

October 27, 2022

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:** Earnings call transcript for quarter and half year ended September 30, 2022

**Ref:** NSE Symbol - ISEC & BSE Scrip Code - 541179

This is further to our letters dated October 19, 2022 and October 20, 2022. The Company had hosted an Earnings call with investors and analysts on Thursday, October 20, 2022 to discuss the financial performance of the Company for the quarter and half year ended September 30, 2022.

Please find attached the transcript of the Earnings call for the quarter and half year ended September 30, 2022. The same is also made available on the Company's website at [www.icicisecurities.com](http://www.icicisecurities.com).

Thanking you,

Yours faithfully,

**For ICICI Securities Limited**

**Rupesh Jadhav**  
**Chief Manager**

Encl.: As above

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

**ICICI Securities Limited**

**Registered Office:**

ICICI Venture House  
Appasaheb Marathe Marg,  
Prabhadevi, Mumbai - 400025, India  
Tel. (91 22) 6807 7100  
Fax (91 22) 6807 7803

**Corporate Office :**

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) 6807 7100  
Fax: (91 22) 6807 7801

**Name of Compliance Officer (Broking Operations) :** Mr. Anoop Goyal

**Email Address:** [complianceofficer@icicisecurities.com](mailto:complianceofficer@icicisecurities.com) / Tel. (91 22) 4070 1000

**Website Address:** [www.icicisecurities.com](http://www.icicisecurities.com) / [www.icicidirect.com](http://www.icicidirect.com)



“ICICI Securities Limited  
Earnings Conference Call - Quarter Ended September 30, 2022”

**October 20, 2022**

**Operator Remarks:**

Good evening ladies and gentlemen, and welcome to the Earnings Conference Call of ICICI Securities Limited for the Quarter Ended September 30th, 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 Gulecha – Head, Retail Equities, Mr. Anupam Guha – Head, Private Wealth Management, Mr. Subhash Kelkar – Chief Technology and Digital Officer, Mr. Ketan Karkhanis – Head Digital Client Acquisition and Co-head New Solutions Group, Mr. Nilotpal Gupta – Head, Data Science Unit.

For the duration of this presentation, all participant lines will be in the listen only mode. I’ll 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](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.

*Please note that the transcript has been edited for the purpose of clarity and accuracy. Certain statements in this call are forward-looking statements. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from those included in these statements due to a variety of factors.*

**Mr. Vijay Chandok:**

Thank you very much. A very good evening to all of you and a warm welcome to the ICICI Securities Quarter Two Earnings Call for Fiscal 2023. First of all, let me take this opportunity and wish you in advance a very Happy Diwali and season's greetings to all of you and your families. So, I'm sure and I do hope that by now you have already perused through our investor presentation which has been uploaded on our website. So, what I'm going to do right now is start with a very brief highlights of the industry performance and what transpired there during this quarter. And thereafter, I will take you through some of the key aspects and the final points of our performance during this same period.

So, talking about the industry first, as compared to the previous quarter in which the industry witnessed moderation across most parameters, there were some encouraging signs visible this quarter. So, I'll first highlight these encouraging signs:

- First and foremost, the FnO trading activity continued to grow with the ADTOs or the average daily turnovers, growing sequentially by 25% compared to a 11% sequential growth in the previous quarter.
- The second positive point to take away was that the cash volumes in this quarter was actually flat compared to the previous quarter, halting a sequential decline after five quarters. So, it's a notable development in the industry.
- The third point is what was observed is that the flows into SIPs for mutual funds, continued to show an increasing trend and it grew 4% sequentially.

So, while these were some of the positive takeaways for the industry during the quarter, on the flip side, I'll highlight a few points as well. So, on the flip side,

- The new comers, the new Demat accounts that opened during this quarter continue to witness moderation, in fact on a sequential basis it declined by about 11%.
- The NSE active clients for the industry declined actually by 2% sequentially and this is the first quarterly decline after more than three years. So, NSE active at the end of this quarter came in at a lower level for the industry compared to the end of previous quarter.
- The gross flows and equity and debt mutual funds also declined by 11% and 1% on a sequential basis. So, clearly these are some signs of slowing in the market.

- When it comes to ECM activities, equity capital market activity, the fundraise showed a de-growth sequentially. And obviously the reason for that was that the primary market activity remained quite weak amidst all the uncertainties in the marketplace.

Against this kind of a backdrop, as you would have observed, our revenue for the quarter for ICICI Securities Limited grew 9% on a sequential basis and 1% on a Y-o-Y basis and came in at Rs.865.6 crores. The profit after tax increased by 10% on a sequential basis and came in at about Rs.300.4 crores. However, when you look at it on a Y-o-Y basis it declined by about 14%. When you look at this Y-o-Y decline you could attribute this predominantly due to our continued emphasis on franchise enhancing spends, which we are doing to harness the medium term growth prospects of our industry. The other notable point that I would like to talk about our financial performance is that the Board of Directors today have approved an interim dividend of Rs.9.75 per share.

So, in the context of these somewhat uncertain market conditions, our company redoubled our efforts and continued to work on four key focus areas. And I'll take you on the nuances of the four key focus areas that this company focused on:

- The first important focus for us was improving market share across various areas of business.
- The second was diversifying the mix of our revenue and intensifying the focus on the wealth franchise of the company. This was with a view to reduce revenue cyclicality in our business model.
- The third focus was on cost efficiencies without compromising on growth opportunities.
- And lastly, the focus was on building a product proposition pipeline to be future ready, as the opportunity keeps unlocking for the various product propositions that we offer to the customers.

So, I'll now take you through each of the four areas and how things have played out.

**So, coming first to the market share:**

- We continue to witness some green shoots in the retail derivative market share and during this period, it increased by 20 basis points, and came in at about 3.7%. And I'm also encouraged to share that there was growth in all the underlying parameters of number of customers, orders, and so on and so forth.
- Our retail equity market share increased by about 90 basis points on a sequential basis and came in at about 10.6%.
- We continued to maintain the leadership position with regards to the MTF business and in this area our market share improved further by about 60 basis points and now stands at approximately 23%.
- The commodity trading segment for us seems to be performing again in an encouraging way and we continue to gain market share there. For the end of quarter one, the market share was at about 4.4%. and I'm happy to report that this has increased to 5.5% in quarter two FY2023.
- With regards to incremental Demat market share: For this quarter we increased our share from 6.5% to 7.6% sequentially.

So, while we have gained market share on most of our parameters, our NSE market share actually marginally declined by about 20 basis points during this quarter and stood at about 8.2%. In this context, we continue to guide you not to look at this NSE active market share parameter on a standalone basis. And our performance in this quarter is a testimony to this as we saw growth and revenues and gain and market shares in the context of what NSE active market share came in as. We continue on this subject to focus on acquiring better quality clients as we move forward as well.

**Coming to our second area of focus which is diversification of revenues,** reducing cyclicity has been an important part of our strategy and we've been stressing on that time and again. This quarter despite the cash ADTOs falling by 21% and the capital markets being muted in the current quarter as compared to the corresponding quarter last year, our revenue actually grew by 1% on a Y-o-Y basis. This outcome is a testimony to our continued focus to diversify and texturizer our revenue base. You would recollect that we have been focusing on scaling up MTF, Prime, increasing distribution revenue from multiple products that we've been

systematically adding overtime, and strengthening of course our derivative proposition which tends to have a less cyclical behavior as compared to cash, and sharpening our focus on wealth franchise, which also tends to display a much more sticky behavior. So, going forward as well, we will continue on this journey of diversification of our revenue and focusing on generating multiple sources of revenue with meaningfully contribute to reduce the proportion of cyclical component. So, the cyclical component in our revenue, which is only cash broking and the capital markets business.

Since, I specifically mentioned to you about our wealth franchise, I will like to highlight the scale and strength of this franchise. Just for your reference, any customer having an AUM of more than one crore with us is classified as a wealth customer. While this segment existed for a long time, it was actually three years back in 2019 we made this segment a key focus area and pivoted from a product centric customer organogram to a customer centric coverage organogram and we accordingly aligned the KRAs of the leadership team. We increased our offerings in the segment to capture the entire financial ecosystem relevant for these wealth customers, and also added our proprietary portfolio management schemes you would also recollect over time we've added products like masters of the street, premium portfolios, retirement solutions, ESOP finance, margin trading facilities, and more recently even loans through our partners to the existing bouquet of products which we offer to these wealth customers.

Our efforts have started yielding results, and I would again be encouraged to highlight to you that we have today become a significant wealth franchise in the country. The qualifying AUM of wealth customers for us now has crossed Rs. 3 trillion INR during this quarter. As we have grown this segment to a customer centric strategy, we have witnessed some very interesting customer behavior, which I want to share with you:

- The first point that we've observed is that the AUM and the revenue persistency of this wealth segment is much higher as compared to the other segments. And it is demonstrated by the fact that the average customer retention rate at the end of one year is 98% and when it comes to average AUM and revenue persistency, it is actually 120% and 111% at the end of one year. This is calculated by taking the average of one year retention across seven periods starting from financial year of 2015. So, clearly a high

persistence business when it comes to customers, when it comes to AUM and when it comes to revenue.

- Secondly, we have also observed that the AUM, revenue and ARPU of these customers in the wealth segment actually increases with vintage. So, as the customer continues to stay with us, more and more ARPU start coming from these customers. And that's a trend that we have also observed in this segment.
- The third nuance that I want to highlight about our wealth business is that there is a reasonable secular trend of customers who have an AUM of just under a crore of rupees, and many of them are breaking into the one crore AUM club and becoming part of our wealth franchise. This, along with our new customer acquisition that the wealth management team does, has today given us the ability to add anywhere between 1500 to 3000 customers to the franchise of our wealth business on a quarterly run rate basis.

Having spoken about the second point, which is diversification of revenue mix and our wealthy franchise which is adding greater stickiness to our total business model, I'll now shift to the **third area of focus, which is with regards to our cost**. So, cost for this quarter have actually increased by 8% sequentially, and by 20% on a Y-o-Y basis, and in line with our broad guidance our cost to income ratio has been flat. The increase in cost is mainly on account of the finance cost which is linked with the MTF business which has actually increased, employee cost related to the areas where we are adding heft in our manpower strength, and also some technology costs. As we move forward, we just wanted to assure you we'll continue to look at costs in a judicious manner, so that we don't miss out on any of the growth opportunities and franchise enhancing opportunities. And at the same time run it efficiently to keeping in mind the impact on our P&L.

Finally, the **fourth point that we focused on during this period is about the product launches and the initiatives** that we have done to continuously modernize and make our platform, make our app future ready. And in this context, there were some very, very interesting developments during the quarter, which I will highlight:

- The first one is that we launched a product for our traders, the derivative segment a product called Flash Trade, there is no such equivalent product in the industry today

and it has been very well received on our platform, and we are shortly looking to launch the same version of it on our app.

- The second interesting product was launch of an integrated watch list which enables customers to look at all kinds of asset classes under one screen and provides a single screen trading experience on our website. Again, this is a fairly unique proposition for ICICI Direct to offer to its customers.
- We also launched something called the Smart Order Tool. This smart order tool enables customers to place orders based on rules. And these rules which can be set by the customer and executed at the swipe of a smart phone screen.
- Also happy to share with you that during this quarter we soft launched our Super App. This Super App integrates all products offering that we do equities, FNO, currency, commodities, mutual fund, insurance products, global investments, and very shortly loans, all of them in one place to our customer.
- During this quarter, we also entered into an exclusive partnership with IDFC First Bank to offer 3-in-1 broking service which is very similar to what we do with ICICI Bank. So, we've added one more bank as a partner during this quarter and the service has now been launched in the marketplace.
- As far as our issuer and advisory business is concerned we have a strong IPO pipeline of about 54,000 crores spread across 28 deals. In addition to this we also are running 16 approved mandates where the amounts of the IPO is yet to be decided. We are optimistic that as and when the market sentiments improve, many of these deals will be executed as quite a lot of them are in a read to launch kind of a stage.

Having said that, I would say that as we move forward the very short term, near term outlook remains uncertain considering the rising inflation, the interest rates, the geopolitical tensions all of us are aware of all these factors. However, despite these short term uncertainties, we continue to believe strongly that the medium to long term growth story of the industry remains actually very strong. And our key focus areas as we continue to pursue these opportunities will be

- Number one, to gain market share across products like derivatives, equities, mutual funds, insurance and loans.



- Number two, to diversify our revenue stream by reducing proportion of revenue from cyclical components and
- Grow our wealth franchise which offers stickiness and heft to the business model.

In line with our approach to enriching our disclosures we have added some more information this quarter which pertains to derivative and cash broking revenue split. This is available in our presentation some of you might have already noticed it. We also have given data with respect to the number of customers who do MTF with us and we've also enhanced the disclosures that we do with respect to our wealth franchise all available in our investor presentation.

I'm going to now end this commentary and open the call for any questions that you may have. Thank you so much. Over to you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sahej Mittal from HDFC Securities. Please go ahead.

**Sahej Mittal:** So, a couple of questions from my side. Sir firstly, what is your outlook on the option volumes, given the pace of growth in the industry how sustainable do you think are these volumes, that would be my first question and maybe then I'll follow up.

**Vijay Chandok:** Thank you, Sahej. Well, if you look at past as an indicator of what's happened to volumes, it's been a secular good growth trend not just quarter-on-quarter, but for several years now. Having said that, we do not want to double guess the movement of how options will happen from here onwards, we are very clear it is one of the important line items, it's an area of importance and focus cannot be ignored. We have been a late starter in this space, we have started investing through tools, apps, experiences, product and plans. And we continue to press the lever very, very hard to gain market share there. We are very clear we are not a one horse pony or one pick pony, as you call it. So, we will focus on multiple

products across the spectrum of financial services that we've been highlighting, which is across savings and investments as segment one, obviously wealth being part of that, the protection and insurance space is number two and the loan distribution space is number three. So, we will place our pedal on all these three baskets of opportunity.

**Sahej Mittal:**

Deep diving on the option side, if you could give us some color around the retail customer. So, what is the medium size of the order in options, in terms of the number of lots in a single order and how does it trend maybe in a bull market or when markets fall down so because the option volumes have continued to improve but, is there a trend in terms of the number of lots or the order size, how the retail investors actually trade in the market. For example, like most customers trade more than three lots in order or something of that sort, the median size?

**Vishal Gulechha:**

Yes, so Sahej we have not disclosed the number of lots, etcetera in every order. See, our focus largely is on increasing the customer base for each and every product and so as for the derivatives also. I can say that this quarter, we did reasonably well and touch ever highest number of customers in derivatives and other two metrics like number of orders, as well as the total volume was on a higher side. So, these are the important parameters and then of course, market plays a very important role in the entry and exit given, the volatility also plays a very important role because that decides the premium, that the number of lots is again a derivative of the premium which is charged in a volatile time the premium goes up and that is where customer will be able to buy less and the stable period the premium goes more and more number of lots can be bought. The focus clearly is on increasing the customer base using all kinds of enablers like flash trades, the integrated watch list, the margin product which we have introduced, and we will continue to focus on that.

**Vijay Chandok:** So, we will keep increasing our disclosures from time-to-time as we were enriched with our disclosure back this time as well. But let me just address one just point I don't know what you are trying to drive at. Our derivative business is fairly granular. It's not concentrated if that's what you're trying to understand.

**Sahej Mittal:** Got it. But sir some sense on the order size if you could give because given the kind of increase of the derivatives in the overall broking it is very important being a broking company, if you track a broking company to understand the size of these orders even from the customer behavior point of view that if these customers are coming from the Tier II, Tier III cities?

**Vishal Chandok:** Yes, Sahej I just like to clarify don't view us as a broker please, we are not a broker we are also do equity business, we are far more broad-based equity business if I'm not, this quarter would be about broking would be just 40% and reasonably large proportion of that is derivative. So, it's increasingly becoming a small part of our business, we are actually brought basically to become a financial services player. So, just request you to consider us in the context, but coming specifically to your question.

**Harvinder Jaspal:** Yes, Sahej Vishal clarified which also referred to the fact that we have slightly granular kind of a franchise. Having said that, of course whether you look at lots or whether you look at ADTOs, or number of orders our sense is that there is a lesser linkage to market cycles on derivative if you look at the correlation compared to cash equity and that's why over a long period of time we've seen growth. So, whatever parameter you look at it, whether lots, or orders, or this thing, it, the trend is similar, I don't think we find any different trend. Also, incrementally, as you rightly said a lot of customers are coming from Tier II, III towns, they are joining this, our aim is to kind of how to simplify their experience, we have launched a couple of products in this light, in this quarter which

we have mentioned and that helps us in kind of simplifying the experience and making it relevant even for the young, new to market new joinee. So, that's our approach.

**Sahej Mittal:** Got it. And just to get some sense, on the employee expenses on which side of the business are we hiring the manpower?

**Vishal Chandok:** Yes, so the manpower side is being largely technology is a big zone. Second is data sciences, third is digital marketing, fourth is certain roles which require supporting digital. So, where digital journeys drop off we keep up through calling activity and then back on track. So, broadly, I would say these four areas.

**Moderator:** Thank you, Mr. Mittal may we request that you return to the question queue for follow up questions.

**Sahej Mittal:** Just one last question quick question, so sir on the penalty charges under the peak margin regulation. So, have you provided for it or have you paid, there were some regulation from the NSE?

**Harvinder Jaspal:** No, so Sahej actually in our kind of model what we do is we collect any kind of upfront penalty prior whatever penalties, whatever margin is required to be collected, before placing order is collected, only then an order can be placed. So, we have very strong processes in place. So, therefore, that may not be relevant for us in terms of getting a penalty on upfront margin. Yes, I understand that in the industry there's a lot of discussion happening, but at least from whatever the applicable circulars are, we have been complying with them and therefore no such provision.

**Sahej Mittal:** So, we haven't collected any penalty charges from the customer, is that the right answer?

**Harvinder Jaspal:** As I explained, in our case if you're talking about a circular which says that no upfront penalty can be passed on. In our kind of a model, we

collect the margin before the client places an order, we do not have a scenario where a client can place order without giving the margin prior to placing the order. So, we do not have that scenario.

**Moderator:** Thank you. Mr. Mittal may we request that you return to the question queue for follow up questions. The next question is from the line of Nidhesh Jain from Investec. Please go ahead.

**Nidhesh Jain:** Sir the question is on wealth subscribe, so when the customer crosses 1 crores AUM with us how the life for the customer and how our approach to the customer changes, that is first question. And second is how many of the customers that we have added on the web franchise of 1500, has come existing to ISEC customers and how much are the new customers to ISEC?

**Anupam Guha:** Hi, this is Anupam here, I head the wealth practice. So, the moment a customer crosses one crore obviously, we have as you're aware that private wealth we have close to 500 odd team members. And we have a very seasoned relationship team as well. Our entire model of engagement is an omni channel model, where while we have the ICICI brick platform being available, but we have a relationship manager who handhold the customer, and the way we look at our entire practices that we focus on getting more clients into our ecosystem, and really engage on an asset allocation model. The way we approach is that and the metrics that we would want to look at is, are we growing the overall AUM. And once we have the AUM, it is nothing but a share of wallet and the trust of the customer, then basis the market scenario we are able to advise, recommend the customer across the asset classes. One of the other things in fact Vijay, in his opening comments you also spoke about is really the proposition that we have enhanced for our HNI customers. So, if you were to look at the proposition on equities, we have direct equities, we have managed equity through mutual funds, PMSs, AIF both category three, long short, private equity, on the fixed income right

from government securities at one and two mutual funds on the other, global investments offshore. So, we've got almost the entire works and we are really able to engage with our customers right from wealth creation, preservation and all the way up to wealth transfer. So, that's really our model like classical private banking the way we do. The only thing is that, as a franchise we have almost 70,000 plus customers, who are a crore plus, and that really is a differentiator which really makes us unique.

The other question that you asked was really about the new to ISEC, so what's happened is that obviously the franchise is 20 year old ICICI Securities is 20 years plus, and we have a lot of clients whom we've not been able to deeper mine with data analytics now what's happened is that obviously, we are able to get many surrogate data points, which actually allows us to know the network of the customer and hence our approach and our engagement is far more sharper, and which is why you're able to see the kind of trends and growth in terms of the counter customers that we have been able to add. So, it's a combination of both upgrades, improving our engagement, sharp shooting and new client acquisition as well.

**Moderator:** Thank you, Mr. Jain. We request that you return to the question queue for follow up questions. The next question is from the line of the Dipanjan Ghosh from Citi. Please go ahead.

**Dipanjan Ghosh:** So, my first question I was asking, if I look at your SIP flows, that seems to have dipped to Q-o-Q, if you can give some color on that, because for the industry from what I understand it increased. Second on your other distribution revenues, that has also seen some amount of moderation during the quarter and lastly, if I look at your insurance yields, that seems to have gone down, so is it like the overall increase in volumes is led by more of non-life or sachet sort of products out there. So, these are the three questions.

**Harvinder Jaspal:** Yes, so let me take one by one, so on SIP, our flows have been stable at about 400 to 420 crores. So, that has been the run rate that we have been operating at, today we have about 1 million SIPs operating on a monthly basis which are live which keep getting triggered. In the industry if you look at it we will be probably the fourth or fifth largest players in terms of flows, yes on a quarter-on-quarter basis there could be some variation, but with respect to both the competitive position, the absolute number of SIPs getting triggered and the flows, it has been a relatively stable, so nothing really much to highlight over there.

Your second question was with respect to the other distribution revenue. The other distribution revenue on a sequential basis there were two reasons primarily, one was in terms of the distribution of some of our PMS, AIF and HNI centric products. There was a relatively lower distribution fee in this quarter, because last quarter we had a reasonably high fee over there. So, that was one reason, the second reason was that some of the IPO distribution fee was there last quarter which was relatively lower, slightly lower this quarter. So, these are the two predominant parameters actually the two things that have actually gone up on a sequential basis is one is the loan business, where if you look at it our loan disbursement for the quarter has now started touching almost 900 crores. So, from about 600 crores run rate this quarter of about 900 crore so this product actually did well in this quarter sequentially. The second product which did well was the fixed income basket, there also we have seen sequential growth and some money which has started coming into the fixed income basket.

Your third question was with respect to yields in insurance business. So, there also on a sequential basis as well as on a Y-o-Y basis we have registered growth in insurance income, the yield one is a parameter of mix, both two types of mix, one the mix between new business and renewal and second within new business, there is a mix between unit linked versus the non-unit link. So, these are some of the parameters it

is in that range so new business, yields are in the range of about 20% odd. And the renewal is, as we know is relatively lower. So, it's more of a mixed impact, but this business registered a growth both on sequential and as well as on Y-o-Y basis.

**Moderator:** Thank you Mr. Ghosh may we request that you return to the question queue for follow up questions. The next question is from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

**Prayesh Jain:** Just extending the previous question. On the SIP we had a run rate of 13.2 billion in 4Q, and we are down to 11.9 billion now in this quarter, so there seem to be a sharp fall against that and this is completely against the industry trend wherein we are possibly much higher from what we were there in Q4 for the industry, but could you explain that as to what really is different happening with ISEC as compared to the rest of the industry. Secondly, on the Prime income fee we've possibly seen for the first time a sequentially dip, any thoughts there as to what's the trajectory and why is the dip and lastly any thoughts that you can share on the cost to income ratio of this one crore plus kind of clients that you are talking about in terms on the wealth side. What kind of profitability is there on these clients. Those are my three questions.

**Harvinder Jaspal:** Yes, Prayesh so I will again take one by one. So, the first one is on the SIP as I said yes, about 1200 crores is the number for this particular quarter. It was slightly lower than last quarter. First I would like to context as I said earlier also by saying that in terms of both number of SIPs and in terms of flows, it continues to be above 400 crore plus 1 billion SIPs. However, there was some impact on account of transition of the new regulatory direction whereby the payment has to be directly made instead of through the pool account. So, we have kind of had some transition issues which impacted since for a limited period of time. But, as I responded earlier in terms of run rate, that resulted in some pauses. If the payment instruction did not get executed which has got revived



we have kind of specifically engaged and revived those. So, there was a transient impact which impacted the flows. But there is nothing specific to highlight structurally on the SIP. We continue to be the fourth or the fifth largest player in the country in terms of incremental flows into SIP. That was with respect to SIP. I missed your second question Prayesh. I'll come back to that.

**Vishal Gulechha:** So, the second question was that why there is a dip in Prime fee in this quarter. So, as you know that we have made Prime plans, lifetime plans, so there are less renewals because all the plans above 999 now carries a lifetime value. But the focus clearly is on getting more number of customers using this kind of proposition. So, we have increased our sourcing in 999 and above plan, and as you know that when we get a Prime customer, Prime fee is only one small component, the overall ARPU which we generate. So, our last focus is on to get the complete wallet share, which includes the brokerage part, the MTF, and many other incomes through other products. So, that is the single reason but in terms of number of plans we have done reasonably well and more number of plans in Q2 in comparison to Q1 as far as high value is concerned.

**Harvinder Jaspal:** Prayesh, if I may come to the third question that you asked with respect to the cost to income for the wealth business. So, if you refer to our presentation on slide #33, and #34, you will see that those details disclosed and I'll just kind of read out the numbers. So, on a full year basis, if I look at fiscal 22, our cost to income for the wealth franchise business was 45% and for the current quarter, which is Q2 it was 54%. It is broadly in line and it is broadly in-line with the trajectory that we have seen at a company level for the reasons that we have articulated, kind of highlight over here is that this cost to income, the way we disclose is on a gross basis, which means that if I have an MTF income, the interest income is also gross in the revenue and the interest expense is also included in the cost. If for example, if you were to remove this

impact and say that NIM has revenue then the cost to income ratio would be slightly lower at maybe about 48% for Q2.

**Moderator:** Thank you. Mr. Jain may we request that you return to the question queue for follow up questions. The next question is from the line of Aejas Lakhani from Unifi Capital. Please go ahead.

**Aejas Lakhani:** Congratulation on the numbers, and your efforts are reflecting in market share gains and thank you for extra disclosures. My first question is that, in the journey of migrating the customer through Prime where he's paying a lower brokerage and thereby still being retained and that has impacted of course the absolute cash brokerage revenues, where are we in that journey so, has that migration that you wanted from Prime already taken place or still there is scope and the reason I asked this is because your absolute cash revenues are down say from 180 crores second quarter last year to 108 crores this year. So, where are we in that journey of migration?

**Vishal Gulechha:** So, see as far as Prime is concerned, all the plans are open for the entire set of customers. So, there is no selective selling which is happening, we do market Prime plans across all sets of customers. And the objective is not to look at one quarter in particular, the entire purpose of the Prime is to get customer for lifetime. And, we can help us managing the attrition better, getting the revenue better, making him take many other products which we sell and also if it can help us in acquiring more customers from market, activate our non-traders and stock traders, overall things are working well for us. And it is reflected in our MTF book, it is reflected in equity market share and many other parameters. So, we don't look at it at quarter rather this is a very long term game, midterm to long term and dividends are definitely visible now.

**Aejas Lakhani:** Okay. I will just try to rephrase that, that will this cash segment income that we are sort of receiving given that ADTO remains the same is there

any more migration because of which we may see a decline in this or is this the base from which you expect cash segment level income to keep going up?

**Vishal Gulechha:** Yes, so I would say the large migration has already happened, as a fact that the Prime plan is open for fairly long time now. And even the lifetime proposition is open for customers it has been second quarter. So, large part of the migration is already over. Of course, customers from time to time they enter in a lower value plan to start with and then as they experience their own potential, they experience the market opportunity they keep upgrading so that generally will continue but as far as inventory is concerned, I would say that the large migration has already taken place.

**Aejas Lakhani:** Got it, that was my first question. Second, sir how do you think I should look at client addition for the rest of the year?

**Vijay Chandok:** Yes, so if you look at new client additions we are broadly in the ballpark of around 4,50,000, 4,60,000 customers per quarter. While obviously, it will depend, you can see that the market has been showing a declining trend sequentially now from quarter four versus quarter one versus now quarter two, each quarter has been lower than the previous one. That's why I said short term headwinds remain, our endeavor would be to broadly keep our market share in this story intact, new customer edition. So, to some extent, it would be fair to say that numbers will depend on what's the number of newcomers coming into the market, broadly trying to maintain this kind of market share that we have which is broadly in that seven, it varies between 7% to 7.5%. So, our endeavor would be to keep it somewhere there. We are not chasing new customers for the sake of numbers, we are chasing for the sake of quality. So, there are certain channels where it is very nice and certain channels where we get numbers, which are not so nice. So numbers are one part of the story, but the channel mix is important for us and last few quarters, we've been

putting massive emphasis on getting the channel mix better. And there are some green shoots visible in that effort of making our channel mix right. Numbers on a standalone basis, if you chase then you'll find some growth in one story and then nothing really will transpire in revenue sense.

**Aejas Lakhani:** Got it. And sir the investment and trading income and other revenues this quarter has seen quite a big fillip. So, could you just comment on how we should look at it from a trajectory perspective for the next two quarters, is there a one-off and how should we look at cost to income?

**Harvinder Jaspal:** Yes, so Aejas two things. Treasury, yes we had a good quarter this time, the kind of positions that were available, opportunities that were available in the market we were able to leverage that. So, it was one of the better quarters that we had in Treasury. They primarily came out of the mark to market and investments that we've done in debt instruments. That I would not say would be kind of you cannot use the Q2 as our sustainable run rate. We could see some moderation in Q3, Q4 in that Treasury income, the trading segment income. On the second part, other income yes, there was 5.7 crores worth of interest that we got on prior income tax refund. So, we got the decisions in our favor, which is what we have if you look at a performance note, we've mentioned that reason. So, about 5.7 crores out of the other income that you've seen is a one off for this quarter.

**Moderator:** Thank you, Mr. Lakhani. May we request that you return to the question queue for follow up questions. The next question is from the line of Pujan Shah from Congruence Advisors. Please go ahead.

**Pujan Shah:** One question, what value we have paid to multiple for acquiring the whole team and stuff for that?

**Harvinder Jaspal:** We have not put that out over here. It's a principal to principal transaction that we did a bilateral transaction, but it's nothing very material is a guidance I can give.

**Moderator:** Thank you. We have the next question from the line of Sanketh Godha from Spark Capital. Please go ahead.

**Sanketh Godha:** Sir, I just have one question with respect to how the NIM with respect to MTF and ESOP book is playing out. We see that in the current quarter despite MTF book increasing. Just wanted to understand because capital investment yield interest yield on MTF book, it comes to closer to 9%. But the MTF income has come off a bit, maybe because of the decline but just wanted to understand the trajectory how things are moving over last few quarters?

**Harvinder Jaspal:** Yes, so two things over here Sanketh. One on a quarter-on-quarter basis the average book is actually slightly lower from Q1 to Q2, the exit is higher but the average is slightly lower. However, on NIM basis we depending on what the yields are, we get about 3% to 4% as NIM currently, so as you rightly said it's about that 9%, 9.2% would be the gross and cost of borrowing would be in the range of let's say about 5.5% to 6%, so 3% to 4% it kind of varies in that range.

**Sanketh Godha:** But that range did it get compressed Harvinder, because I just wanted understand given we have gained so much of market share in last two years by 350 basis points. So, whether this market share gain came at the expense of little margin compression?

**Harvinder Jaspal:** So, Sanketh marginally because obviously there is always a lag where you make pricing adjustments, we have increased recently our pricing where we have gone from let's say the best plan that we had used to offer a pricing of 7.9%. Now the best plan offers a pricing of about 8.7%. So, those are some changes that we have done recently which for a full quarter the impact would not be visible, but the yields would go up going

forward but yes, for the quarter on average there was a minor compression.

**Sanketh Godha:** Got it. And the last one from my side is that, given you have disclosed for the first time the broking income broken down into cash and derivatives for the retail segment, just I do calculation I see that the cash yields have come down from 9.4 bps to 7.8 bps. And it has remained flat on sequential basis. Sir this compression because we are still on agreement basis, still is it largely because of the Prime and prepaid and the 7.8 is the kind of a bottom we need to see going ahead assuming that the intraday and generally broadly remains similar?

**Harvinder Jaspal:** If you make that assumption. So, Vishal tried to explain that in response to an earlier question as well as Sanketh, that today we have substantial migration to Prime plan, which has happened. Towards the end of Q4 we launched these lifetime variants that was in March so, Q1 we have seen a round of people who opted for lifetime variants, which also kind of stabilize so if the mix is constant there may be some, I will not say that it's absolute zero, there may be incremental migration but I don't expect that to be substantial going forward in terms of our revenue contribution also you would have seen that for the last four quarters the Prime revenue contribution has stabilized at about 70% to 75% of our overall portfolio. So, we expect stability over there. Again, the assumption I'm making and as you started with that, the mix of intraday and delivery remaining similar.

**Sanketh Godha:** Got it perfect. And finally, we have seen a bit of better traction in the derivative segment, if they're happening kind of we have seen market share inching up a bit. Sir now still it is 3.7 any number you have in your mind by end of the year what you want to touch or the aspiration number what you have, to have it maybe in next four to six quarters with respect to derivative market share?

**Vijay Chandok:** No, number in mind for as a guidance, we have a number in mind or the internal guidance for sure.

**Sanketh Godha:** Okay. But can we expect the 3.7 to incrementally improve for us, maybe it can go beyond to those numbers in 1Q FY22 it was around 4.2. So, can we expect that number to come?

**Harvinder Jaspal:** So, if I would be in your place, I would expect an improvement.

**Moderator:** Thank you. Sir we have the next question from the line of Dharmavenkatesan, Individual Investor. Please go ahead.

**Dharmavenkatesan:** Sir, I have more broad based question if we see the comments of recently from Zerodha's founder, he has said that due to the regulation requirements of settlement periods, they say that they have made pin upward pressure on the brokerages, I understand that ICICI doesn't have this pressure because for us the fund of the client in ICICI remains in the ICICI client account till he does the trade. So, if there is upward pressure on the brokerages, so it will indirectly benefit us because we are already a very established in this sector.

**Vishal Chandok:** Yes, so what is your question?

**Dharmavenkatesan:** My question is that if there is a pressure on brokerage it will indirectly benefit us and we should be able to gain much higher market when there is pressure on the brokerage.

**Vishal Chandok:** No, certainly if there is an as per what you just said, Yes, I also went saw that Tweet, if there is an upward pressure and there is indeed an actual translation of that upward pressure in terms of discount brokers increasing brokerage, it certainly makes us more competitive in the marketplace. So, that should be a plus for us. So, we have nothing to lose with an increasing, and everything to gain in an increasing brokerage scenario from the discount broker side.

**Dharmavenkatesan:** Okay, sir. But we don't feel the cost pressure right now because of this again. We also may feel a little...

**Vishal Chandok:** No, so you answered the question, because we do not actually keep the flow predominantly as you correctly pointed out, we have a block model and not really a model of float, the float model is there only for a few plans which is a very miniscule part of our overall story. And we also found that the money in that came back within a short period of three, four days virtually the entire money, in fact that money has crossed the money that went out in those specific accounts. But having said that to your question, the only observation I will give is that right now SEBI is having circulated a discussion paper on the ASBA model kind for secondary market. Now, if something like that comes that will have a meaningful impact on the float opportunity for discount brokers and that could be a very material I would say that would be a more significant pressure point on discount brokers, than the current regulations.

**Dharmavenkatesan:** Okay, thank you, sir. And just one more thing is that, thank you for conducting this concall at evening times instead of not in morning because most of the players do that. And as retail investors, we may not be able to join the call and I request you to keep following this model. I know you are following this but in the future also. I would request you to keep continue please. Thank you sir.

**Vishal Chandok:** Thank you, appreciate and all the best to you. God bless.

**Moderator:** Thank you. As there no further questions from the participants. I would now like to hand the conference over to Mr. Vijay Chandok for closing comments.

**Vijay Chandok:** So, thank you very much for hearing our narrative patiently and also the questions that you've asked. In case there are any follow up questions or unanswered questions in your mind, please do not hesitate to get in touch with us. We'll be happy to address any questions that pop up in



your mind. You know whom to contact, all of us are available, the IR team, myself so look forward to hearing from you and keeping in touch and wish you all a very, very Happy Diwali. Take care and stay safe. Thank you very much, and good night.

**Moderator:** Thank you. Ladies and gentlemen on behalf of ICICI Securities Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.