

ICICI Securities Limited

Nifty: 22420

CMP: INR 730

Stock Broking

ICICI Securities Limited has posted impressive Q4FY24 results, marked by a robust 50% overall revenue growth and significant improvements in market share across various revenue-generating metrics. This growth primarily stems from enhanced broking revenues and a slight improvement in Opex ratios. The company's strategic initiatives are evidently paying off, leading to notable enhancements across key focus areas. Profit after Tax has surged to Rs. 537 crore, marking a substantial 104% YoY increase and a 15% QoQ rise. This success can be attributed to effective diversification strategies and a customer-centric coverage model. Moreover, the company continues to dominate the MTF segment, boasting an impressive 83% YoY growth and commanding a substantial 20% market share. However, despite these achievements, coverage on ICICI Securities is being dropped due to the company's approval for delisting. Under this arrangement, shareholders will receive 67 shares of ICICI Bank for every 100 shares of ICICI Securities.

Revenue growth across business segments:

In Q4FY24, ICICI Securities showcased robust revenue growth across diverse business segments. Retail Equities and Allied revenue notably surged by 84% YoY to reach Rs. 904 crore, driven by a remarkable 140% YoY increase in equity revenue and a 25% YoY uptick in derivative revenue. Distribution income experienced a slight decline of 2% YoY, amounting to Rs. 190 crore. Private Wealth Management (PWM) revenue demonstrated exceptional growth, soaring by 92% YoY to reach Rs. 490 crore. On the institutional front, Issuer Services and Advisory revenue witnessed a remarkable 724% YoY increase, reaching Rs. 104 crore, while Institutional Equity & Allied Revenue grew impressively by 118% YoY, totaling Rs. 107 crore. MF and other distribution revenue grew by 27% YoY and 50% YoY respectively. Loans distributed for Q4FY24 amounted to Rs. 1,870 crore. The MTF book sustained its strong performance, with an 83% YoY growth, maintaining a leading market share position at 20%.

Improving market share:

In Q4FY24, ICICI Securities significantly strengthened its market presence across various parameters. The retail cash equity market share notably increased from 11% to 12.7% YoY, while the retail option premium market shares rose from 6.8% to 7.8% YoY. In the commodity market segment, the company continued to make strides, elevating its market share from 6.1% to 7.1% YoY. Moreover, ICICI Securities maintained its leadership in the MTF (Margin Trading Fund) segment, commanding a substantial ~20%

market share. The addition of approximately 7,500 Private Wealth Management (PWM) clients propelled the company's PWM client base to over 108,000, further consolidating its market position.

Diversifying the revenues and reducing cyclical component:

In Q4FY24, the Company showcased its commitment to diversifying revenue sources, aiming to reduce reliance on cyclical elements. Notably, the equity business comprised 27% of total revenue. Derivatives revenue now represents 11% of overall revenue, while Allied revenue constitutes 28%, and the Distribution business contributes 12%. These segments demonstrate lower sensitivity to market fluctuations and are less cyclical, reflecting the Company's successful efforts to establish a more stable and resilient revenue stream.

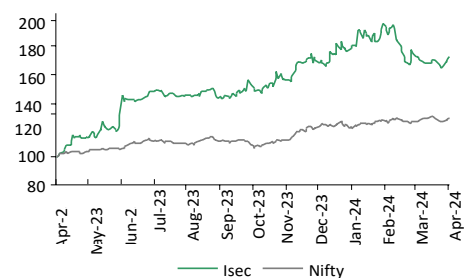
Outlook:

Despite facing short-term challenges in the broking business, the company's proactive measures to lessen reliance on cyclical factors and broaden revenue streams have brought a degree of stability to its overall revenue growth. Continuous investments in technology and franchise development are expected to be instrumental in building a scalable franchise for ISEC. However, following the recent announcement of ICICI Securities' delisting, we are dropping our coverage on ICICI Securities stock. Under the delisting arrangement, shareholders will receive 67 shares of ICICI Bank for every 100 shares of ICICI Securities.

Shareholding (%)	Mar-24
Promoters	74.73
Mutual Funds	3.16
Other Domestic Institutions	4.23
FII	10.43
Retail and others	7.44

Key Data	
NSE Symbol	ISEC
Bloomberg Code	ISEC
Reuters Code	ICCI.NS
Shares Outstanding	322,678,721
Face Value	5
Mcap (In cr)	23,968
52week H/L	866.45/428.05
Beta	0.77

Relative Price Performance



Stock Broking

Key Risk:

- **High competition:** ICICI Securities has been facing tough competition from emerging discount brokers such as Upstox and Zerodha. To stay competitive and maintain or increase its market share, ISEC has introduced discounted brokerage fees on various products such as NEO, where the fees are significantly lower. In addition, ISEC has a presence in Smallcase as well.

Moreover, while the other competitors primarily operate in the brokerage business, ISEC has diversified its income sources through its current strategy.

- **Volatility in the market:** Since ISEC's revenues are closely tied to the performance of the stock market, there is an inherent

risk associated with the volatile nature of stocks. However, ISEC has taken steps to mitigate this risk by diversifying its sources of revenue.

While the brokerage revenue was impacted by the recent market moderation this quarter, the impact was minimized because of the company's diversified business revenue.

- **Any regulatory changes:** The most recent regulation mandates that brokers cannot use their clients' funds for bank guarantees, and this will certainly have an impact on their operations. However, ISEC will not be affected by this regulation and will enjoy a competitive advantage over its peer companies because it does not rely on this revenue-generating method.

Quarterly Financials

INR (mn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY24	FY23	YoY (%)
Revenue	15,431.70	8,847.80	74.41%	13,227.30	0.17	50,492.10	34,157.50	47.82%
Operating expenses	587.20	491.30	19.52%	362.10	0.62	1,771.10	1,307.40	35.47%
Fee and commission expenses	694.90	366.20	89.76%	511.10	0.36	2,126.70	1,563.20	36.05%
Impairment on financial instruments	-1.80	-17.10	-89.47%	33.20	-1.05	91.50	32.90	178.12%
Employee Cost	2,101.80	1,613.90	30.23%	2,291.70	-0.08	8,745.10	6,978.20	25.32%
Other Expenses	1,260.00	913.70	37.90%	917.40	0.37	4,042.70	3,248.30	24.46%
Total Expenditure	4,642.10	3,368.00	37.83%	4,115.50	0.13	16,777.10	13,130.00	27.78%
EBITDA	10,789.60	5,479.80	96.90%	9,111.80	0.18	33,715.00	21,027.50	60.34%
EBITDA Margins (%)	0.70	0.62	12.89%	0.69	0.01	0.67	0.62	8.47%
Depreciation	336.90	205.50	63.94%	271.60	0.24	1,089.20	750.70	45.09%
Other Income	12.70	4.30	195.35%	5.30	1.40	18.90	97.30	-80.58%
EBIT	10,465.40	5,278.60	98.26%	8,845.50	0.18	32,644.70	20,374.10	60.23%
Interest	3,266.40	1,746.70	87.00%	2,606.50	0.25	9,869.50	5,362.90	84.03%
PBT	7,199.00	3,531.90	103.83%	6,239.00	0.15	22,775.20	15,011.20	51.72%
Tax	1,833.70	905.10	102.60%	1,582.10	0.16	5,808.30	3,834.90	51.46%
Profit After Tax	5,365.30	2,626.80	104.25%	4,656.90	0.15	16,966.90	11,176.30	51.81%
Profit After Tax Margins (%)	0.35	0.30	17.11%	0.35	-0.01	0.34	0.33	2.70%
EPS	16.47	8.12	102.83%	14.34	0.15	52.22	34.54	51.19%

Financials

Income Statement

Y/E (INR mn)	2022	2023	2024E	2025E
Net Revenue	34,385.13	34,255.03	36,245.15	38,371.37
Expenses				
Finance Costs	2,736.80	5362.9	2885.43	2946.1
Fees and commission expense	1665.6	1,563.20	1654.02	1751.05
Net loss on fair value changes	0	0	0	0
Impairment on financial instruments	-69.4	32.9	100	100
Operating expenses	1139.6	1,307.40	1,383.36	1,464.51
Employee benefits expenses	6644.1	6978	8886	10219
Depreciation, amortization and impairment	625.3	750.7	953.41	1,334.78
Other expenses	3115.2	3248	3437	3639
Total Expenses	15857.2	19243.6	19299.3	21454.1
Profit before tax	18527.93	15011.43	16945.83	16917.3
Tax expenses	4701.6	3834.9	4236.46	4229.32
PAT	13826.33	11,176.53	12,709.37	12,687.97
EPS		34.62	39.39	39.32

Balance Sheet

Y/E (INR mn)	2022	2023	2024E	2025E
Assets				
Financial assets				
Cash and cash equivalents	7735.9	2,406.40	1,617.74	7,882.26
Bank balance other than (a) above	48430.2	65,501.30	69,306.74	73,372.43
Derivatives financial instruments	0.8	-	-	-
Securities for trade	2430.2	9,163.30	9,695.66	10,264.43
Receivables				
Trade receivables	3848.3	7,734.40	3,972.07	4,205.08
Loans	68566.7	64,198.80	67,928.56	71,913.41
Investments	107.1	77.1	81.58	86.36
Other financial assets	1135.7	1,196.60	1,266.12	1,340.39
Non-financial assets				
Current tax assets (net)	1247.1	1,365.00	1,444.30	1,529.03
Deferred tax assets (net)	424.1	373.5	395.2	418.38
Property, plant and equipment	627.2	1,238.20	1,733.48	2,426.87
Right - of - use assets	899	968.6	767.32	744.3
Capital work in progress	109.6	192.9	204.11	216.08
Intangible assets under development	32.6	115.8	122.53	129.72
Other intangible assets	309.5	370.5	392.02	415.02
Other non-financial assets	558.2	785.6	831.24	880
Total Assets	136462.2	155688	159758.67	175823.78
Liabilities and Equity				
Liabilities				
Derivatives financial instruments	0	0.4	0	0
Trade payables	10776.1	9,148.40	1,895.01	2,006.17
Debt securities	77392.3	87886.9	90270.38	92075.79
Borrowings (Other than debt securities)	0	5038.9	0	0
Deposits	43.6	74.2	77.91	81.81
Lease Liabilities	1019.4	1082.7	959.15	930.38
Other financial liabilities	16521.6	18,239.60	19,299.27	20,431.41
Non-financial liabilities				
Current tax liabilities (net)	0	0	0	0
Provisions	151	177.4	187.71	198.72
Other non-financial liabilities	6252.9	5,515	5,834.88	6,177.16
Equity				
Equity share capital	1613.4	1614	1614	1614
Other equity	22691.9	26911	39620	52308
Total Liabilities	136462.2	155688	159758.67	175823.78

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