

October 22, 2019

National Stock Exchange of India Limited
Listing Department
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E), Mumbai - 400 051

BSE Limited
Listing Department
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001

Dear Sir/Madam,

Sub: Outcome of earnings call held for results for the quarter and half year ended September 30, 2019

Ref: NSE Symbol - ISEC and BSE Scrip Code - 541179

This is further to our letter dated October 16, 2019 regarding the earnings call which was scheduled to be held on October 22, 2019.

Please find enclosed herewith the investor presentation and the opening remarks for the earnings call held on October 22, 2019 to discuss the financial results for the quarter and half year ended September 30, 2019.

The same has also been uploaded on the website of the Company *i.e.* www.icicisecurities.com.

Thanking you,

Yours faithfully,

For ICICI Securities Limited



Rupesh Jadhav
Senior Manager

Encl.: As above

Member of National Stock Exchange of India Ltd, BSE Ltd and Metropolitan Stock Exchange of India Ltd.
SEBI Registration : INZ000183631
CIN No.: L67120MH1995PLC086241

ICICI Securities Limited
Registered Office (Institutional):
ICICI Centre, H. T. Parekh Marg,
Churchgate, Mumbai 400 020, India.
Tel (91 22) 2288 2460/70
Fax (91 22) 2288 2455

Corporate Office (Retail):
Shree Sawan Knowledge Park, Plot No. D-507,
T.T.C. Ind. Area, M.I.D.C., Turbhe, Navi Mumbai - 400 705
Tel (91 22) 4070 1000
Fax (91 22) 4070 1022

Name of Compliance Officer (Broking Operations) : Mr. Anoop Goyal
Email Address: complianceofficer@icicisecurities.com / Tel (91 22) 4070 1000
Website Address: www.icicisecurities.com / www.icicidirect.com





Performance Review

Q2-FY2020

October 22, 2019

Agenda

- **Our Business**
- Business Environment
- Strategy & Updates
- Business Performance
- Financial Results



FOR YOU

ICICI Securities has built an enviable franchise...

4.6 mn	Growing customer base
Largest	Equity broker in terms of revenue
>₹800 bn	Assets under advise of our wealth clients ¹ Amongst leading wealth franchises
2 nd	Largest non-bank mutual fund distributor by revenue ²
1 st	Rank in the IPO by value ³



1. Clients having assessed profile and minimum assets of 75 lacs with us (equity assets are maintained in demat with ICICI Bank)
2. Source: AMFI (MF commission) period FY2019
3. IPO: IPO, FPO, InvIT (Investment trusts), REIT period H1-2020, Source: Prime database

... and a sticky customer base over the years

High Customer Stickiness

Revenue contribution by customers who have been with us for more than 5 years

> 65%¹

This trend is consistent and is reflected continuously for the five prior years including the recently ended FY19



1. Based on retail broking revenues

Agenda

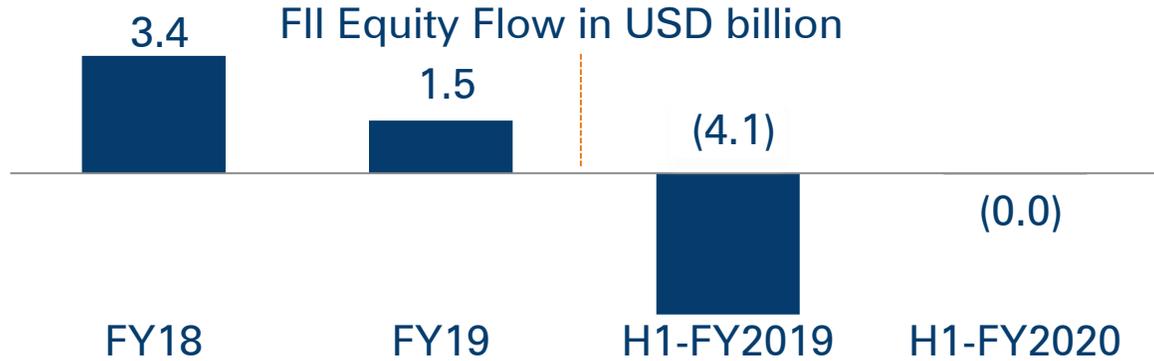
- Our Business
- **Business Environment**
- Strategy & Updates
- Business Performance
- Financial Results



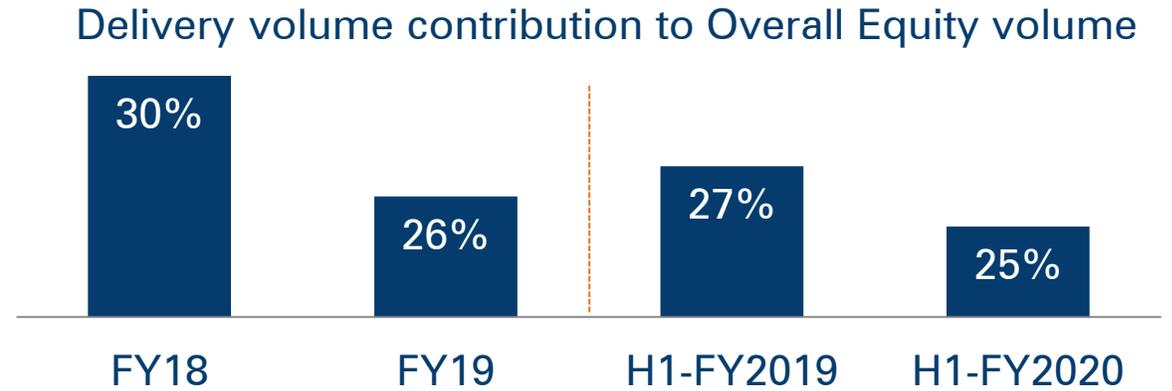
FOR YOU

Capital market: Slow down in primary & secondary market

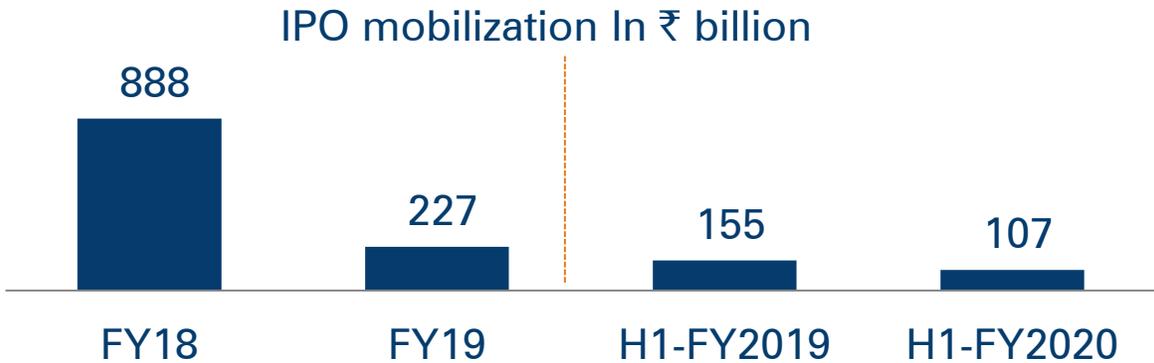
Weak FII flow



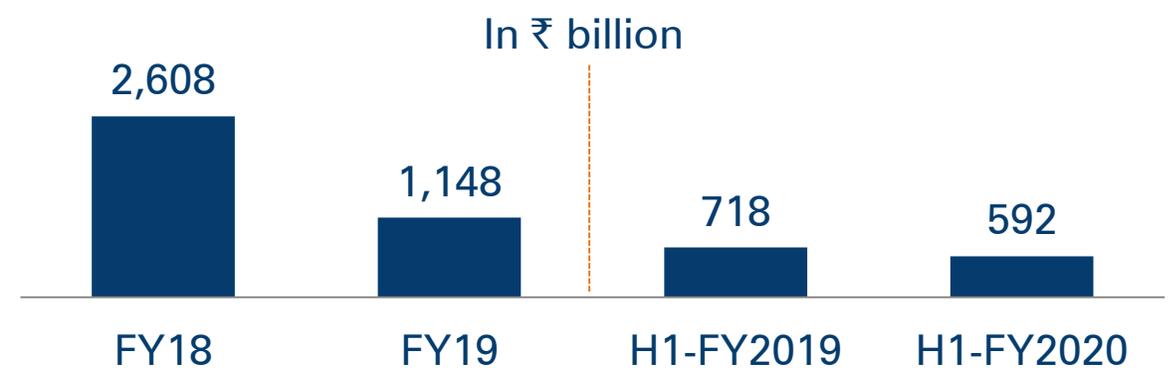
Contribution of better yielding delivery volume reducing



Subdued capital market (IPO) activity

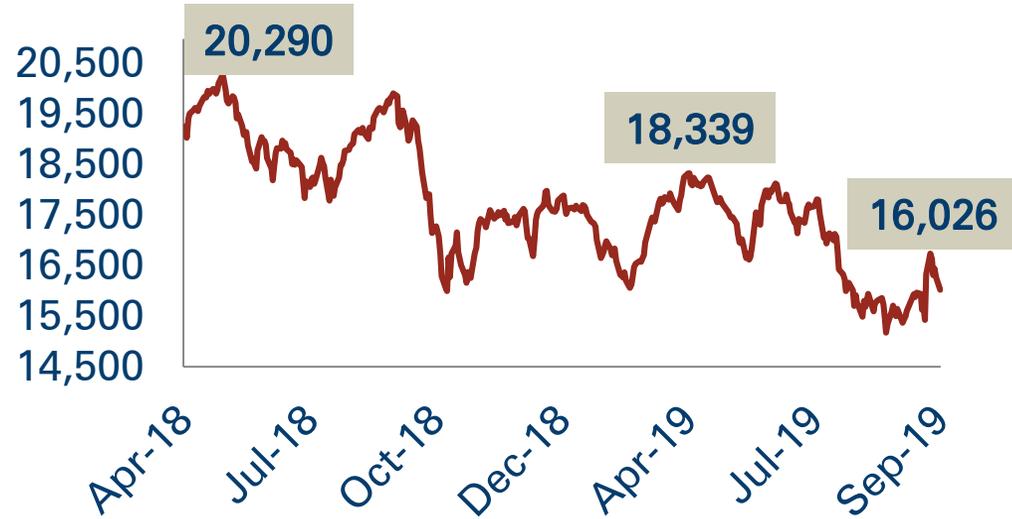


Slow down in MF net equity flow



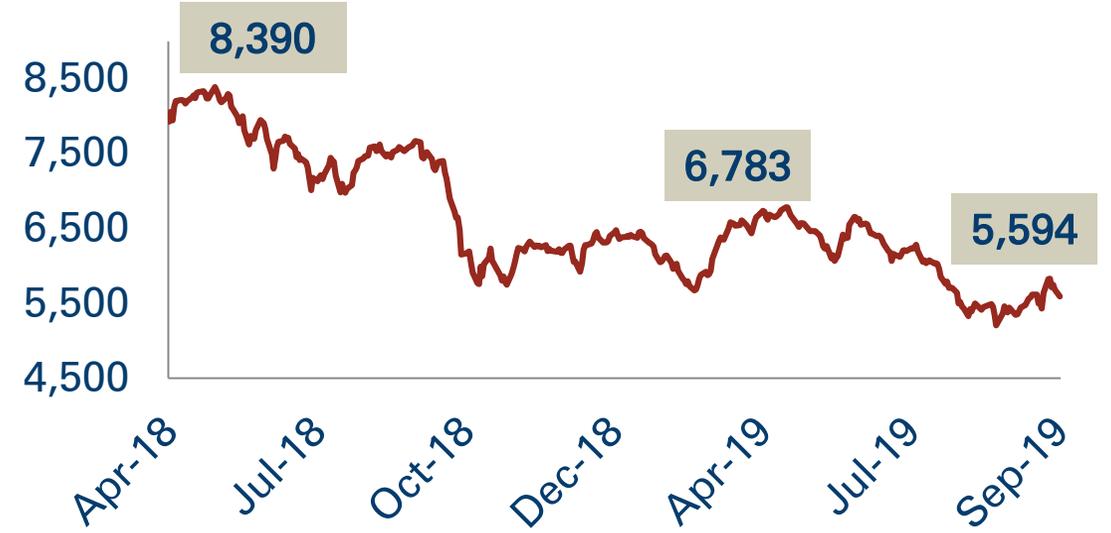
Equity market volatile with sharp downward bias

Nifty Midcap Index



Down by 21% and 13% from April-18 and April-19 peak respectively

Nifty Small cap Index



Down by 33% and 18% from April-18 and April-19 peak respectively



Agenda

- Our Business
- Business Environment
- **Strategy & Updates**
- Business Performance
- Financial Results

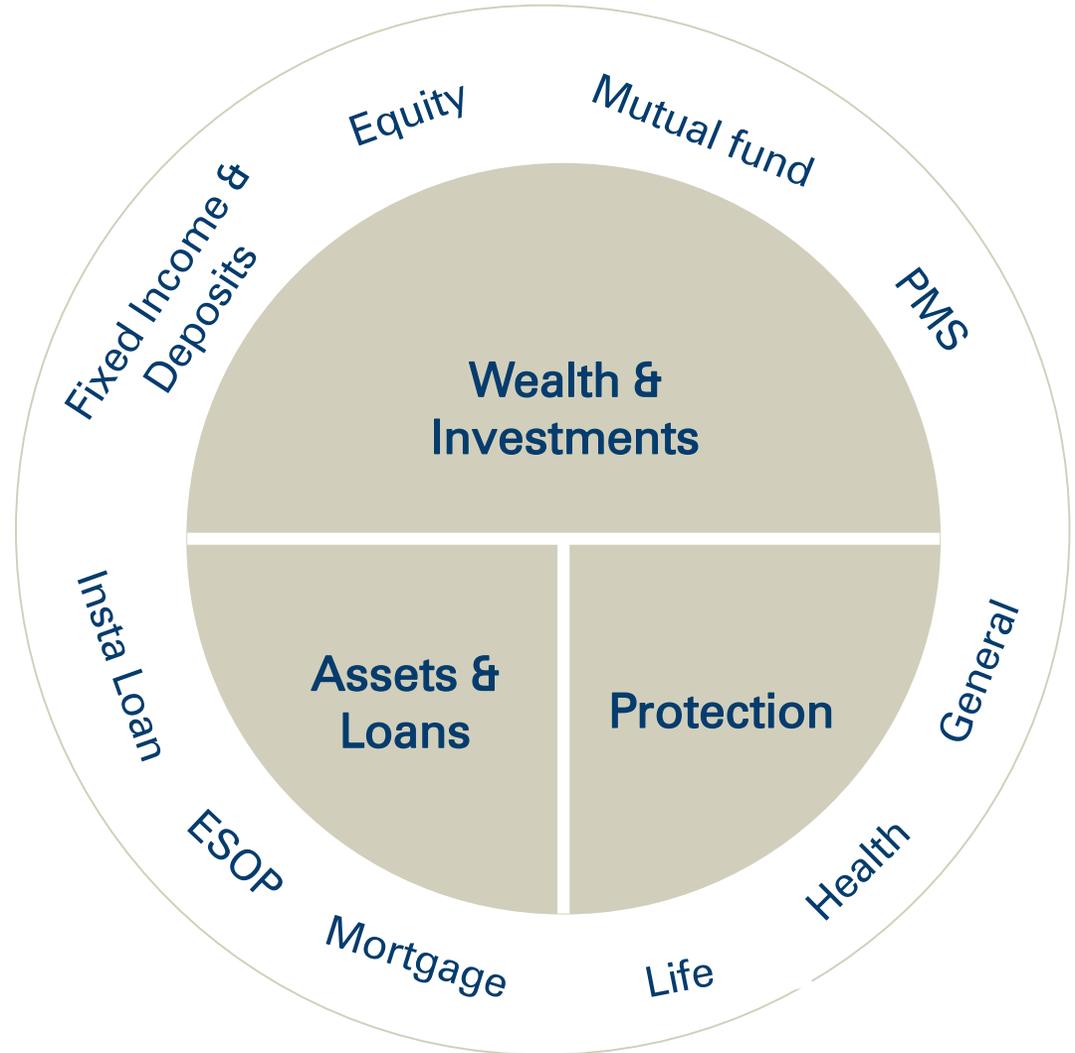


FOR YOU

Working towards broadening the positioning

Imperatives:

- Broad basing business model
- Diverse and granular revenue streams



To be seen as comprehensive financial solutions provider for the affluent Indian -
Powered digitally

Strategy: Strengthening the core and building the future

A. Ramping up **scale** and **value**
by augmenting and aligning
growth engines

E. Operating leverage
through cost efficiency

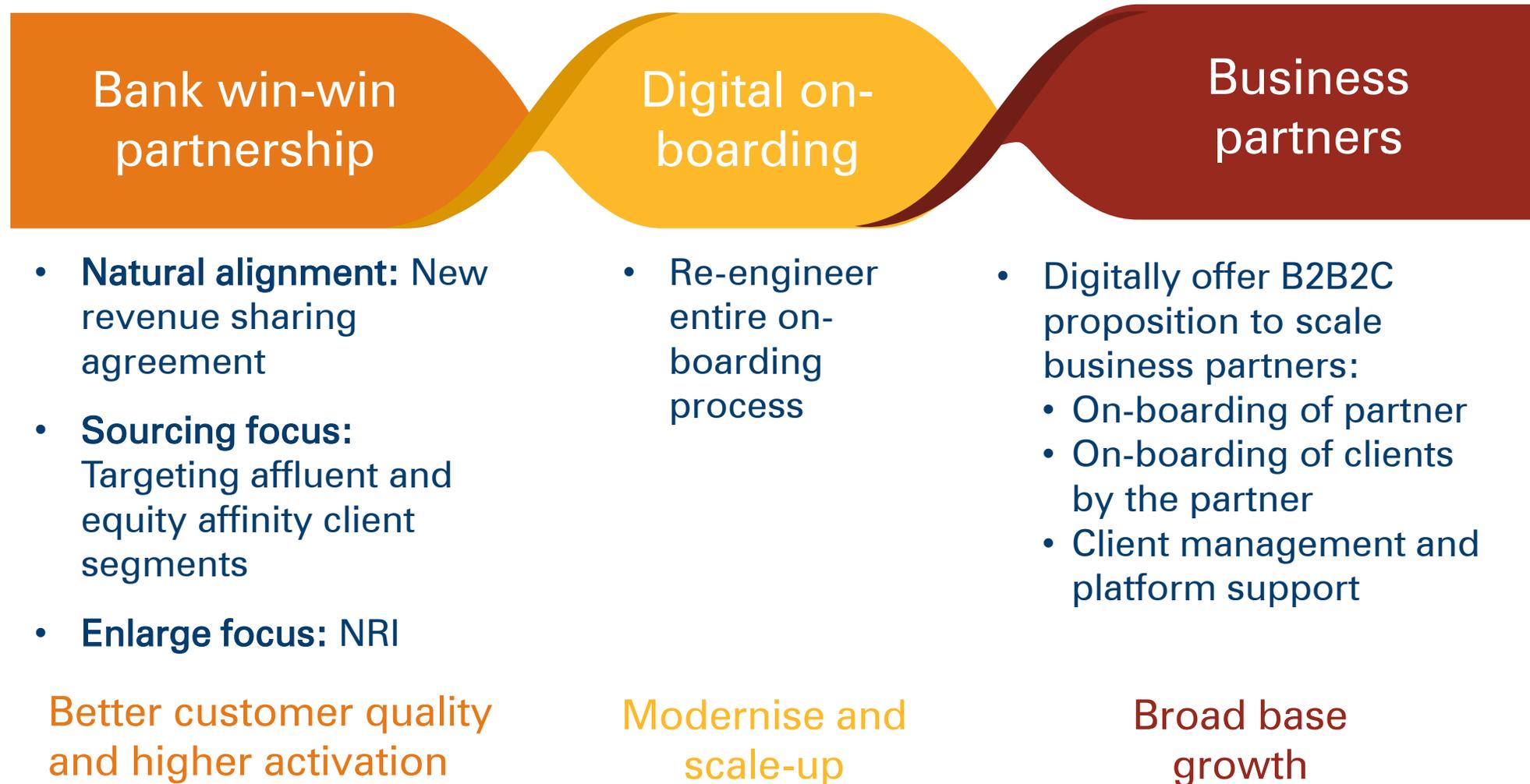
B. Monetize client value

D. Robust technology and
digital agility

C. Improving customer
experience



A. Ramping-up scale & value by augmenting & aligning growth engines



Progress: Improvement in active client share

Ramping scale & value

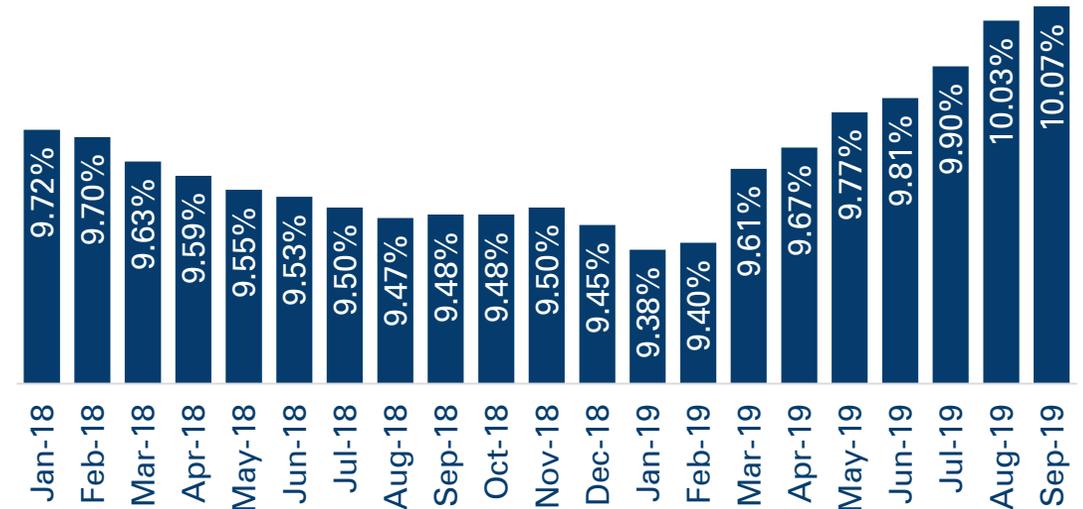
- **Quality of Sourcing**

- New arrangement with ICICI Bank
 - Activation rate¹ up from 33% to 46% for client sourced by bank
 - Number of active NCA up by 22%
- Launched subscription based plan
 - Over 1.6 lac subscriptions as at end Q2-FY2020
- NRI
 - Started sharing digital leads with UAE & Bahrain, making onboarding process smoother for customer
- Business partners
 - Network at 8,000+ in Q2-FY2020, up by 29%

- **Digital Sourcing**

- Improvement in daily run rate of accounts opened completely online
- Tab based instant account opening; monthly run rate of ~ 9,500

Market share² in active client base (NSE) at 21 month high



- 9.1 lac NSE active clients²
- Consistently adding active clients for last 8 months
- Equity blended market share up by 90bps from 7.8% in Q2-FY2019 to 8.7% in Q2-FY2020

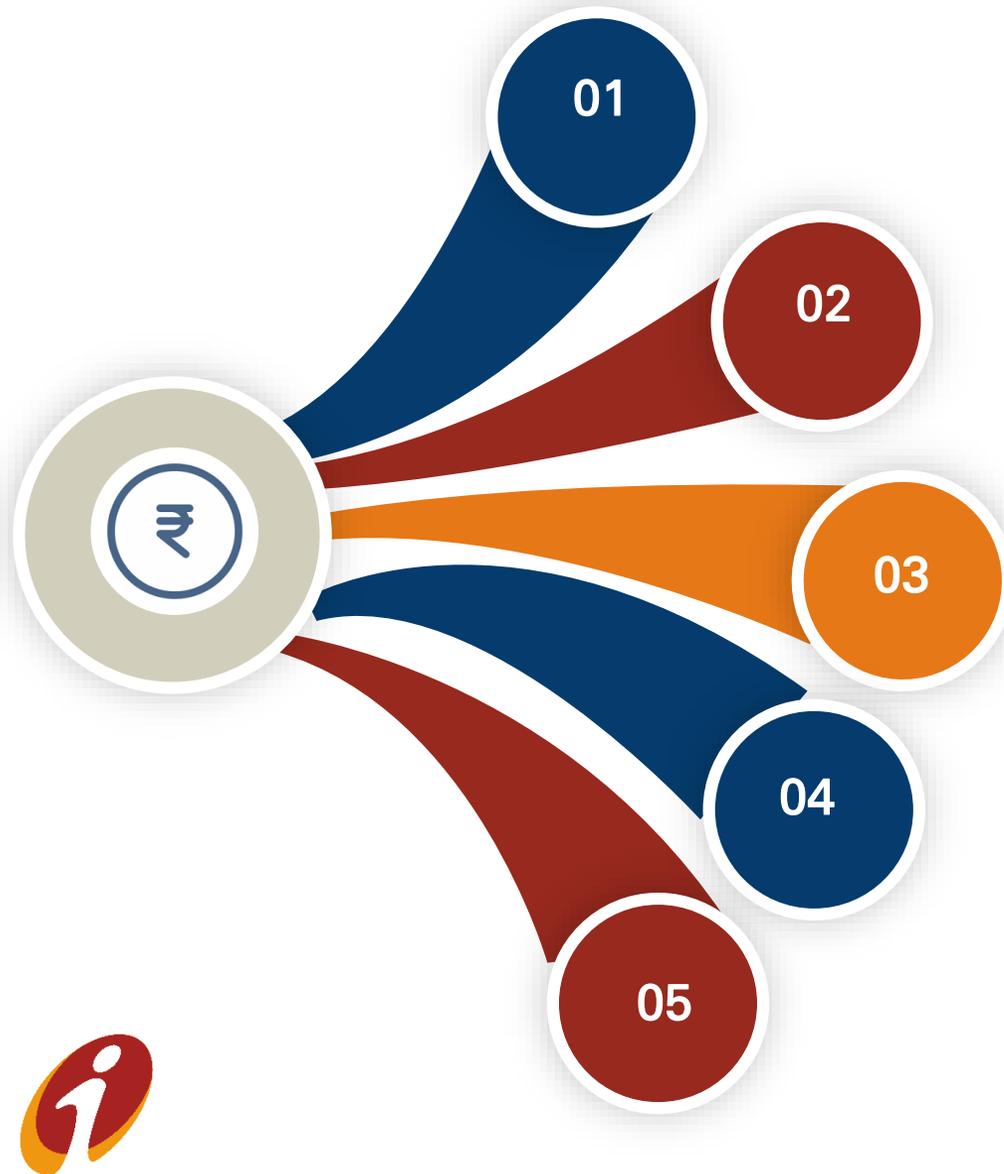


1. % of New client acquisition (NCA) who traded within 90 days of account getting opened.

2. Trailing 12 month; Source: NSE

Period: Q2-FY2020 vs Q2-FY2019, QoQ: Q2-FY2020 vs Q1-FY2020

B. Monetize client value



Insta digital loans as a new asset class

Digital lending to eligible customers for personal, auto loan, home loan top-up, credit card, LAS and deposits

Digital Insurance

Ramping up distribution of insurance digitally

- Health, Travel, Auto, Two wheeler and Term
- Enhancing product choice and product options

Margin trading facility

MTF extended on NSE

ESOP funding

Leveraging ESOP funding to build high quality client sourcing and enhancing revenue stream

Strengthening wealth management franchise

Comprehensive proposition for wealth clients including curated proprietary offering

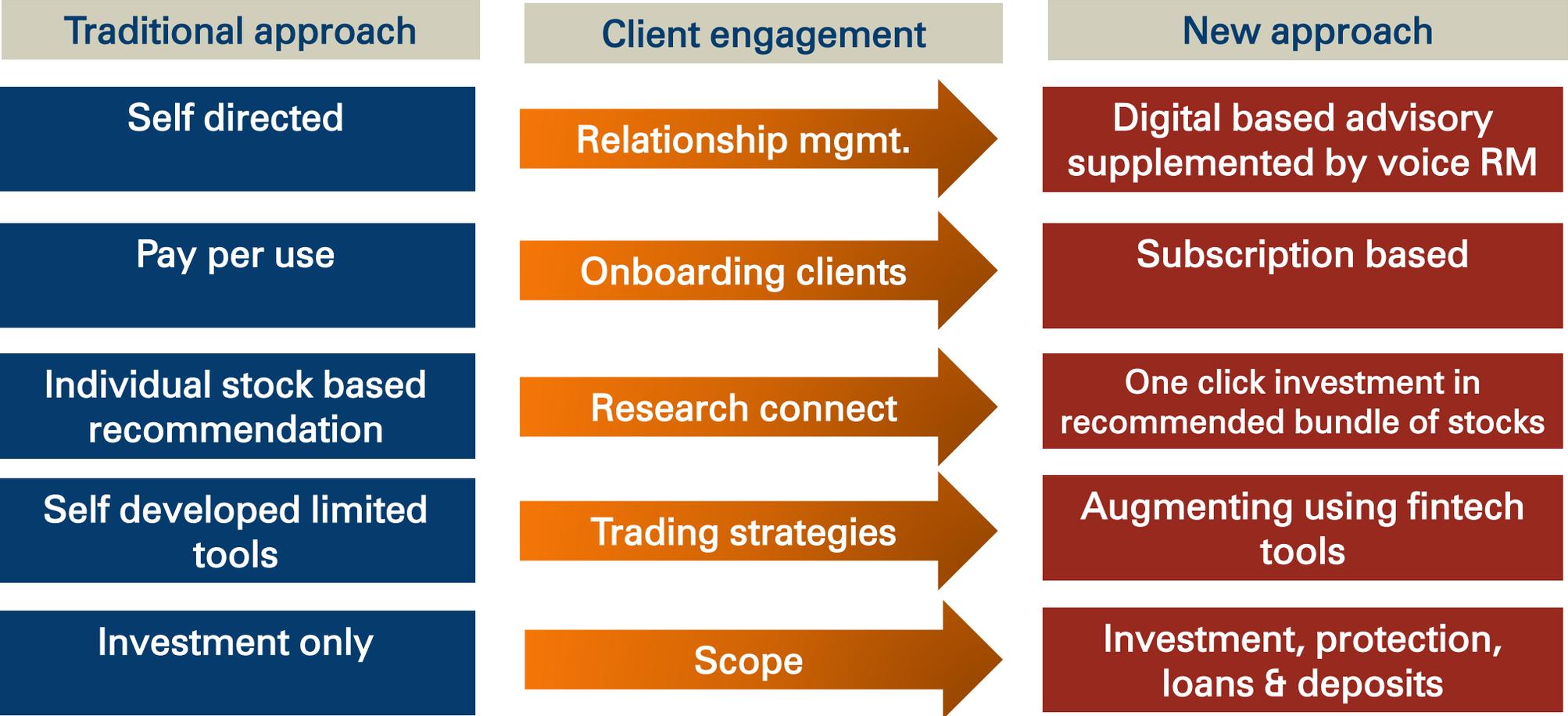
Progress: Enhancing completely digital product suite

Monetising client value

- **Launched digital distribution of loans**
 - 0.9 million unique clients for pre approved loans based on bank's credit criteria
 - Digital personal loans and credit cards and auto loan top up launched
- **Tie ups with insurance companies to digitally distribute insurance products**
 - Tie ups with Religare health and Star health
 - Launched full suite of Health Insurance products with Religare Health in the stand alone health category
- **Margin trading facility extended on NSE on September 27, 2019**
- **ESOP funding: Ramping up book size**
- **Proprietary PMS for HNI clients: Growing AUM**



C. Enhancing engagement for client retention & penetration



Progress: Curated engagement solutions

Enhancing engagement for client retention & penetration

- **AI based tool for identifying next best action and next best product/service**
 - Pilot campaign initiated across 3 equity and 2 non-equity product/service
- **Low touch engagement model**
 - License from IRDAI for Distance Marketing obtained on August 21, 2019
 - Working on a pilot to offer low touch engagement model for insurance
- **Launched One Click Investments on August 3, 2019**
 - 19 curated baskets of research recommended Mutual Funds
 - Easy, convenient and automated portfolio allocation into basket of Mutual Funds
- **Liquidity proposition 'eATM' extended on NSE on June 7, 2019**
- **New pricing plan for derivative product launched on September 25, 2019**
 - New brokerage plan in options being piloted
 - Initial response encouraging



D. Robust technology and digital agility

Robust technology strength

Secure, stable and fast system

- Reliable
- Avg. response time of 24 ms
- Peak concurrent users ~ 48k

Established framework for managing customer privacy & information security

3-tier recovery system and strong business continuity processes



Digital agility

Open architecture & partnership

- Use API architecture to onboard fintech partners
- Partner with fintech to offer customer centric solutions

Increasing use of data analytics

- Infuse new talent
- Infuse new technologies

Improved user experience

- New interface website
- New mobile app



Progress: Fintech partnership based digital capabilities

Digital agility

- **API architecture launched in September 2019**
- **Fintech partnership based digital capabilities**
 - Digital Team to scan the environment for identifying new technologies and opportunities
 - Projects evaluated: 56, Projects moved to UAT: 1, Projects POC/Launched: 1, Project under integration process: 1
 - Launched
 - AI based tool to increase customer engagement
 - Under Implementation
 - Trading strategy formulation tool for derivatives
 - Comparison tool for insurance
- **Upgrading client engagement platform**
 - Launched new website, currently in beta version
 - Reengineering our mobile app including new UI/UX



E. Operating leverage through cost efficiency



Re-evaluate branch infrastructure cost based on productivity, area efficiency and rentals



Centralization of certain vertical to optimise infrastructure and manpower cost



Process re-engineering to optimize acquisition related cost



Harnessing synergies within teams and business groups to optimize manpower



Migrating to digital/low touch coverage models



Strong focus on inculcating cost culture to enable identification and enhance cost efficiency on an on-going basis

Progress: Rationalising cost structures

Operating leverage through cost efficiency

- **Overall cost down by 7%**
 - Employee cost down by 7%
- **Head count down by 8%**
- **Branch count down from 202 to 187**



Agenda

- Our Business
- Business Environment
- Strategy & Updates
- **Business Performance**
- Financial Results

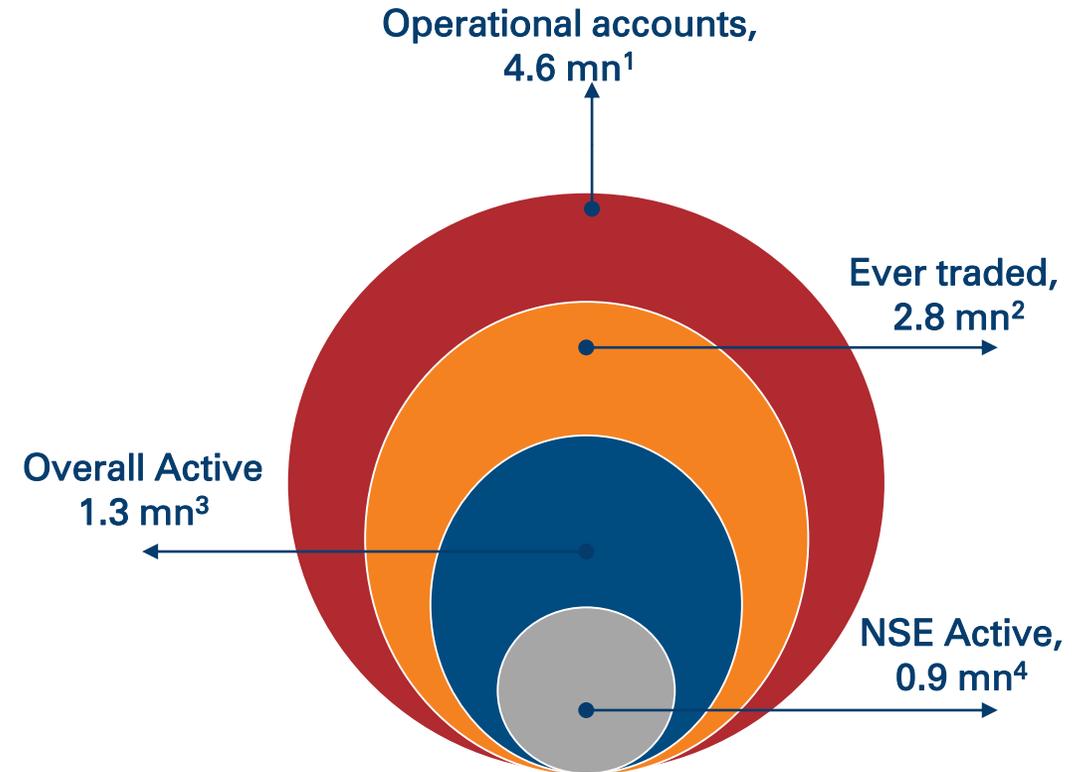


FOR YOU

Business Performance

Growing client base and engagement

- 4.6 million strong base of operational accounts; up by 9% YoY
- 13.3 lac overall active clients, increased by 5% YoY
- 9.1 lac NSE active clients, increased by 7% YoY



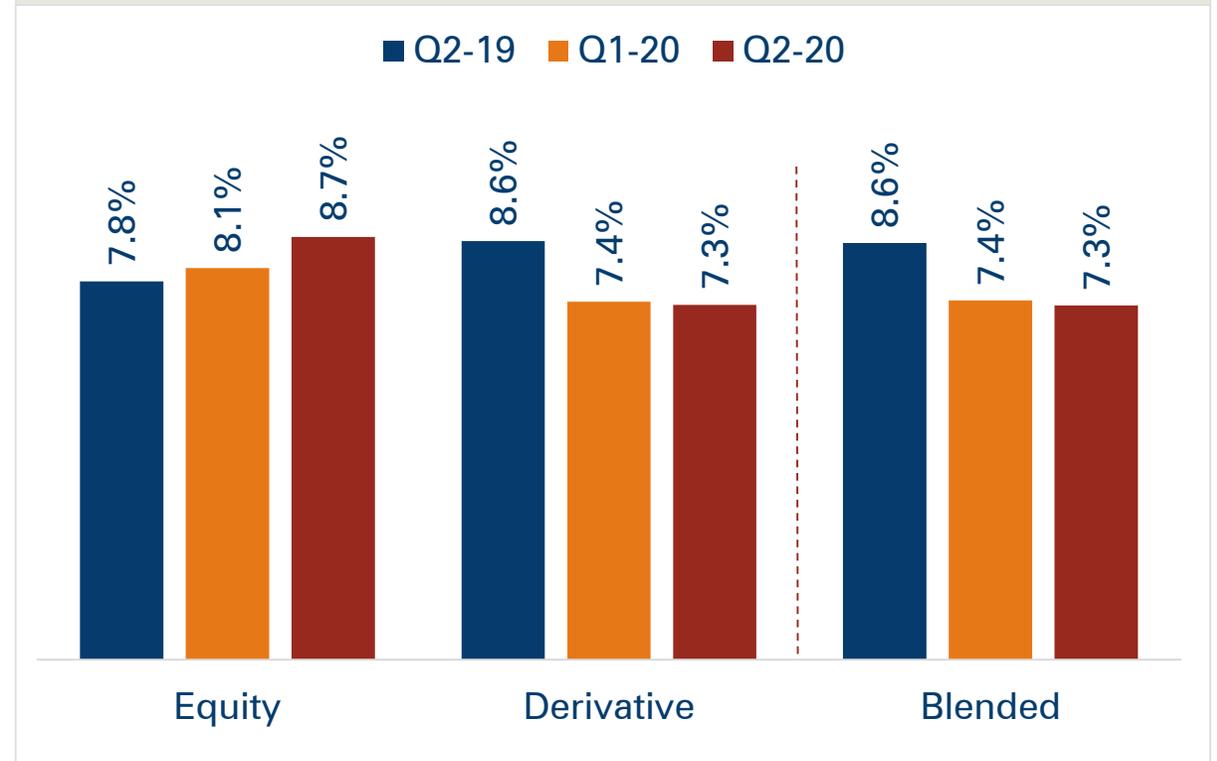
1. Operational accounts is the total client base with the company
2. Ever traded are the clients who have transacted at least once on our platform
3. Overall active clients are the clients who have transacted at least once during trailing 12 months across all product categories
4. NSE active client base are the clients who have traded at least once during trailing 12 months

Business Performance

Equity market share growth encouraging

- Equity market share up at 8.7% from 7.8%
- Blended broking market share at 7.3%
 - Driven by decline in derivative market share
- Derivative share at 7.3%
 - Decline mainly due to higher proportion of market institutional volumes in option trading

Broking Market Share



Business Performance

Focus on increasing volumes + allied equity products to drive growth

Retail broking down by 16% due to

- Decline in delivery volumes, being an industry trend
- Lower yields on account of adoption of Prime

Plan to offset by

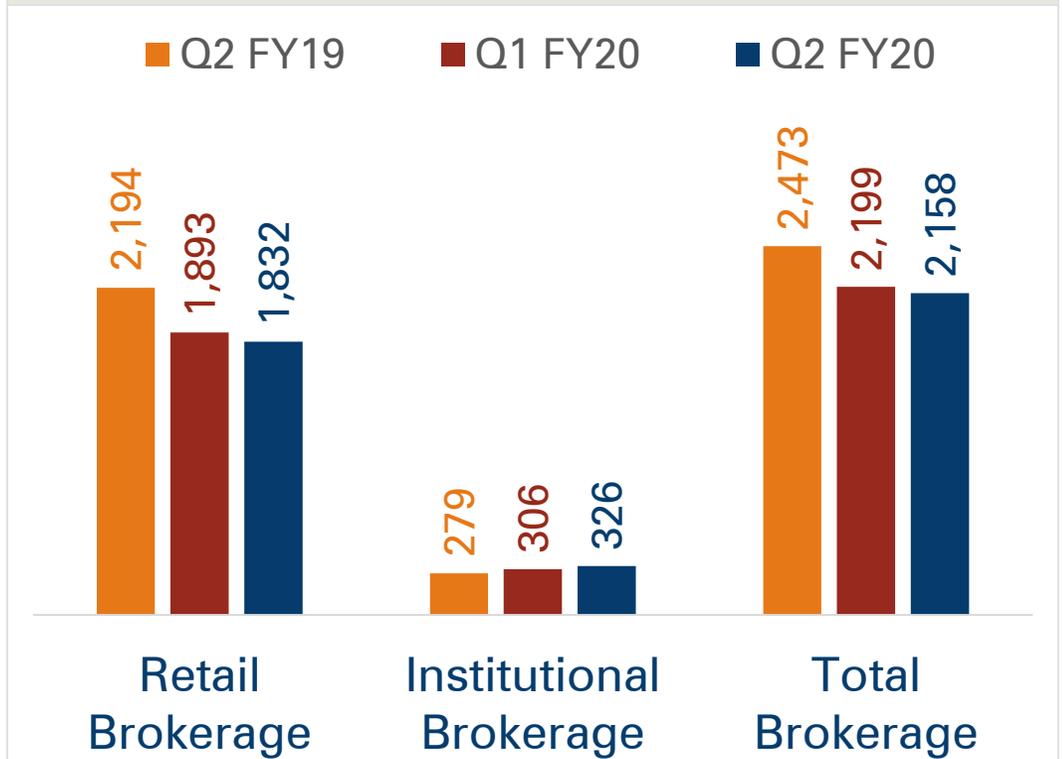
- Increasing active clients
 - Better quality of acquisition; Prime, Bank arrangement
 - Scaling up channels of acquisition; Multi-channel and open source model
- Increasing allied equity revenue streams
 - Prime subscription fees, ESOP, MTF

Institutional broking revenue up by 17%

- Supported by strong traction in block deals

Overall broking revenue down by 13%

Brokerage (₹ million)



Business Performance

Distribution business

Enhanced focus on non MF distribution

- Fixed income and deposits
- Life Insurance distribution
- Others

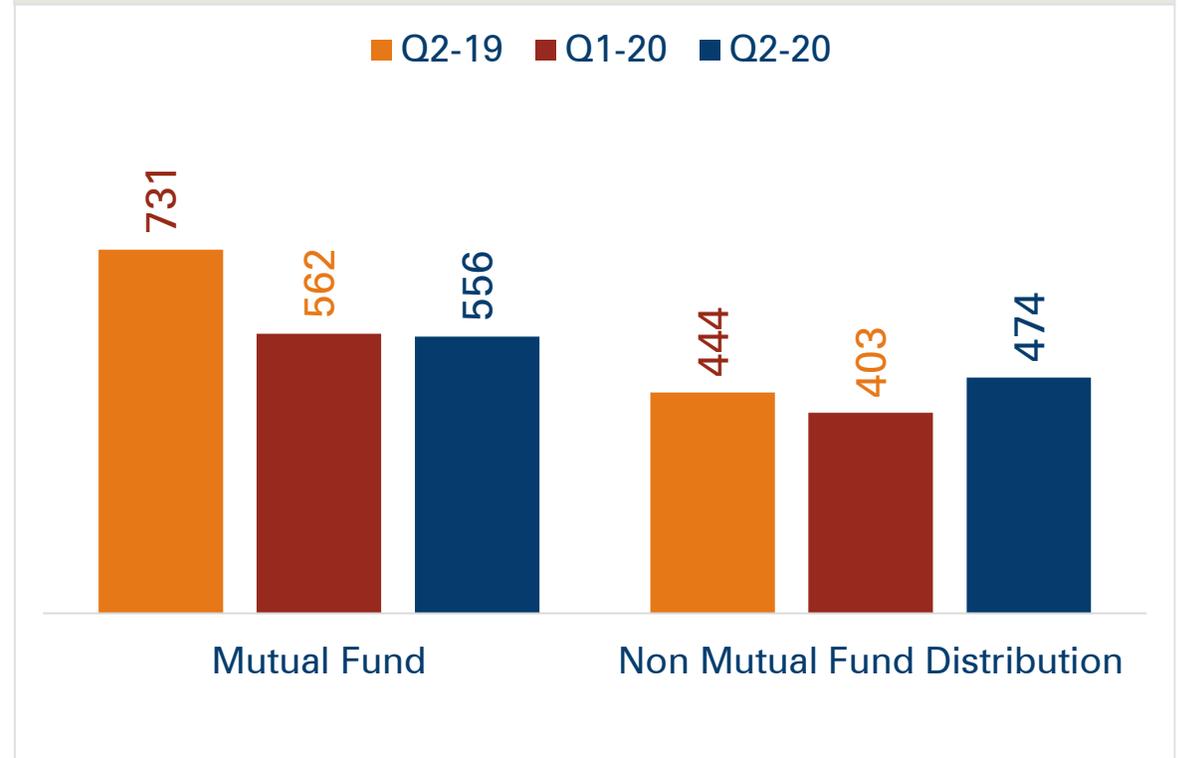
Non MF distribution¹ revenue up by ~7%

Endeavour to grow Mutual Fund revenues

- Mutual Fund average AUM up by 2%
- SIP count² for Q2 FY2020 is 0.66 million
- MF revenue down 24% in line with anticipated TER impact, almost flat sequentially

Overall distribution revenue was at ₹1,062 million down by 17%, sequential growth of 8%

Distribution revenue (₹ million)



1. Group of products which are being focused on to grow overall distribution revenue and include PMS, AIF, NPS, General insurance, Bonds, Deposits etc. and exclude income such as marketing fees and paid educational programs

2: SIP Count: Triggered as on last month of period; Source: AMFI

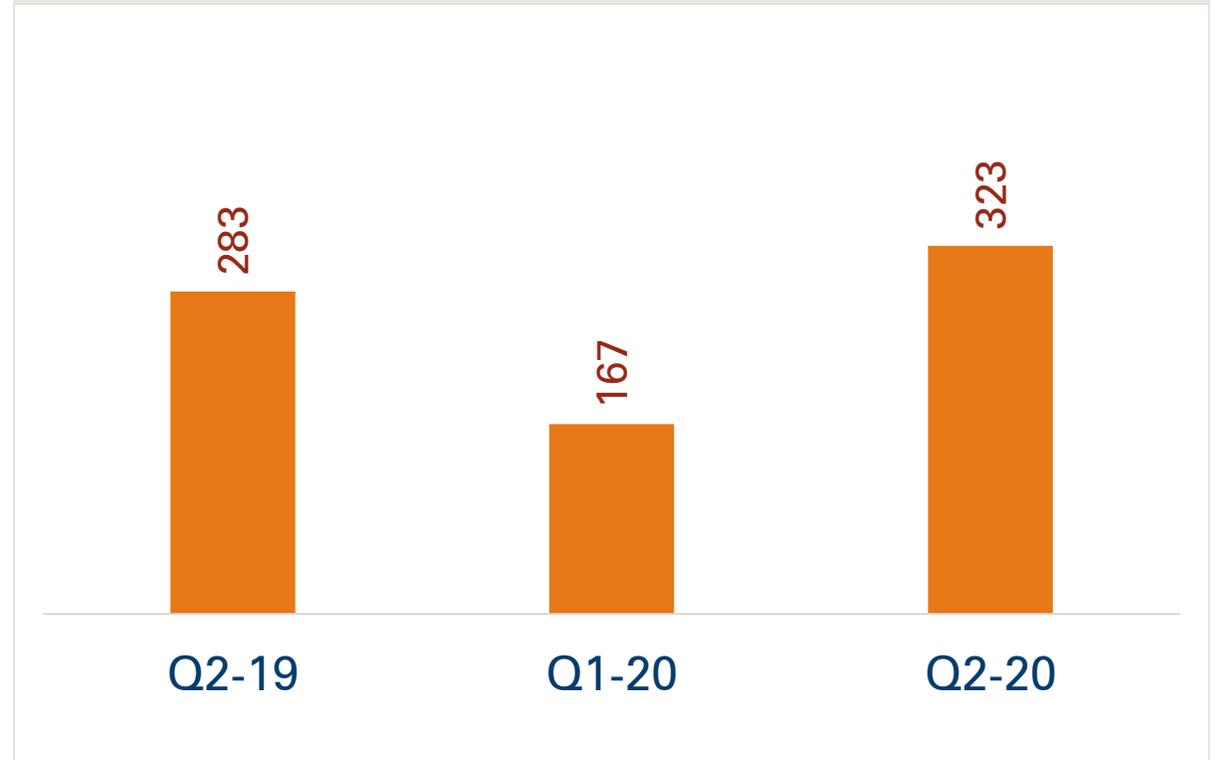
Period: Q2-FY2020 vs Q2-FY2019, Sequential (QoQ): Q2-FY2020 vs Q1-FY2019

Business Performance

IPO pipeline, ~7 deals amounting over ₹ 57 bn

- Ranked 1st in IPO¹ league table by value
- Rank 1st amongst domestic financial advisors by number of deals in merger market table
- Corporate finance revenue increased by 14%, up 93% sequentially (QoQ)
- 11 Investment Banking deals including 4 advisory deals

Corporate Finance Revenue (₹ million)



1. IPO: IPO/FPO/InvIT/REIT

Source: Prime Database, Merger market, SEBI

Period: Q2-FY2020 vs Q2-FY2019; Sequential QoQ: Q2-FY2020 vs Q1-FY2020

Agenda

- Our Business
- Business Environment
- Strategy & Updates
- Business Performance
- **Financial Results**



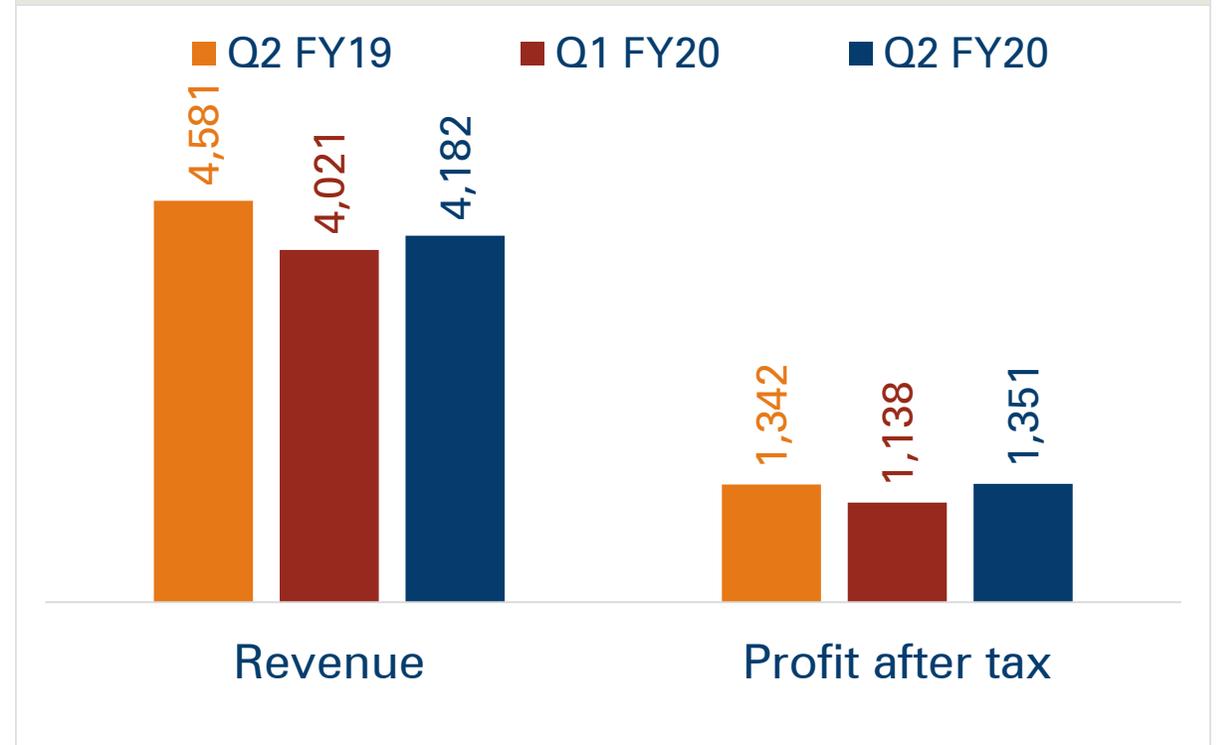
FOR YOU

Financial Results

Revenue and Profit after Tax

- **9% decline in consolidated revenue due to**
 - Decline in retail broking by 16%
 - Anticipated reduction due to TER in Mutual Funds
- Sequential (QoQ) growth of 4%
- **Overall cost down by 7%**
 - Employee cost down by 7%
- **PBT down by 11%, however Consolidated PAT increased by 1%**
 - Sequential (QoQ) increase in PAT of 19% aided by corporate tax cut

Revenue and PAT (₹ million)



Consolidated P&L

(₹ million)

Particulars	Q2-FY19	H1-FY19	Q1-FY20	Q2-FY20	H1-FY20	Y-o-Y%
Revenue	4,581	8,940	4,021	4,182	8,203	(9)%
Operating Expenses	340	592	245	244	489	(28)%
Employee benefits expenses	1,435	2,802	1,274	1,339	2,613	(7)%
Finance Cost ¹	108	239	178	179	357	66%
Other expenses ¹	621	1,204	564	579	1,143	(7)%
Total expenses	2,504	4,837	2,261	2,341	4,602	(7)%
Profit before tax	2,077	4,103	1,760	1,841	3,601	(11)%
Tax ²	735	1,423	622	490	1,112	(33)%
Profit after tax	1,342	2,680	1,138	1,351	2,489	1%
Other Comprehensive Income (OCI)	-	(16)	(35)	(16)	(52)	-
Total Comprehensive Income (TCI)	1,342	2,664	1,103	1,335	2,437	(1)%

1. Impact of Ind AS116 in Q1-FY2020 & Q2-FY2020 respectively: finance cost & depreciation increase by ₹ 156 mn , ₹ 141 mn; lease expense reduce by ₹ 128 mn and ₹ 119 mn; having a net impact of ₹ 28 mn and 22 mn

2. Impact of change in income tax rate including impact on account of revaluation of deferred tax asset given in Q2-FY2020 Includes MTM of ₹ 108 mn & 36 mn taken in Q1-FY2020 and Q2-FY2020 respectively on DHFL



Y-o-Y: Q2-FY2020 vs Q2-FY2019

Segment performance

(₹ million)

Particulars	Q2-FY19	H1-FY19	Q1-FY20	Q2-FY20	H1-FY20	Y-o-Y%
Segment Revenue						
Broking & commission	4,241	8,209	3,637	3,810	7,448	(10)%
Advisory services ¹	283	605	167	323	489	14%
Investment & trading	57	126	69	49	118	(14)%
Income from operations²	4,581	8,940	4,021	4,182	8,203	(9)%
Segment Profit before tax						
Broking & commission	1,904	3704	1,647	1,672	3,318	(12)%
Advisory services	144	315	16	175	191	22%
Investment & trading	29	84	(51)	(6)	(56)	
Total Result	2,077	4,103	1,760	1,841	3,601	(11)%



1. Advisory services includes Financial advisory services such as equity-debt issue management services, merger and acquisition advice and other related activities
2. Amount of ₹ 207 mn and ₹ 148 mn pertaining to interest on income tax refund is not allocated to any segment and is included in total revenues and results of FY2019 and Q1-FY2020 respectively

Y-o-Y: Q2-FY2020 vs Q2-FY2019

Balance sheet : Assets

(₹ million)

ASSETS	At Sep 30, 2018	At Mar 31, 2019	At Sep 30, 2019
Financial assets (A)	25,538	43,697	31,030
Cash/Bank and cash equivalents	16,823	31,486 ¹	15,322
Derivative financial instruments and Securities for trade	700	2,563	5,642
Receivables	2,013	4,770	2,457
Loans	5,022	4,033	6,797
Investments	37	28	27
Other financial assets	943	817	785
Non-financial assets (B)	2,694	2,949	4,986
Deferred tax assets (net)	647	737	571 ²
Right-of-use assets ³	-	-	1,662
Fixed assets, CWIP & Intangible assets	454	476	517
Current tax assets & other non financial assets	1,593	1,736	2,236
Assets (A+B)	28,232	46,646	36,016



1. Settlement obligation pertaining to an offer for sale of ₹ 17,362 mn was pending for payment as on March 31, 2019
2. Re-measured deferred tax assets at new income tax rate
3. Lease assets capitalised as per Ind AS 116, which came into effect on April 1, 2019, are being reported as Right of use assets

Balance sheet : Equity and Liabilities

(₹ million)

EQUITY AND LIABILITIES	At Sep 30, 2018	At March 31, 2019	At Sep 30, 2019
Financial liabilities (A)	13,285	30,182	19,892
Derivative financial instruments	3	17	-
Payables	6,091	23,362 ¹	5,650
Debt securities	5,204	4,473	10,143
Lease liabilities ²	-	-	1,654
Deposits & Other financial liabilities	1,987	2,330	2,445
Non-financial liabilities (B)	5,288	5,991	5,366
Equity (C)	9,659	10,473	10,758
Equity share capital	1,611	1,611	1,611
Other equity	8,048	8,862	9,147
Equity and Liabilities (A+B+C)	28,232	46,646	36,016



1. Settlement obligation pertaining to an offer for sale of ₹ 17,362 mn was pending for payment as at March 31, 2019
2. Lease liabilities are being capitalised in financial liabilities as per Ind AS116 applicable from April 1, 2019

Safe harbor

Except for the historical information contained herein, statements in this release which contain words or phrases such as 'will', 'would', 'indicating', 'expected to', etc., and similar expressions or variations of such expressions may constitute 'forward-looking statements'. These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results, opportunities and growth potential to differ materially from those suggested by the forward-looking statements. These risks and uncertainties include, but are not limited to, the actual growth in demand for broking and other financial products and services in the countries that we operate or where a material number of our customers reside, our ability to successfully implement our strategy, including our use of the Internet and other technology, our growth and expansion in domestic and overseas markets, technological changes, our ability to market new products, the outcome of any legal, tax or regulatory proceedings in India and in other jurisdictions we are or become a party to, the future impact of new accounting standards, our ability to implement our dividend policy, the impact of changes in broking regulations and other regulatory changes in India and other jurisdictions as well as other risk detailed in the reports filed by ICICI Bank Limited, our holding company with United States Securities and Exchange Commission . ICICI Bank and ICICI Securities Limited undertake no obligation to update forward-looking statements to reflect events or circumstances after the date thereof.

This release does not constitute an offer of securities.



For investor queries please email at IR@icicisecurities.com

1 billion/million = 100 crore / 10 Lacs

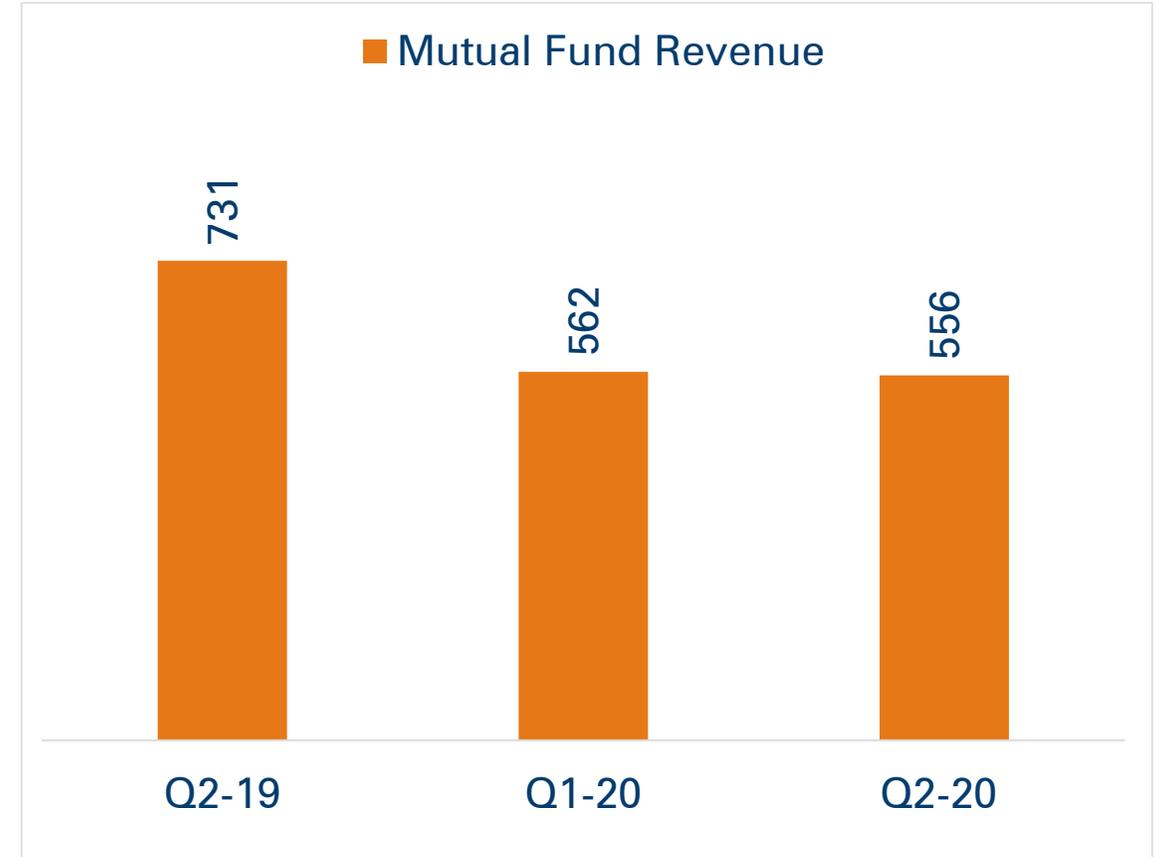
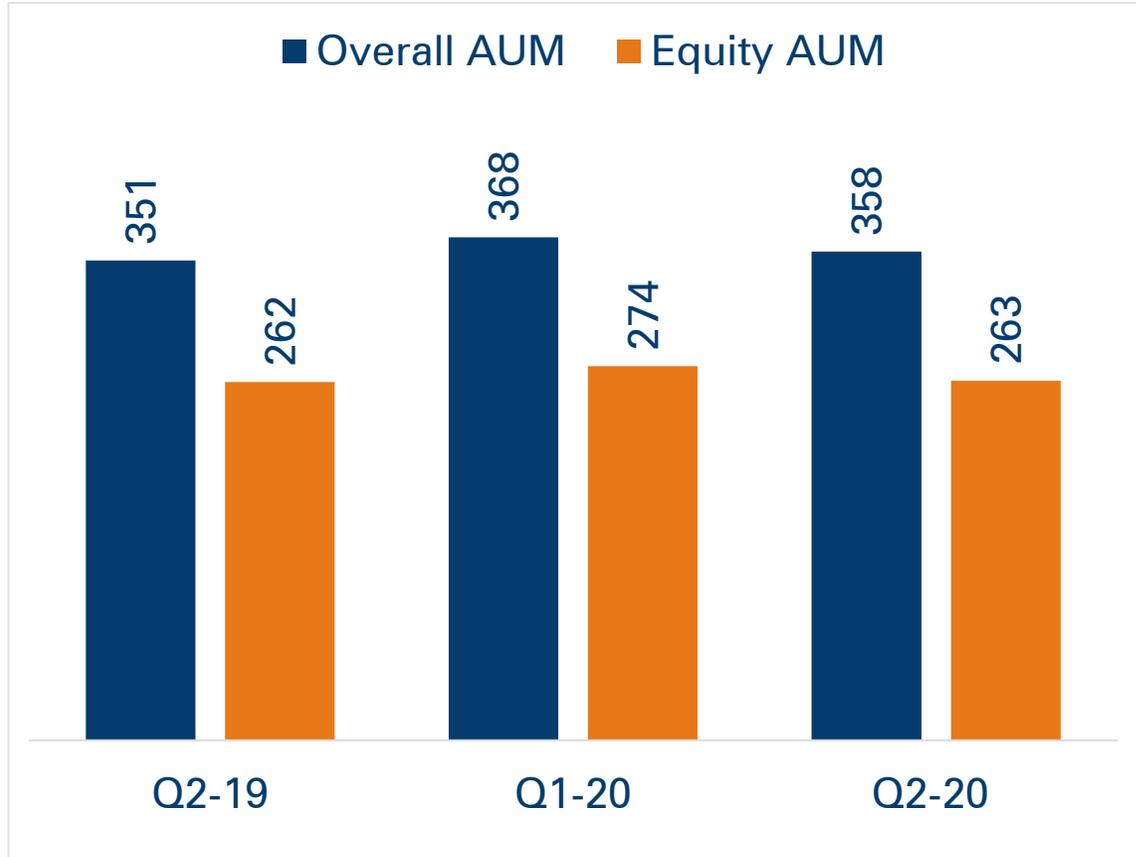


Thank you

Appendix

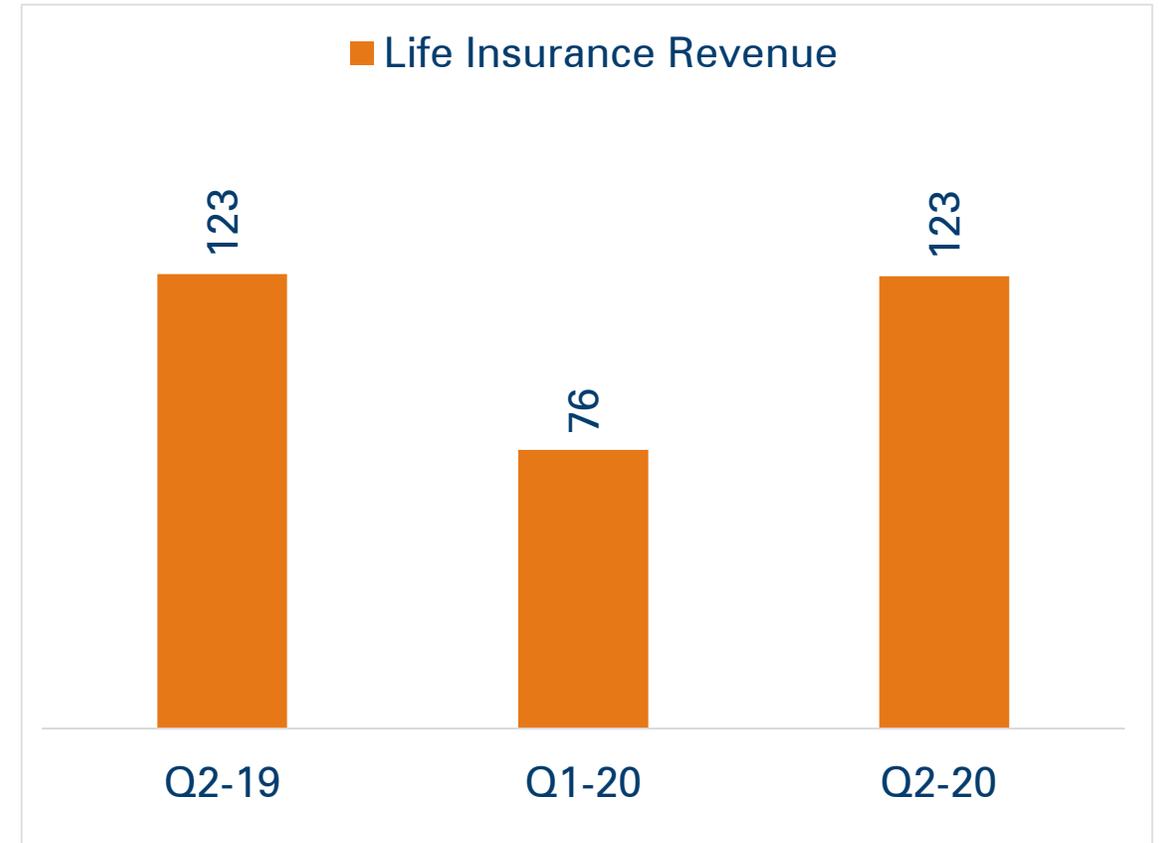
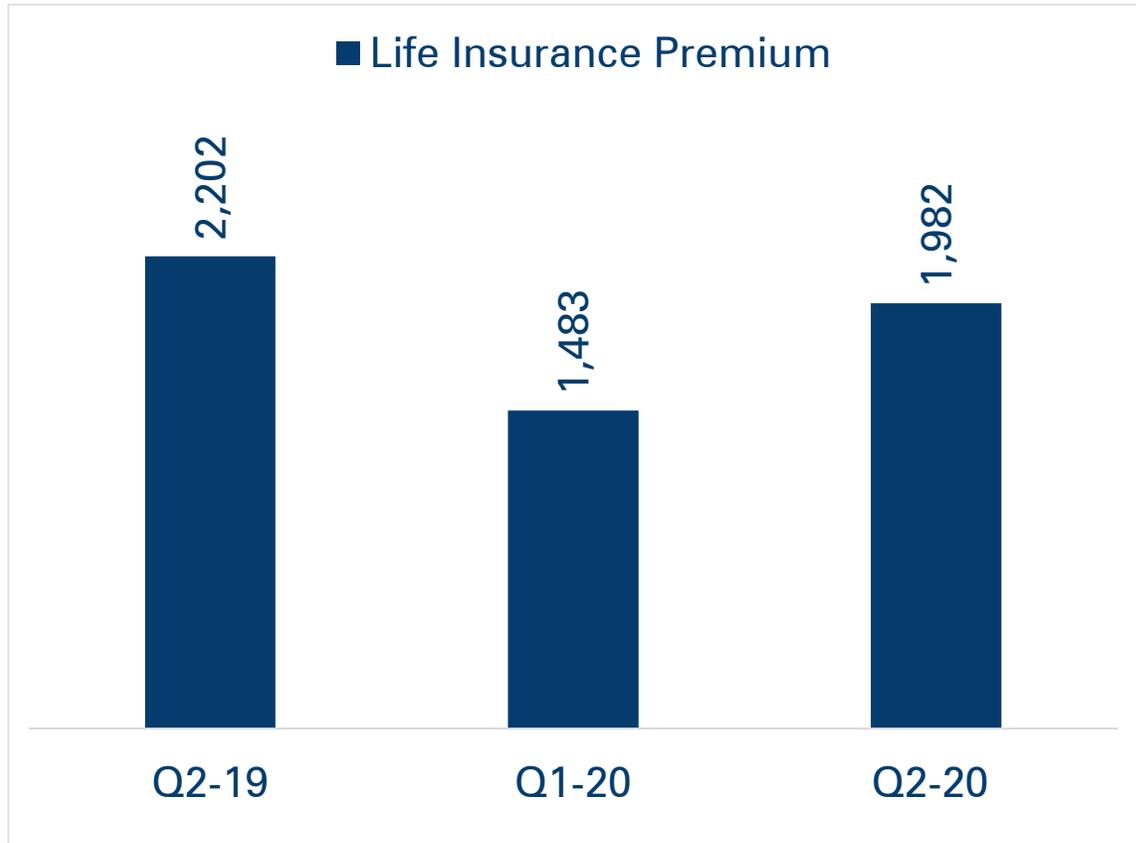
Appendix

Mutual fund average AUM (₹ billion) and Revenue (₹ million)



Appendix

Life Insurance Premium and Revenue (₹ million)



ICICI SECURITIES LIMITED

Earning Conference Call
Quarter ended September 30, 2019 (Q2-FY20/H1-FY20)

October 22, 2019

Operator remarks

Good day ladies and gentlemen and welcome to the Earnings Conference Call of ICICI Securities Limited for the quarter ended September 30, 2019.

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

For the duration of this presentation, all participant lines will be in the listen-only mode. I will be standing-by for the Q&A session. Should you need assistance during this conference call, please signal an operator by pressing '*' then '0' 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 over Mr. Chandok for his opening remarks.

Mr. Vijay Chandok's opening remarks

Good evening and thank you everyone for joining us. Welcome to our second quarter earnings conference call.

At the time of the first interaction with all of you for the Quarter one earnings call of ICICI Securities, I had just been with the company for about a month. Now, having spent more time in the company, I have come to realise two very important aspects about our Company which I want to share with you; first - the immense talent pool available in the company and second, I have developed a greater appreciation of the resilient franchise which the team has built for the Company over the years which, I firmly believe, continues to get stronger. Our customer franchise has grown further and as at September 30, 2019 stands at 4.6 million clients. Further, this is not just perhaps the largest in the industry, but also is a sticky franchise.

We are excited about the opportunity that our space offers for playing the India growth story which, is resulting in an increasing level of affluence amongst the people. And we at ICICI securities, are working towards broadening our horizon to emerge as a virtual supermarket providing comprehensive financial solutions for this affluent Indian which is

powered digitally. As a part of this approach, our endeavor is to satisfy three need sets of our customers, that is their wealth management and investments needs, need for protection of life & assets and the borrowing needs of our customers.

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

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

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

In such a context, we did face some downward pressure on our revenues due to risk aversion in equity markets and also due to regulatory changes

pertaining to mutual fund distribution, which we have already spoken about in the past. However, with sustained focus, we have made encouraging progress in implementing of our strategy and encouraging gains in market share, which I will talk about in greater detail a little later and, while we have been doing this, we have also been able to contain our costs. During the quarter, we also saw the impact of reduction in corporate income tax rate, which was partly offset by decrease in the deferred tax asset, the impact of which has been completely taken in the current quarter. Consequently, our company has reported a Profit after tax (PAT) of 1,351 million, an increase of 1% year on year. We are happy to share that the Board has approved an interim dividend of ₹4.25 per share, up from ₹3.70 last year.

During the quarter ended September 30, 2019, the entire company has been focused on implementing various components of the strategy which we shared with you in the last quarter. As you would recall, our strategy has five levers of focus, namely (i) ramping up scale of business with a focus on quality, (ii) monetizing client value, (iii) improving customer experience and engagement across spectrum of customer segments including wealth segment that we cater to quite actively (iv) Making the company more digitally agile and (v) focusing on cost efficiencies.

We would now like to give you an update on the progress made on each of the levers;

- i) **First, with respect to ramping up scale with quality** – We are working on diversifying our client sourcing which, as of now is majorly

dependent on ICICI bank. We are witnessing encouraging run rates of our ICICIDirect Prime, a subscription based plan offering privileged pricing, liquidity and curated research. We have approximately 1.6 lac Prime subscribers as at September 30, 2019 up from ~1 lac as at June 30, 2019. Prime is helping us in many ways, one as an attractive product proposition to source higher quality clients, second as a tool to activate dormant customers and third by adding annuity revenue of subscription fees to the equity business line. Our revenue from prime subscription fees which was non-existent in the corresponding quarter of the FY19 stood at ₹40 million in Q2-FY20, registering a sequential growth of around 90%. As we had envisaged, the bank arrangement effective from the start of the fiscal year is also showing encouraging signs. Our activation rates for the bank sourced clients is now at 46% in Q2-FY20 up from 33% in Q2-FY19 an improvement of over 39%, clearly showing shift in quality of customers towards the more affluent and relevant segments of the market opportunity. With regards to our focus on targeting NRI customers, we have started sharing digital leads with overseas branches of the bank to enable fulfilment and are also making onboarding process much smoother for customer. With a view to make onboarding of clients more efficient for our field force associated with ICICI Bank, we had developed a tab based instant account opening process using which a pre – existing bank customer can get his account opened on our TAB instantly (within

20 mins). Our monthly run rate for the Q2-FY20 was ~ 9,500 accounts.

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

Our third engine of growing scale is the business partner network which witnessed a strong growth of 29% year on year and was at 8,000+ in Q2-FY20. We expect this will help us grow our customer franchise further particularly not only in certain pockets of tier I cities but also in tier II and III markets.

All these initiatives have helped us grow our market share in NSE active clients which has grown from 9.6% as at March 31 to 9.8% as at June 30 to 10.1% at September 30 which is at 21 months high. This has also helped us improve our blended equity market share to 8.7% in Q2-FY20 from 7.8% in Q2-FY19, an improvement of 90bps.

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

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

We want to leverage our ESOP funding for building high quality client sourcing and we have been able to enhance our revenue stream by adding 15 new corporates during the quarter. In September 2019, we also extended our margin trading facility (MTF), which is an upto 365 day margin financing product and was hitherto available only on BSE, to NSE as well. Both ESOP funding

and MTF adds interest income as a source of revenue for us. For our wealth clients, we had built our proprietary Portfolio Management Service (PMS) program and are witnessing encouraging demand for it.

- iii) Our next lever is **Enhancing engagement and improving customer experience**. With an objective of increasing engagement with our clients on MFs, we have launched **One Click** investment plan on August 12, 2019. This product offers an easy, convenient and automated method of allocating a pre-decided amount periodically into a curated basket of research recommended Mutual funds. We have launched a suite of 19 curated baskets offering a variety of investment options ranging from equity to debt to hybrid, both for lump sum and SIP purchase.

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

Further, in order to build up our insurance franchise in a low touch manner, we have recently obtained license from IRDAI for

telemarketing business model under Distance Marketing Guidelines. We are currently working on a pilot for calling based low touch engagement model for insurance.

In order to grow our derivative business and increase engagement, we have just introduced a new strategic pricing plan for Options. The pilot was initiated on September 30, 2019 to a select set of customers and has received an encouraging initial response. Given our understanding of customer behavior and preferences, we believe that this plan will find favour with our client base and will help enhance engagement as well as scale of our derivatives business.

- iv) For building up on our **digital agility** capabilities, we launched an API architecture in September. This helps us quickly integrate with a diverse set of fintech players and other partners. We have created a digital team to scan the environment and identify new technologies and opportunities. In this regard, we have analyzed and evaluated 56 projects and launched one project while there are two other projects under integration phase. As already indicated, we have implemented the AI based tool to increase customer engagement and increase our ability to upsell & cross-sell. Our trading strategy formulation tool for derivatives and a Comparison tool for insurance are under various stages of integration.

Also, we have already built a new web interface which is in beta version and have engaged a company for reengineering our mobile app including new UI/UX.

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

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

Now, I would request Harvinder to take you through the financial review of the second quarter of FY2020.

Mr. Harvinder Jaspal

Thanks Vijay and Good evening to you all. Let me talk about the financial performance for the period.

Our Company registered consolidated revenue of ₹ 4,182 million for Q2-FY2020 as compared to 4,581 million for Q2-FY2019, a decline of 9%, however revenues registered a sequential growth of 4%.

This decline in revenue was primarily on account of 13% decline in our broking revenues and 17% decline in our distribution revenues, which was, offset partially by 14% increase in Corporate Finance revenues.

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

In our Broking business...

Our total brokerage revenue excluding interest income, contributed to 52% of our revenues in Q2-FY2020, decreased by 13% against same period last year to ₹ 2,158 million from ₹ 2,473 million.

Retail brokerage revenue declined by 16% from ₹ 2,194 million to ₹ 1,832 million primarily due to decline in market delivery volumes and lower yields on account of healthy adoption of Prime. As we have articulated earlier, our strategy of countering pressure on revenue caused by lower yields is to build different avenues for revenue growth.

Towards this, we are focusing on building different avenues for revenue growth and increasing the scale of active clients. The initiatives like, the bank agreement which is for sourcing is showing some early promising signs with a 39% improvement in activation rates, the Prime proposition through its subscription fees has started to contribute an annuity income stream worth ₹ 40 million for the quarter and is a growing pool. For increasing volume we are focused on increasing active clients through a multi-channel and open source acquisition architecture which is already

explained earlier. Consequently, during this quarter, we have increased our NSE active client base by 7% to 9.1 lakh clients from 8.4 lakh clients a year ago. Our market share in equity has also gone up which has also helped us offset some of the impact of lower yield.

In addition to building scale in broking business, we are also aiming to grow our allied equity products. We are striving to ramp up our ESOP book and gain market share, we added 15 new corporates in this quarter. Also our efforts are focused to grow our margin trading book. Both ESOP funding and MTF adds interest income as a source of revenue for us. We believe that with a sharp focus on increasing volumes and market share supplemented by increased attention to our allied equity products will help offset pressure on broking yields and provide impetus to our broking segment in the coming quarters.

We believe that once the confidence in equity markets revives, the retail participation in the markets will increase resulting in higher proportion of delivery based volumes which will play out well for our strategy.

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

Our blended equity market share was up 90 basis points to be at 8.7% in Q2-FY2020 compared to 7.8% in Q2-FY2019, however our overall blended market share for Q2-FY2020 declined to be at 7.3%. The decline

in blended market share was on account of decline in derivative market share at 7.3% in Q2-FY2020 from 8.6% a year earlier. Our derivative market share was negatively impacted by structural shift in the market mix of options trading volume towards institutional clients. In such a context, in this segment, our focus is getting intensified to cater to the futures market demand of our institutional clients where, our market share has improved both sequentially and on year on year basis.

Moving to our Distribution business ...

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

In line with our endeavor to grow mutual fund revenues and enhanced focus on non MF distribution, our overall active clients, i.e. the number of clients who have done transaction in any of our products in the last 12 months, increased by 5% to 13.3 lakh in Q2-FY2020 up from 12.7 lakh in Q2-FY2019.

Our Mutual Fund average AUM grew at 2% to ₹ 358 billion in Q2-FY20 from ₹ 351 billion in Q2-FY19. However, on account of new regulatory changes comprising both elimination of upfront commission and reduction in TER, the Mutual Fund revenue declined by 24% to ₹ 556 million in Q2-FY20 from ₹ 731 million in Q2-FY19. While our SIP book

was stable on a sequential basis with the count of 0.66 million, on y-o-y basis it was down from 0.70 million. We have taken several measures to increase activity focused on mutual funds business. Towards this end, we launched easy, convenient and digital engagement products like 'One click' investments and SIP Insure to sustain and grow our mutual fund revenues. We expect these initiatives to yield results in the coming quarters.

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

Let's now discuss our performance in Investment banking ...

We are ranked 1st by value of deals in IPO (including invit/ Reit and FPOs) as well as were ranked 1st among domestic financial advisors by number of deals in merger market league table. In spite of headwinds in terms of weak market conditions, we executed 11 Investment banking deals in Q2-FY20. We have IPO pipeline (as per SEBI filling) of over ₹ 57 bn.

Our Investment Banking revenue was ₹ 323 million in Q2-FY20, an increase of 14% from ₹ 283 million in Q2-FY19.

Our treasury income declined by 14% to ₹ 49 million from ₹ 57 million primarily on account of mark to market loss on DHFL bonds, partly compensated by higher interest income earned arising from debt positions that we have built given the interest rate environment.

Coming to our costs ...

We were able to contain costs, our cost declined by 7% from ₹ 2,504 million to ₹ 2,341 million in Q2-FY2020 led by reduction in employee cost by 7%. Our quarter end employee count was at 4,077 as compared to 4,298 in Q1-FY20, a sequential decline of 5% and a year on year decline of 8%. Our cost to income ratio was at 56% which was same as Q2-FY2019.

Our consolidated Profit before tax declined by 11%. However due to the changes in tax rates announced by the Finance Minister, our Profit after tax (PAT) for Q2-FY2020 increased by 1% to be at ₹ 1,351 million compared to ₹ 1,342 million for Q2-FY2019. The impact of the change in the tax rate has two components, increase in PAT by around ₹ 350 million due to reduction in statutory tax rate and a negative impact of around ₹200 million due to revaluation of deferred tax assets asset as at

September 30, 2019, the entire impact of which has been taken in the current quarter by the Company. The cumulative impact resulted in an increase in PAT by around ₹ 150 million. Going forward for Q3 and Q4, the tax rate would be closer to 25%.

Our Return on Equity (RoE) continued to remain robust at ~ 48% for Q2-FY20. We have declared an interim dividend of ₹ 4.25 per share compared to an interim dividend of ₹ 3.70 per share for H1-FY2019. The dividend payout ratio (excluding dividend distribution tax of 20%) was 55%.

Thank you and we are now open for questions and answer.