

ICICI Securities Limited – OFFER FOR SALE

09 - December - 2020

OFFER BACKGROUND

ICICI Bank Ltd ("the Seller") has informed BSE that the Seller proposes to sell up to an aggregate of 7,121,403 Equity Shares (representing up to 2.21% of the total issued and paid-up equity share capital of the Company) ("Offer Size") on December 09, 2020 ("T Day") (for non-retail investors only) and on December 10, 2020 ("T+1 Day") (for retail investors and for non-retail investors who choose to carry forward their un-allotted bids), the Equity Shares forming part of the Offer Size will hereinafter be referred to as the "Sale Shares"), (such sale referred to hereinafter as the "Sale"), through a separate, designated window of the BSE Limited (the "BSE") and the National Stock Exchange of India Limited (the "NSE" and together with BSE, the "Stock Exchanges").

THE SYNOPSIS OF THE OFFER FOR SALE IS AS FOLLOWS:

Name of the Seller (Promoter /Promoter Group)	ICICI Bank Limited
Name of the company whose shares are proposed to be sold and ISIN	ICICI Securities Limited
Name of the stock exchanges where orders shall be placed	NSE and BSE
Name of the designated stock exchange	BSE
Date and time of opening and closing of the sale	Date: December 9, 2020 for Non-Retail; Open: 9.15am; Close: 3.30 pm Date : December 10, 2020 for retail; Open : 9:15am; Close : 3.30pm
Total number of equity shares being offered in the Sale	Sell up to an aggregate of 7,121,403 Equity Shares (representing up to 2.21% of the total issued and paid-up equity share capital of the Company)
Name of the broker(s)	ICICI Securities Limited and Motilal Oswal Financial services Limited
Retail Discount	No discount
Floor Price	Rs.440
Allocation Methodology	The allocation shall be at or above the Floor Price on price priority method at multiple clearing prices ("Clearing Prices") basis in accordance with the SEBI OFS Circulars.

Stock Data

Latest Data as on 8th December, 2020	
Latest Equity(Subscribed)	161.10
Latest Reserve	1311.01
Latest EPS -Unit Curr.	23.72
Latest Bookvalue -Unit Curr.	45.69
Face Value	10.00
Stock Exchange	BSE
Latest Market Price--Unit Curr.	460.90
Latest P/E Ratio	19.43
Latest P/BV	10.09
52 Week High -Unit Curr.	568.75
52 Week High-Date	16/07/2020
52 Week Low -Unit Curr.	203.60
52 Week Low-Date	24/03/2020
Market Capitalisation	14850.36
Dividend Yield -%	2.39

P\B Chart



AVERAGES – Turnover (NSE)

	Total Turnover	Avg. Turnover	No. Of Days
Weekly	1531833344	306366656	5
Fornightly	2312769792	256974416	9
Monthly	3846281984	183156288	21
Quarterly	10470552576	166199248	63
Half Yearly	36151406592	280243456	129
Yearly	63392649216	251558144	252

AVERAGES – VOLUME (NSE)

	Total Volume	Avg Volume	No. Of Days
Weekly	3338218	667643.63	5
Fornightly	5091866	565762.88	9
Monthly	8500657	404793.19	21
Quarterly	22737236	360908.5	63
Half Yearly	75511352	585359.31	129
Yearly	144416624	573081.81	252

Key Findings

- ICICI Securities Limited (I-Sec) is a subsidiary of ICICI Bank Ltd. The company began its operation in May 1995 and continues to grow its operation through expanding its client base and providing different type of services. I-Sec operates www.icicidirect.com, India's leading virtual financial supermarket, meeting the three need sets of its clients- investments, protection, and borrowing. Through its four lines of businesses -- broking, distribution of financial products, wealth management and investment banking. I-Sec serves customers ranging from the retail and institutional investors to corporates to high net-worth individuals to government.
- During Q2FY21, the company has reported consolidated revenue of Rs. 680 crore, against Rs. 418 crore in Q2FY20, up 63%, aided by strong growth in equities & allied business, private wealth management business, as well as investment banking business. Consolidated Profit after Tax (PAT) for Q2FY21 stood at Rs. 278 crore, Vs Rs.135 crore in Q2FY20, up 106%, on account of growth in revenue and improvement in margins. Cost to income ratio stood at 45% in Q2FY21, against 56% in Q2FY20. Return on Equity during the period was at robust 76%, vs 48% in Q2FY20.
- I-Sec has a client base of ~5 million, of which over 113,000 were added during the quarter, the most in last 6 quarters.
- The company has over 1.56 million active clients (those having traded in the last 12 months) and over 1.20 million NSE active clients (those having traded on the NSE in the last 12 months), up 17% and 32% YoY respectively. In Q2FY2021, I-Sec expanded its equity market share by 240 bps YoY to 11.1% and derivatives market share by 150 bps YoY to 8.8%. Total client assets stood at Rs.2.9L crore.
- During the quarter, I-Sec launched commodity trading, allowing customers to diversify their portfolio. I-Sec also launched global investments by enabling domestic investors to seamlessly trade in US markets across stocks, ETFs, and fixed income products. With no minimum ticket size and fractional ownership of shares permitted, even small retail investors can build a portfolio effectively.
- In Q2 FY21, Equities and Allied Business, which comprises of retail equity, institutional equity, lending towards ESOP (Employee Stock Option Plans) & MTF (Margin Trade Funding), and Prime subscription fees, rose 88% on-year to Rs.450 crore. The Retail Equities and Allied Business reported highest ever quarterly revenues at Rs.411 crore, up 98% vs Rs.207 crore in Q2FY20. ESOP & MTF interest income rose 124% year-on-year to Rs.45 crore in Q2FY21 and the lending book size stood at Rs.1,870 crore as on 30th September 2020, against Rs.680 crore last year. Prime subscription income grew 221% YoY to Rs.13 crore.
- The company continues to receive encouraging response to Prime, its annual subscription based plan that provides a package of privilege pricing, exclusive research, and higher eATM (payout within 30 mins of selling stocks) limits per day. Currently there are over 4.25 lakh Prime subscribers.
- Institutional equities revenue during the quarter increased by 18% on-year to Rs.39 crore. Distribution revenue stood at Rs.99 crore in Q2FY21 down 7% against Q2FY20.
- I-Sec is India's second largest non-bank MF distributor by revenue and assets with a 4.5% revenue market share (based on FY20 AMFI data). In spite of the mutual funds industry witnessing a decline of 29% YoY in gross equity flows along with net outflows in the equity segment, I-Sec MF revenues grew by 3% YoY to ` 57 crore. Income from distribution of non-MF products like loans, fixed income products, corporate bonds and deposits, insurance, bank FDs, AIF, PMS, SGBs, NPS, etc., were impacted during the quarter as a significant portion of these business are contract based and the ongoing COVID-19 related environment has effected closure of their sales. Non-MF revenue declined 13% YoY in Q2FY21 to Rs.38 crore. However, with business environment rapidly improving, sequentially there is a strong bounce back with non-MF distribution revenue up 32%, and within it, life insurance revenue is up 99%.
- The company has a network of 156 ICICIdirect branches (vs 187 in Q2FY20) and a nationwide network of business partners, consisting of sub-brokers, authorized persons, IFAs & IAs, which grew by 70% YoY to 13,600+. New customer acquisition through the business partner network during the quarter rose 251% year-on-year.

Conclusion

The company is doing well and According to the management, the company has report strong financial and operational performance during the quarter. Most of its businesses have performed well, with the equity and allied business leading the way. It has also witnessed recovery in other segments as business sentiment is improving with economic activities picking up. Its customer acquisition engine has picked up pace and added a record number of new clients during the quarter, led by fully digital on-boarding process, open architecture model, and improved activation and penetration by the ICICI Bank and business partner network. Its distribution business is turning around and we delivered a growth in MF distribution business after seven quarters and the company is confident that going forward all parts of its distribution business will contribute positively.

On the valuation part, for short term Expensive on CMP of Rs.477 and we expect the stock to see a price target of Rs.539 in 8-10 month an expected P/BVx 11.71and FY21 BVPS of Rs.45.99. (approx. target by 13% from current level).

**View : Fundamentally good for long term purpose
Size of offer : Rs.313 Crore**

Shareholding Pattern (%)

Description as on	30/09/2020	30/06/2020	31/03/2020	31/12/2019
Total Foreign	4.58	4.19	3.51	3.08
Total Institutions	10.06	10.18	11.45	11.85
Total Non Promoter Corporate Holding	0.85	0.76	0.63	0.60
Total Promoters	77.22	79.22	79.23	79.23
Total Public & Others	7.30	5.65	5.19	5.25

Shareholding of securities of persons belonging to the category Public and holding more than 1% of the total number of shares

Description as on	30/09/2020	30/06/2020	31/03/2020	31/12/2019
Icici Prudential Mutual Fund (under Its Various Schemes)	2.06	2.41	2.93	2.98
Idfc Mutual Fund (under Its Various Schemes)	1.5	1.87	2.32	2.36
L & T Mutual Fund (under Its Various Schemes)	1.17	1.3	2.13	2.57
Qualified Institutional Buyers		0.08	0.14	0.09
SUNDARAM MUTUAL FUND (under its various Schemes)				1.02

Allocation methodology

A minimum of 25% of the equity shares being offered in the Sale shall be reserved for allocation to mutual funds registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996, as amended ("Mutual Funds") and insurance companies registered with the insurance Regulatory and Development Authority under the Insurance Regulatory and Development Authority Act, 1999, as amended ("Insurance Companies"), subject to receipt of valid bids/orders at the Clearing Prices.

In the event of any under subscription by Mutual Funds and Insurance Companies, the unsubscribed portion shall be available to the other bidders.

No single bidder other than Mutual Funds and Insurance Companies shall be allocated more than 25% of the size of the Sale.

Oversubscription option

In case the Oversubscription Option is not exercised, the equity shares of the Company forming part of the Base Offer Size will hereinafter be referred to as "Offer Shares") through a separate, designated window of the BSE Limited (the "BSE") and the National Stock Exchange of India Limited ("NSE", and together with the BSE, the "Stock Exchanges"). The Offer shall be undertaken exclusively through the Seller's Brokers named below on a separate window provided by the Stock Exchanges for this purpose.

Conditions for withdrawal of the Sale

The Seller reserves the right to not to proceed with the Sale at any time prior to the time of opening of the Sale on the Sale Date. In such a case, there shall be a cooling off period of 10 trading days from the date of withdrawal before an offer is made again. The Stock Exchanges shall suitably disseminate details of such withdrawal.

Conditions for cancellation of the Sale

In the event (i) the aggregate number of orders received in the Sale at or above the Floor Price is less than the total number of Sale Shares or (ii) of any default in settlement obligations, the Seller reserves the right to either conclude the Sale to the extent of valid bids / orders or cancel the Sale in full. The decision to either accept or reject the Sale shall be at the sole discretion of the Seller.

Conditions for participating in the Sale

Non-institutional buyers shall deposit 100% of the order value in cash up-front with the Clearing Corporation at the time of placing bids for the Sale.

In case of institutional investors who place orders with 100% of the order value deposited upfront, custodian confirmation shall be within trading hours.

In case of institutional investors who place orders without depositing 100% of the order value upfront, custodian confirmation shall be as per the existing rules for secondary market transactions.

The funds collected shall neither be utilized against any other obligation of the trading member nor co-mingled with other segments.

Modification or cancellation of orders would be allowed during the duration of the offer only for:

(i) Orders placed by institutional investors and by non-institutional investors, with 100% of the order value deposited upfront: Such orders can be modified or canceled at any time during the trading hours.

(ii) Orders placed by institutional investors without depositing 100 % of the order value upfront: Such orders cannot be modified or cancelled by the investors or stock brokers, except for making upward revision in the price or quantity.

The buyer shall also be liable to pay any other fees, as may be levied by the Stock Exchanges, including Securities Transaction Tax.

In case of any permitted modification or cancellation of the order / bid, the funds shall be released/ collected on a real-time basis by the clearing corporation.

In case of default in pay-in by any investor, 10% of the order value shall be charged as penalty from the investor and collected from the broker. This amount shall be credited to the Investor Protection Fund of the stock exchange.

QUARTERLY PERFORMANCE

	Qtr Ending Sep.20	Qtr Ending Sep.19	VAR %
Total Income	680.68	417.02	63
OPM (%)	60.83	51.66	
OP	414.08	215.45	92
Other income	-0.22	1.20	-118
PBIDT	413.86	216.65	91
Net Finance Charges	28.49	17.87	59
PBDT	385.37	198.78	94
Depreciation	13.07	14.68	-11
PBT before EO	372.30	184.10	102
Tax expense	94.15	48.98	92
PAT	278.15	135.12	106
Profit after Minority Interest and Share of profit of Associates	278.15	135.12	106

BALANCE SHEET

(Rs. In Crore)

	202003	201903	201803	201703	201603
SOURCES OF FUNDS :					
Share Capital	161.07	161.07	161.07	161.07	161.07
Reserves Total	1048.47	886.2	686.64	328.51	237.09
Total Shareholders Funds	1209.54	1047.27	847.71	489.58	398.16
Unsecured Loans	1657.2	451.83	677.12	395.41	172.86
Total Loan Funds	1657.2	451.83	677.12	395.41	172.86
Other Liabilities	0	0	455.23	116.46	89.51
Total Liabilities	2866.74	1499.1	1980.06	1001.45	660.53
APPLICATION OF FUNDS :					
Loan / Non-Current Assets	570.87	403.27	578.23	0	0
Fixed Assets					
Gross Block	222.72	57.19	42.76	96.78	95.52
Less: Accumulated Depreciation	24.75	13.61	4.52	62.15	60.11
Net Block	197.97	43.58	38.24	34.63	35.41
Capital Work in Progress	8.13	3.98	3.89	2.84	2.41
Investments	2.47	2.85	3.92	2.12	1.22
Current Assets, Loans & Advances					
Inventories	0	0	0	31.09	141.27
Sundry Debtors	88.79	476.98	310.1	710.05	293.33
Cash and Bank Balance	2411.4	3148.63	1545.97	882.36	639.42
Loans and Advances	1103.64	511.55	265.55	109.24	77.29
Total Current Assets	3603.83	4137.16	2121.62	1732.74	1151.31
Less: Current Liab. & Provisions					
Current Liabilities	1493.21	3094.98	774.65	1040.89	732.77
Provisions	82.87	70.51	119.19	5.1	4.19
Total Current Liabilities & Provisions	1576.08	3165.49	893.84	1045.99	736.96
Net Current Assets	2027.75	971.67	1227.78	686.75	414.35
Miscellaneous Expenses not written off	0	0	0	0	0
Deferred Tax Assets	59.62	73.99	66.97	57.78	50.86
Deferred Tax Liability	0.07	0.24	0.36	0	0
Net Deferred Tax	59.55	73.75	66.61	57.78	50.86
Other Assets	0	0	61.39	217.33	156.28
Total Assets	2866.74	1499.1	1980.06	1001.45	660.53
Contingent Liability	128.65	144.46	120.24	308.4	162.8

PROFIT AND LOSS ACCOUNT

(Rs. In Crore)

	202003 (12)	201903 (12)	201803 (12)	201703 (12)	201603 (12)
INCOME :					
Operating Income	1720.97	1725.28	1861.01	1403.29	1124.58
Other Income	3.97	1.74	0	0.94	0
Total Income	1724.94	1727.02	1861.01	1404.23	1124.58
EXPENDITURE :					
Operating & Administration Expenses	263.6	342.17	374.82	345.87	305.42
Miscellaneous Expenses	26.85	15.84	18.65	7.24	1.89
Interest	86.39	42.34	49.5	28.94	25.84
Less: Pre-operative Expenses Capitalised	0	0	0	0	0
Employee Expense	533.77	554.49	550.35	484.66	401.37
Total Expenditure	910.61	954.84	993.32	866.71	734.52
Gross Profit	814.33	772.18	867.69	537.52	390.06
Depreciation	61.4	14.95	15.3	15.48	15.96
Minority Interest (before tax)	0	0	0	0	0
Profit Before Tax	752.93	757.23	852.39	522.04	374.1
Tax	196.1	272.22	313	190.37	147.53
Fringe Benefit Tax	0	0	0	0	0
Deferred Tax	14.83	-5.72	-14.08	-6.92	-12.15
Net Profit	542	490.73	553.47	338.59	238.72
Net Profit after Minority Interest & P/L Asso.Co.	542	490.73	553.47	338.59	238.72
Extraordinary Items	-0.58	-0.29	-1.06	-0.16	-0.76
Adjusted Net Profit	542.58	491.02	554.53	338.75	239.48

CASH FLOW STATEMENT

(Rs. In Crore)

	202003	201903	201803	201703	201603
Cash and Cash Equivalents at Beginning of the year	1884.11	177.07	120.63	26.41	82.14
Net Cash from Operating Activities	-1878.34	2289.29	71.13	165.32	232.22
Net Cash Used in Investing Activities	-22.59	-20.77	-21.04	-16.96	-16.50
Net Cash Used in Financing Activities	558.82	-561.48	6.35	-54.14	-271.45
Net Inc/(Dec) in Cash and Cash Equivalent	-1342.11	1707.04	56.44	94.22	-55.73
Cash and Cash Equivalents at End of the year	542.00	1884.11	177.07	120.63	26.41

RATIOS

	202003	201903	201803	201703	201603
Key Ratios					
Debt-Equity Ratio	0.93	0.60	0.80	0.64	0.53
Long Term Debt-Equity Ratio	0.07	0.00	0.00	0.00	0.00
Current Ratio	1.32	1.43	1.52	1.27	1.29
Turnover Ratios					
Fixed Assets	12.32	34.56	26.67	14.60	11.18
Inventory	0.00	0.00	119.72	16.29	12.85
Debtors	6.10	4.39	3.65	2.80	4.82
Total Asset Turnover Ratio	0.79	0.99	1.25	1.69	1.72
Interest Cover Ratio	9.72	18.88	18.22	19.04	15.48
PBIDTM (%)	52.22	47.16	49.28	40.34	36.98
PBITM (%)	48.66	46.30	48.46	39.24	35.56
PBDTM (%)	47.21	44.71	46.62	38.28	34.68
CPM (%)	34.98	29.28	30.56	25.21	22.65
APATM (%)	31.42	28.41	29.74	24.11	21.23
ROCE (%)	38.45	45.96	60.50	66.30	61.16
RONW (%)	48.03	51.79	82.77	76.28	63.62
Payout (%)	59.15	49.88	34.24	69.07	78.22

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