pushing the accelerator on. These are tougher channels to acquire, but we have to invest in this. So, we will continue to invest. We are in the ballpark of around 200,000 per month kind of a rate. I mean at this point in time, we are broadly running with that kind of a run rate, but it's a review on a fortnightly basis. This number is something that we can ramp up and ramp down based on how the market is sort of giving us a lead and how our own behavior is coming. So, we are running right now as I told you at a broadly two lakh per month kind of a run rate, reviewed on a fortnightly basis. In the quest for quality, we cannot be giving up the growth numbers also. So, we are conscious of this. I'm trying to just do a balancing act right now. If the market is giving us more traction, we will press the pedal to get more.

Aejas Lakhani: So, we should think of the 600,000 a quarter as the benchmark for at least some time till the acceleration journey starts.

Vijay Chandok: I'm taking it 15 days at a time.

Moderator: The next question is from the line of Arash Arethna from IIFL. Please go ahead

Arash Arethna: I just had a couple of questions around overall revenue growth. So I think if I just look at the retail brokerage line, I think you've grown 2% YoY in FY'22. Now, this is despite a 90%-plus growth in NSE active clients. I understand the equity volumes have come down this year. But overall what is the outlook on the broking revenue and I'm just talking about broking and not broking and allied next year. And in conjunction for overall revenue growth, from what I gather from the call, you intend to scale up on the interest income with the MTF book on the distribution side. And on the issuer side you would probably see some sort of decline. So, along with the broking revenue what is the sort of overall revenue and broking revenue growth that you are seeing going forward?

Vijay Chandok: So, let's take broking revenue. When we started this journey of transformation, we said that we want to move away from this product-centric sort of focus to a client-centric focus. What we find in the market is that the way in which customers are charged for performing an equity transaction is pay for the services that you avail. So, while the act of the brokerage is low or zero, there are several other services that they perform like fund transfers, various other things that a customer does in terms of taking a position, cutting up margin, shares as margin, each activity is charged separately. We never used to charge our clients like this in the past. So, we have consciously said, we will move away from being fixated on broking as the sole way of collecting revenue from customers and make it broking and allied the way others are charging in the market and moving to an activity-based style of pricing. So, we are in a way in the journey of moving from one style to another style. So, as we are moving into this kind of a format, judging us on broking singularly would not make sense because we are deflating our broking revenue and we are increasing our allied revenue to make the business model more robust. So, you have to view us as the total equity, because as we are deflating broking revenue, please understand we are getting closer and closer to the best pricing in the market and we are still managing to hold our revenue growth. In fact, we have seen continuous growth in our overall revenue, right. So, please view us because we are seeing this as a combination and not as a singular or two different blocks. So, that's one point. With that background, we are focusing on input parameters, we are focusing on increasing market share. So, what is going to happen in this year I think you are wanting to know what's likely to be the outlook. I can tell you input parameters will get all its attention. If markets are going to be supportive, you should get amplification. If markets are not, then you will obviously bear the consequence of what would happen. As far as issuer business, etc., is concerned, you have to see that issuer business is approximately between 15% to 20% percent of our total revenue and profit pool. So, it's impact would be, to that extent, limited. At least, I would say, about 20-25% of that is not necessarily linked with capital market activity because it's a flow business, as I said and somebody else had also asked. Our efforts have been to keep increasing that share so that the predictability about the issuer services improves further.

On an overall basis, obviously, we are planning for growth in the context of tough market conditions. We hope that we will be able to deliver that because we clearly see that right now headwinds are there in terms of what the markets for offering in front of us, however, we strongly believe focus on input parameters, keep your operating leverages in place, keep your expenses variabilized and that's another thing that we are focusing so that you are able to manage your performance based on market conditions and not really become a slave to a completely high fixed cost angle. You would have noticed some of our fixed costs, as a percentage of total costs, have actually continued to show a declining trend quarter-on-quarter, including this quarter.

Arash Arethna: Sure, fair enough. Thanks, Vijay. Point taken on the way to look at revenues. I just basically combining all what you said, I just want to see YOY growth you said in terms of revenue that the mid single digit or double digit, any sort of indication on that front?

Harvinder Jaspal: It would be difficult in our kind of sector to have any kind of a projection, but as Vijay said, our focus areas would be this. We have seen almost double digit and a very strong double digit growth over the last two years. It completely depends on a lot of factors.

Vijay Chandok: Let me give you some past data. Viewing our type of business and seeking a one year, six months kind of a guidance is very difficult. I can tell you what has happened over 10 years and taken in blocks of three years. In 10 years and taken in any part of contiguous blocks of three years, you will find that the CAGR of profits have been at least 17-18% during this decadal phase and revenue growth has been in the ballpark of 30-40%, in that kind of a range and profits have been between 17% and 25%. So, that's the decadal experience, but seen over a block of three years, any three contiguous years. So, that's been the trend. We do believe that can kind of a trend should be there in our business model. On top of that we're trying to reduce the cyclicality so that more predictability comes by adding non-equity revenue, which is again an area of focus. So, taking a guidance from me for the next six months, nine months, one year would be very tough. Input parameters, yes, will keep improving. View this business in a block of three years, any three contiguous years, and you'll get a secular growing trend.

Moderator: Thank you. The next question is from Sahej Mittal from HDFC Securities. Please go ahead.

Sahej Mittal: A couple of questions from my side. Firstly, just wanted to get a sense on what are the number of orders executed on an average,single day on your IDirect Markets app? If you would give out that number. The second one was around how are the new investors faring in such volatile markets. Are ICICI Securities' customers making profits in the F&O segment or how is the trend looking like? The third one was around what were the marketing spends in Q4 and for the full year and what's your target for FY23?

Harvinder Jaspal: Hi, Sahej, Harvinder here. So, on the first one, as of now, we've not put out the number of orders on this. As we've said in the past also, in due course, we will keep on adding to the disclosures as we have done in this quarter as well, but as of now, we've not put out that number. Second, your question was that how are the new and younger guys fairing in terms of whether they are making profit or not. I'll just request Vishal to comment.

Vishal Gulecha: Our effort is to take customer through a very-very disciplined approach, be it any product. So, like in Cash, we encourage customer to go by our research recommendations. We have given about 125 recommendations in the Q4 with a success rate of about 75%. In Derivatives also, our product like One Click Derivatives where strict stop losses are followed, hedge positions are created. However, the market is very-very spread out, so customers do take their own decisions. At times, decisions go right at times decisions go wrong, but as long as they follow a very-very disciplined approach and guided by research, I think we have seen gains in customer portfolio, be it matured or be it the younger ones who are coming to the market now. So, as I said in my earlier discussion, we try to come out with such research recommendations in every product. So, be it directional positions in Cash or Derivatives as well as you know MTF kind of a product where the portfolio is suggested for positions, the effort is to keep customers in very-very strict disciplined environment.

Sahej Mittal: So, the anecdotal experience is that the customers, on an average, are not losing money on the F&O side. Not on the Cash side, but my concern is on the F&O side particularly.

Vishal Gulecha: So, the market also has to be supportive. In derivatives market, we see that maximum customers are on a buying side option. So, they anyway limit their losses. So, when they gain, of course, options is a great tool to deliver returns and when they lose and being a buyer of options, we don't see much downside for those customers because of the inherent nature of the product.

Sahej Mittal: But we do see the trend that most of the customers are taking a long position. Is that right?

Vijay Chandok: So, let me just give you two data points here. You have two types of customers; a) customers who follow tools or recommendations given by us; b) customers who do not follow rules and recommendations but do their own thing and c) customers who do a combination of both. What data is suggesting is that if you belong to the first basket where you almost always follow the recommendations or tools given by us on ICICI Direct, we have a success strike rate of about 70-75% and therefore if you are following 100% of all of this, you will invariably land up in the positive side making money. That's data point number one. If you are doing this completely on your own, then it would be whatever your skill and trade has resulted in positive or negative outcome. What is really happening, I'll tell you with another data point. And #3, if you are a mix, again, it would be very similar to the second one. Invariably, when people lose money, they lose interest in the markets and they dropout. So, one way to look at it is that are you seeing a kind of a fluctuating or a declining trend of traders on your platform. That is in a way an indicator in an indirect way of people whether they are making money or no. We've been seeing continuously, month-on-month an increasing trend of traders on our platform. So, if you have too many people making too many losses, you will definitely see a decline in that number, at least so far we've not seen. And as Vishal said, the 'nudges,' we call it through tools like I-alerts where we even alert customers from risky trades happening. I would suspect people, if you are following that trade, they should be, by and large, making money and feeling happy.

Sahej Mittal: Got it, and on the marketing spends?

Harvinder Jaspal: So, Sahej, marketing spends for the quarter were on the order of about ₹30 crores. We are spending on above the line marketing as well as digital marketing, etc. So, all put together, it was about ₹30 crores. This expense as we have called out along with technology expense are two things where we do expect growth next year as well.

Sahej Mittal: This ₹30 crore number for the full year would be?

Harvinder Jaspal: About ₹100 crore ballpark.

Sahej Mittal: And where do we see this number trending for the next say FY23 and FY24, maybe FY23?

Harvinder Jaspal: So, difficult to give exact number, but as I said, there will be growth in this ahead of overall expenses.

Vijay Chandok: So, we're looking to invest in brand building, both below and above the line in various properties, not necessarily television and press, etc. We are also quite heavily investing in below the line digital investments, digital properties, digital marketing spends. That is, therefore, an area of investment that we have taken a call to go ahead and make.

Sahej Mittal: Got it, and lastly on the tech spends. So, what would be the hit on the P&L of the tech spends in Q4 and FY22? So, Harvinder just called out that there were some ₹60 crore of CAPEX in FY22. So, what would be the hit on the P&L in Q4 and FY22, if you could give out that number?

Harvinder Jaspal: So, for P&L, which is the operating expense, it would be on the order of about ₹20 to ₹25 crore.

Sahej Mittal: This would be for the full year?

Harvinder Jaspal: No, for the quarter.

Sahej Mittal: Okay, and for the full year, in the range of ₹100 crore?

Harvinder Jaspal: About ₹80 crore.

Sahej Mittal: Got it. So, this ₹30 crore of marketing expenses, do you consider this expense as a variable expense line item when you are classifying your fixed versus variable expense and you disclose that in your investor presentation, so where do you take this expense line item?

Harvinder Jaspal: Yes, a part of it, yes because a part of it is also on digital client acquisition in the marketing that we do on various properties, so that part does get classified as variable, but a part of that is fixed, which is to do with above the line or any marketing or brand building spend. So, the classification is anything which is for sales is variable for acquisition and anything which is for brand building, that's fixed broadly.

Sahej Mittal: Got it, and on the recurring expenses in the investment banking side, so close to about 70-75% is recurring in nature. Was that number right?

Harvinder Jaspal: So, 70% is the market share in the ECM for our investment banking business.

Moderator: Next question is from Himanshu Taluja from Infina Finance. Please go ahead.

Himanshu Taluja: Hi, sir. Thanks for the opportunity. Just one question at my end. Some of the new entrant players have actually come with a new way of pricing. There's a recent launch where one of the players of 999 is a one-time payment where you get the unlimited trades across all, whether it's Cash or whether it's F&O or the Commodities segment. So, just wanted to know the way the pricing dynamics is changing in the industry from a volume-based to a flat-fee model and now to a one-time probably, how do you see this basically? What's your view around this?

Vijay Chandok: Actually competition on pricing has been there for now five to six years. So, we continue to see one more player. We have a bunch of, I think, 100 players who are now offering discount broking. It will be 101 players. So, it will continue. I think competition intensity in our industry is going to be very-very high. Two characteristics we have observed. There is stickiness in this business. Number 2, you also find that new market opportunities are growing. You have newcomers coming. So, there is enough opportunity and space to grow. Number 3, pricing is important, but it's not going to give you growth if you don't have an entire ecosystem created around it and it's not easy. We've seen people struggle to create that whole ecosystem. You take our own example. You give a pricing and you've seen that Derivatives, unless you create an entire ecosystem, your ability to garner faster than market is going to be tough. So, it's about ecosystem. We've been able to do that on Equity because we started the investment journey in creating that ecosystem earlier. So, it's about creating that whole ecosystem. You have to give the whole gamut so that he gets the whole thing in place and that is not an easy game for everyone. You need deep understanding of the nuances of the market. So, yes competition will be there and we have to face that competition in that sense. As a business model, therefore, we are diversifying business model, therefore, we are looking to also deflate our broking revenue and I talked a little bit about that earlier so that we get more competitive than we are at this point in time with respect to even Equities business. One needs to understand that when you keep deflating one side of the business as you see other aspects of revenue and broking, which happens on the intraday side and F&O side, if you are able to create scale, you can create massive profits, and there are people who have been able to do that, but then that happens only if you have scale, not otherwise.

Himanshu Taluja: The reason I am asking, especially for the high-volume traders and all, this kind of pricing makes lots of economic sense for them and probably that could be the pricing that can create a pricing pressure for the other players.

Vijay Chandok: You see what I said. In terms of pricing, we offer zero pricing on Futures and here is no 999 to join also. The zero pricing on Futures, there is Rs. 20 on intraday and Rs. 20 on Options. Pricing alone is not enough. Pricing is table stakes today. You need to provide the entire ecosystem to win.

Moderator: Thank you. The next question is from the Sanketh Godha from Spark Capital. Please go ahead.

Sanketh Godha: Thank you for the opportunity. Sir, when we see the income breakdown, the biggest driver of the growth in the current year was the interest income on MTF book, which almost doubled in the current year. Given now the interest rates are going to move up, there is volatility in the market and we are at a much higher leverage compared to what we were in the past, so just from the diversification strategy, what you said that incrementally to grow this speed and probably add to the top line meaningfully the way it added in 2022 or even in 2021, do you see a clear story of moderation in this particular line item going ahead. I wanted to understand how people are sensitive to the interest rates when they take MTF calls, given it was one of the lowest interest rates what was offered during last four quarters or six quarters?

Vijay Chandok: Yes. So, do we actually have the ability to absorb a slightly higher pricing? The answer is yes, it is possible to absorb a slightly higher pricing than where we are. Would we be increasing pricing? We are not considering increasing pricing but one is also seeing the movements that have happened in the interest rates in the market, so it is dependent on market. If markets are actually going to bump up rates on the cost side, then we will be responsive and we will do something on the cost side. Is that going to impact market? I would say that the interest rate is not a singular determinant. Supposing I would have made it even 4% just theoretically, would this book have grown? The answer is if it grows it's not enough to have a rate of 4%, it would grow , if there is an opportunity that the investor's find to invest. When do they see this opportunity? They see this opportunity when there is volatility in the market and they have a conviction on a certain trade and that is giving him a low entry opportunity. So, volatility actually gives opportunity for investors to take positions on MTF. It need not be one year. He can even take for a matter of few days. So, yes, volatile situations are helping us grow. The growth that we spoke when you remember, Sanketh, last time we spoke, you were quite apprehensive about the growth and you yourself just said that we have seen a good growth from thereon. Why is this growth coming? Today if you look at our MTF book with whatever book that you are seeing on the table, we have only 60,000 customers using MTF and the total number of customers, traders are more than a million. So, will this grow, 100% that's going to be our effort, not by growing the book with one customer or two customer or 60,000 customers. I need to grow the book with 2 lakh customers, 1.5 lakh customers, keep increasing that base and there is a lot of scope to penetrate beyond 60,000 and that's how we will grow, not by increasing the risk of an individual customer. It's just 60,000 customers that have got and this number some time back was less than half. Less than 5 months back, it was nearly half that number, slightly more than half that number.

Sanketh Godha: And finally, just wanted to understand if I look at the prime customer base, as a percentage of the total NSE active clients is coming off a bit, which means that incremental traction in Prime compared to what we are adding in the total base is relatively lower. So, should we see that because I am assuming the Prime will be the most ARPU heavy customer. So, this lower traction in the Prime is somewhere having an impact on the broking income or market share gain, which we are missing a bit with respect to especially derivative market? May be in that sense even Neo, despite launching for more than one-and-a-half years, the number of people who are using Neo is just 7% of your total active clients, which honestly is a little lower compared to what we anticipated when the plan was launched given the pricing it had. So, just wanted to understand this part a little better that from ARPU point and Neo point, how it will play out?

Vishal Gulechha: As far as Prime month on subscription is concerned, I would say that we had the best quarter. I mean Q4 was the best ever quarter in terms of getting Prime subscription. Yes, there are customers who try out with a small value plan like Rs. 299 and perhaps considering the volume, they may not even renew it again or they may also take a plan like Prepaid or Neo, but as we are creating new attractiveness in Prime, we see that more and more high value customers are coming. We are not looking at per customer ARPU here because as we discussed earlier also that it's not just about broking, it’s about the total customer revenue, which is like broking and other incomes. Yes, because of the lower rates offering, the yield goes down, but at the same time, we are looking at the total revenues rather than looking at yield. Within capital market, you see different products have different kind of yield. So, it's actually not a yield business. As far as Neo adoption is concerned, the Prime and Neo, we have created in such a way that both the plans have their own attractiveness. Now many derivatives customers, thousands of them, despite we opening Neo for them, they continue to be in Prime because of the package which we offer. So, simple thing, like today if you take Prime, you don't have to move money to ISec. They continue to enjoy liquidity; they have that comfort of having money in their hand. They can use their shares as margin and still they will not be charged any interest rates. So, it’s a very-very fine kind of a package, which Prime customers are getting and at the same time, they are loving features like eATM or the MTF interest rate of 7.9%. We have seen some impact post launching of our lifetime Prime plans. We have seen that many customers who otherwise would have gone for Neo actually have gone for lifetime Prime and paying 0.1% brokerage in Cash and also a very-very minimalistic brokerage in Options, just Rs. 7 per lot kind of. That is how we are trying to package these two plans. Two separate customers, two different needs and both are liking the propositions we offer in each and every plan.

Sanketh Godha: Got it. If I look into Prime income per customer in the fourth quarter, it has substantially increased from Rs. 770 to Rs. 1050, so this is largely because people have shifted from 299 plan to a superior plan, but still, you are seeing as a trend?

Vishal Gulechha: Yes. Both the things have happened. We have acquired more number of high value customers from market. We have activated more number of customers from our dormant base or non-traders who we acquired early, but for some reason, they did not trade and second thing also, the customers who earlier were in 299 doing less volume with us, did not explore all our products on ICICI Direct. They are also willing, having experienced this in a couple of years, now to pay bigger amount and take lifetime benefit and increase volume with us. So, it’s both, adoption of the new plan by existing customers as well as getting new customers from market and activation of the old non-traders and stock traders.

Moderator: Thank you. We take the last question from the line of Aditya Jain from Citigroup. Please go ahead.

Aditya Jain: Just wanted to check on the plans, which you gave guidance on tech spend and marketing spend, so what led to the development of this view. Is it capacity addition for long time to come or is it just a different approach to that higher spending is required given the industry. What was the though process there and what will be the success defining points that you will look for that tech and marketing spend has been successful, so what kind of goals you would look for? And then then secondly in one of the slides, the Cash Market share, not the retail one, but total is going from 8.3 to 10.2 quarter-on-quarter, so you talked about retail strength, but that is 30 basis points. So, is this reflecting very strong institutional Cash market share and what is that being driven by?

Vijay Chandok: Just to clarify, for the first time we have given you market share of retail. Earlier, you were getting a combined market share between retail and institutional combined. So, this number the trend that we showed you of 9.8% going to 10.1% is a 30 basis point retail market share. This does not include institution. So, just to clarify that data.

Aditya Jain: I was referring to the data on slide #41, which is the blended equity market share 8.3 to 10.2 QOQ. So, given that retail estimated as you put in the slide is 30 basis point QOQ. This 190 basis point QOQ should be reflecting institutional market share, that's how I was looking at it.

Harvinder Jaspal: Aditya, I think kindly ignore that slide #41. There seems to be a typo over there. So, Aditya, you should refer to that disclosure file where I will just read out the number. On the blended equity market share, which was the earlier one, not the retail one, as you rightly asked is 8.9% for this particular quarter, Q4 and 10.1% is the equivalent number for retail, which is excluding any institutional equity.

Vijay Chandok: On technology and marketing spend, I think your question was where are we going to incur these spends, right?

Aditya Jain: If I may clarify, so what made you feel that that sort of step up is required and what are the goals that you would look for in saying that those spends have been successful, so whether quality client acquisition or in whatever way you find it best to define.

Vijay Chandok: So, the question is why are we doing this? We are doing this because three reasons I would say. Number 1, it gives us capacity enhancement. So, there is capacity enhancement and ability to handle more number of clients than we are able to handle. Secondly, today our entire tech architecture is on-prem. We are moving into a hybrid model. The advantage of moving into a hybrid model is that it variabilizes our costs based on market conditions. Today, that part of the cost, the technology cost is not variable. It can variabilize and the fact that it is now moving to cloud environment, it gives us lot more agility in new developments, partnerships, all of those. So, it gives us greater agility, so launch to market, product to market today, which takes sometimes months for us to hit the market, you could have probably seen how much time it has taken for us to come out with various propositions on the derivative side as an examples. These would have been much faster had we been on a cloud kind of environment than what it is today. So, that's the advantage. The whole platform and tech architecture therefore becomes, we are taking the opportunity to leap into a cutting-edge modern kind of an architecture, which has variable cost structure, greater capacity, and greater agility and reliability and availability is another angle that is guiding us. The reliability of and the availability of a modern data center would add to this. So, all these four would be the advantage. How does it benefit? I think it will benefit us in clearly providing a much superior customer experience and we have seen that when we get much superior customer experience, it eventually translates into: a) improvement in net promoter score, b) improvement in cross-sell and therefore revenues that arise out of non-equity side and c) greater loyalty and I would add d) a greater attraction for more number of clients. It adds to it. All these are additive. It is very difficult to attribute it on a one-to-one basis, but these are elements, which helped all these four outcomes to happen. So, what would we expect out of this? I think we would eventually expect all these four outcomes, improved cross-sell, improved NPS, reduced downtime on the site, improved revenue, and improved customer acquisition rate. So, all of this is what we would expect as an outcome. Marketing, as we said, there are two types of marketing that we do. One is what is direct for client acquisition and the second is the marketing which is digital marketing and the second in the marketing spends that we do above the line, which is for brand building, awareness product promotion, and so on and so forth. We have very recently started doing the second. For several years, we have not invested in that space at all. Why are we doing this, we are doing this because we are seeing a lot of action happening in the space in the market and we have not done anything in this space for a long time. Why did we not do this? We did not do this because we were busy modernizing a lot of features, busy modernizing a lot of stuff at our platform and we felt that it should be done at a point in time when we are ready to receive customers with the promise that gets communicated and that promise has to be delivered on the platform. We have reached that kind of the state where we feel confident to stand up and talk to the customer about features, talk about some of the things that we're talking to him and he gets a great experience out of it. That's why you would have seen propositions getting communicated on television, above the line I am talking about, on products like eATM, you would have seen a lot of ads on CNBC in case you watched it, then Pay Later, which is basically our brand of MTF that we have launched and we are adding more such colors. One Click Basket is another very powerful brand, which people know it like small case, we have our own small case equivalent. So, we have created compelling propositions now to talk about. So, we feel this is the right time to communicate in an above the line fashion as well. So, that's why we are doing this.

Moderator: Thank you. Ladies and gentleman, that was the last question. I now hand the conference over to Mr. Chandok for closing comments.

Vijay Chandok: So, thank you very much. I think it was a very intense and enjoyable conversation with very insightful questions from your side. I really appreciate all the time that you've spent on this. I am sure there could be afterthoughts and questions to follow. We are always available. Just ping in, you know all of us, reach out to me, Harvinder, anyone from our IR team and we would be happy to setup time and do a more detailed dive in as and when you require. Thank you very much once again and thanks for all the support that you guys have been giving us. I really appreciate it. Good night.

Moderator: Thank you very much, sir. Ladies and gentleman, on behalf of ICICI Securities, that concludes this conference. We thank you all for joining us and you may now disconnect your lines.