



“ICICI Securities Limited  
Earnings Conference Call”

July 21, 2023



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LIMITED  
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**Moderator:** Good morning, ladies and gentlemen, and welcome to the Earnings Conference Call of ICICI Securities Limited for the Quarter Ended June 30, 2023. We have with us today on the call Mr. Vijay Chandok, Managing Director and Chief Executive Officer; Mr. Harvinder Jaspal, Chief Financial Officer; Mr. Vishal Gulecha, Head - Retail Equities; Mr. Kedar Deshpande, Head - Retail Distribution Product and Services Group; Mr. Anupam Guha, Head - Private Wealth Management; Mr. Ketan Karkhanis, Head - Digital Client Acquisition and Co-Head - New Solutions Group; Mr. Nilotpal Gupta, Head - Data Science Unit; and Mr. R. Balaji, Chief Technology Officer.

For the duration of this presentation, all participants 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 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](http://icicisecurities.com), under Investor Relations.

I now hand the conference over to Mr. Vijay Chandok, MD and CEO, ICICI Securities. Thank you, and over to you, sir.

**Vijay Chandok:** Thank you very much. A very good morning to all of you, and welcome to the ICICI Securities Quarter 1 Earnings Call for fiscal 2024. I hope by now that you had a chance to peruse through our investor presentation, which was uploaded after our Board meeting late last evening. I will start with a few highlights on the industry and then take you very quickly and briefly through the performance of the company. When we look at quarter 1 for FY '24, I think it's fair to say it was positive for most of the industry parameters. I'll take you through one by one.

Finally, cash equity, retail ADTOs, grew sequentially by 12%. This is after a gap of almost 4 or 4 and a half quarters. Retail derivatives ADTO grew by about 14% sequentially, the growth on retail derivatives continues. SIP momentum, which has been growing at a very healthy clip over the last few quarters continued during this quarter as well. Overall, equity capital markets saw an improvement in the activities compared to the previous quarter.

And this improvement in activity was particularly visible in the later part of May and certainly in June, and we can see that momentum strengthening as we've entered quarter 2. In the backdrop of this kind of an operating environment, we are happy to report a revenue growth of about 18% on a Y-o-Y basis, 6% on a sequential basis recording ₹934 crores for this quarter.

Simultaneously, profit after tax for this quarter grew by about 3% to about ₹2.7 billion, i.e., ₹270 crores. However, it was marginally down by about 1% on a Y-o-Y basis.

When we look at the performance highlights, three points were noteworthy.

- We saw revenue growth across all business segments.
- Secondly, we clearly saw a gain in market share, or we held market share across almost all the revenue-generating parameters that we track.
- And we continue to see focus on the key business areas that are the growth drivers that we had articulated to you in the earlier presentations.

So, with regards to the revenue growth, all our businesses saw an increase in revenue when you compare it on a Y-o-Y basis. We continue to thrust on growing and pivoting revenue mix towards most structural opportunities, while maximizing revenue opportunities from some of the cyclical components. And that's what played out in this quarter.

With regards to market share, we witnessed steady growth in retail market share. As far as cash equity is concerned, you would have seen a reported number, which is up 253 basis points Y-o-Y to 12.2%. But I would just like to point out, this is not strictly comparable because NSE changed in the month of March, the series with which they are giving out data.

But when you look at the data even from March, April, May, June, month-on-month sequential gains in market share is clearly visible on a comparable basis. As far as retail derivatives is concerned, market share increased by about 16 basis points on a Y-o-Y basis. Commodity market share has also shown a healthy increase of about 280 basis points on a Y-o-Y basis and recorded a number of about 7.2% for this quarter.

As far as margin trade finance and the mutual fund AUM is concerned, the market share remained stable at about 22% and 1.7% respectively. We continue to remain market leaders on MTF business. As we move forward, we continue to focus on the quality of clients, and that is precisely what is helping us gain or rather improve our market share in most of the revenue giving parameters.

I would also like to point out that the customer assets, which are an important source of overall monetizable AUM continued to show an increasing trend. Our AUM at a firm level increased by 17% on a Y-o-Y basis and clocked in at about ₹6.2 trillion. In that the wealth AUM grew by about 25% on a Y-o-Y basis, came in at about ₹3.5 trillion.

We continue to see strong traction in the wealth segment, which is one of our important growth drivers. As we look at some of the articulated areas of growth, we noticed that we are seeing all the growth levers, whether it is wealth management, the derivative business, loans and insurance, all of these are showing growth momentum and details are available in the investor presentation.

I would just like to make a last comment on cost. Cost, you would notice is up by 33% on a Y-o-Y basis. However, if you dissect cost and look at the components of the increases, you will notice that the increase in cost is attributable to increase in employee cost, which is pertaining to annual increments, stock options and grants that we've given, some new hiring that we have done specifically in the area of technology, analytics, wealth management and what we call digital assist employees.

All these costs, we believe, have a component of operating leverage because this is increased capacity and the opportunity in the market is yet to be fully harnessed by these investments. The second component of cost increase is on franchise-enhancing technology. Again, many of which are improving customer experiences and giving us tools to increase operating leverage as market conditions improve.

And finally, the third component of cost was pertaining to the cost of funds pertaining to our margin finance book. We have been also saying that we had taken a very conscious call to not

fully pass on the cost of these increases in the last year. We believe as we move forward, some of the steps that we took in bits of last quarter and this quarter should fully start playing out during remaining part of this year as well as we are seeing costs in some sense, peaking out.

So that is, again, we believe, in some sense, an operating leverage kind of a cost increase. On efforts on personalization and investments in technologies and analytics continue to yield results. Number of customers with 2 or more products increased to about 1.23 million in quarter 1 compared to about 1.17 million last year. This is also helping us in diversification of revenue.

And to conclude, I'd just say that we continue to believe in the medium-term story as we've entered into quarter 2, even the short-term story is looking quite strong. The environment is looking positive, and we are strategically paced to harness the opportunities by making all the relevant opportunities and the key focus areas of growth.

I'll end my commentary and throw it open for question answers that you may have. Thank you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of as Prayesh Jain from Motilal Oswal.

**Prayesh Jain:** I have 4 questions. Firstly, on the costs that you mentioned, Vijay, do you think that this run rate of employee cost, would it sustain going ahead at this current absolute numbers? And the variable pay that would have been given in 1Q. So generally, this variable pay is amortized over 4 quarters? Or is basically distributed over the 4 quarters for the full year? Or is it kind of provision only return of pay on a cash basis, where in 1Q will have a higher variable pay and the next 3 quarters will not have availability component or high variable component? That is one.

Second is on the margin trade funding book. In the past, we recollect that you had mentioned that you will pass on some bit of cost to the customers. But we've seen that, that has not come across. And you mentioned in the opening remarks that you have taken a conscious call, but kind of that is impacting our profitability meaningfully because that is a decent contributor to your revenues and profitabilities now. Third and fourth are primarily on distribution front. Firstly, on the life insurance side, we've seen your yield going up to 15.3%. So, whether we can expect this to be sustained? Or is there any one-offs out here?

And lastly, this has been my recurring question to you guys every quarter possibly now. But if I look at your SIP AUM or SIP flows consistently declining. And even on the AUM side, your yields have been declining. What's the key driver there? The mutual fund segment performance seems to be on the weaker side in spite of the entire market doing so well. So yes, those would be my 4 questions.

**Harvinder Jaspal:** Prayesh, so I'll take a couple of them, and then I'll pass it on. So, the first question that you mentioned is on the employee cost. First of all, the accounting bit. So, the variable cost is amortized over 4 quarters. So, this is the run rate that you should expect over the 4 quarters.

In variable, obviously, there will be some correlation to revenue. So as revenue grows as a percentage variable might see an increase in absolute terms, but the percentage to revenue remains in a very narrow range but it gets amortized over 4 quarters.

And that kind of leads me to your second question as well, that whether this level of employee cost will sustain. So, for these 4 quarters that we had earlier also highlighted that FY'24 is a year that our investment should pan out. The increases that have happened are because of increases in headcount and obviously, annual increments, etc. So, all that has already got factored in Q1. So materially, I would not expect things to be very different in the coming couple of quarters, 2 or 3 quarters till again, we hit the next increment on employee cost. So, hope that answers your first question.

Your second question was on the margin trade finance book. Yes, we have not been able to fully pass on. We mentioned in the last call as well that out of the 250-basis point increase that we have seen over the last 5 quarters, we have been able to pass on roughly about 36% to 40% of that. However, I mean, if the yields or cost of borrowings start softening up with no further rate hikes, we can see this stabilizing. It's already stabilizing at about 3% NIM. So, we can see it stabilizing. Whether we'll be able to increase it further, it's something that we will keep taking a judicious call as we move ahead into the year. So that was on the MTF.

Your third question was on life insurance yield. Yes, we have seen some increases in yield for first quarter. There are 2 reasons for that. Typically, in the first quarter, the mix of new business and renewal is slightly tilted to new business as seasonality is low. Second thing is that there has been an increase in run rates of commission as well with the new regulatory regime in IRDA, there has been some upward revision. So yes, our belief is that it should be on a new business basis, it should be sustainable going forward as well.

Your fourth question, I think, was on mutual fund SIP market share.

**Vijay Chandok:**

Yes. So, on mutual fund, what we've seen is that we are able to maintain – in terms of AUM, we have been able to maintain market share. In terms of SIP, we are not yet seeing any, I would say, improved traction on market share front. We are dealing with the challenge of facing competition from the direct plans. So, we continue to put our efforts there, but I think results are yet to play out there.

**Moderator:**

Our next question is from the line of Aejas Lakhani from Unifi Capital.

**Aejas Lakhani:**

Sir, my first question is on the derivative segment. Now for about 4 quarters it has been flat in terms of growth that has been relatively bunched on ballpark when the industry too has been growing in double digits. And sir, you mentioned in several calls that we've been investing behind this segment, and we have possibly the best algos and tools available. So, could you quantify the inability to gain market shares over the last couple of quarters, what has been the reason? And could you throw some more light on this segment first, sir?

**Vishal Gulecha:**

See the way we measure derivatives performance; these are on 4 different accounts. One is the market share. The second is the revenue and volume. And the fourth thing is number of

customers. So, we have been investing in modernizing our entire products and future stake, and we see results coming in albeit at a slower pace.

However, we have kept pace in terms of the market progression on all 4 parameters. And even the last quarters which went, the number of customers, market share, revenue, I think we were almost close to our heights. So, the pace has been slow, but I will say that we remain very, very steady in terms of our positioning in the market.

The new properties which we rolled out, we see higher engagement coming from customers on all those properties and features, which we rolled out in the last 18 months or so. And the traction has been increasing with every single day. So, I mean that's what I will say that we will have to just wait and watch this space; otherwise, number of orders, the lots, customer engagement, number of customers, every single parameter has shown year-on-year healthy growth.

**Vijay Chandok:**

Aejas, I would just like to add, if you look at all the efforts that have been going in this direction, it would be fair to say investments on many of the fronts are sort of done with. The areas that are coming in the way of increasing market share at a more rapid pace than whatever we have done so far are, I would say, two. One is intensification of marketing efforts, particularly below the line into direct channels.

And the second area is in terms of performance of our apps. So, we do notice that there are some performance-related improvements that we need to do, and that will improve the performance experience because we find that on days when we see excessive load, our performance needs to be better than what we are in terms of micro seconds that we track.

And there is a lot of rearrangement that is taking place of our tech architecture at the back end. It will not be visible to the customer accepting in performance. It will not be visible in features. But the day we are able to see smoother, faster performance, we see that we've suddenly gained market share on those days. But that consistency is yet to come. So, we are working on that consistency. We have identified the areas to peak.

I suppose that once these areas are fixed sometime during the course of this quarter and our marketing efforts also have been on an intense focus, we'll continue to invest there. So, marketing product awareness, tool awareness as well as performance of the tools that are very, very specific notified improvements on tools. It's not about adding tools but improving the features of some of the tools we've added. All these have been notified. These are extremely, I would say, sharp identified interventions. One by one, we are doing.

And as we have been doing it, we are seeing upticks on each of those products. So, our focus over the next, I would say, 60, 90, 120 days would be on these sharply identified areas. We have a great brand. We have improving customer. We just need to maintain consistency. We need to increase awareness, and that's where our focus is.

And we are optimistic. Given where the market is headed, given what our positioning is, given what our proposition is, it's just a matter of time. We also believe that just like you've seen an improvement in market share with respect to equities, right? One of the reasons for that we've always probably maintained is that there is others component in this area, which we are seeing

has possibly increased if you look at the market share computation and the denominator has got an others component, which was much smaller several quarters back.

So, we feel that if you really look at equities, our market positioning would be far better than what is getting reported here. We do measure it on some of the other parameters, and we can see that our market share continues to show an improving trend, which may not necessarily be as sharply reflected in the overall ADTOs.

**Aejas Lakhani:** Just one follow-up on that. You mentioned the F&O orders, lot sizes, customers grew Y-o-Y, but just sequentially, did the 3 parameters were higher sequentially or no. Could you quantify that?

**Vishal Gulecha:** Yes. So, one thing, the quarter 1 was particularly impacted by a number of working days. right? So that was one factor which played out and particularly in derivatives, this is a big lever. As and when we have full month to play, all the parameters will show a very, very healthy trend. As far as derivatives broking is concerned because the lot per order size has increased, we are more flattish on that count.

However, there are many other income associated with the derivatives. So there, we have seen a growth. So even within the quarter, if I see all 3 months, we have better than the previous month on all 3 counts, whether it is market share, number of customers as well as volume.

**Aejas Lakhani:** Got it. That's helpful. Mr. Chandok, my second question is regarding the MTF book. Besides what you have already mentioned in your opening remarks, the strategy here was about client penetration from the 85,000 customers that you had. We've had a very strong market environment, but the average book has broadly remained constant. So is it that we've hit a wall in terms of our ability to penetrate or gain market share. Could you please comment.

**Vijay Chandok:** Yes, I think that's a great question, and I'll take you back into our earlier conversations. As far as margin finance is concerned, we run with no targets. We believe it's a service and a facility which is available to the customer. We make it easy for him to access it, but we leave the kind of choice. We make it aware to a larger number of customers. We assist them in understanding it, but we leave it for them to take a choice.

This specific quarter, if you notice, markets went up. And a lot of customers chose to liquidate their position, which we think is very healthy for the market. People should make money in the market. That's more important than anything else. And that's what we saw. A lot of our customers actually cashed out and then re-entered into fresh positions.

So, a lot of churn happened. A lot of profit booking happened, and that we believe is healthy because that will encourage people to come back and come back in larger numbers. And that is what we are beginning to see as we've entered into quarter 2. In the last 15, 20 days, we could see a noticeable surge in the numbers with which we ended the 30th of this June.

**Aejas Lakhani:** Got it. That's helpful. And sir, has there been an increase in the number of MTF customers Q-o-Q.

**Vishal Gulecha:** So as MD briefed that we see more of unwinding in the current phase at this point of time. So, what happens typically in this kind of market, the small customers who have been waiting for long sitting on the position, they exit, and they wait for better times. However, on the other side, the mature customers who understand the market, wait for breakouts, etcetera, they increase their position.

So exactly the same trend we noticed this time around also. We saw small investors exiting their positions at profit and the matured investors increasing their position. So, number in this quarter, MTF traded customers have not increased, but we are happy with the pace, considering the bad that there are many customers who have booked very healthy profit in this quarter.

**Aejas Lakhani:** Noted. And sir, on the increase in employee cost, could you quantify in any metric that you prefer, whether it is percentages or absolute numbers, how much was it on increase of new additions that you have made in the tech team? And how much has come from the annual increment?

**Harvinder Jaspal:** Yes. So, from the annual increments, between these 2 parameters, it will be roughly half and half in terms of the quantum of increase, the total headcount went up on a Y-o-Y basis, from about ₹4,300 crores to about ₹4,600 crores. So, this was the increase, which is a growth of about 7% and roughly about 10% of the remaining would be on account of the inflation fee.

**Aejas Lakhani:** Thanks Harvinder. And sir, could you finally speak about the new initiatives that we have, which is targeted towards the young audience. Where are we in that journey? It appears to us that there have been some delays from earlier calls from a launch perspective. So, could you just speak about where we are in that journey?

**Vijay Chandok:** Thanks for bringing that up. We have called this new proposition, Mintr, M-I-N-T-R by ICICI direct. It has already been done a soft launch available on the Beta version, test version in the appstore and the Play Store. We have launched the Direct Mutual fund version right now, but we have not spent even one dollar on promotion, we are just allowing organic embracement of this product right now. So, we are simultaneously building the equity stack.

The direct equity stack should be in place during the course of this calendar year for sure. Once we bring the equity and mutual fund is already there, we've added actually 3 modules. Mutual fund is there, the learn module is there. We are shortly bringing the social module. And we will add the next module, which is the equities module. That is when we will start the promotion and the popularization of the product. This calendar year, you should definitely see all of this completed.

**Moderator:** Our next question is from the line of Kunal Shah from Carnelian Asset Management.

**Kunal Shah:** Sorry, if you've answered this question, you can ignore, I joined a little late. I just wanted to understand on this mutual fund piece, right? So, on a quarter-on-quarter basis, the yields have kind of come down. Also, the SIP market share. I think to help understand what's happening out there to get a better sense. That was the first question.



Second question, just wanted to understand, I know a bank has taken the call to kind of delays. But I wanted to have your thoughts. I mean this when the market environment is improving, and we are starting to see the results getting reflected in the numbers as well in terms of market share improvement and all. So, as management what are your thoughts on the same, if you would want to highlight the same.

**Vijay Chandok:** Your first question was on SIP, right?

**Kunal Shah:** Yes. And mutual funds SIP and yield both.

**Harvinder Jaspal:** Yes. So, Kunal, on market share, yes, we did answer this question, but quickly will brief you. So yes, we have faced a bit of challenge on SIP flow market share. Two reasons, one is we've seen an increase in proportion of direct plan. So that has grown at a higher pace. Within the regular market, although we don't publish it like that, we don't see it also like that because it's the entire opportunity that we're trying to target.

Within the regular plan, the market share has been largely stable. However, with the increasing proportion of direct plan, the flows have kept on coming down. Although just to highlight, we continue to hold our position in terms of the count of SIPs in terms of rank and even the rank in terms of the flow, however, the share has gone down.

Also on an overall MF AUM market share, that also on a Y-o-Y basis has been flat at about 1.7%. So broadly, these are the parameters.

**Kunal Shah:** The first question was, so, what you mentioned kind of gets reflected in the numbers. But if you could share a little bit on the qualitative aspects as to why this has happened would be really helpful. You said that you are facing some challenges, but what exactly challenges would be really helpful because I think it's been 2 quarters now even in the last quarter, I mean the management mentioned that we are taking actions and we should see improvement, Some of the factors that are kind of impacting would be really helpful.

**Kedar Deshpande:** So, I mean, there are 2, 3 reasons, which we are still struggling with to get incremental market share. But if you really look at the SIP book that is getting added. A, it is the lower ticket size and the longevity of that book is hardly 3 to 4 months. And B, the mutual fund partners who are pumping in SIP books are directly acquiring clients, whereas we are actually looking at quality client acquisition.

And on those quality client acquisition, we are also selling SIPs. And technically, that book is growing slower than the market. If you actually compare our SIP book growth with the bank-led partners or the distribution-led partners, then we are on par. But if you compare it with the digital distribution partners, then it is visibly falling. And we have to work on that vector very consciously.

**Vijay Chandok:** Yes. Your second question was on the planned intervention happening on the delisting side, I think that was your second question, right?

**Kunal Shah:** yes.

- Vijay Chandok:** Yes. So, this is an action sort of from the shareholder side. So, they would be the right people to comment on this. I mean, I really don't know what really, you're expecting me to speak on this.
- Kunal Shah:** Okay. Fair enough. Just wanted to understand your thoughts if you would want to share anything or if you want to like to share anything. I understand that they are the shareholders and they have taken this call. But anything you would want to share on this particular aspect?
- Vijay Chandok:** No, I think we've clearly explained the rationale why that is being done, the methodology in which that is being done and the process that is being followed. I mean beyond that, there's nothing more than one can add on this.
- Moderator:** Our next question is from the line of Dipanjan Ghosh from Citi.
- Dipanjan Ghosh:** One question from my side. You mentioned on the increase in realizations on the insurance policies post the new circular. So, I just wanted to get some sense on whether it is equally spread across life and non-life. And, which would be the manufacturers who are relatively more interest rate increases in the realization is the incumbent or larger players or the smaller players. If you can give some colour on that.
- Kedar Deshpande:** So as of now, the health insurance players have jumped up the commission because they pay commissions every year. And hence, it's more tangible for them and because of the regulation change, their commissions have gone up substantially. Life insurance players are still figuring out because they have a long duration paper and some of that commission comes upfront, some of that commission comes as trail.
- There, as of now, the growths are relatively lesser, but it is across all partners that we have. And general insurance is somewhere in between life and health insurance. because on many of the general insurance products, actually, there is no likelihood of growth. And on health, etc., they have given same size sort of growth as the health insurance players. You will see substantial jump in the revenues that we make very clearly from next quarter or so.
- Dipanjan Ghosh:** Just one follow-up on this. I mean, Is a major proportion of this increase is on the new business?
- Harvinder Jaspal:** That is correct. So, the increase would be on the new business. Any increases in renewal obviously will start following through from FY '25 onwards.
- Dipanjan Ghosh:** Got it. And just one question on the cost bit. Now you had earlier guided that your cost trajectory will gradually smoothen over the next 4 quarters as and when and you mentioned that in 1Q, you have most of manpower addition and some of these costs have already been incurred. But from a relatively longer perceive, I've been asking you questions for some time. Do you see some pressure from a cost rate?
- I mean, from customer retention cost perspective, given that most of the other players or platforms will gradually over a period of time try to scale up to a similar sort of a proposition in the marketplace. Maybe you have a head start today but 4 to 5 years out, that can get kind of absorbed with other places. So, I just wanted to get some sense of that when you kind of budget your medium to long-term cost.

**Vijay Chandok:** Sorry, your question is what is the outlook on cost over a slightly longer term? Is that what your question?

**Dipanjan Ghosh:** Yes. And on the customer retention part, I mean, I would believe that over a longer period of time, for a retail customer in an affluent customer, the switching cost tends to become low as the product availability or the service availability on some of the other platforms, broadly become similar to what you have been offering today. I mean, today, you have a head start in terms of your wealth strategy, but others will gradually also try to scale up is my understanding.

**Vijay Chandok:** Yes. From a cost outlook point of view, what we have sort of guided is that our cost-to-income ratio was somewhere around 45% last year. I'm talking about FY 2023. And if you trace it back a little bit into the past, it was much lower at about 39%. The reason why we started going through this increase in cost was because we could clearly see front-loading just after COVID of the digital opportunity, we could see improving macros, etc.

And we felt the market is going to throw an opportunity, and we said that we should be ready to take advantage of those spots that come up. And also make our company future ready. So that was the intent with which we started scaling up in the areas of growth, which is reflected in the increase in cost-to-income ratio.

As we move forward, our intent is to demonstrate operating leverage. If you trace our last 4 years' history, you will see that we have demonstrated operating leverage, then we have increased the cost structure to prepare for the next wave of growth, which is what we are going through. I think by and large, this year we'll be done with our cost increases. Thereafter, we do not anticipate too many sort of disproportionate increases to cost structure. So, we are wanting to bring this down, and we are hopeful that in the next couple of years, we should start seeing trajectory clipping downwards closer to 40%. The idea is to bring it down actually to the mid-30% as close as possible to that.

**Dipanjan Ghosh:** Just one follow up question on the wealth bit. I mean, what proportion of your wealth client, I understand a big proportion of your wealth clients will be organic, say developed from the broking to distribution to wealth. But do you also do open market sourcing? And if so, what is your strategy around that?

**Anupam Guha:** So, for us, our single biggest real strength, I would say, is the client. We all understand that this business is all about clients and access and we have a very large pool of customer base that we've acquired over the last 20-odd years. What we've been able to do operate and it is reflective in some of the strong numbers that show on growth in the wealth client base is really being able to identify large of pool of old minds through wealth markers and really kind of do a sharper engagement with that client base.

So, for us, the strong growth to clients, almost 90% of it is through the, I would say, internal base where we are able to engage and really take them to a logical share of wallet and 10% is really the open market source.

**Dipanjan Ghosh:** Got it. And do you expect the ratio to remain similar or kind of change?

**Anupam Guha:** Yes. I would believe so because that's really a trend, right? The access to clients and finally, it's going to also be the product base that we have. Finally, what we are giving our clients is really the access to India opportunity, right? Most of this wealth is new wealth. The wealth that got created first generation wealth. And all of them is very keen to invest into the Indian equity market. So, they could strengthen the capital market, equity research, all of those, I think, well, and it all has this kind of come together to kind of see the success that we are able to see today.

**Moderator:** Our next question is from the line of Digant Haria from GreenEdge Wealth.

**Digant Haria:** Yes. So, first question is actually a little bit more of a macro question, see the cash ADTO India in general. And for us, we peaked in, say, 2021, the index is up reasonably high, and we're still not seen those levels in the cash ADTO despite these new products like stock SIPs and small cases and stock baskets, so just any comments on like why this is so? And like what do you see, especially, is the equity basket and small cases? Are they contributing in any meaningful way to the cash ADTO for us as well?

**Vijay Chandok:** Yes, I think that's a great question, Digant. What we have observed in the market one of the biggest drivers of participation is liquidity. And the more the margin the more difficult you will find volume growth. If you noticed, you referred to the highs of the past, right? At that point in time, the extent of margins that were there for cash was much lower than what it is now.

Today, there is no difference between intraday, overnight, etc., Margin increases is one of the reasons why there has been a kind of a weakness relative to the past peaks in cash market. And on the contrary, it has given an impetus to F&O because it's much easier in terms of your own wallet contribution to participate in the F&O.

Plus, there is a number of expiry increases that you would have noticed in the past. And every time there's an expiry increase, it just throws open on a much lower cost entry cost opportunity for retail investors. So, on the one side, there is everything which is increasing the attractiveness and the ease of entry into the F&O market and reducing the attractiveness of the cash market.

So given this kind of a macro development, we are seeing industry trends play out in this kind of a fashion. Your questions around stock baskets, etc., these are things which people find it very attractive. But have they sort of set themes on fire proverbially speaking. The answer is really no. They interest young investors, but revenue, volume, participation, etc., if that is what you are looking at, then most of that will be coming from the F&O opportunity.

**Digant Haria:** Vijay, that's a very good explanation that India is always gravitating towards the intraday and option, the very, very short term, low capital requirement kind of trading. Sir, second question is, we never generally discussed much about the investment banking division, like we've seen so many IPOs coming in so many more in the pipeline. So ISEC was always amongst the leaders in the last decade. Now in this whole new start-up ecosystem, which is going to IPO over many years from now. Can you just explain the last 4, 5 years, like in terms of leadership and in terms of how has ISEC hasn't changed, but it's very relevant even in this whole new ecosystem.

**Vijay Chandok:** Yes, again, thanks for this question. Let me explain to you how things have changed, what kind of strategy pivots we have made here. If you look at the last 7, 8 years' time horizon. You're

right, we've always been amongst the top 3 players in the Indian market. But if you look at what happened in the last 3 years, we have moved away from the top 3 position to the top position. And if you look at 2021, we have decisively been the market leader there. As the number one player, we got the Asia Money Award 2021, 2022, and we've just got the best equity house award again from Asia money in 2023.

And one of the reasons why this has happened is because we took 3 - 4 important calls. Number one, we massively strengthened our research capabilities. We hired the best people. We eased out the sort of the method in which we compensate people there, and we got the best talent in the industry. So, our research team, which was not necessarily considered the absolute benchmark today, we have very, very good research team strength.

The second is we have strengthened our sectoral coverage sharpened that a lot more. If you look at some of the sectors where we have a, I would say, not a strong, but a dominant position. One of them would be BFSI. BFSI, we have a market share of 90%, 9 out of 10 deals that have happened in the Indian market has happened through us.

The second space we are quite very strong, I would say, is on the infrastructure, the InVIT, Reit side of it we have a market share of 10%. The third sector that we are, I would say, reasonably strong is on the tech side, the fintech side, where most of this new age guys we have a market share. It's again a very, very high market share.

The other thing noticeably about ISEC is that our approach to this market has been, that you look at the whole life journey. It is not about only the IPO. It is before the IPO, during the IPO and after the IPO because there is a whole monetization capability before and after that for the investment banking team.

It's a journey with each client. And it starts with the IPO preparation. It then goes to left lead where we get extra sort of revenue. Most of these deals actually we started becoming left lead now, which was not the case in the past. And there, which includes liaising with SEBI doing the documentation, etc.

And then if you're entrenched into the IPO, then you get an opportunity for doing blocks because all of these are held by private equities and many of them want to monetize after listing as well. So, it throws open block opportunity. So that's the approach. It's a lifetime approach. It's a sectoral sort of a focused approach. It's about strengthening, research and sales capabilities and coverage capabilities, which is what we have done.

As we speak today, you would have noticed, once again, market has sort of started strengthening. The demand for participation in new issuances has increased. Likewise, this quarter, we have won about 17 mandates. Most of the mandates that we pitched in, we got. And the pipeline is built up quite strongly, the processes with the regulator is what is being sort of pursued and as these processes get sort of approved in the form of DRHP, etc., you'll start seeing issuances coming to the market.

So, I would say that we are pretty well positioned. Our approach is like end-to-end kind of approach. Approach is to focus on sectors, which we believe will keep giving us some

opportunity on the other. So, it tends to smoothen out, I would say, the episodicness of this business. For example, when I say BFSI, it's not just about IPOs, but most of these people follow it up with QIPs later on.

And invariably, if you're in the initial relationship with the client, then you keep getting QIP opportunities. And that's what we saw. During COVID, we saw almost every bank, every NBFC raise capital. And you would have noticed, we are present in about close to 8.5 to 9 out of those 10 deals that have happened during that period. So, it's an opportunity to smoothen out. It's an opportunity to penetrate.

It's an opportunity to monetize even post-IPO listing. So that's the approach we have followed. As far as coverage of sales is concerned, we have looked at moving more and more strongly into the flow side of business. So, our market share there have also improved. We are in the ballpark of about 7%, 7.5% market share range as far as the institutional side of the business is concerned. A lot of it attributable to the flows business.

Again, the flows business tends to be a lot more predictable and somewhat secular compared to episodicness that otherwise marked in this kind of a business. So that's broadly the approach. I think we are well positioned. And this team also, I must say, works very closely with our wealth team. So, what Anupam drives both sides.

Sometimes the wealth team refers IPOs, sometimes it's the other way around, the IPO team, the investment banking team refers wealth customers, not just the owners, but also the larger senior team. So there, we have a sort of a beach-head entry into these customers. So that's how we are sort of symbiotically trying to build the investment banking side of the business.

**Digant Haria:**

Perfect. That's really detailed. Just one thing, you mentioned that this business, the episodic nature should reduce versus last decade. So that's what you are also saying, right, that probably this next 5, 6 years, it should be a little more consistent business than what we saw in the last decade though we were always number one, two or three even the in last decade.

**Vijay Chandok:**

Yes. So, one of the reasons for that is that, number one, the supply side should keep increasing. I think capital markets have started accepting new companies start up a lot more than in the past. So simply speaking, you for that reflected in, let's say, number of unicorns, if you were to believe whatever numbers are put out in the chart.

The number of unicorns, the number of potential unicorns and so on and so forth. There's a large pipeline already existing. This kind of a sort of entrepreneurship supply never existed 10 years back. Given what is there on the table today, assuming that this fabric does not change, it only intensifies the interest towards India intensifies, more and more foreign investors, domestic investors want to participate in growth of the country, then supply of capital is there and absorption capability is also getting built up simultaneously, which was not necessarily the comparable case a decade back.

**Moderator:**

Thank you. That was the last question of our question-and-answer session. I would now like to hand over the conference call over to Mr. Vijay Chandok, MD and CEO, for closing comments.



**Vijay Chandok:**

Thank you very much for your participation. I know it's early in the morning. Really appreciate your presence, your questions. I hope we've been able to answer all your questions. In case there are some more follow-ups that are required, we are always available. You have our IR team ready to respond to you. Thank you once again for all the support you've been giving us. Good day.

**Moderator:**

Thank you. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.