Management Discussion and Analysis

ECONOMIC REVIEW

Global Economic Overview

The global economy has been buffeted by headwinds since the beginning of 2019, and all the international and regional crises were aggravated by the coronavirus pandemic of early 2020, which dominated the entire first half of the year. Trade tensions between the United States and China, which had eased briefly in early 2019, worsened again later in the year as both the countries imposed more tariff barriers on each other. This affected investor sentiment globally and led to lower manufacturing activity. Service sector activity, however, remained relatively stable. Monetary policy updates in major economies cushioned, to a degree, the impact of trade tensions.

The US economy, however, remained relatively resilient. It started 2019 on a strong note, by posting a growth of 3.1%. Although the growth slowed in the subsequent quarters, full-year growth in 2019 came in at 2.3%. China saw a weakened economy as well, with its Gross Domestic Product (GDP) growth in 2019 falling to an estimated three-decade low at 6.1%.

From the beginning of CY2020, the novel coronavirus outbreak of Wuhan, China, started adversely affecting the world, and by early March 2020, it was officially a global health crisis. The rapid spread of COVID-19 and the resultant lockdowns across the world led to a drastic lowering of growth forecasts and rapid depreciation in Emerging Market currencies, triggering risk-off sentiment and causing sharp market falls. As the crisis deepened, economists predicted a recession in key economies in 2020 and a slow recovery in 2021. International Monetary Fund (IMF) Managing Director Kristalina Georgieva added that she expected a recession that is as bad as or worse than the 2008 global financial crisis.

COVID-19 is an evolving crisis that has already resulted in tens of thousands of job losses around the world and the near decimation of some sectors that are entirely reliant on human mobility. Its economic impact will depend on how efficiently countries are able to contain its spread.

Indian Economic Overview

During FY2020, India's economic growth decelerated continuously as the year progressed. As per provisional estimates, real GDP growth for the first two quarters of FY2020 came in at 5.2% and 4.4% respectively. A variety of factors were responsible for this deceleration in growth including delayed onset and spatially skewed distribution of monsoon, continued slowdown in manufacturing and weak private consumption. While there were hopes of a turnaround in H2FY2020, the economy's performance slid further in Q3FY2020 as real GDP growth plunged to 4.1% on the back of broad-based deceleration in industry and services. However, strong growth in government expenditure provided the much-needed support to headline growth during the first three quarters of FY2020 as the government tried to cushion the impact of slowdown. Coronavirus and the resultant lockdown weighed heavily on the economy in the last quarter of FY2020 and real GDP growth plunged to just 3.1%, taking full year growth to 4.2%.

Headline retail inflation, as measured by Consumer Price Index (CPI), was benign in the beginning of FY2020. CPI started inching up sharply from September-October 2019 due to higher food prices. However, towards the end of FY2020, normalisation of food prices and easing oil prices led to easing of inflation.

Equity Markets

FY2020 was a year of extreme volatility for Indian equity markets. While the fiscal year started on a positive note for equities, the market continued to remain polarised, with a handful of stocks contributing to the bulk of the performance. In the second quarter, risks of a global slowdown started building up as the US yield curve inverted and the US economy entered the longest period of economic expansion in history in the backdrop of an escalating trade war and other geo-political risks such as Brexit.

Acknowledging the risks to global growth, most central banks such as the Federal Reserve System aka US Fed, ECB (European Central Bank), and PBOC (People's Bank of China) turned dovish in the second half of CY2019, thereby improving the outlook for interest rates and global liquidity. This resulted in a pick-up in Emerging Market (EM) equities, including that of India, from the beginning of third quarter of FY2020.

Indian equities were also buoyed by tax cuts for the corporate sector. The rising risk appetite resulted in a pick-up in broader markets in the form of mid and small caps. The NIFTY 50 index hit an all-time high in January 2020, only to plunge in March 2020 due to fears of the COVID-19 impact

on the economy. The slide resulted in large-caps giving up their modest gains and ending FY2020 with a decline of 26% (NIFTY 50) while the NIFTY midcap 100 and NIFTY smallcap 100 Indices fell by 36% and 46%, respectively.

During the fiscal year, Domestic Institutional Investors (DIIs) were net buyers of US$ 17.9 billion of equities, while Foreign Institutional Investors (FIIs) sold US$ 645 million worth of equities. FII buying saw a reversal in the last quarter of FY2020, as they sold equities worth US$ 6.6 billion. Funds raised through equity witnessed recovery in FY2020 with fundraising *via* Initial Public Offerings (IPOs), Follow-on Public Offerings (FPOs), InvIT and REIT, Offer for Sale (OFS), and Rights Issue rising from ₹ 569 billion in FY2019 to ₹ 1.5 trillion in FY2020.

INDUSTRY OVERVIEW

Retail Equity

The industry volumes Average Daily Turnover (excluding proprietary) was up by 55% YoY. In this, while the gross equity ADTO increased by 11%, delivery ADTO contribution decreased to 24%. Equity derivatives ADTO grew by 46%, primarily driven by weekly Options contracts. In the Futures segment, volumes were flat, year-on-year. There was a substantial growth in the number of new retail investors entering the equity market, as witnessed through the number of NSDL and CDSL demat accounts being opened in FY2020, which was up by 25% as compared to FY2019.

Amidst tightening regulatory framework and competition, the industry over the years has consolidated in favour of larger financial institutions. As a result, the market share of the top 10 brokers increased from 26% to 39%, from FY2015 to FY2020, of the trading turnover in the NSE cash equities market. The top 50 brokers accounted for 76% of the trading turnover in the NSE cash equities market in FY2020.

The Indian brokerage industry has witnessed the entry of a new category of brokers – discount brokers, who offer basic transactional service for a low fixed brokerage fee, irrespective of the size of trade quantum. Apart from transactional service, these brokers provide various products used for analysis and research services for an additional fee.

The Indian broking industry is transitioning from a transaction-based model to service or fee-based model, offering services such as wealth management and investment advisory. A shift towards a fee-based model is already in the works with brokers focussing on building advisory model (wealth AUM). Apart from advisory services, focus on fund-based activities like margin funding and loan against shares is on the rise, enabling brokers to build sustainable earnings. Cyclicality of income from volatile markets/volumes is seen abating as pure brokerage income forms ~50-60% of overall revenue for each player *vs* 80-90% a few years ago.

With the Securities and Exchange Board of India (SEBI) coming out with a slew of regulations to protect investor interest like tightening of norms on handling clients' securities by brokers, bank-led brokerages stand to gain both as quick enablers of funding and trust on safety of demat holdings.

In March 2020, global, including Indian markets witnessed a downward spiral on account of COVID-19. The widespread panic over COVID-19 has led to three kinds of damages in the Indian stock market. First, at the index level, there was a correction of ~23% in March 2020. Second, the leverage positions have taken a large hit, as positions had to be unwound. Third, there was an overall impact on investor sentiment due to the sharp slide.

The following table shows the market share by turnover of brokers in NSE and BSE cash equity market for the periods mentioned therein:

	BSE					NSE				
	Top 5	Top 6-10	Top 11-25	Top 26-50	>51	Top 5	Top 6-10	Top 11-25	Top 26-50	>51
FY2013	14%	8%	16%	16%	45%	14%	10%	22%	16%	37%
FY2014	16%	8%	16%	17%	42%	14%	11%	21%	18%	36%
FY2015	18%	11%	19%	17%	36%	15%	11%	20%	18%	36%
FY2016	21%	10%	19%	16%	34%	18%	11%	21%	17%	32%
FY2017	19%	10%	20%	17%	34%	18%	10%	22%	17%	32%
FY2018	21%	12%	22%	15%	30%	20%	11%	21%	17%	32%
FY2019	24%	14%	23%	13%	26%	22%	12%	20%	18%	28%
FY2020	26%	14%	24%	11%	25%	25%	14%	21%	16%	24%

Distribution of Retail Financial Products

The traction in financial assets continued unabated in FY2020 till February, notwithstanding regulatory changes, volatility and slew of credit defaults and downgrades, as reflected by steady domestic inflows. However, March 2020 was a different story. Fear, anxiety and chaos summed up the global scenario as the COVID-19 outbreak became a pandemic. In line with global markets, Indian equity markets witnessed a swift downturn.

While incumbent financial distributors continue to remain quintessentially important for increasing the reach of financial products, especially in smaller cities and towns, the market saw the emergence and rapid growth of a few fintech distribution channels that aimed to provide improved investment experience and low-cost investment options.

Mutual Funds (Equity) witnessed ~10% growth in Average Assets under Management (AAUM) in FY2020 despite market volatility, primarily due to steady Systematic Investment Plan (SIP) inflows and increase in assets of Direct Plan. The AAUM of equity Direct Plan increased by ~24%, higher than the overall industry, and its contribution to total equity assets increased from ~16% in FY2019 to ~18% in FY2020. Average monthly gross inflows in equity category in FY2020 were at ₹ 336.4 billion, up by 13% from FY2019, primarily because Direct Plan recorded an increase of 56% in FY2020 over FY2019. The average monthly net inflows in equity category were at ₹ 58.0 billion in FY2020, falling by 40% as compared to FY2019. Average monthly net inflows in Direct Plan remained strong, recording an increase of 110% in FY2020 over FY2019.

Average monthly SIP inflows in FY2020 was at ₹ 83.4 billion, 8% higher than FY2019, and SIP AAUM in Equity category witnessed increase of ~23% in FY2020, faster than overall equity assets. At the industry level, a number of folios across all categories of Mutual Fund continued to rise steadily – from a monthly average of 77.1 million in FY2019 to 84.8 million in FY2020, registering a growth of ~10%.

The financial year witnessed the implementation of regulatory change, rationalising the Total Expense Ratio (TER) based on the AUM of the Mutual Fund schemes, bouts of volatility, credit events, and the black swan event of COVID-19.

Due to several corporate defaults in FY2020, investor interest in Non-Convertible Debentures (NCDs) was low. In FY2020, YoY drop of ~51% was witnessed in fund raising by NBFCs *via* NCDs in the retail segment. There were ~ 25 major NCD issues in the primary market with retail issue size of ₹ 91 billion in FY2020, as compared to 20 such issues in FY2019 with retail issuances of ₹ 187 billion.

In the life insurance space, new business premiums* during FY2020 grew by 6%, of which the private sector life insurance industry registered a growth of 5% and market share growth of 57%. In the health insurance space, premiums grew by 27% YoY in FY2020*.

**Life insurance premium accounted for new business premium above are only for retail business (excluding group business) of regular premium and single premium plans (single premium plans considered with 10% weightage).*

Private Wealth Management

The Indian wealth management industry continued its growth journey in FY2020, albeit at a slower pace, given the volatile market conditions. India continues to outpace global High Net Worth Individuals (HNIs) growth, mirroring the economic growth in the country. With the incremental allocation of wealth being higher in financial assets as compared to physical assets, the wealth management industry is emerging as a big beneficiary.

As per the latest Credit Suisse report, the number of Indian individuals with US$ 1 million+ is approximately 7,59,000 and this number is expected to grow to 11,86,000 by 2024. The total HNI wealth is expected to be US$ 2.2 trillion. Alternative Investment Funds (AIFs) and Portfolio Management Service (PMS), which typically attract HNI investments, have become a sizeable category today. As per the latest available data, AIFs saw the cumulative net commitment growing to ₹ 482 billion (December 2019) and the PMS industry Assets Under Management (AUM) in listed equity stood at ₹ 1.44 trillion (February 2020).

Institutional Equity

Institutional equity volumes Average Daily Turnover (ADTO) was up by 10% YoY and derivative ADTO up by over 100% (Source: SEBI bulletin). Institutional derivative volume is mainly driven by proprietary accounts of institutional clients in Options category and is catered to by MNC brokers only having access to these clients.

Foreign Portfolio Investors (FPI) were net buyers for most of FY2020, but significantly high selling in March 2020, amounting to US$ 8.4 billion, due to the global COVID-19 panic, resulted in net outflows of US$ 645 million for the year. However, unprecedented monetary expansion by most central banks of developed economies such as the US Fed, European Central Bank, and Bank of Japan,

along with record low interest rates, augur well for FPI flows towards Emerging Markets (EM) like India once the COVID-19 related fear abates.

Domestic Institutional Investors (DIIs) continued to make robust investments, led by high investments in Mutual Funds and resulting in net inflows of US$ 17.9 billion for the year. The Mutual Fund industry has witnessed net inflows of approximately ₹ 1.5 trillion in FY2020 in Equity and related schemes. Healthy participation by DIIs provided stability to the capital markets, offsetting the outflow of investments made by Foreign Institutional Investors (FII) towards the end of FY2020.

The Indian capital markets, over the past few years, have witnessed net buying by FPIs and DIIs on a combined basis, accounting for the bulk of investments. These institutional investors facilitate adequate liquidity to both the cash equities and the equity derivatives markets.

Domestic Alternative Investment Funds (AIFs) and passive Exchange Traded Funds (ETFs) have gained momentum in the past few years, as evidenced by the domestic ETF Assets Under Management (AUM) reaching ₹ 1.5 trillion by March 2020 (up 101% YoY). As institutional investors become more sophisticated, their requirements are rising in terms of proprietary fundamental research and differentiated product offerings.

Issuer Services and Advisory*

In FY2020, capital markets witnessed a mixed bag of activities. While IPOs saw traction in the first half of the year, it remained muted to almost non-existent in the second half, with limited issuances. The same was evidenced by limited fund-raising mainly through Qualified Institutional Placements (QIP) in the second half of the fiscal year. While the public markets comparatively slowed down, activity in the private equity side saw some traction. This was supported by the valuation corrections in the market which made the target company more attractive to the PE funds. Similarly, Merger & Acquisition (M&A) activity also picked up to some extent due to the same reason.

The last few months of the fiscal were impacted by the spread of the COVID-19 pandemic in deal-making on the primary side and also significantly impacted valuations in the listed space. The market, as a result, witnessed a certain amount of consolidation, with the announcement of a few buybacks and open offers and a few Offer for Sale (OFS) transactions towards the end of the fiscal year.

Key Highlights:

- 14 IPOs (including InvITs) aggregated ₹ 226.56 billion in FY2020, as compared to 17 IPOs (including InvITs & REIT) that aggregated ₹ 226.90 billion in FY2019. The fund-raising growth was flat
- 13 Rights Issues aggregated ₹ 560 billion in FY2020, as compared to 8 Rights Issues that aggregated ₹ 20 billion in FY2019, showing an increase of 2,700%
- 26 OFS deals aggregated ₹ 173.3 billion in FY2020, as compared to 28 such transactions that aggregated ₹ 216.9 billion in FY2019, representing a decrease of ~20%
- 13 QIPs aggregated ₹ 512.2 billion in FY2020, as compared to 13 QIPs that aggregated ₹ 104.9 billion in FY2019, representing a big increase of ~5 times
- 52 Buybacks aggregated ₹ 199.7 billion in FY2020, as compared to 63 Buybacks that aggregated ₹ 555.9 billion in FY2019, representing a decline of ~64% and
- 61 Open Offers aggregated ₹ 214.6 billion in FY2020, as compared to 67 Open Offers that aggregated ₹ 279.6 billion in FY2019, representing a decline of ~23%

Equity Markets: Resources raised by corporates:

(₹ billion)

	IPO/FPO/InvIT/REIT	OFS (SE)	Rights	QIP	IPPs	Total
FY16	145	198	92	144	-	579
FY17	282	84	33	137	-	536
FY18	889	174	214	575	47	1,899
FY19	227	217	20	105	-	569
FY20	227	173	560	512	-	1,472

No. of deals	IPO/FPO/InvIT/REIT	OFS (SE)	Rights	QIP	IPPs	Total
FY16	24	18	12	20		74
FY17	25	28	12	22		87
FY18	47	37	20	51	2	157
FY19	17	28	8	13	-	66
FY20	14	26	13	13	-	66

** Referred to as Advisory in our financial statements segments and as Corporate Finance business in our earlier annual reports.*

COMPANY OVERVIEW

ICICI Securities Limited is a leading technology-based securities firm in India, operating across capital market segments, including retail and institutional equity, financial product distribution, private wealth management, and investment banking. The Company is among the leading equity houses in the country. ICICI Securities operates www.icicidirect.com, India's leading virtual financial supermarket, meeting the three need sets of its clients – investments, protection, and borrowing. The Company assists its customers like retail investors, corporates, financial institutions, High Net Worth Individuals (HNIs) and Ultra HNIs in meeting their financial goals by providing them with research, advisory and execution services. Headquartered in Mumbai, the Company operates out of ~70 cities in India and a wholly-owned subsidiary in the United States and its branch in Singapore.

OUR BUSINESSES

Retail Equity

The Company's business is anchored by its retail investors, to whom it offers products and services through the electronic platform – www.icicidirect.com and various distribution channels. Launched 20 years back, icicidirect.com is a pioneer in online trading The Company offers all investment and trading solutions across asset classes through its comprehensive website and mobile app. Along with its "3-in-1 account", where trading and demat account is linked with ICICI Bank Limited (ICICI Bank) savings account, the Company has also introduced an open architecture that allows its customers to link any bank account to their trading and demat account. This seamless and inter-operable feature of its electronic brokerage platform provides clients with greater flexibility in the use of their money.

This proprietary electronic brokerage platform has a plug-and-play architecture that easily integrates the platform with the internal systems and the systems of third parties whose products it distributes. The information technology infrastructure underlying this platform is robust and scalable, designed with redundancy in mind with a three-tier disaster recovery process. The Company's risk management systems are also fully integrated with the platform, which allows it to manage risks in real time, including through automated changes in margin requirements by tracking trigger prices for every client position with a margin. The ICICI direct platform is accessible 24X7 *via* the Internet browser as well as mobile app, empowering investors with personalised key information on their portfolio with real-time capital gains calculation. The platform has strong security features and is capable of handling traffic many times its current load, with a very low response time of ~32 milliseconds.

The retail equity business primarily consists of services like trading equities, equity derivatives, currency derivatives, ETFs, and overseas securities. The Company earns revenues based on the volume and size of transactions its customers enter into. The primary revenue products offered to customers for trading are:

- **Equities**: Stocks listed on the NSE and the BSE. The Company also offers margin financing to customers who desire higher leverage and Systematic Equity Plan (SEPs), which allows customers to purchase a fixed value or a fixed quantity of equities at regular intervals.
- **Equity Derivatives**: Futures and Options related to stocks/index.
- **Currency Derivatives**: Futures contracts in US$/INR, EUR/INR, GBP/INR and JPY/INR.
- **Exchange Traded Funds:** Over 90 ETFs from various asset management companies.
- **Overseas Securities:** Stocks from over 40 stock exchanges in more than 25 countries outside India, pursuant to a partnership with a leading global online broker.

In addition to the above,

- In FY2020, the Company launched ICICIdirect Prime, a subscription-based service for all its customers that offers instant payout of funds, reduced brokerage rates, and exclusive research. At the end of FY2020, the Company had more than 0.31 million customers who opted for ICICIdirect Prime
- In FY2020, the Company's ESOP funding business scaled up and provided gateway to HNI customers
- The holding period in the Company's margin financing business was extended from T+180 days to T+365 days in NSE and BSE. With ICICIdirect Prime, interest rates were reduced to as low as 8.9% per annum to provide support to leverage positions. The Company witnessed healthy growth in its margin financing book before the COVID-19 pandemic. In order to tide over the highly volatile phase, the Company proactively engaged with clients to reduce leverage positions to a level commensurate with mutual risk profile
- The growth in these products and features have helped diversify the revenue base in the Equities business. Revenues from interest income and Prime subscription fees contributed to over 12% of FY2020 equity business revenues, growing from ~9% in FY2019

- The new arrangement for sourcing of clients with ICICI Bank in FY2020 has seen greater synergy between both companies, leading to better quality of clients being sourced, which in turn resulted in higher client activation during the year

The Company's 42-strong Retail Research team covers 307 companies across various sectors. A strong Mutual Fund, Technical and Derivatives desk delivers quality research to over 4.8 million customers of icicidirect.com. In addition to the quarterly earnings reports and regular event updates, the team publishes various sector reports, thematic reports, model portfolios, IPO recommendations, mutual fund advice, and technical and derivative picks.

Distribution of Financial Products

The Company is a leading distribution franchise, being the second largest non-bank mutual fund distributor based on revenue. Its distribution business primarily consists of the distribution of financial products and services offered by third parties to its customers. These products include mutual funds, life and general insurance, corporate fixed deposits, loans, tax services, and pension products. The Company earns commission from third parties for the distribution of their products, which may be in the form of recurring commissions for longer-term products.

To be a part of the entire lifecycle of customers and serve them end-to-end, the Company has embarked on distribution of loan products, which would help it to serve customers across Investments, Protection, Borrowing requirements. It has curated 12 loan products like Home Loans, Loan against Property (LAP), Lease Rental Discounting (LRD), Business Loans, SME Loans, Personal Loans, Credit Cards, Auto Loans, Two-Wheeler Loans, Loans against Securities (LAS), Remittances and Forex Services.

ICICI Securities has tied up with multiple lending partners for higher approval rates and more choices for its customers. After tie-ups with new lending partners like ICICI Bank, ICICI HFC, HDFC Ltd., BOB, PNB HFC, TATA Capital for Home Loans, LAP and LRD, more choices are now available under one roof for all customers. This has further strengthened ICICI Securities' offering on mortgages.

The Company is scaling up the distribution of 'Digital Loans' for its pre-approved customers. It is offering Personal Loans, Credit Cards, Top-up on Home loans, and Auto Loans top-up through icicidirect.com. Over 0.9 million ICICI Securities customers are already pre-approved and credit-cleared for availing of a Personal Loan without any documentation, with the amount getting credited into their account within 3 seconds. For such credit-cleared customers, a credit card can be issued in 3 minutes with him/her able to shop online after that, and subsequently receiving the physical card in a week's time. This would help ICICI Securities establish itself as a "one-stop shop" for all financial needs from Investments to protection to borrowing.

ICICI Securities has one of the largest pan-India distribution network of 172 ICICIdirect offices in over 70 cities, 9,400+ sub-brokers, authorised persons, Independent Financial Associates (IFAs) and Independent Associates (IAs). As on March 31, 2020, the Company distributed over 2,600 mutual fund schemes. In FY2020, the Company continued its growth with a focus on increasing the number of clients and total AUM.

Private Wealth Management

The Private Wealth Management (PWM) business at ICICI Securities is a home-grown franchise, which was set up in 2010 to service the existing ICICIdirect affluent customers. As India's economic progress continued, many of these customers climbed up the ladder of wealth, and the Company's private wealth practice today has morphed into one of the leading wealth management franchises in India. Over the years, the PWM business has built a stable and experienced team that comprises 16 members at senior leadership, and more than 300 members that includes relationship, product, advisory, service, and Family Office team members. The PWM business operates through an open architecture model with robust risk and product selection framework. It services clients through its enhanced digital platform and has value-added features as per evolving HNI needs.

PWM is a unique Brand-Platform-RM-led business model. The business leverages its strong brand name and a robust and seamless digital platform to attract customers. With a comprehensive product offering that caters to clients' financial and allied needs, the platform allows customers to transact across different asset classes and asset managers, review portfolio, and extract reports. This helps the Company to scale up the business through the platform. Coupled with this, an experienced team of relationship managers (RMs) with deep domain expertise handholds and advises clients on their bespoke requirements. By virtue of this unique platform-led business model and RM-led servicing, ICICI Securities is able to build a scalable and digital wealth management practice.

The product solutions of PWM are curated based on the insights gathered through years of servicing different investment needs of clients. These are made available

digitally through the ICICI direct platform. A few such innovative solutions include Comprehensive Portfolio Analysis (CPA) through Consolidated Account Statement (CAS) upload in ICICI direct, One-click Baskets for Mutual Fund portfolio creation, *etc*.

The Company is able to engage with the clients across their entire financial journey of wealth creation, preservation, and transfer. Today, its offerings comprise investment solutions like Equity, Fixed Income, Offshore and Alternative investments; value-added services like protection, mortgages & loans, *tax advisory, *estate planning & *real estate. Customers' business needs like raising equity capital, debt syndication and monetising asset are also serviced by the Company. Its platform-led engagement has ensured client stickiness; in fact, 54% of its revenue comes from clients who are with the Company for over 10 years.

*(*through referral arrangement)*

Institutional Equity

The Company offers its domestic and international institutional clients brokerage services and is empanelled with a large cross-section of institutional clients. It also works with trade aggregators. The Company provides solutions like block deals, which provide liquidity and enable them to trade on Indian stock exchanges as per their specific requirements.

ICICI Securities' corporate access team has strong relationships across different sectors and has regularly conducted international investor conferences in the past year. The Company also provides its institutional clients with direct market access to the NSE and the BSE and offers a range of algorithms that can be customised as per their needs.

The institutional research team has coverage of 282 companies, spread across diversified sectors and large-cap and mid-cap stocks. The 37-strong institutional research team is dedicated to servicing clients around the world through its differentiated approach. The team publishes a variety of sector thematic reports as well. Many Company analysts have been ranked high in investor polls and surveys like Asiamoney and Institutional Investor.

Issuer Services and Advisory

The ICICI Securities investment banking business consists of equity capital market services and financial advisory services that cater to corporate clients, the government, and financial sponsors. The Company is familiar with its clients' business models and the financial solutions are tailored to meet their needs at different stages of development.

The Company has occupied the top position in the investment banking league tables for quite some time. This business has a strong Equity Capital Market (ECM) practice that cuts across all fund-raising and consolidation products. A team of 60+ people helps the Company in providing a complete suite of ECM, Debt Capital Market (DCM), Mergers & Acquisition (M&A), advisory, and private equity advisory services to its clients.

The team comprises bankers who cover the majority of corporate firms across almost all industry verticals. The team has deep understanding of the sectors it covers as well as a long-standing relationship with leading corporates / conglomerates of the country and overseas. The team also covers the financial sponsors, private equity houses, sovereign wealth funds, special situation funds, funds dedicated to stressed assets, and Family Office funds. The business also has an excellent execution team that provides end-to-end product solutions for the clients, including DCM and structured finance products. This team has deep understanding of the regulatory framework for the primary and secondary market products.

Over the years, the Company has expanded its coverage of sectors and client base. It has thus been able to encompass services (such as M&A and PE advisory) beyond ECM products in its suite of offerings. This has helped the Company to stay relevant with the clients through their complete corporate finance cycle and offer meaningful advice in both bull and bear markets.

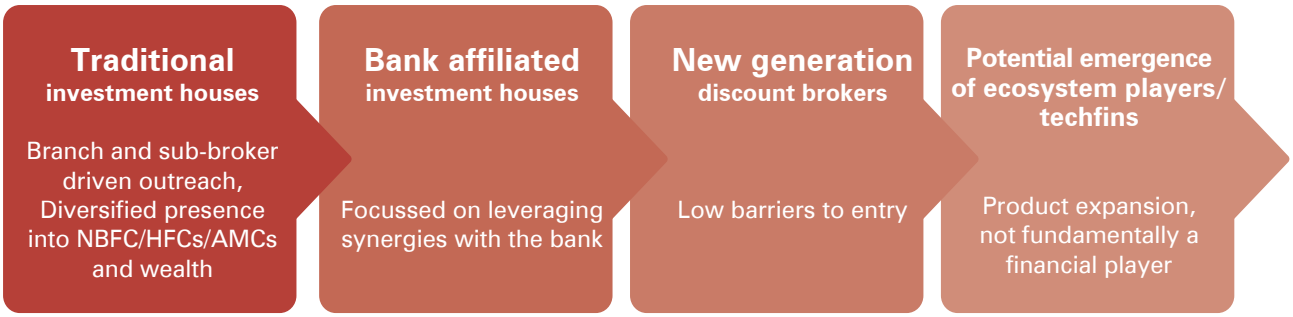
The capabilities of the Issuer Services and Advisory team include origination and execution of all types of fund-raising such as initial public offerings, qualified institutions placements, rights issuances, follow on offerings, preferential issues, among others. On the consolidation side, the team has advised and managed some of the biggest and complex open offers (takeovers), delisting, buybacks, scheme of arrangements, merger and acquisitions in the country.

Competition

Competition in the field of financial services is continuously changing and giving rise to numerous and different forms of competitors. ICICI Securities' competitors range from traditional brokers, bank-affiliated brokers, and discount brokers to a set of emerging players who are effectively technology companies that have created vibrant ecosystems and are now looking to offer equity/financial products distribution services to their customers.

** Referred to as Advisory in our financial statements segments and as Corporate Finance business in our earlier annual reports.*

Evolving nature of Competition



Regulatory Direction

SEBI is a very proactive regulator, keeping the long-term interest of investors in mind while framing policies. While some policies may have a short-term business impact, the Company believes overall, what is good for the customer is good for business. Some regulatory changes have the following business impact:

- Emphasis on lowering of intermediary margins to enhance customer returns
- Greater focus on transparency and risk management
- Increased compliance cost

In the recent past, the regulator has come out with the following norms:

Equity business: Margin Norms, Treatment of client securities

Wealth: Distribution *vs* Advisory, No upfront in PMS, PMS client definition

Distribution: No upfront in MF, TER regulations

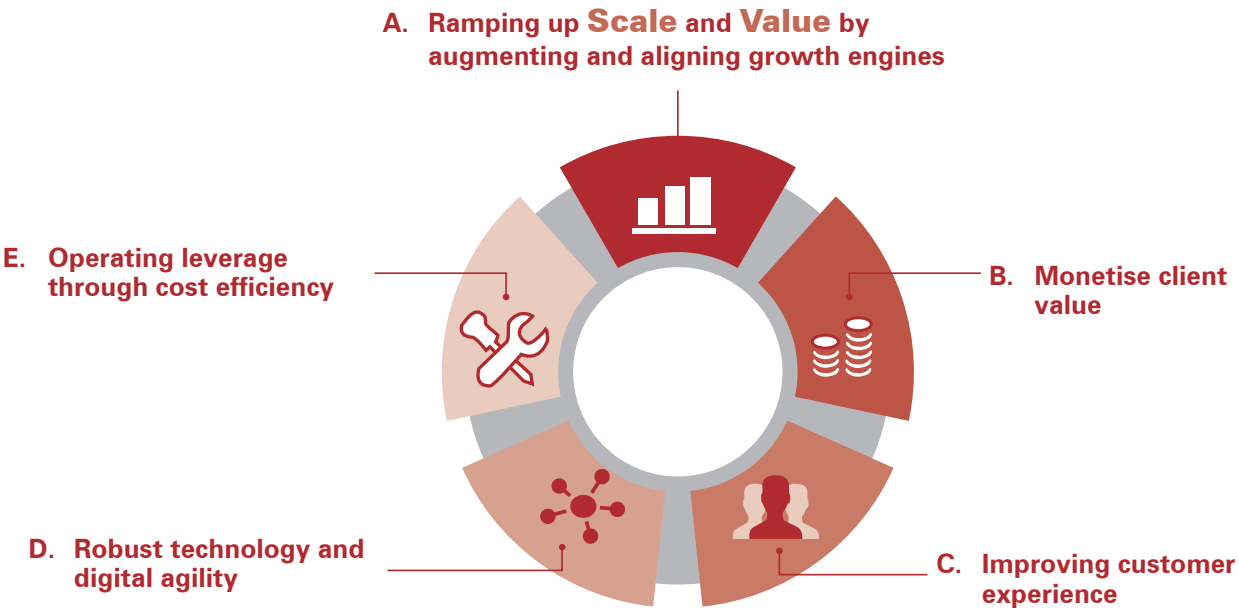
Company Strategy

ICICI Securities has articulated a strategy of broad-basing the business model by widening its comprehensive suite of products and services to a complete bouquet of investment, loan and protection needs. It has strengthened the core aspects of business while building for the future for focussing on five key strategic priorities, which are:

(i) Ramping up scale of business with a focus on quality;

(ii) Monetising client value;

Strategy: Strengthening the core and building the future



Working towards broadening the positioning

Imperatives:

- Broad-basing business model
- Diverse and granular revenue stream

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

(iii) Improving customer experience and engagement across spectrum of customer segments, including wealth segment;
(iv) Making the company more digitally agile; and
(v) Focussing on cost efficiencies.

Progress on strategic priorities

i) Ramping up scale of business with a focus on quality

The Company's strategy is to ramp up scale and value by expanding new customer acquisition channels, augmented by its distinctive product and service propositions. The Company is diversifying its client sourcing which, as of now, is mainly dependent on ICICI Bank. There are encouraging run rates of ICICI direct Prime, a subscription-based plan offering privileged pricing, liquidity and curated research. Prime subscribers stood at over 0.31 million as on March 31, 2020, up from ~0.1 million as on June 30, 2019. Prime is helping ICICI Securities in many ways: as an attractive product proposition to source higher quality clients; as a tool to activate dormant customers; and by adding annuity revenue of subscription fees to the equity business line. Revenue from Prime subscription fees, which was non-existent in FY2019, stood at ₹ 196 million in FY2020.

As the Company had envisaged, the ICICI Bank arrangement effective from the start of the fiscal year has shown encouraging signs. Activation rate for bank-sourced clients is now at 58% in FY2020, up from 32% in FY2019, showing a shift in the quality of customers towards the more affluent and relevant segments. With regard to the Company's focus on NRI customers, it has started sharing digital leads with overseas branches of the bank to enable fulfilment and is also making the onboarding process much smoother for customers. With a view to making client onboarding more efficient for its field force associated with ICICI Bank, the Company has developed a tab-based instant account opening process, using which a pre-existing bank customer can get his/her account opened on the ICICI direct TAB within 20 minutes. The Company's monthly run rate for FY2020 was over 11,500 accounts.

The scale of the Company's digital sourcing engine is also being enhanced. It has launched a 20-minute completely online, customer-driven onboarding process, comparable to the best in the industry, leading to improvement in the daily run rate of accounts opened completely online. On February 25, 2020, the Company launched its Insta Idirect accounts, wherein it went for open architecture with respect to bank accounts and also digitised the process of acquiring Power of Attorney (PoA) from customers to do away with in-person meetings. Customers now need to open only trading and demat accounts (2-in-1), which can be seamlessly linked to their existing bank accounts, wallets, UPI, *etc.* completely online. ICICI Securities is enthused by the initial response and it has opened over 6,000 accounts till March 31, 2020.

The third engine of growing scale is the business partner network, which witnessed a strong growth of 32% year-on-year and was at 9,400+ in FY2020. This is expected to help the Company grow its customer franchise further, not only in certain pockets of Tier I cities but also in Tier II and III markets. The new clients acquired through this network grew by 43% in FY2020.

1. Broking Revenue generating NCA increased by 43% from 0.15 million customers for FY2019 to 0.22 million customers for the same period in FY2020.
2. Gross NCA was down to 0.39 million in FY2020 *vs* 0.45 million in FY2019, thereby reducing wastage and inefficiency.
3. The Company's market share, based on NSE active client, has improved from 9.6% to 10%, implying it has been able to increase active clients at a rate faster than market. This is partly because of the better quality of sourcing, as evidenced by the ratio of clients starting to give revenue to total clients sourced (activation ratio) improving from 37% to 60%.

All these initiatives have helped us grow our market share in NSE active clients from 9.6% as on March 31, 2019, to 10.0% as on March 31, 2020. This has also helped us improve our blended equity market share to 8.7% in FY2020 from 7.7% in FY2019, an improvement of 100 bps.

ii) Monetising client value

The Company's aim is to provide comprehensive proposition for wealth clients. Continuing with this endeavour, it built a proprietary Portfolio Management Service (PMS) programme and is witnessing encouraging demand for it. Its AUM as on March 31, 2020, was over ₹ 1.1 billion. The Company wants to leverage its ESOP funding for building high-quality client sourcing, and it has been able to enhance its revenue stream by adding 39 new corporates during the year. In September 2019, it also extended its Margin Trading Facility (MTF) to NSE; this is an up to 365-day margin financing product and was hitherto available only on BSE. Both ESOP funding and MTF add interest income as a source of revenue. Average ESOP and MTF book scaled up from ~ ₹ 5.7 billion in FY2019 to ₹ 8.3 billion in FY2020.

With regard to the objective of distributing protection services, in addition to ICICI Lombard General Insurance Company Limited, the Company is developing the online proposition for its recently added partners. In this context, it is in the process of integration of Religare Health Insurance Company Limited and Star Health and Allied Insurance Company Limited with icicidirect.com to offer a full suite of health insurance products.

In line with its stated objective of catering to borrowing needs of customers, the Company has started distribution of digital loans. This, it believes, will be 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, it has identified personal loans, credit cards, home loan top-ups, auto loan top-ups and loan against securities as offerings and has a total of 0.9 million of ICICI Securities customers eligible for these loans. The Company has started broad-basing loans and has gone for an open architecture in home loans.

iii) Enhancing engagement and improving customer experience

The large pool of existing clients offers ICICI Securities a tremendous headroom for growing from within. Engagement initiatives are focussed on reaching out to these clients with a hyper-personalisation approach, digitally and at scale. The Company has segmented its client base, using 400 product combinations, and identified 23 clusters for personalisation. These have been identified by dipping into their transactions and analysing their online behaviour and preferences. These clusters are being used for designing propositions customised for them and for engaging them to come on the platform and transact on more line items.

The Company has used its in-depth understanding of customer behaviour to design propositions that are

relevant and enhance user experience. Some of the examples of this approach launched during the year are as under:

- Developed product propositions like **Icicidirect Prime, eATM, Options 20** (a unique plan being piloted in the Options space) which have found traction. In order to grow the derivative business and increase engagement, the Company has 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 its understanding of customer behaviour and preferences, the Company believes that this plan will find favour with its client base.
- With the objective of increasing engagement with clients on MFs, the Company launched the **One-Click** investment plan, which offers an easy and automated method of allocating a pre-decided amount periodically into a curated basket of research-recommended mutual funds. It has launched a suite of 25 curated baskets offering a variety of investment options, ranging from equity to debt to hybrid, both for lump sum and SIP purchase. Similarly, ETF Intelligent Portfolios (EIP) is a product for investing in a multi-asset basket of low-cost ETFs, based on clients' risk profile. The investments are monitored daily and allocations adjusted based on market conditions. This provides customers an opportunity to invest across different asset classes (Equity-Large cap, Equity-Mid cap, Government securities and Gold) through ETFs in a single click. The portfolio consists of ETFs that have a significantly lower expense ratio, with no brokerage fee on the buy and rebalance transactions.
- For its derivative customers who need tools to form and test trading strategies, the Company has identified a fintech partner, Sensibull.
- The Automated Integrated Portfolio Evaluation is a tool through which customers can upload all their holding statements across different asset classes and also across different distributors. The tool provides clients one view for all their investments even though all the assets may not be with ICICI Securities.

Investments and folios in mutual funds have been growing consistently and there is a need to cater to clients who may not have a direct equity investment mindset. They would, therefore, want a simpler app just to benefit from one view, easy transactions, and availability of recommendations and one-click portfolios. To this end, the Company is in advanced stages of creating a separate platform suitable for clients who need a very simple tool and are primarily interested in mutual funds.

ICICI Securities will continue to sharpen its proposition of personalisation and is investing in capabilities like data sciences, analytics, *etc*. to further micro-segment customers in order to give them a personalised experience at scale. The Company calls this strategy "N=1", denoting the aspiration to identify customers' unique preferences down to the individual client level, where the micro-segment is of only one client.

iv) Digital agility and capability

The ICICI Securities business is built on digital capabilities. Over the years, the Company's approach has been to invest in creating a robust technology platform. This platform has stood the test of time on parameters of safety, security, reliability, and speed. Paramount importance is given to information security, cyber security, uptime, and transaction response times, ensuring the highest standards of service for clients. As a case in point, during the recent volatile environment witnessed in March 2020, the Company's digital platform handled traffic of more than 64,000 concurrent users, processing at its peak 3.2 million orders plus trades in a day with 98 orders per second.

During the year, the Company embarked on its journey to become open architecture in digital capabilities. It launched an API architecture in September to quickly integrate with a diverse set of fintech players and other partners. It has created a digital team to scan the environment and identify new technologies and opportunities. Global best practices and business needs are considered to develop projects, products, and experiences. As many as 91 projects were evaluated through the year. Various projects are in different stages of development, and some of the important ones are as follows:

- Integration in progress for a derivatives platform for trading customers.
- Partnership and integration with two eco-system partners whose clients can execute transactions seamlessly on the Company's platform.
- Comparison engine for insurance plans is in testing phase.
- Implemented Automated Integrated Portfolio Evaluation.

- Implemented One-Click Portfolio approach based on concept from the digital team.
- Added Chatbot and WhatsApp to servicing options for clients to provide 24x7 instant assistance using Artificial Intelligence.
- Digitised the entire client on-boarding process from completely manual to end-to-end online.

Also, ICICI Securities is in the process of launching a new web interface and has engaged a company for re-engineering its mobile app, including new UI/UX.

v) Focussing on cost efficiencies

The Company is working on branch network rationalisation and has successfully closed several low-yielding branches. Its branch network is now at 172, down from 199 in FY2019. Its employee count was 3,790 in FY2020, compared to 4,051 in FY2019, a decline of 6% with employee cost down by 4% YoY. Although overall costs were flat compared to the previous year, the expenses excluding interest expenses (including impact of Ind AS 116) were down by 3%. Increase in interest expenses was commensurate with the interest income rise due to the growth in the Company's MTF and ESOP books.

BUSINESS PERFORMANCE

Retail Equity

The Company continued to expand its client base across various customer segments and geographies, both domestic and international, touching a milestone of 4.8 million customers in FY2020, which is distinctively the highest amongst retail brokers.

Client activation (NSE active) witnessed ~27% increase in FY2020 to 1.08 million as compared to 0.84 million in FY2019. The focus of the Company was on improving the quality of customer accounts and so emphasis was laid on revenue generating new clients acquired rather than gross new clients acquired. During the year, the Company acquired ~0.39 million new clients. Broking revenue generating clients from among bank-sourced clients increased by 55%, with activation rates up from 32% in FY2019 to 58% in FY2020. Retail brokerage revenue grew marginally from ₹ 8,154.2 million in FY2019 to ₹ 8,187.1 million in FY2020.

Distribution of Financial Products

In FY2020, the Company kept its focus on mutual funds by introducing new investment solutions for better client retention and penetration. It launched 'One-Click Investment' – carefully curated baskets of mutual fund schemes; 'SIP Protect' – provides free term insurance while investing through SIP in schemes of select mutual funds; and 'ICICI Prudential Freedom SIP' – a first-of-its-kind offering that gives customers flexibility to invest their monthly surplus through SIP, in line with their expectation of a fixed monthly income in coming years. ICICI Securities was among the first online distributors to offer SIP Protect and ICICI Prudential Freedom SIP.

The Company's distribution revenues witnessed a decline, primarily on account of the decline in mutual fund revenues by 16% from ₹ 2,695.0 million in FY2019 to ₹ 2,263.2 million in FY2020. This was on account of regulatory changes in TER, partly offset by increase in non-mutual fund distribution revenue. It includes a group of products that are in focus for growing the overall distribution revenue, such as insurance, PMS, AIF, Bonds, NPS, Deposits, *etc*. and excludes income such as IPO, marketing fees, and paid educational programmes.

The Company's MF average AUM (excluding direct) increased by 4% compared to the market average AUM (including direct) growth of 10%. During the period, SIP count fell slightly from 0.67 million as on March 31, 2019, to 0.66 million in March 31, 2020. Life insurance premium declined by 10% and revenue registered an increase of 3% from ₹ 474 million in FY2019 to ₹ 490 million in FY2020 due to increased focus on protection (term) and traditional products amid higher volatility.

Private Wealth Management

During FY2020, the Company realigned its relationship teams for a sharper focus on its Private Wealth Management business. The business recognises its wealth management clients as those with over than ₹ 10 million of assets. The customers are predominantly entrepreneurs, professionals, CXOs and inheritors belonging to the affluent segment, which is seeing a rapid expansion. As of FY2020, there were ~32,000 such clients, creating an asset base of ₹ 832 billion. The Company generated ₹ 2.59 billion in revenue from these clients in FY2020, up by 19% from ₹ 2.18 billion in FY2019.

Out of the total assets, 79% were transactional and 21% recurring. However, 42% of the revenue was generated from transactional assets and 58% was generated from recurring. The assets had a blended annualised yield of 0.28%. Yields are calculated on average assets for the current and preceding period.

Our client base is sticky, with 54% revenue coming from clients who are with us for over 10 years. We continue to focus on acquiring profitable clients – those acquired during the past 5 years have higher average AUM and better Average Revenue Per User (ARPU) than the ones

on-boarded during 2000-2015. Our key strategies for FY2021 are improving the yield on transactional assets and increasing recurring assets.

Institutional Equity

The year under review saw an increase in traction with clients across geographies. Dedicated sales teams across India, Asia Pacific, and the US resulted in higher equity income. The Company focussed on increasing the flow business and continued traction in block deals. It was able to gain institutional equity market share on account of significant improvement in ranking with highly active clients, significant performance in block deals/block crossing and increased wallet share from existing clients. Additionally, it was able to increase institutional future market share on account of activation of inactive global banks, increased wallet shares from existing customers and focussing on AIFs and regional hedge funds.

During FY2020, the Company hosted several conferences and delegations to give its clients an opportunity to interact with policymakers and corporate leaders, both domestic and global. The Company also hosted a financial conference in the US and six domestic/sectoral conferences – five in Mumbai and one in Bengaluru during this period.

The revenue from the institutional equity business increased by 10% from ₹1,174 million in FY2019 to ₹ 1,289 million in FY2020.

Issuer Services and Advisory*

Revenue from the Company's investment banking business decreased by over 23% from ₹ 990.6 million in FY2019 to ₹ 763.9 million in FY2020 due to a decline in primary market activities amid uncertain domestic and global economic environments. During this year, the focus was on building up non-IPO revenue sources, as a result of which the contribution of non-IPO revenue increased in FY2020 as compared to FY2019.

The Company managed 5 IPOs (including InvITs) in FY2020 with a market share of 32% (in terms of issue size) (Source: Prime Database).

The amount raised through equity public issuances managed by the Company during FY2020 was ₹ 72.80 billion, which included the IPOs of Indiamart Intermesh Ltd, Affle (India) Ltd, Spandana Sphoorty Financial Ltd, and Sterling & Wilson Solar Ltd, and InvIT of Oriental Infratrust.

The Company successfully completed the rights issue for Bharti Airtel Ltd, Patel Engineering Ltd, and Piramal Enterprises Ltd, amounting to ₹ 287.8 billion.

Offers for Sale managed by the Company in FY2020 for an amount of ₹ 7.3 billion was completed, which included the OFS of L&T Technology Services Ltd and Central Depository Services (India) Ltd.

The Company also managed the public debt issuance for India Infoline Finance Ltd, aggregating to ₹ 2.4 billion, during FY2020.

The Company successfully completed the buybacks of SQS India BFSI Ltd, Smartlink Holdings Ltd, Jagran Prakashan Ltd, amounting to ₹ 1.7 billion in FY2020.

The Company acted as an advisor for Open Offer amounting to ₹ 18 billion in FY2020, including the Open Offer of Linde India Ltd, International Paper APPM Ltd., and DFM Foods Ltd.

The Company rendered advisory services in several transactions during the year in sectors ranging across Banking, Financial Services, Pharma, Media, Consumer Goods and other related industries. It managed 10 deals in FY2020 as compared to 12 in FY2019.

Economic Outlook

Towards the end of March 2020, the spread of COVID-19 weighed on the global economy. Although the pandemic originated in China, the epicentre quickly shifted to western countries and hit countries like the US, France, Italy, and the UK hard. Many large economies posted contraction in Q12020 due to the lockdowns imposed to contain COVID-19. As a response, systemically important central banks cut rates to multi-year lows, launched large credit lines, bond purchases and other support measures to minimise the impact of the pandemic on their economies.

COVID-19 affected the Indian economy as well. Real GDP growth fell to 3.1% in Q4FY2020 and full year growth fell to 4.2%. In response, the government announced large fiscal stimulus package aimed at key sectors in the economy while the RBI cut repo rate to an all-time low of 4%. Despite these measures, the Indian economy is likely to contract in FY2021 as measures to contain the pandemic keep economic activity in several sectors at suboptimal level. However, the economy is likely to post robust recovery in FY2022 on the back of monetary and fiscal stimulus and pent up demand. Inflation is expected to remain under control in FY2021 due to weak aggregate demand. Structurally low global oil prices are a big positive for India and could result in current account surplus in FY2021.

OPPORTUNITIES AND BUSINESS OUTLOOK

ICICI Securities businesses are expected to benefit from the structural shift in the financial savings environment as well as the improving technology infrastructure of India. Some of the broad macro trends that underline the opportunities are:

** Referred to as Advisory in our financial statements segments and as Corporate Finance business in our earlier annual reports.*

- Despite the short-term impact of COVID-19, India is expected to be a relatively high growth economy in the medium to longer term and this augurs well for the capital markets.
- India has been and is expected to remain a high savings economy. The young working population is expected to increasingly channel a higher share of their savings into financial assets. The growing preference for equity among retail investors, as an asset class coupled with and the relative under-penetration in terms of both market capitalisation to GDP ratio or ratio of investments in shares and debentures to GDP, signify a positive outlook for equity-based businesses in India.
- Increase in overall economic activity, scaling up of domestic corporate institutions and professionalisation of promoter-driven set-ups would continue to fuel demand for capital raising and advisory services.
- Advances in technology, increasing smartphone penetration, and increasing digitisation at systemic level are expected to lead more retail consumers to adopt and consume financial services through electronic media.

The Company's businesses, which are primarily driven by retail and institutional clients' need for financial products and services, are expected to benefit from the emerging macro trends.

The retail equity, distribution, and wealth management businesses are expected to benefit from rising income levels of the target customer segments, and increasing financialisation and equitisation of savings. The online retail equity landscape remains poised for robust growth; however, pricing-led competition remains intense. ICICI Securities' strong digital platform, knowledge-based services and brand would continue to attract customers.

Technology, customer-centricity, and timely and effective advisory services are vital for growth. The cities beyond the top 15 cities are also increasingly witnessing strong demand for financial products like mutual fund, as awareness and access improves, leading to expansion of the distribution footprint.

Private Wealth Management is poised for healthy growth over the next few years as the Indian populace moves up the wealth pyramid.

Recent changes in the regulatory framework have been beneficial to investors and have also simplified the investment and advisory business frameworks. This provided a much-needed clarity on business operations and client treatment.

The Company's Distribution franchise will get support from in-house manufacturing and investment advisory platforms, besides the core offerings of equity broking and Issuer Services and Advisory*, thereby reducing the cyclicality of the business further.

The Institutional Equity business would benefit from expected inflows from FIIs as well as increasing flows into DIIs predominantly mutual fund, insurance, *etc.* The Company's research, corporate access and deep-rooted relationships with institutional investors, particularly DIIs, will help it expand the institutional equity business.

The Issuer Services and Advisory* business is expected to benefit from the strong IPO pipeline built in FY2020 that is expected to hit the market in a more stable environment. With the tightening of credit outflow by banks and increased regulatory impositions on NBFCs, corporate firms are expected to resort to capital markets for funding their capital expenditure cycle.

Products like Private Infrastructure Investment Trusts (InvITs) and Real Estate Investment Trusts (REITs) are expected to gain ground due to the increased interest in such products by foreign investors. Also, buybacks are gaining popularity in the Indian capital markets; they can be used to repay the shareholder instead of dividends. Further, the Company will continue its pursuits with the Government divestments through Offer for Sale. Its sector expertise, corporate relationships, strong distribution franchise, and ability to navigate varied stakeholders will help it to benefit from an increase in capital market transactions and in growing its advisory business.

As the impact of COVID-19 on the economy shows up, the first quarter results for FY2021 of Indian corporate firms will provide an assessment of the extent of slowdown. Early trends indicate that there is a sharp drop in revenue across sectors. More importantly, investors are not sure about the timing and extent of rebound in the market, which has resulted in sharp outflows by FIIs towards the end of FY2020. The Company is looking at a modest improvement in business sentiment in the second half of FY2021 and a resultant improvement in the institutional equity business.

Company's COVID-19 preparedness

During the initial days of the pandemic and the announcement of a nationwide lockdown by the Government of India, the Company's focus areas were: ensuring the safety of employees; ensuring business continuity by prudent risk management; and reaching out to customers and investors digitally.

** Referred to as Advisory in our financial statements segments and as Corporate Finance business in our earlier annual reports.*

As part of the 'essential services' sector, ICICI Securities made sure that its services were open and customers had access to their investments at all times. Even during these uncertain times, customers might need to reach out to their relationship managers (RMs) for advice. Therefore, the Company put in place a Business Continuity Plan (BCP) that ensured sanitised and segregated offices and Work From Home initiatives by equipping employees with the necessary tools. Digital engagement with customers and institutional investors was intensified and the same quality of service was offered. The technology team made it possible to deliver unrestricted services even without any prior exposure to a crisis of this nature and magnitude.

The recent market volatility tested the robustness and ability of our technology platform with respect to concurrent users, uptime, response time, *etc*. The ICICI Securities platform passed this 'stress test' with flying colours. It handled record volumes of over 3.2 million orders plus trades processed in a day. It also managed peak concurrent users numbering over 64,000 without any downtime, as against the usual average of 23,000, and the previous high being 48,000 (during the 2019 general election results day).

To manage market risks, the Company has a comprehensive system for risk management and internal controls, whose objective is to ensure that various risks are identified, measured and mitigated. Proactive and real-time risk management focus in the wake of high level activity & volatility backed by robust technology and a prudent Risks and Concerns policy has helped the Company tide over the market volatility. It entered risk-off mode in March 2020 and systematically reduced its exposure to loan products like MTF and ESOP. Its combined loan book now stands at ₹ 5.8 billion down from ₹ 11.5 billion as on December 31, 2019. In addition, its conservative risk position in the face of extreme volatility in March resulted in a decline in derivative trading activity, dragging down its derivative market share by 20 bps in FY2020.

FINANCIAL PERFORMANCE

Overview

The Company registered consolidated revenue of ₹ 17,249.4 million for FY2020 as compared to ₹ 17,270.2 million for FY2019. Consolidated Profit after Tax (PAT) for FY2020 was ₹ 5,420.0 million compared to ₹ 4,907.3 million for FY2019. It was able to control costs, with total cost increasing marginally from ₹ 9,697.9 million to ₹ 9,720.1 million in FY2020, an increase of 0.2%, implying a net margin of 31% in FY2020, which is higher by 3 percentage points compared to FY2019.

ANALYSIS OF CONSOLIDATED FINANCIAL STATEMENTS

a. Results of Operations

Extract of Consolidated Statement of Profit and Loss

(₹ in million)

Particulars		For the year ended March 31, 2020	For the year ended March 31, 2019
	Revenue from operations		
(i)	Interest income	2,350.0	1,792.0
(ii)	Dividend income	0.4	4.9
(iii)	Fees and commission income		
	- Brokerage income	9,475.6	9,328.3
	- Income from services	5,217.5	5,732.8
(iv)	Net gain on fair value changes	-	166.0
(v)	Net gain on derecognition of financial instruments under amortised cost category	3.0	-
(vi)	Others	15.7	21.7
(I)	**Total Revenue from operations**	**17,062.2**	**17,045.7**
(II)	Other income	187.2	224.5
(III)	**Total Income (I+II)**	**17,249.4**	**17,270.2**
	Expenses		
(i)	Finance costs	863.9	423.4
(ii)	Fees and commission expense	437.0	375.0
(iii)	Net loss on fair value changes	36.1	-
(iv)	Impairment on financial instruments	106.7	26.9

(₹ in million)

Particulars		For the year ended March 31, 2020	For the year ended March 31, 2019
(v)	Operating expense	586.8	850.9
(vi)	Employee benefits expenses	5,337.7	5,544.9
(vii)	Depreciation, amortisation and impairment	614.0	149.5
(viii)	Others expenses	1,737.9	2,327.3
(IV)	**Total Expenses**	**9,720.1**	**9,697.9**
(V)	Profit/(loss) before tax (III-IV)	7,529.3	7,572.3
(VI)	Tax Expense:		
	(1) Current tax	1,961.0	2,722.2
	(2) Deferred tax	148.3	(57.2)
		2,109.3	**2,665.0**
(VII)	**Profit/(loss) for the period (V-VI)**	**5,420.0**	**4,907.3**
(VIII)	**Other comprehensive income (net of taxes)**	**(59.1)**	**(25.9)**
(IX)	**Total comprehensive income for the period (VII+VIII) (comprising profit/(loss) and other comprehensive income for the period)**	**5,360.9**	**4,881.4**

Interest income

Interest and other operating income increased from ₹ 1,792.0 million for the year ended March 31, 2019, to ₹ 2,350.0 million in the year ended March 31, 2020, an increase of 31%. This was primarily due to three reasons. First, an increase in interest on retail fund-based products like ESOP and MTF. The Company's combined average ESOP and MTF book increased from ₹ 5.7 billion in FY2019 to ₹ 8.3 billion in FY2020. Second, interest earned on bank fixed deposits held with exchanges as margin for its brokerage business. The Company's average fixed deposits book increased from ₹ 13.0 billion in FY2019 to ₹ 14.5 billion in FY2020. Third, interest earned on securities held for stock.

Fees and commission income

Brokerage Income

The Company's brokerage income increased from ₹ 9,328.3 million for the year ended March 31, 2019, to ₹ 9,475.6 million for the year ended March 31, 2020, an increase of 2%. The retail brokerage revenue grew marginally from ₹ 8,154.2 million in FY2019 to 8,187.1 million in FY2020. This was primarily due to the increase in volumes on account of increased equity-revenue-giving new clients by 43% and enhanced client engagement offset by decline in blended yield due to the Company's subscription-based plan Prime. The revenue from its institutional equity business increased by 10% from ₹ 1,174.1 million in FY2019 to ₹ 1,288.5 million in FY2020.

Income from services

Income from services decreased from ₹ 5,732.8 million for the year ended March 31, 2019, to ₹ 5,217.5 million for the year ended March 31, 2020, a decrease of 9%. This was primarily due to a decrease in commissions from the distribution of third-party mutual funds from ₹ 2,695.0 million to ₹ 2,263.2 million, a decrease of 16%, in the same period partly offset by increase in income from distribution of non-mutual funds products. Also, income from advisory services decreased by 23% from ₹ 990.6 million in FY2019 to ₹ 763.9 million in FY2020. This was primarily due to a decrease in equity capital market activities.

Net gain on fair value changes

Net gain/loss on fair value changes decreased from a gain of ₹ 166.0 million for the year ended March 31, 2019, to a loss of ₹ 36.1 million for the year ended March 31, 2020. This was primarily due to loss of ₹ 138.1 million in Q4 FY2020 on account of market environment and increased volatility in the second half of March 2020 due to the COVID-19 pandemic.

Other Income

Other income of ₹ 187.2 million for the year ended March 31, 2020, includes interest on income tax refund of ₹ 147.5 million. Other income of ₹ 224.5 million for the year ended March 31, 2019, includes interest on income tax refund of ₹ 207.1 million.

Employee benefits expenses

Employee benefits expenses decreased from ₹ 5,544.9 million for the year ended March 31, 2019, to ₹ 5,337.7 million for the year ended March 31, 2020, a decrease of 4%. This was primarily due to reduction in employee headcount by 6% to 3,790 in March 2020, aided by lower variable pay provisions partly offset by annual increments.

Operating expenses

Operating expenses decreased from ₹ 850.9 million for the year ended March 31, 2019, to ₹ 586.8 million for the year ended March 31, 2020, a decrease of 31%, primarily due to a decrease in custodian and depository charges and call centre charges.

Fees and commission expense

Fees and commission expense increased from ₹ 375.0 million for the year ended March 31, 2019, to ₹ 437.0 million for the year ended March 31, 2020, an increase of 17%. This increase was primarily due to an increase in payout to ICICI Bank in relation to a new sourcing arrangement effective from the beginning of this financial year, partly offset by the decrease in variable payouts linked to primary market deals as well as brokerage and commission paid to sub-brokers, authorised persons, IFAs and IAs.

Finance costs

Finance costs increased from ₹ 423.4 million for the year ended March 31, 2019, to ₹ 863.9 million for the year ended March 31, 2020, an increase of 104%. This was primarily due to an increase in borrowings from ₹ 4.5 billion in March 2019 to ₹ 15.0 billion in March 2020, following an increase in retail fund-based assets and, hence, the interest expense thereon, and also due to the transition to a new accounting standard (Ind AS 116) on Leases.

Effective April 1, 2019, the Company has adopted Ind AS 116 on Leases and applied the same to all lease contracts existing on April 1, 2019, using the modified retrospective approach with right-of-use of asset recognised at an amount equal to the adjusted lease liability. Recognition of lease liabilities resulted in an increase in finance costs of ₹ 141.4 million. Effect of Ind AS adjustments have not been retrospectively adjusted and, accordingly, comparatives for the year ended March 31, 2019, have not been restated.

Depreciation and amortisation expense

Depreciation and amortisation expense increased from ₹ 149.5 million for the year ended March 31, 2019, to ₹ 614.0 million for the year ended March 31, 2020, an increase of 311%. This was primarily on account of depreciation on right-of-use asset recognised as per Ind AS 116 for Leases amounting to ₹ 451.9 million.

Other expenses

Other expenses decreased from ₹ 2,327.3 million for the year ended March 31, 2019, to ₹ 1,737.9 million for the year ended March 31, 2020, a decrease of 25%, primarily on account of new accounting standard (Ind AS 116) for Leases, which resulted in increase of finance cost and depreciation and decrease in lease expenses.

Profit

As a result of the above, profit before tax decreased from ₹ 7,572.3 million for the year ended March 31, 2019, to ₹ 7,529.3 million for the year ended March 31, 2020, a decrease of 1% on account of flat revenues and expenses.

Total tax expense decreased from ₹ 2,665.0 million for the year ended March 31, 2019, to ₹ 2,109.3 million for the year ended March 31, 2020, a decrease of 21%. This was primarily on account of a decrease in corporate statutory tax rate to 25.17% from 34.94%, consequent to changes made in the Finance Act, 2019. The full impact of this change arising out of revaluation of Deferred Tax Assets as on March 31, 2019, aggregating to ₹ 201.4 million, has been recognised during the year. The effective income tax rate for the year ended March 31, 2020, is 28.01%, where as on March 31, 2019, it was 35.19%.

Profit after tax increased from ₹ 4,907.3 million for the year ended March 31, 2019, to ₹ 5,420.0 million for the year ended March 31, 2020, an increase of 10%.

b. Segment-wise Performance

(₹ in million)

Segments	For the year ended			
	March 31, 2020		March 31, 2019	
	Segment Revenue	Segment Results	Segment Revenue	Segment Results
Broking and Commission	15,939.5	7,354.8	15,807.4	6,976.0
Advisory Services	763.9	176.6	990.6	252.5
Investment and Trading	398.5	(149.6)	265.1	136.7
Total*	**17,249.4**	**7,529.3**	**17,270.2**	**7,572.3**

** Note: Unallocated amount of ₹ 147.5 million for FY2020 (₹ 207.1 million for FY2019) is included in total revenue and results and pertains to interest on income tax refund.*

Revenue from the Company's broking and commission segment increased from ₹ 15,807.4 million for the year ended March 31, 2019, to ₹ 15,939.5 million for the year ended March 31, 2020, an increase of 1%, primarily due to increase in brokerage revenue. During the same time period, the result from the broking and commission segments increased by 5%, primarily due to the increase in revenue aided by decrease in expenses by 3% in this segment.

Revenue from the advisory services segment decreased from ₹ 990.6 million for the year ended March 31, 2019, to ₹ 763.9 million for the year ended March 31, 2020, a decrease of 23%, primarily due to muted equity capital markets. During the same time period, the results from the advisory services segment decreased by 30%, primarily due to decrease in revenue, offset in part by decrease in expenses by 20% in this segment.

Revenue from the investment and trading segment increased from ₹ 265.1 million for the year ended March 31, 2019, to ₹ 398.5 million for the year ended March 31, 2020, an increase of 50%, primarily due to an increase in interest income related to securities held for trade. During the same period, the results from the investment and trading segment contributed a net loss of ₹ 149.6 million, primarily on account of loss booked on DHFL NCD and due to the market environment and increased volatility in the second half of March 2020 due to the COVID-19 pandemic.

c. Financial Position

The following table sets forth, at the dates indicated, the summary balance sheet:

(₹ in million)

	Particulars	As on March 31, 2020	As on March 31, 2019
	ASSETS		
1	**Financial assets**		
(a)	Cash and cash equivalents	5,420.0	18,841.1
(b)	Bank balance other than (a) above	18,694.0	12,645.2
(c)	Securities for trade	8,351.1	2,563.1
(d)	Receivables		
	(I) Trade receivables	887.9	4,769.8
(e)	Loans	5,708.7	4,032.7
(f)	Investments	24.7	28.5
(g)	Other financial assets	774.9	816.4
		39,861.3	**43,696.8**
2	**Non-financial assets**		
(a)	Current tax assets (net)	1,502.8	1,306.5
(b)	Deferred tax assets (net)	595.5	737.5
(c)	Property, plant and equipment	295.2	294.8
(d)	Right-of-use assets	1,529.1	-
(e)	Capital work-in-progress	32.9	12.4
(f)	Intangible assets under development	48.4	27.4
(g)	Other intangible assets	155.4	141.0
(h)	Other non-financial assets	407.6	429.5
		4,566.9	**2,949.1**
	Total Assets	**44,428.2**	**46,645.9**

(₹ in million)

	Particulars	As at March 31, 2020	As at March 31, 2019
	LIABILITIES AND EQUITY		
	LIABILITIES		
1	**Financial liabilities**		
(a)	Derivative financial instruments	-	17.0
(b)	Payables		
	(I) Trade payables		
	(i) total outstanding dues of micro enterprises and small enterprises	-	-
	(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	6,926.4	23,362.0
(c)	Debt securities	14,975.3	4,473.0
(d)	Borrowings (Other than debt securities)	-	-
(e)	Deposits	22.3	45.3
(f)	Lease liabilities	1,574.4	-
(g)	Other financial liabilities	2,694.6	2,284.9
		26,193.0	**30,182.2**
2	**Non-financial liabilities**		
(a)	Current tax liabilities (net)	-	41.5
(b)	Provisions	828.7	663.6
(c)	Other non-financial liabilities	5,311.1	5,285.9
		6,139.8	**5,991.0**
3	**EQUITY**		
(a)	Equity share capital	1,610.7	1,610.7
(b)	Other equity	10,484.7	8,862.0
		12,095.4	**10,472.7**
	Total Liabilities and Equity	**44,428.2**	**46,645.9**

Total assets decreased from ₹ 46.6 billion as on March 31, 2019, to ₹ 44.4 billion as on March 31, 2020, a decrease of 5%. This was primarily due to a decrease in cash and cash equivalents, bank balances and trade receivables, partially offset by an increase in securities for trade, loans and recognition of right-of-use assets pursuant to new accounting standard Ind AS 116 on Leases. The cash and cash equivalents as on March 31, 2019, includes funds of approx. ₹ 17 billion lying in the bank account of the Company, pursuant to a large value secondary market transaction that was remitted to the client subsequently.

Total liabilities decreased from ₹ 36.2 billion as on March 31, 2019, to ₹ 32.3 billion as on March 31, 2020, a decrease of 11, primarily due to a decrease in trade payables, partly offset by increase in debt securities and recognition of lease liabilities pursuant to new accounting standard Ind AS 116 on Leases. The decrease in trade payables was due to open trade positions of customers at the period ending March 31, 2019, including a client payable of approx. ₹ 17 billion lying in the bank account of the Company, pursuant to a large value secondary market transaction that was remitted to the client subsequently.

d. Cash Flows

The following table sets forth, for the periods indicated, a summary of cash flows:

(₹ in million)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Cash flow (used in) / generated from operating activities	(18,783.4)	22,892.9
Cash flow used in investing activities	(225.9)	(207.7)
Cash flow generated from / (used in) financing activities	5,588.2	(5,614.8)

Cash used in operating activities

Net cash generated from/(used in) operating activities changed from ₹ 22,892.9 million for the year ended March 31, 2019 to ₹ (18,783.4) million for the year ended March 31, 2020. This change was primarily due to a decrease in trade payables, which included exceptional item relating to one of the offer for sale transactions handled by the Company, amounting to approx. ₹ 17 billion outstanding as on March 31, 2019, that was remitted to the client during the year. Further, net usage of funds in operating activity was due to incremental deployment of funds in deposits of ₹ 6,048.8 million, securities for trade of ₹ 5,951.2 million, loan assets of ₹ 1,766.0 million, partly offset by decrease in trade receivables of ₹ 3,872.0 million during the year.

Cash used in investing activities

Net cash used in investing activities changed from ₹ (207.7) million for the year ended March 31, 2019 to ₹ (225.9) million for the year ended March 31, 2020. Net cash usage in investing activity primarily represents purchase of property, plant and equipment during the year.

Cash generated from financing activities

Net cash generated from/(used in) financing activities changed from ₹ (5,614.8) million during the year ended March 31, 2019, to ₹ 5,588.2 million during the year ended March 31, 2020. This change was primarily due to an increase in borrowings from ₹ 4,473.0 million to ₹ 14,975.3 million, resulting in net generation of ₹ 10,502.3 million during the year and a higher dividend pay-out in the year ended March 31, 2020, as compared to the previous year.

Contingent Liabilities

As on March 31, 2020, the Company has ₹ 1,286.5 million in statutory tax demands in dispute, which are not provided for (March 31, 2019 figure was ₹ 1,444.6 million).

Borrowings

As on March 31, 2020, the Company has short-term borrowings of ₹ 14,975.3 million and total equity of ₹ 12,095.4 million.

The short-term borrowings primarily consist of commercial papers and have received a domestic rating of A1+ by CRISIL and ICRA. The Company has received a domestic rating of AAA from CRISIL and ICRA for long-term debt, which primarily consists of non-convertible debentures.

Details of significant changes (i.e. change of 25% or more as compared to the immediately previous financial year) in key financial ratios, along with detailed explanations therefor

Particulars	FY 2019-20	FY 2018-19	Change %
1. Debt Equity Ratio (Times)	1.24	0.43	188.4
2. Debtors turnover (Times)	5.19	3.83	35.7
3. Interest coverage ratio (Times)	11.42	18.88	(39.5)
4. Return on Net Worth (%)	48%	52%	(7.7)

Explanation:

1. Debt Equity Ratio increased from 0.43 in FY2019 to 1.24 in FY2020 primarily due to an increase in short-term borrowings from ₹ 4,473.0 million in FY2019 to ₹ 14,975.3 million in FY2020 and increase in shareholders' equity (share capital and other equity) from ₹ 8,862.0 million in FY2019 to ₹ 10,484.7 million in FY2020 due to retention of profits earned during the year.

2. Debtor turnover increased from 3.83 in FY2019 to 5.19 in FY2020 primarily due to decrease in trade debtors from ₹ 4,769.8 million in FY2019 to ₹ 887.9 million in FY2020.

3. Interest coverage ratio decreased from 18.88 in FY2019 to 11.42 in FY2020 primarily due to increase in interest expense from ₹ 423.4 million in FY2019 to ₹ 722.5 million in FY2020.

4. Return on Net Worth calculated as "PAT: Average net worth excluding other comprehensive income and translation reserve" decreased from 52% for FY2019 to 48% for FY2020 mainly on account of increase in average net worth by 19.6% from ₹ 9,470 million in FY2019 to ₹ 11,321 million in FY2020 due to retention of profits earned during the period.

SUBSIDIARY PERFORMANCE

Overview

The Company has a 100% owned subsidiary ICICI Securities Holdings, Inc. and a step-down subsidiary ICICI Securities, Inc.

ICICI Securities Holding, Inc. is the holding company of the indirect subsidiary ICICI Securities, Inc., which, through its offices in the US and Singapore, is engaged in referring foreign institutional clients to the Company for transactions on the Indian stock exchanges.

Financial performance

- The revenues of ICICI Securities, Inc. on standalone basis increased by 5%, from ₹ 210.8 million in FY2019 to ₹ 222.2 million in FY2020 and the standalone PAT increased from ₹ 36.5 million in FY2019 to ₹ 50.0 million in FY2020. The higher PAT was due to an increase in interest income and reduction in employee benefits expenses. The total assets increased from ₹ 338.9 million as on March 31, 2019, to ₹ 349.0 million as on March 31, 2020.
- Financial assets increased from ₹ 319.3 million as on March 31, 2019, to ₹ 327.2 million as at March 31, 2020, primarily due to increase in bank balance, partially offset by reduction in trade receivable.
- Non-financial assets increased from ₹ 19.6 million as on March 31, 2019, to ₹ 21.8 million as on March 31, 2020, on account of recognition of deferred tax asset and right-of-use asset pursuant to new accounting standard Ind AS 116 on Leases.
- Financial liabilities decreased from ₹ 37.4 million as on March 31, 2019, to ₹ 14.8 million as on March 31, 2020, primarily on account of settlements of liabilities.

RISKS, CONCERNS AND THREATS

As the Company's performance is dependent on the health of capital markets, it faces the risk of a downturn in the event of slowing economic growth and/or worsening macro-economic environment. Any events that impact the broader economy, such as rising crude oil prices, depreciating currency, worsening current account deficit, rising inflation, a bad monsoon, slowdown in corporate earnings, rising NPAs, slowdown in foreign investment inflows, *etc*. impact the capital market, thereby posing risks to the Company. Other challenges that may drive away the DIIs include rising real estate and gold prices, which may provide other attractive investment options.

Global events may also pose challenges to the growth of the Company as they directly impact foreign inflows and indirectly have a bearing on the Indian economy. Risks from geo-political tensions, global financial market volatility led by rise in interest rates, and the threat of trade protectionism all pose significant risks to the operations of the Company.

The Company faces significant competition from other businesses seeking to attract its customers'/clients' financial assets. In particular, it competes with other Indian and foreign brokerage houses, discount brokerage companies, investment banks, public and private sector commercial banks and asset managers, among others, operating in the markets in which it is present. The Company competes on the basis of a number of factors, including execution, depth of product and service offerings, innovation, reputation, price and convenience.

The Company also faces threats from the tightening and ever-evolving regulatory framework and any unfavourable policy changes, such as the introduction of long-term capital gains tax. Internal threats to the Company arise from a failure of compliance or overlooking of any misrepresentations/fraud in the operations of the Company.

During the last quarter of FY2020, economies worldwide were impacted significantly by the onset of the COVID-19 pandemic resulting in a downturn in economic growth across most countries. This also resulted in a significant increase in volatility in capital markets. The measures taken by governments to control the spread of the pandemic included country-wide lockdowns which have significantly impacted economic activity. The spread and severity of the pandemic over the next few months would have a bearing on the economy and accordingly on the performance of the Company. The Company has focussed on proactive and real-time risk management in wake of high volatility in the capital markets. The Company has also taken measures to manage operational challenges arising out of limited mobility of staff.

RISK MANAGEMENT

The Company has established a comprehensive system for risk management and internal controls for all its businesses to manage the risks that it is exposed to. The objective of its risk management framework is to ensure that various risks are identified, measured and mitigated and also that policies, procedures and standards are established to address these risks and ensure a systematic response in the case of crystallisation of such risks.

The Company has classified the key risks associated with its business into implied market risk, market risk, operational risk, information technology / cyber security risk, liquidity risk, credit risk and reputation risk. It has established various policies with respect to such risks which set forth limits, mitigation strategies and internal controls to be implemented by a 'three lines of defence' approach. These policies include a corporate risk and investment policy, a liquidity risk management policy, an operational risk management policy, an outsourcing policy, a fraud risk management policy, an information technology risk management policy, an information security management policy, cyber security and cyber resilience policy and a surveillance policy. The Company also has a Business Continuity Policy and Disaster Recovery Plan.

The Company is particularly sensitive to risks emanating from the introduction of new products and services. All new products are approved by the Committees constituted by the Board. Before the launch of any new product or service, it is reviewed and approved by the risk management group, compliance and operations groups and a process approval committee. These groups and committees review the product/service through the lenses of regulatory compliance, risk management and integration with the existing risk management systems.

The Board oversees the Company's risk management and has constituted a Risk Management Committee, which frames and reviews risk management processes and controls.

The risk management system features a 'three lines of defence' approach:

1. The first line of defence comprises its operational departments, which assume primary responsibility for their own risks and operate within the limits stipulated in various policies approved by the Board or by committees constituted by the Board.

2. The second line of defence comprises specialised departments such as risk management and compliance. They employ specialised methods to identify and assess risks faced by the operational departments and provide them with specialised risk management tools and methods, facilitate and monitor the implementation of effective risk management practices, develop monitoring tools for risk management, internal control and compliance, report risk related information and promote the adoption of appropriate risk prevention measures.

3. The third line of defence comprises the internal audit department and external audit functions. They monitor and conduct periodic evaluations of the risk management, internal control and compliance activities to ensure the adequacy of risk controls and appropriate risk governance and provide the Board with comprehensive feedback.

During February and March 2020, the operations of the Company were impacted by the COVID-19 pandemic. Details of how the company initiated its Business Continuity Plan are under **'Company's COVID-19 preparedness'** section earlier. The risk management framework and digital capabilities of the Company responded well to the situation.

INTERNAL CONTROL SYSTEMS

The internal control system of the Company is designed to suit the complexity of its business operations. Based on the criteria of essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls, the Company has established and maintained internal financial controls. This enhances the reliability of financial reporting and robustness of preparation of financial statements. Internal control systems are driven through various policies, procedures and certifications. An internal committee periodically reviews the processes and controls. Any deviations observed in the process of evaluation are highlighted to the Board, which initiates prompt corrective measures. The internal control system ensures strict adherence to all applicable statutes and regulations governing the business operations.

The internal financial controls with reference to financial statements as designed and implemented by the Company are adequate. The internal financial control procedure adopted by the Company is adequate for safeguarding its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information. Further, the statutory auditors have verified the systems and processes and confirmed that the internal financial controls over financial reporting are adequate and operating effectively.

HUMAN RESOURCES

Intellectual capital is one of the key resources of the Company to ensure business sustainability and growth. The Company has an experienced and talented pool of employees who play a key role in enhancing business efficiency, devising strategies, setting-up systems and evolving business in line with its growth aspirations. The Company provides regular skill and personnel

development training to enhance employee productivity. As part of group processes, the Company follows a robust leadership potential assessment and leadership development process. These processes identify and groom leaders for the future and also enable succession planning for critical positions in the Company.

Being a growth-oriented and performance driven organisation, the Company follows the principles of meritocracy and care for its employees. The Company has a strong culture of innovation and challenging the status quo. The business leaders and employees in the Company are encouraged to think like entrepreneurs and create value for all stakeholders. The Company has embarked on several human resource initiatives to create business enablers to enhance the productivity of the organisation and its employees. The Company endeavours to provide a safe, conducive and productive work environment.

The number of permanent employees on the rolls of the Company as on March 31, 2020, was 3,790.

CORPORATE SOCIAL RESPONSIBILITY

The CSR policy of ICICI Securities sets out the framework guiding its CSR activities. It outlines the governance structure, operating framework, monitoring mechanism and nature of CSR activities. The CSR Committee of the Board is the governing body that articulates the scope of activities and ensures compliance with the CSR policy.

The revised CSR policy was approved by the CSR Committee and the Board on July 22, 2019 and the same is also hosted on the Company's website: https://www.icicisecurities.com/UPLOAD/ARTICLEIMAGES/CSR_Policy.pdf.

During the year, the Company undertook several initiatives in addition to the initiatives undertaken by ICICI Foundation for Inclusive Growth in providing sustainable livelihood through vocational skill development projects. The initiatives were undertaken directly or through partners in the areas of skill-development and sustainable livelihood, creation of job opportunities, healthcare including preventive healthcare, empowering women and senior citizen welfare. The details in this regard are as under:

1. Creation of job opportunities

The growth in financial intermediation using technology and digital inventions has the potential to increase economic growth through greater market participation, new and improved products and services, lower costs, improved productivity and better experience. Fintech has a great potential for job creation.

The Company has partnered with the N.S. Raghavan Centre of Entrepreneurial Learning (NSRCEL) of the Indian Institute of Management Bangalore, one of the oldest incubator cells in the country. The programme will involve a structured end-to-end approach, broadly entailing reaching out to individuals having ideas, screening of applicants, mentoring by academicians and industry experts, and incubating these ventures.

The initiative commenced in January 2020 and is expected to be completed by FY2021. Over 25 start-ups would be part of the initiative, of which 10 selected ventures would receive seed funding.

2. Healthcare and preventive healthcare

a. Coronavirus protection kit

In view of the COVID-19 pandemic, the Company, through the ICICI Foundation for Inclusive Growth, provided protective kits consisting of sanitisers (532 litres) and N-95 masks (1,550 in number) to police personnel in Mumbai and the rest of Maharashtra.

b. Old-age healthcare

The Company is associated with the Vision Foundation of India (VFI), a non-government not-for-profit charitable trust. The Company contributed to VFI for 1,389 free cataract surgeries for senior citizens below poverty line.

3. Empowering women

a. Hameri – World Wide Fund for Nature – India initiative

The Company is engaged with the World Wide Fund for Nature (WWF) Hameri programme. Hameri is a women's empowerment initiative to train women in livelihood generation through promotion of community-based food processing and handicraft enterprises. It also reduces resource dependency on the forest, thus aiding environment conservation. The initiative commenced in January 2020 and is expected to be completed in FY2021. The initial progress has started with 10 consultation meetings were held with Self Help Group members in 17 villages in Uttarakhand area reaching out to the women and representatives of the earlier SHG and discussing their experiences and way forward.

b. Siddhika – IFA

The Company trained 435 candidates across 3 cities, Mumbai, Vadodara and Surat for Independent Financial Associate (IFA). There were

261 candidates that passed the National Institute of Securities Markets (NISM) exam and the Company initiated Association of Mutual Funds in India (AMFI) registration process for them.

4. **Senior citizen welfare**
The Company believes in the welfare and dignity of all citizens, and more so for abandoned senior citizens. While old-age homes may have decent basic facilities like clean rooms, bed, food, drinking water and shelter, the senior citizens miss the opportunity of "active ageing", because of the limited or zero outdoor facilities. The Company's initiative commenced in December 2019 and is expected to be completed by FY2021. An old-age home has been identified in Gurdaspur, Punjab, with a plan to build an open gymkhana and a vegetable garden. The objective is to make a model old-age home that can be replicated across the country.

5. **'iCan iWill' initiative**
The initiative is focussed on educating people on the importance of drafting of a Will. The objective is to make people understand the importance and process of Will drafting through informative content and breaking myths associated with Will. The Company has used digital mediums to create awareness and educated over 0.2 million people through a film.

CAUTIONARY STATEMENTS

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried, wherever possible, to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions.

The achievements of results are subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should keep this in mind. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.