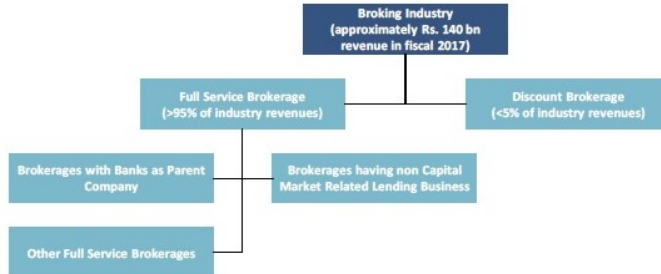


IPO UPDATE

ICICI Securities Limited

Indian broking market structure:

The Indian brokerage sector can be classified in terms of type of brokerage service, nature of parent company and business diversification. The following chart sets forth the market structure:



Source: Red Herring Prospectus

(a) Full-service brokers:

These brokers offer a wide range of services like offline and online trading, demat accounts, investment advisory and other customized services.

(b) Discount brokers:

These brokers offer services at low and fixed brokerage fees, irrespective of size of order and provide such services via an online platform. Discount brokers typically do not provide any cost intensive facilities and services such as physical offices, research reports and relationship managers. Currently, there are more than 15 discount brokers in India.

Unlike the trend in developed market economies such as the United States, where 65-70% of retail trades, by volume, take place through discount brokers, full service brokers continue to dominate the brokerage industry in India, accounting for over 95% of the industry revenues, as per CRISIL Research estimates

About the company:

ICICI Securities is a leading technology-based securities firm in India that offers a wide range of financial services including brokerage, financial product distribution and investment banking and focuses on both retail and institutional clients. The company has been the largest equity broker in India since fiscal 2014 by brokerage revenue and active customers in equities on the National Stock Exchange, powered by significant retail brokerage business, which accounted for 90.5% of the revenue from brokerage business in fiscal 2017. As of December 31, 2017, ICICIdirect, the company's award winning proprietary electronic brokerage platform, had approximately 3.9million operational accounts of whom 0.8million had traded on NSE in the preceding 12 months. Since inception, the company acquired a total of 4.6million customers through this platform as of December 31, 2017.

Principal Business of the company:

The company is mainly into broking, distribution and along with the two mentioned, the company offers Investment Banking and treasury services to its clients.

(a) Broking Business: The brokerage business primarily consists of brokerage services that the company offers to retail customers and institutional clients for trading equities, equity derivatives, currency derivatives, ETFs and overseas securities and based on the same, it earns brokerage fees based on the volume and size of transactions.

(b) Commission: The distribution business primarily consists of the distribution of financial products and services offered by third parties to company's customers. These products include mutual funds, insurance products, portfolio management schemes, alternative investment funds, fixed deposits, loans, tax services and pension products. The company earns commissions from third parties for the distribution of their products, which may be in the form of recurring commissions for longer-term products.

SNAPSHOT		
Issue Opens	Thursday, March 22, 2018	
Issue Closes	Monday, March 26, 2018	
Price Band	519/520	
Bid Lot	28 shares and multiples thereafter	
Face Value	Rs5	
Listing	BSE & NSE	
Type of Issue	Offer for Sale	
Offer Size (Rsmn)	Fresh Issue	-
	OFS	40,170
	Total	40,170
*Implied Market Cap (Rsmn)	1,67,514	
*PE (Based on FY17 earnings)	49	

*Note : Implied Market Cap & PE are calculated at higher price band of Rs520

Issue allocation	
Reservations	% of Net Issue
QIB	75%
NIP	15%
Retail	10%
Total	100%

Object of the offer	
<ul style="list-style-type: none"> To achieve the benefit of listing of shares on stock exchange Sale of equity shares by the promoter 	

Last 3 year Summarized Financials			
Rs(mn)	FY15	FY16	FY17
Sales	12,095	11,246	14,042
EBITDA	4,971	4,159	5,663
EBITDA %	41.1%	37.0%	40.3%
Profit After Tax	2,939	2,387	3,386
Profit Margin %	24.3%	21.2%	24.1%
Earning Per Share	9.1	7.4	10.5
RoNW(%)	99.6%	64.7%	77.5%

Details of Selling Shareholder & No of Shares	
ICICI Bank Ltd	7,72,49,508
Total	7,72,49,508

IPO UPDATE

ICICI Securities Limited

About the company :(contd)

(c) Investment Banking: Investment banking business consists of equity capital markets services and financial advisory services that cater to corporate clients, the government and financial sponsors

(d) Treasury Management : The company also manages treasury assets and engage in proprietary trading. These businesses are strictly subject to risk management framework and guidelines .The year wise and segment wise revenue bifurcation is described below :

Particulars Rs(mn)	FY15		FY16		FY17		FY18 Till December	
	Revenue	% of total	Revenue	% of total	Revenue	% of total	Revenue	% of total
Brokerage	8,346	69%	7,370	66%	8,782	63%	8,547	64%
Distribution	2,669	22%	2,541	23%	3,501	25%	3,281	24%
Investment Banking	638	5%	834	7%	1,195	8%	1,134	8%
Treasury and Trading	386	3%	372	3%	277	2%	206	2%
Others	56	1%	130	1%	288	2%	279	2%
Total	12,095	100%	11,246	100%	14,042	100%	13,447	100%

Source: Red Herring Prospectus

Strong Distribution network:

The retail brokerage is supported by nationwide network, consisting of over 200 of own branches, over 2,600 branches of ICICI Bank through which electronic brokerage platform is marketed and over 4,600 sub-brokers, authorised persons, independent financial associates and independent associates as at December 31,2017.

Client:

As of September 30, 2017, the top five brokers accounted for approximately 33.0% of the active clients on NSE and of these, three are subsidiaries of private banks. ICICI Securities is the largest broker, with an active client base on the NSE of approximately 692,689 as of September 30, 2017.

	FY14	FY15	FY16	FY17	Till Sep 17	% share
ICICI Securities Ltd	501	595	560	618	693	10.1%
HDFC Securities	279	348	408	483	508	7.4%
Sharekhan Ltd	275	343	336	366	435	6.3%
Axis Securities	77	120	184	259	321	4.7%
Kotak Securities	223	268	247	274	312	4.5%
Others	2,933	3,418	3,434	3,950	4,616	67.0%
Total	4,288	5,092	5,170	5,951	6,884	100%

Peer Comparison :

Particulars Rs(mn)	For the Year Ended March, 2017						
	Face Value	Total Revenue	PAT	EPS	PE	RONW %	Net Asset Value per Share
Edelweiss Financial Services Ltd	1	66,188	6,093	7.3	36.5	14.1%	51.95
IIFL Holdings Ltd	2	49,248	6,860	21.6	39.2	15.7%	137.82
JM Financials Ltd	1	23,592	4,702	5.9	22.1	14.9%	39.74
Motilal Oswal Financial Services Ltd	1	18,087	3,599	25.1	45.2	20.2%	123.64
Geojit Financial Services Ltd	1	3,057	560	2.4	42.6	10.9%	21.74
ICICI Securities Ltd	5	14,042	3,386	10.5	49.5*	77.5%	14.99

Note : PE is calculated based on FY17 Earning and post listing implied market cap at the upper price band of Rs520.

Source: Red Herring Prospectus

IPO UPDATE

ICICI Securities Limited

Strength of the company:

- Largest Equity Broker in India Powered by our Proprietary Technology Platform: ICICIdirect
- Natural Beneficiary of Fundamental Transformation in the Indian Savings Environment
- Strong and Growing Distribution Business with an “Open-Source” Distribution Model
- Leading Institutional Platform
- Strong Financial Performance with Significant Operating Efficiency
- Experienced Senior Management Team

Risk & Concerns:

In the developed market economies, where 65-70% of retail trades, by volume, take place through discount brokers and we have seen rise in the volumes of the discount brokers in India. Going forward if similar developed market trend is seen in Indian market, the same would possess risk to the revenues.

Further the business of the company is highly dependent on information technology.

Financials:

Particulars Rs(mn)	FY13	FY14	FY15	FY16	FY17	FY18 Till December
Revenue from Operation	7,058	8,123	12,095	11,246	14,042	13,447
Sales Growth		15%	49%	(7%)	25%	-
EBITDA	1,535	1,779	4,971	4,159	5,663	6,593
EBITDA %	21.7%	21.9%	41.1%	37.0%	40.3%	49.0%
Profit After Tax	718	892	2,939	2,387	3,386	3,991
Profit Margin %	10.2%	11.0%	24.3%	21.2%	24.1%	29.7%

Source: Red Herring Prospectus

Outlook and Recommendations:

The company is backed by strong parentage and is one of the leading technology-based securities firm in India. The business of the firm is largely dependent or linked to the overall economic condition (primarily capital market). The PE stands at 49.5x based on FY 17 earning and peers were in the range of 36-45x that too taking into consideration of NBFC business revenues. Further considering the trend of discount brokerage in India and emergence of new players, the issue seems highly priced. The company is into established business model and enjoys the first movers advantage . One can invest in the IPO with 2-3 years of horizon and listing gain may be possible.

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