

ICICI SECURITIES LTD

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IPO Details

Issue Date	22 nd Mar-26 th Mar 2018
Price Band	519-520/Share
Bid Lot	28 & in multiple thereof
Face Value	Rs 5/Share
Listing	BSE, NSE
Offer For Sale	77,249,400 Eq Shares
Fresh Issue	---
Pre Issue Eq Shares	32.21 Cr Eq Shares
Post Issue Eq Shares	32.21 Cr Eq shares*
BRLM	DSP Merrill Lynch Ltd , Citigroup Global Markets India Private Ltd. Edelweiss Financial Services IIFL Holdings Ltd, SBI Capital Markets Ltd
Registrar	Karvy Computershare Private Ltd

Research Analyst : Astha Jain

Company 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. Company have been the largest equity broker in India since fiscal 2014 by brokerage revenue and active customers in equities on the National Stock Exchange (Source: CRISIL), powered by its significant retail brokerage business, which accounted for 90.5% of the revenue from co's brokerage business (excluding income earned on co's funds used in the brokerage business) in fiscal 2017.

Leading Institutional Platform : Co's growing investment banking business offers equity capital markets services and other financial advisory services to corporate clients, the government and financial sponsors. The revenue from co's investment banking business has increased from ₹ 701.4 million in fiscal 2013 to ₹ 1,194.8 million in fiscal 2017, at a CAGR of 14.2%, and was ₹ 1,134.4 million in the nine months ended December 31, 2017. For the period from April 1, 2012 to September 30, 2017, company was the leading investment bank in the Indian equity capital markets by number of equity capital market issuances managed (Source: CRISIL).

Strong Financial Performance with significant operating efficiency : Co have an established track record of strong financial performance and delivering returns to shareholders. Co's total revenues and profit after tax increased from ₹ 7,058.4 million and ₹ 717.5 million, respectively, in fiscal 2013 to ₹ 14,042.3 million and ₹ 3,385.9 million in fiscal 2017, respectively, representing a CAGR of 18.8% and 47.4%, respectively. In the nine months ended December 31, 2017, co's revenues and profit after tax were ₹ 13,446.9 million and ₹ 3,990.9 million, respectively. Co's return on equity has exceeded 30% for each measured period since fiscal 2013. For fiscal 2017, co's return on equity was 69.2%. Co also have a consistent record for paying dividend and its dividend pay-out ratio was 60.6% in fiscal 2017.

Valuation

Co is bringing the issue at p/e multiple of almost 31 on post issue H1FY18 annualized eps at price band of Rs 519-520/share. Co being largest equity broker in India has strong and growing distribution business with an "Open-Source" Distribution & a leading institutional platform .Co's strong financial performance with significant operating efficiency plays well for company. Hence, we recommend "Subscribe" on issue.



Company Overview

Co 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. Co have been the largest equity broker in India since fiscal 2014 by brokerage revenue and active customers in equities on the National Stock Exchange (Source: CRISIL), powered by its significant retail brokerage business, which accounted for 90.5% of the revenue from co's brokerage business (excluding income earned on co's funds used in the brokerage business) in fiscal 2017. As of December 31, 2017, ICICI direct, co's award winning proprietary electronic brokerage platform, had approximately 3.9 million operational accounts of whom 0.8 million had traded on NSE in the preceding 12 months (Source: NSE). Since inception, co acquired a total of 4.6 million customers through this platform as of December 31, 2017.

Co's retail brokerage and distribution businesses are supported by its nationwide network, consisting of over 200 of co's own branches, over 2,600 branches of ICICI Bank through which co's electronic brokerage platform is marketed and over 4,600 sub-brokers, authorised persons, independent financial associates and independent associates as at December 31, 2017. Co also offer its customers a wide variety of advisory services, including financial planning, equity portfolio advisory, access to alternate investments, retirement planning and estate planning.

Co is headquartered in Mumbai, and operate offices in India, the United States, Singapore and Oman. Co is a part of the ICICI Group, one of the largest financial conglomerates in the country and promoted by ICICI Bank, India's largest private sector bank in terms of consolidated total assets with an asset base of ₹ 10.5 trillion as at December 31, 2017. The ICICI Group includes the largest Indian private-sector life insurance company by retail weighted received premiums, the largest Indian private-sector general insurance company by gross written premium, each in fiscal 2017, the largest Indian asset management company by average assets under management in India for the quarter ended December 31, 2017 (Source: AMFI), and other companies involved in home finance, private equity, primary dealership and other businesses.



Investment Rationale

Largest equity broker in India Powered by co's proprietary technology platform: ICICIdirect

Co have been the largest equity broker in India since fiscal 2014 by brokerage revenue and active customers in equities on the National Stock Exchange (Source: CRISIL), powered by its significant retail brokerage business. Co's retail customers accounted for 94.3%, 93.2%, 93.0%, 91.9%, 90.5% and 89.1% of the revenue from its brokerage business (excluding income earned on co's funds used in the brokerage business) in fiscals 2013, 2014, 2015, 2016 and 2017 and the nine months ended December 31, 2017, respectively. As of December 31, 2017, co had 0.8 million active customers who had traded on the National Stock Exchange in the preceding 12 months (Source: NSE).

Co was also one of the pioneers in the e-brokerage business in India, having started offering online, real-time execution of trades on stock exchanges in fiscal 2000 through ICICIdirect. ICICIdirect, which is co's award-winning proprietary electronic brokerage platform, provides approximately 3.9 million customers (as at December 31, 2017) access to a wide range of products and services.

Strong and growing distribution business with an "Open-Source" distribution Model

Co have a strong and growing distribution business, where co distribute third-party mutual funds, insurance products, fixed deposits, loans and pension products to its retail customers for commission income. Co's revenues from the distribution business have increased from ₹ 1,621.4 million in fiscal 2013 to ₹ 3,500.6 million in fiscal 2017 and were ₹ 3,280.5 million in the nine months ended December 31, 2017. Revenue from the distribution of third-party mutual funds accounted for 36.7%, 47.3% and 60.7% of co's revenue from the distribution business in fiscal 2013, 2017 and the nine months ended December 31, 2017, respectively. In addition to co's strong online presence, its distribution business is supported by its nationwide network, consisting of over 200 of co's own branches and over 4,600 sub-brokers, authorised persons, IFAs and IAs as at December 31, 2017.

Risk Factors

Co's brokerage business, which accounts for a significant portion of its revenue, is highly dependent upon the levels of activity in the securities markets in India and in particular, upon the volume of financial assets traded, the number of listed securities, the number of new listings and subsequent issuances, liquidity and changes in investor sentiment. Any adverse changes in such factors, as a result of general economic or market conditions or otherwise, could materially adversely affect co's business, financial condition, cash flows and results of operations.



Objects of Offer

The Offer for Sale

The Promoter Selling Shareholder will be entitled to the entire proceeds of the Offer after deducting the Offer expenses and relevant taxes thereon. Company will not receive any proceeds from the Offer. The objects of the Offer for the Company are to achieve the benefit of listing the Equity Shares on the Stock Exchanges and for the sale of Equity Shares by the Promoter Selling Shareholder.

Financial Statements

Rs Cr

Particulars	FY15	FY16	FY17	H1FY18
Total Income	1209.51	1124.58	1404.23	1344.69
Operating Exp	712.43	708.68	837.97	685.41
EBIDTA	497.08	415.90	566.26	659.28
EBIDTA Margin (%)	41.10	36.98	40.33	49.03
Other Income	0.00	0.00	0.00	0.00
Depreciation	16.30	15.96	15.48	11.56
EBIT	480.78	399.94	550.78	647.72
Interest	31.10	25.84	28.74	35.15
PBT	449.68	374.10	522.04	612.57
E/O Item	0.00	0.00	0.00	0.00
PBT After E/O Item	449.68	374.10	522.04	612.57
Tax	155.81	135.38	183.45	213.48
PAT	293.87	238.72	338.59	399.09
Other Comp Inc	0.00	0.00	0.00	0.00
Adjusted PAT	293.87	238.72	338.59	399.09
NPM(%)	24.30	21.23	24.11	29.68
Eq Capital	161.07	161.078	161.07	161.07
Res & Surplus	191.24	237.09	328.51	514.05
Net Worth	352.31	398.16	489.58	672.12
Eq Shares (In No)	32.21	32.21	32.21	32.21
EPS	9.12	7.41	10.51	12.39
ROE (%)	83.41	59.96	69.16	59.11
ROCE (%)	77.69	65.51	58.99	39.89
Book Value	10.94	12.36	15.20	20.96

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GROUP COMPANIES

HEM FINLEASE PRIVATE LIMITED

MEMBER-NSE

HEM MULTI COMMODITIES PRIVATE LIMITED

MEMBER-NCDEX, MCX

HEM FINANCIAL SERVICES LIMITED

NBFC REGISTERED WITH RBI

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