ICICI Securities Limited

Issue Snapshot:

Issue Open: Mar 22 – Mar 26, 2018

Price Band: Rs. 519 – 520

Issue Size: 77,249,508 Equity Shares (Entirely Offer for sale - including ICICI Bank Shareholder's reservation of 3,862,475 eq sh)

Offer Size: Rs.4009.25 crs – 4016.94 crs

QIB	Upto	55,040,276 eq sh
Non Institutional	atleast	11,008,054 eq sh
Retail	atleast	7,338,703 eq sh
ICICI Bank Shareholders: Reservation Portion	Upto	3,862,475 eq sh

Face Value: Rs 5

Book value: Rs 20.76 (December 31, 2017)

Bid size: - 28 equity shares and in multiples thereof

100% Book built Issue

Capital Structure:

Pre Issue Equity: Rs. 161.07cr
Post issue Equity: Rs 161.07 cr

Listing: BSE & NSE

Book Running Lead Manager: DSP Merrill Lynch Limited, Citigroup Global Markets India Private Limited, CLSA India Private Limited, Edelweiss Financial Services Limited, IIFL Holdings Limited, SBI Capital Markets Limited

Registrar to issue: Karvy Computershare Private Limited

Shareholding Pattern

Shareholding Pattern	Pre issue %	*Post issue %
Promoter and Promoter Group	100.00	76.02
Public & Others	0.00	23.98
Total	**100.0**	**100.0**

Source for this Note: RHP

Background & Operations:

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. It 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 its significant retail brokerage business, which accounted for 90.5% of the revenue from its brokerage business (excluding income earned on its funds used in the brokerage business) in fiscal 2017. As of December 31, 2017, ICICIdirect, its 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. Since inception, it had acquired a total of 4.6 million customers through this platform as of December 31, 2017.

ICICI Sec's retail brokerage and financial product distribution businesses empower its customers to access the Indian financial capital markets through ICICIdirect platform and provides them with a seamless settlement process through a 3-in-1 account, which links its electronic brokerage platform with customer's savings bank and dematerialised accounts held with ICICI Bank. In addition to allowing retail customers to carry out a variety of transactions, its electronic brokerage platform provides an integrated interface that allows customers to track various portfolio parameters, including the performance of their investments. It offers its retail customers a wide range of products and services in equities, derivatives and research, and also distribute various third-party products including mutual funds, insurance products, fixed deposits, loans, tax services and pension products. Its retail brokerage and distribution businesses are supported by its nationwide network, consisting of over 200 of its own branches, over 2,600 branches of ICICI Bank through which its electronic brokerage platform is marketed and over 4,600 sub-brokers, authorised persons, independent financial associates and independent associates as at December 31, 2017. It also offers its customers a wide variety of advisory services, including financial planning, equity portfolio advisory, access to alternate investments, retirement planning and estate planning.

ICCII Sec's investment banking business offers equity capital markets services and other financial advisory services to corporate clients, the government and financial sponsors. It also provides its clients with financial advisory services in relation to domestic and cross-border mergers and acquisitions, private placements, and restructuring. It is headquartered in Mumbai, and operate offices in India, the United States, Singapore and Oman. It 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 Rs 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, and other companies involved in home finance, private equity, primary dealership and other businesses.

Objects of Issue:

The Offer comprises an Offer for Sale by the Promoter Selling Shareholders.

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. ICICI Sec will not receive any proceeds from the Offer. The objects of the Offer is 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. Further, it expects that the listing of Equity Shares will enhance its visibility and brand image and provide liquidity to its existing shareholders.

Competitive Strengths

Largest Equity Broker in India Powered by Proprietary Technology Platform: ICICIdirect: ICICI sec 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 its significant retail brokerage business. Its 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 its funds used in the brokerage business) in fiscals 2013, 2014, 2015, 2016 and 2017 and the nine months ended December 30, 2017, respectively. It 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 its award-winning proprietary electronic brokerage platform, provides approximately 3.9 million customers as at December 30, 2017) access to a wide range of products and services. Its electronic brokerage platform is backed by robust infrastructure and has processed, at peak usage, over 1.9 million orders and trades in a day. It has built its electronic brokerage platform using a plug-and-play architecture so that it can easily integrate the platform with its internal systems and the systems of third parties whose products it distribute. ICICI sec risk management systems are also fully integrated with its electronic brokerage platform, which allows to manage risks in real time, including through automated changes in margin requirements by tracking trigger prices for every client position with a margin. These integrations give the capability to be the first in the market to offer emerging products, such as National Pension System policies online, and to offer more competitive prices and better features.

Natural Beneficiary of Fundamental Transformation in the Indian Savings Environment: The Indian economy is the fourth largest economy in the world in terms of GDP at purchasing power parity, with an estimated GDP, in purchasing power parity terms, for 2016 of approximately US$ 8.70 trillion. Further, India has historically been and is expected to continue to be a high savings economy with household savings as a proportion of GDP at approximately 19% in 2016, as compared to 9% in USA, 6% in Brazil and a global average of 9% in 2016 (Source: EIU). Household savings are increasingly shifting from physical assets to financial assets. The share of financial savings as a proportion of household savings has increased steadily from 31.1% in fiscal 2012 to 41.5% in fiscal 2016. The share of financial savings is likely to rise further, as stable inflationary trend is generally expected to diminish the behaviour of physical savings such as investments in gold and real estate. ICICI Sec strong brand name, large registered customer base, wide range of products across asset classes and complimentary advisory services position it to be the natural beneficiary of these transformational changes in the Indian savings markets. There has also been a growth in digitisation recently caused by a significant push and reforms by the Indian government. This trends has been further augmented by increasing smartphone penetration and faster data speeds in India (Source: CRISIL). With the company's experience as one of the pioneers in the e-brokerage business in India and its electronic brokerage platform that it is well-positioned to benefit from the increasing trend in digitisation as more financial transactions are performed online. In fiscal 2017, over 95.0% of the brokerage transactions, by notional value, and over 90.0% of the mutual fund transactions, by number of transactions, performed by its customers were online.

Strong and Growing Distribution Business with an "Open-Source" Distribution Model: ICICI Sec has a strong and growing distribution business, where it distributes third-party mutual funds, insurance products, fixed deposits, loans and pension products to its retail customers for commission income. Its revenues from the distribution business has increased from Rs. 1,621.4 million in fiscal 2013 to Rs. 3,500.6 million in fiscal 2017 and were Rs. 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 its revenue from the distribution business in fiscal 2013, 2017 and the nine months ended December 30, 2017, respectively. It has adopted an "open-source" distribution model with respect to all its distribution products, except insurance products, pursuant to which it do not distinguish between the third-party partners whose products it distributes based on affiliation. It also provides its customers with recommendations of mutual funds based on various qualitative and quantitative parameters. In addition to its strong online presence, its distribution business is supported by its nationwide network, consisting of over 200 of its own branches and over 4,600 sub-brokers, authorised persons, IFAs and IAs as at December 30, 2017. ICICI Sec's network enables it to augment the reach of its electronic brokerage platform and also provides it with a way to drive trading volume to its electronic brokerage platform.

Superior Customer Experience through Product and Technology Innovation: Innovation is deeply embedded in ICICI Sec's corporate culture and it has a history of product and technology innovation to satisfy the needs of its customers. It delivers the benefits of these innovations to its customers through electronic brokerage platform, ICICIdirect. Innovation is the key to its success in light of the ever-evolving equity capital markets. With seamless customer experience in mind, it was among the first Indian securities firms to allow customers to link their trading accounts to their savings and demat accounts, providing them with 3-in-1 accounts in partnership with ICICI Bank. In addition to the benefits that these accounts provides its customers in terms of seamless transactions, it also collaborated with ICICI Bank to ensure that its customer's accounts get credited around the same time as the amount is transferred from the exchanges, thereby providing them with greater flexibility in the use of their money. It has also invested in improving its data analytics to better understand its customer's needs. Over the years, ICICI Sec innovation capabilities, coupled with data analytics, has enabled to provide its customers and clients with new products and order types, furthering its aim of becoming a "one-stop shop" for its customer's evolving financial product needs. It offered its customers products across its various asset classes, including products like systematic equity plans, factor-based portfolios and National Pension System policies.

Strategic Component of the ICICI Ecosystem*:* ICICI Sec is the sole equity securities arm of its ICICI Group. As a strategic component of the ICICI Group ecosystem, it has mutually beneficial agreements with various companies in the ICICI Group. In addition to its access to ICICI Bank branches for the purposes of customer acquisition, it is a key partner of ICICI Bank since it is currently the only broker that allows the customers of ICICI Bank to trade in equity securities using a '3-in-1 account' facility linked to their existing savings and demat accounts held with ICICI Bank. To use ICICI Sec electronic brokerage platform for brokerage services, it require its customers to use a '3-in-1 account'. Through a single login step, the 3-in-1 account links its customer's savings bank and demat accounts held with ICICI Bank to its electronic brokerage platform, which allows customers to seamlessly trade without having to deposit money in its brokerage account. In addition, this allows it to efficiently and swiftly transfer funds into the customer's account as soon as it is made available to it in the case of sell orders. This seamless and interoperable feature of its electronic brokerage platform provides its clients with greater flexibility in the use of their money.

Leading Institutional Platform*:* ICICI Sec'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 its investment banking business has increased from Rs. 701.4 million in fiscal 2013 to Rs. 1,194.8 million in fiscal 2017, at a CAGR of 14.2%, and was Rs. 1134.4 million in the nine months ended December 31, 2017. For the period from April 1, 2012 to September 30, 2017, it was the leading investment bank in the Indian equity capital markets by number of equity capital market issuances managed. It also provide its clients with financial advisory services in relation to domestic and cross-border mergers and acquisitions, private placements, and restructuring, and were among the top five domestic investment banks in India in terms of deal size of mergers and acquisitions transactions for the period from April 1, 2012 to September 30, 2017. In addition to its investment banking services, ICICI Sec provides domestic and foreign institutional investors with cash equity and equity derivative brokerage services, corporate access and equity research. It is empanelled with a large cross-section of institutional clients, including foreign institutional investors, whom it service through dedicated sales teams across India, Asia Pacific and the United States. The strength of its institutional research team differentiates it from competition among institutional investors. As of December 31, 2017, ICICI Sec's institutional research team covered over 220 Indian stocks across sectors, and also provided macroeconomic and industry-related research.

Strong Financial Performance with Significant Operating Efficiency*:* ICICI Sec has an established track record of strong financial performance and delivering returns to shareholders. Its total revenues and profit after tax increased from Rs. 7,058.4 million and Rs. 717.5 million, respectively, in fiscal 2013 to Rs. 14,042.3 million and Rs. 3,385.9 million in fiscal 2017, respectively, representing a CAGR of 18.8% and 47.4%, respectively. Its return on equity has exceeded 30% for each measured period since fiscal 2013. For fiscal 2017, its return on equity was 69.2%. It also has a consistent record for paying dividend and its dividend pay-out ratio was 60.6% in fiscal 2017. While ICICI Sec's revenues has been growing, it has focused on managing costs by leveraging the efficiencies inherent in technology-based business model, which is scalable and asset-light. As a result, its cost ratio, which define as the ratio of total expenses to total revenue, has decreased from 84.6% in fiscal 2013 to 62.8% in fiscal 2017.

Experienced Senior Management Team: ICICI Sec has a management team with extensive experience in the financial services sector. Its managing director and chief executive officer has been with the ICICI Group for over 27 years. Prior to joining ICICI Sec she served in a wide variety of roles within the ICICI Group, including treasury, corporate banking and project finance. the quality of its management team has been critical in achieving its business results and that its management's experience will help the comapny to make timely strategic and business decisions in response to evolving customer needs and market conditions. In particular, its management team has strong cross-functional expertise across business segments, product design and technology.

Business Strategy:

Strengthen Leadership Position in the Brokerage Business: ICICI Sec intends to strengthen its leadership position as the largest equity broker in India by brokerage revenue and active customers in equities on the NSE. In particular, it aims to enhance its market position in the growing retail brokerage segment while continuing to focus on increasing its market share in the institutional brokerage business. In its retail brokerage business, ICICI Sec expects to continue to focus on acquiring and retaining customers, product innovation, leveraging its electronic brokerage platform and brand to acquire customers through physical network, and analysing customer behaviour and tailoring recommendations. Through these strategies, the company aims to increase its customer base and the frequency of transactions entered into by its existing customers, thereby leading to higher retail brokerage revenues. ICICI Sec aims to increase market share in its institutional brokerage business by leveraging its strong position among domestic institutional investors and increasing its focus on foreign institutional investors. It intends to increase analyst access across geographies, enhance corporate access and investment education by organising more seminars, round tables and event-based conference calls, increase research coverage while providing thematic and customised products, and strengthen its in-house algorithmic capabilities.

Continue Investing in Technology and Innovation*:* As one of the pioneers in the e-brokerage business and given that a large majority of ICICI Sec's customers interact with ICICI Sec through its electronic brokerage platform, it needs to continuously invest in technology to ensure that it provides its customers with a fast, seamless and secure experience. ICICI Sec plans to continue making investments in the IT infrastructure underlying its electronic brokerage platform to augment capacity, deliver innovative products and improve the user interface across devices. It also intends to continue to improve its processing speed of trades/orders, keep up with latest cybersecurity best practices, and increase integration and inter-operability with third parties to provide its customers with more products and services. ICICI Sec also aims to increase the use of technology in other parts of its business to optimise its operations, reduce costs and errors, including in the areas of sales, customer relationship management, information security and risk management. It intends to continue investing in its analytics capabilities to ensure that it is able to gain actionable insights from such data. It has, and will continue to, use analytics to help understand customer preferences, design new products, identify targets for cross-selling and increase customer transactions.

Strategically Expand Financial Product Distribution Business Through Cross-Selling: ICICI Sec intends to maintain the growth momentum in its financial product distribution business and evaluate new opportunities to expand. It also intends to continue working with third-party providers to increase the number of products available to its customers. Growing urbanisation and increasing affluence are poised to benefit Tier-II and Tier-III cities, and increase retail participation in financial instruments in such cities. To benefit from this trend, ICICI Sec will explore the expansion of its distribution network in such cities to increase its customer base, including through the opening of new branch offices, increasing penetration in ICICI Bank branches, or through additional sub-brokers, authorised persons, IFAs and IAs.

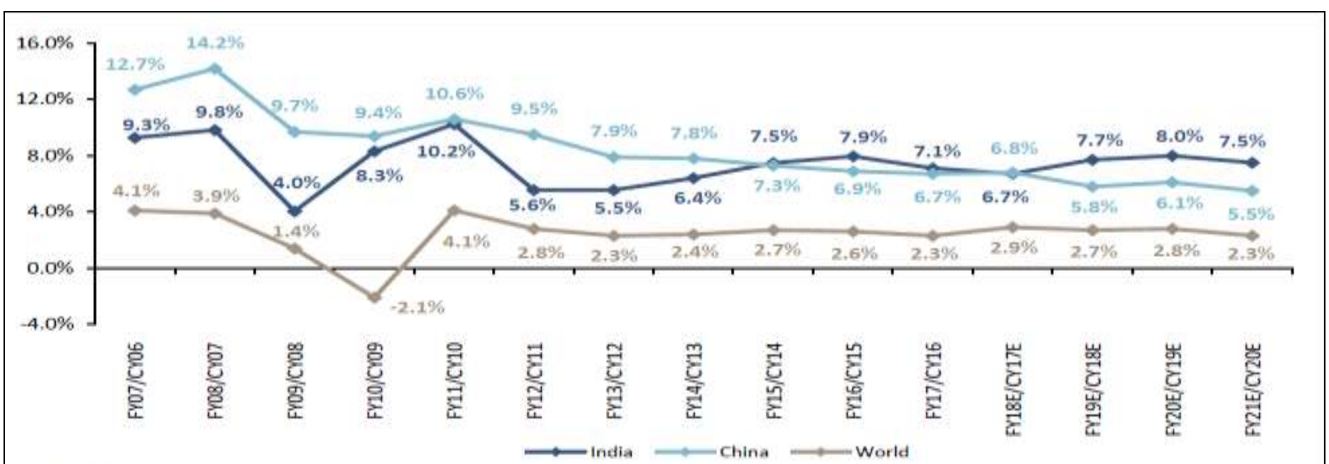
Leverage Leadership in Equity Capital Markets to Strengthen Financial Advisory Businesses*:* ICICI Sec intends to maintain its leadership position in the equity capital markets business in terms of number of primary market issuances by acquiring new clients who will also strengthen advisory business and increase the number of advisory transactions. Additionally, it has renewed its focus on distressed asset-related transactions, which offers a unique opportunity due to regulatory and industry developments, and intends to build upon the referrals by ICICI Bank to increase deal pipeline. Ii is also actively looking to increase participation in cross-border deals through collaboration with international financial institutions. Lastly, it has also been strengthening its relationships with private equity funds to facilitate and advise on promoter financing and private equity exits.

Diversify Revenue Streams and Continue Reducing Revenue Volatility*:* Over the years, ICICI Sec has been working on diversifying its revenue streams to reduce volatility in revenues associated with its brokerage business by increasing the contribution from its distribution and investment banking businesses. Within the distribution business, it will continue to offer new products and services to reduce reliance on particular products. It also has increased its focus on products that provide with recurring revenue like mutual funds, long-term life insurance policies and portfolio management services. Finally, it aims to increase the adoption by its customers of SIPs, pursuant to which its customers regularly invest funds into mutual funds and which provides with revenue visibility.

Industry:

Indian Economy

The Indian economy is the fourth largest economy in the world in terms of GDP in PPP terms, with an estimated GDP, in PPP terms, for 2016 of US$8.70 trillion (*Source: CIA World Factbook, as of November 14, 2017*). According to CRISIL Research, India's GDP at constant 2011-12 prices was Rs. 122 trillion in fiscal 2017. According to EIU forecasts in November 2017, the Indian GDP is expected to grow at an average of approximately 7.7% (in real terms) between fiscal 2017 and fiscal 2020, which is higher than the expected real GDP growth rates for China and the world. The following graph sets forth the historical and projected real GDP growth rates of India, China and the world in the periods mentioned therein:



Source: EIU

Demographics

India currently has one of the youngest populations in the world, with a median age of 28 years, and an estimated 90% of the Indian population will be below the age of 60 by 2020. According to CRISIL Research, the proportion of urban population has increased steadily from 28.8% in 2004 to an estimated 33.1% in 2016. A high share of working population, coupled with rapid urbanization and rising affluence, is expected to propel the growth of the Indian financial services sector.

Structural Reforms

In the recent past, the Government of India has introduced wide range of structural reforms that are expected to increase the economic growth and improve the overall business environment in India, enhancing productivity and stimulating higher foreign and domestic investments. Some of the key reforms are demonetization, Aadhaar programme, GST, recapitalization package of PSBs, the IBC, financial inclusion, direct benefits transfer, affordable housing and BMPS. In addition, the Government's focus on fiscal discipline through prudent monetary and fiscal policies is expected to result in sustainable higher growth. Moody's, an international ratings agency, upgraded its rating of India's sovereign credit from Baa3 to Baa2 on November 16, 2017, referencing India's high growth potential driven by expected progress on economic and institutional reforms, coupled with a focus on fiscal discipline.

Digitisation

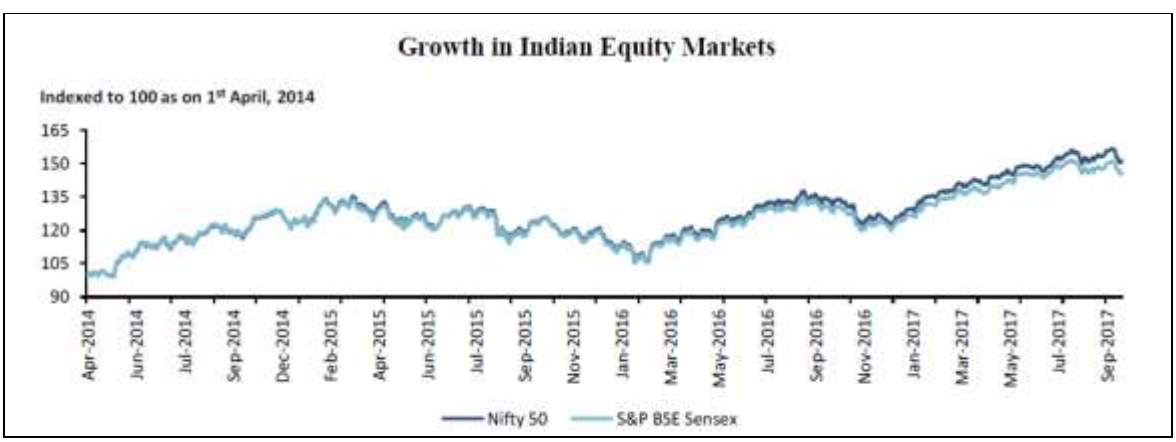
India has approximately 432.0 million Internet users and approximately 1.20 billion mobile users, of whom 30% use smartphones. According to CRISIL Research, the smartphone penetration rate in India is expected to increase rapidly over next few years, reaching 66% by the end of fiscal 2022. In addition, the share of mobile data subscribers is projected to increase from 34% in fiscal 2017 to 66% by the end of fiscal 2022. With the increase in smartphone penetration and faster data speeds, consumers are increasingly finding digital platforms more convenient.

Savings

India has historically been and is expected to continue to be a high-savings economy, with household savings as a proportion of GDP at 19%, as compared to 9% in USA, 6% in Brazil and a global average of 9% in 2016. The following graph sets forth the household savings rate (household savings as a percentage of GDP) in various countries in 2016: According to CRISIL Research, the average monthly CPI inflation fell from approximately 4.9% in fiscal 2016 to 4.5% in fiscal 2017, and is expected to further decline to an average of 4.0% in fiscal 2018. Further the Reserve Bank of India has stated its objective of keeping inflation low and range-bound. Lower inflation, coupled with increasing GDP that translates to rising incomes, are expected to cause the household savings rate to increase gradually. In addition, household savings are increasingly shifting from physical to financial assets. The share of financial savings as a proportion of household savings in India has increased steadily from approximately 31% in fiscal 2012 to 41% in fiscal 2016. The share of financial savings is likely to rise further, as stable inflationary trends are generally expected to diminish the attractiveness of physical savings such as investments in gold and real estate. In the past, strong real income growth and low inflation had a positive effect on financial savings in India. According to CRISIL Research, improving economic conditions, low interest rates and stable inflation will further channel the financial savings towards direct equity investments and investments in mutual funds and insurance, benefitting capital markets, mutual fund and insurance related companies. In addition, companies with wide distribution networks and strong technology platforms are expected to be key beneficiaries of higher financial savings leading to greater growth in distribution income.

Capital Markets

Indian capital markets have generated healthy returns in the last two to three fiscal years, driven by heightened activity in the primary capital markets and favourable secondary market participation. Benchmark indices like the Nifty 50 and the S&P BSE Sensex have grown at a CAGR of 12.5% and 11.4% respectively, from April 1, 2014 to September 30, 2017. The following graph sets forth the growth of the Nifty 50 and the S&P BSE Sensex in the periods mentioned therein:



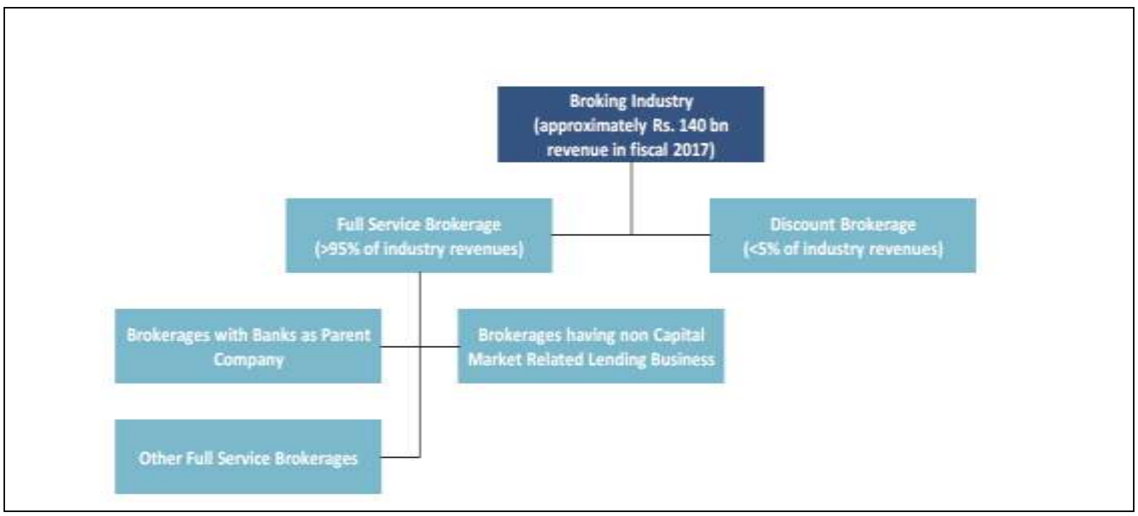
The recent increase in primary capital market activity is a result of stable macro-economic conditions and implementation of a wide range of structural reforms. Increasingly, corporates are raising funds through equity and debt capital market issuances. The amount raised from equity capital markets has increased from Rs. 547 billion in fiscal 2013 to Rs. 818 billion in the six months ended September 30, 2017 at a CAGR of 9.4%. Equity ADTO (including proprietary turnover) in the secondary market has also increased at a CAGR of 33.6% during the same period.

Brokerage

According to CRISIL Research, the Indian equity brokerage industry, which includes cash equities and equity derivatives brokerage, recorded revenues of Rs. 140 billion in fiscal 2017, representing a 20% year on year growth. The industry revenues have grown at a CAGR of 14% between fiscal 2012 and fiscal 2017 on account of rising trading turnover and increasing retail investor participation. The equity ADTO (including proprietary turnover) has increased from Rs. 1,684 billion in fiscal 2013 to Rs. 6,210 billion in the six months ended September 30, 2017, representing a CAGR of 33.6%. In addition, the equity ADTO (excluding proprietary turnover) grew at a CAGR of 38.6% during the same period, compared to the proprietary equity ADTO, which grew at a CAGR of 27.9%. Equity derivatives account for a major portion of the volumes, representing 95.1% of the total equity turnover in the six months ended September 30, 2017. Further, the equity ADTO (including proprietary turnover) from the equity derivatives segment has grown at a CAGR of 34.5% from fiscal 2013 to the six months ended September 30, 2017, as compared to a CAGR of 20.6% in the cash equities segment, primarily on account of higher index levels, reduced STT on equity futures from 0.017% to 0.01% and an increasing share of high frequency and algorithmic trading, especially dealing in the derivatives market. The following graphs show the proprietary and non-proprietary equity ADTO, and the ADTO (including proprietary turnover) from the cash equity and equity derivatives segments for the periods mentioned therein:

Market Structure

As of September 30, 2017, there were over 200 brokers in India having more than one active client (clients who had traded on the NSE in the prior 12 months) on the NSE. 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:



Key Industry Themes

The brokerage industry is witnessing a multitude of changes and some of the broad sector themes are:

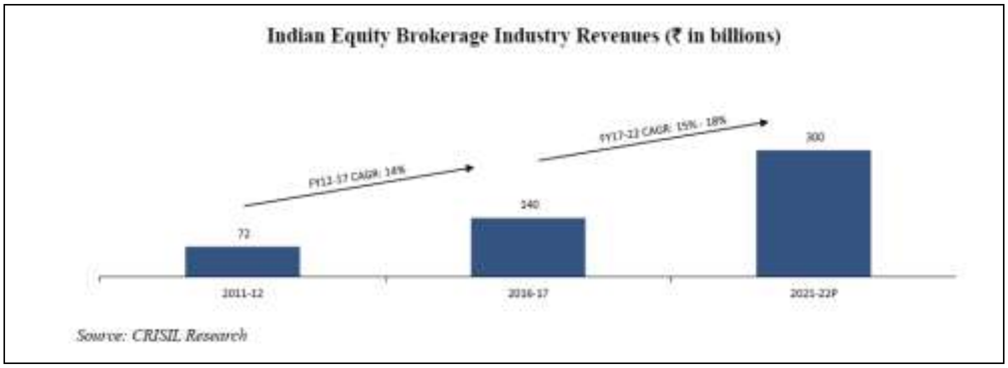
- Rising Retail Participation
- Increasing Share of Internet and Mobile Trading
- Increasing Depository Accounts
- Institutional Investment into Equities
- Full Service Brokerages Continue to Maintain Market leadership

Competitive Landscape

Despite the high competition, the brokerage industry over the years has consolidated in favour of larger brokers. As a result, the market share of the top five brokers increased from 14% of the trading turnover in the NSE cash equities market in fiscal 2013 to 19% in the six months ended September 30, 2017. The top 25 brokers accounted for 51% of the trading turnover in the NSE cash equities market in the six months ended September 30, 2017, and 34% and 48% in the NSE futures and options markets, respectively, for fiscal 2016.

Growth Potential

As per CRISIL Research estimates, the Indian equity brokerage industry revenues are projected to increase at 15% - 18% CAGR in the next five years and are expected to reach Rs. 300 billion by fiscal 2022, driven mainly by the continued uptick in trading volumes and increasing retail investor participation. The following graph sets forth the historic and projected growth in Indian brokerage industry revenues for the periods mentioned therein:

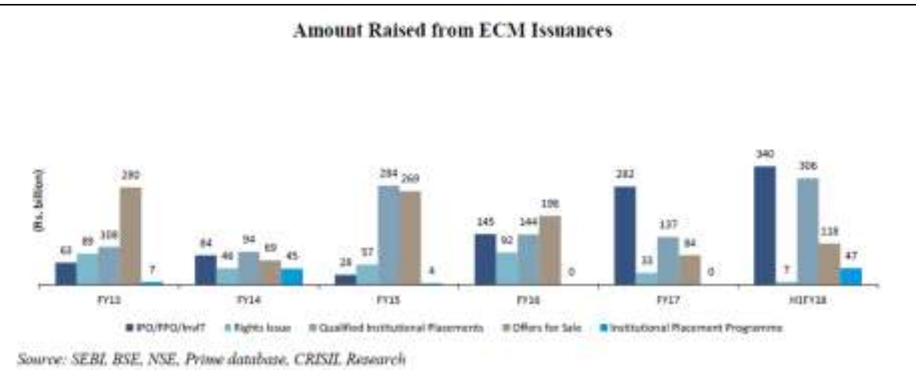


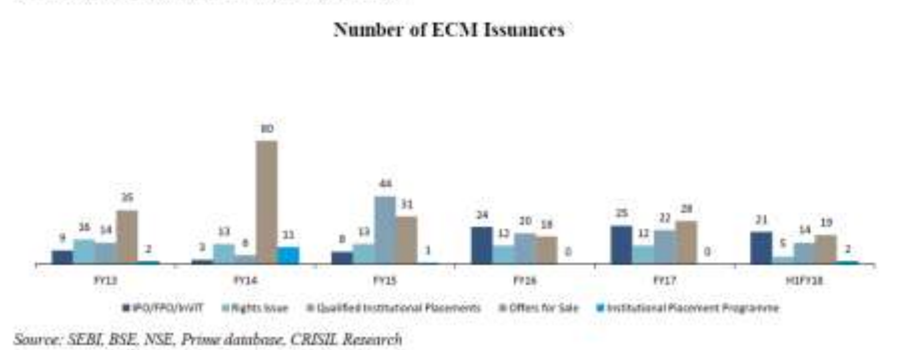
Investment Banking

Equity Capital Markets

The amount raised from ECM issuances in India has increased from Rs. 547 billion in fiscal 2013 to Rs. 818 billion in the six months ended September 30, 2017, representing a CAGR of 9.4%. Further, overall capital raised in the form of equity in the six months ended September 30, 2017 was the highest since fiscal 2013, primarily on account of higher liquidity in markets and increasing exits by private equity investors.

The following graphs show the amount raised from and the number of ECM issuances in India for the periods mentioned therein:





According to CRISIL Research, several mid-sized companies from existing, as well as new emerging, sectors such as ecommerce are expected to raise funds through the equity capital markets. Hence, large investment bankers with proven expertise, strong domain knowledge and established long-term relationships are expected to continue to perform well.

Mergers and Acquisitions

The domestic M&A market has picked up in the last two years, supported by high value deals in the telecommunications, banking, insurance, power and cement sectors. Some of the large “ticket” transactions include the merger announcement of Idea Cellular Limited with Vodafone India Limited and its wholly owned subsidiary Vodafone Mobile Services Limited, consolidation of the State Bank of India group, and merger of Aditya Birla Nuvo Limited and Grasim Industies Limited.

Financial Products Distribution

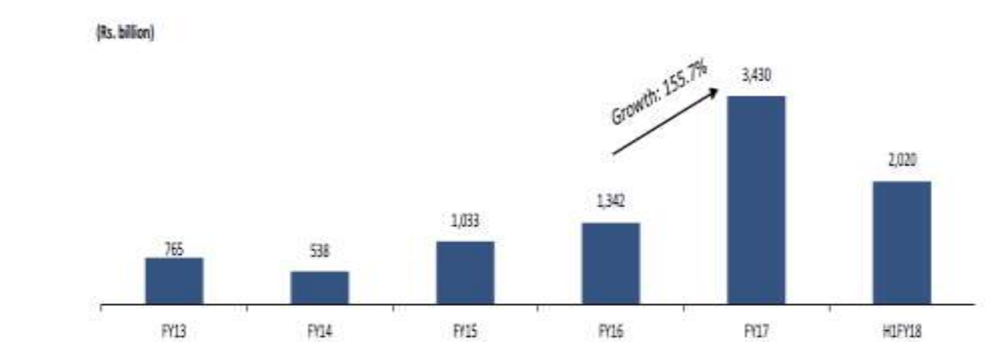
With growth across financial asset classes, including mutual fund AUM and insurance premiums, financial product distributors have emerged as the key beneficiaries. Despite the technological advancement and increasing financial awareness, distributors are expected to play a pivotal role in increasing the penetration of financial products in India, especially in the smaller cities and towns. In addition, due to the low level of financial literacy, several investors in India seek support and guidance from distributors.

Asset Management Sector

The total AUM of the Indian mutual fund industry stands at Rs. 20.4 trillion, as of September 30, 2017. This AUM has grown at a CAGR of 26.8% from March 31, 2013 to September 30, 2017. In addition, as compared to historical trends, the industry has witnessed significantly higher growth recently, with total AUM having increased at a CAGR of 40.1% from March 31, 2016 to September 30, 2017, as a result of increased financial savings and improving investor awareness about mutual funds as an asset class. The following graph sets forth the AUM for the Indian mutual fund industry AUM as of the dates mentioned therein:

Source: AMFI, CRISIL Research
Note: Represents AUM as of the last day of the month indicated

In fiscal 2017, net inflows into Indian mutual funds have increased significantly to Rs. 3.4 trillion from Rs. 1.3 trillion in fiscal 2016, representing a growth of 155.7%. FIIs and DIIs invested approximately Rs. 266 and Rs. 302 billion, respectively, into the Indian capital markets in fiscal 2017, driven by a low interest rate environment globally. In addition, the SIPs of retail investors contributed to approximately 50% of the equity mutual funds’ inflows in fiscal 2017, reflecting rising retail participation. The following graph sets forth the net inflows into the Indian mutual fund industry for the periods mentioned therein:



Source: AMFI, CRISIL Research

Growing Prominence of Distributors

Indian AMCs adopt a multi-channel approach to distribute their products, using banks, nationwide distributors such as brokerages and wealth management companies and IFAs, in addition to direct sales and online channels. The importance of distribution partners is high, especially in “tier II” and “tier III” cities in the context of minimal direct presence by AMCs. According to CRISIL Research, distributors continue to play a key role in the Indian mutual fund ecosystem, primarily due to the under-penetration of mutual funds as an asset class and the low level of financial awareness, especially among individual investors.

As of March 31, 2017, there were a total of 732 distributors meeting the AMFI criteria on disclosure of commissions as compared to 373 as of March 31, 2012. Despite the consistent entry of new distributors, the large distributors command a significant share of the revenues with the top ten distributors accounting for approximately 48% of distribution revenues in fiscal 2017.

Banks constitute seven of the top ten distributors, by distribution revenues, supported by their large network and greater access to customers. NJ IndiaInvest is the largest mutual fund distributor in India, with a revenue market share of 8.9% followed by HDFC Bank Limited with a revenue share of 7.9%. Among non-bank distributors, NJ IndiaInvest is the leading distributor, followed by ICICI Securities Limited with a revenue market share of 3.5%.

Distributor Commissions

As per AMFI, the commissions paid by mutual funds to distributors grew from Rs. 24 billion in fiscal 2013 to Rs. 50 billion in fiscal 2017, representing a CAGR of 20.1%. Increased financial savings, superior returns from mutual funds, greater reliance on distributors and government policies acted as key catalysts in driving the distribution revenue growth. In addition, as per a SEBI directive which was passed in September 2012, AMCs were permitted to pay higher commissions to distributors in B15 cities in order to increased investments from under-penetrated regions.

Life Insurance

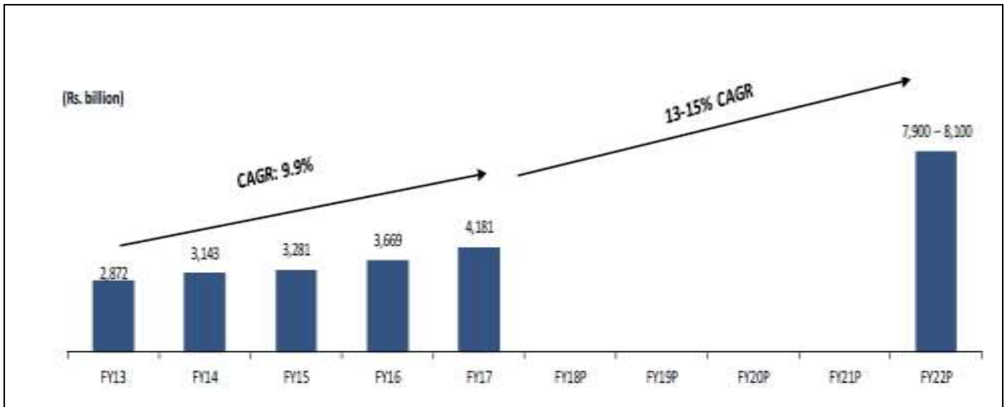
The size of the Indian life insurance industry is Rs. 4.2 trillion on a total-premium basis in fiscal 2017. The total premium in the Indian life insurance sector grew at a CAGR of approximately 17% between fiscal 2001 and fiscal 2017, after the privatization of sector in calendar year 2000. The following graph shows the trends in total premium in the Indian life insurance industry, among private-sector insurers and the industry as a whole, for the periods mentioned therein:

Source: IRDAI, Life Insurance Council, CRISIL Research

NBP, at Rs. 1.8 trillion, accounted for approximately 42% of the total premiums in the Indian life insurance industry in fiscal 2017. Compared to growth at a CAGR of 9% from fiscal 2007 to fiscal 2017, the NBPs grew at a rate of 26% from fiscal 2016 to fiscal 2017.

Growth Potential

According to CRISIL Research, the total premium in the Indian life insurance industry is expected to grow at a CAGR of 13- 15% from Rs. 4,181 billion in fiscal 2017 to Rs. 7,900-8,100 billion in fiscal 2022. Improving economic growth, low inflation, and an increase in financial savings, along with rising awareness of insurance, are expected to be the key catalysts. The following graph sets forth the historical and the projected growth in the total premium in the Indian life insurance industry:



Source: IRDAI, Life Insurance Council, CRISIL Research

Wealth Management

Wealth management is still at an early stage of development in India. According to CRISIL Research, the assets managed by the wealth management industry in India (including only banks and brokers offering such services) was approximately Rs. 7.6 trillion as of March 31, 2017, which is approximately 6% of the GDP in fiscal 2017, as compared to established markets where assets managed by the wealth management industry as a percentage of GDP are typically much higher at 60-75%. Despite being at a nascent stage, the industry is poised for high growth driven by multiple factors such as improving wealth levels, a young affluent investor base, under-penetration of organized wealth management, strengthening regulatory environment and an increasing share of organized participants. Additionally, the recent implementation of demonetisation, GST and policies against black money is expected to further channel investments into financial assets and therefore expand the market opportunity.

Portfolio Management Services

PMS are services whereby a professional money manager manages an investment portfolio in stocks, debt and fixed income products, which are customized to meet specific investment objectives. In India, the minimum investment in a PMS is Rs. 2.5 million. PMS in India is gaining the interest of investors as demonstrated by a CAGR of approximately 12% in AUM from Rs. 2,963 billion in fiscal 2015 to Rs. 3,745 billion in fiscal 2017. Many AMCs have been providing portfolio management services which are distributed by wealth management firms and brokerages. Distribution commissions for these products are typically higher than for mutual funds. In addition, commissions re generally paid upfront for PMS portfolios.

Key Concerns

General economic and market conditions in India and globally could have a material adverse effect on business, financial condition, cash flows, results of operations and prospects: Business of ICICI Sec is highly dependent on economic and market conditions in India and other jurisdictions where it operates. General economic and political conditions in India, such as macroeconomic and monetary policies, industry-specific trends, mergers and acquisitions activity, legislation and regulations relating to the financial and securities industries, household savings rate, investment in alternative financial instruments, upward and downward trends in the market, business and financial sectors, volatility in security prices, perceived lack of attractiveness of the Indian capital markets, inflation, foreign direct investment, consumer confidence, currency and interest rate fluctuations, availability of short-term and long-term market funding sources and cost of funding, could affect its business. ICICI Sec'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 the business, financial condition, cash flows and results of operations.

Rely heavily on relationship with ICICI Bank for many aspects of the business: One of ICICI Sec significant retail products, the '3-in-1' account (as defined below), is a joint offering by ICICI Sec and ICICI Bank. It requires all customers of its retail brokerage business to hold a savings bank and dematerialised (demat) account at ICICI Bank in addition to trading account with it. This allows to be able to integrate ICICI Sec systems for the purposes of smooth transfer of funds and securities. It has entered into cost, revenue and infrastructure sharing arrangements with ICICI Bank in relation to the 3-in-1 account and also pay demat account maintenance charges to ICICI Bank for all market-related transactions executed from the client's demat account in addition to reimbursing them for the first year account maintenance charges of customers introduced by it. Any adverse change in the commercial arrangement with ICICI Bank would negatively affect ICICI Sec profitability. If ICICI Bank were, for any reason, to terminate or change its relationship with ICICI Sec in relation to the 3-in-1 accounts, there could be a material disruption in its business and it may need to find a replacement for such services. ICICI Sec may be unable to find such replacement quickly, or at a reasonable cost and any of these factors could materially and adversely affect the business, results of operations, financial condition and prospects. Any adverse change in relationship with ICICI Bank relating to any of these matters, including those due to regulatory requirements, could cause a disruption in its succession plans and could materially and adversely affect the business, results of operations, financial condition, cash flows and prospects.

The operation of businesses is highly dependent on information technology: ICICI Sec's operations rely heavily on the ability of its IT systems to record and process accurately a large number of transactions on a daily basis and in a timely manner. Its system for processing securities transactions is highly automated. A prolonged disruption to, or failure of, its information processing or communications systems would limit its ability to process transactions. This would impair its ability to service its customers and execute trades on behalf of customers and for own account, which could materially and adversely affect competitiveness, financial condition, cash flows and results of operations. Its IT infrastructure related to its production systems, including but not limited to data centre and network communications, is part of the ICICI Group's information technology infrastructure. Any disruptions to the ICICI Group's data centre and information technology infrastructure could have a material adverse effect on its institutional business, financial condition, cash flows, results of operations and prospects. Its technology operations are also vulnerable to disruptions from human error, catastrophic events including natural disasters, lack of capacity during peak trading times or times of unusual market volatility, power failure, computer viruses, spam attacks, ransom ware, distributed denial of services attacks, unauthorized access, data leakage and other similar events, and it may not be able to adapt to the evolving technology in the industry. Disruptions to, or instability of, its technology or external technology, or failure to timely upgrade online or mobile brokerage platforms could harm ICICI Sec business, reputation and prospects.

Rely on brokerage business for a substantial share of revenue and profitability*:* ICICI Sec rely on brokerage business for a substantial share of its revenue and profitability. Its brokerage business depends on trading volume, which is significantly affected by external factors, such as general economic conditions, macroeconomic and monetary policies, market conditions and fluctuations in interest rates, all of which are beyond control. Trading volume is also affected by the size of its customer base and the frequency that they do business through it. It earns brokerage fees based on, among other things, the volume of trades its customers perform through it. If ICICI Sec fails to maintain and increase its customer base, or fail to provide better services and products to retain and attract customer activity, its brokerage revenues may be adversely affected. Its brokerage fee levels are primarily driven by competition. There is constant pressure to lower the brokerage fee in the securities industry, especially as products are standardised and offered online. If it face increased competition on its brokerage fee levels, it will have to provide additional products and services to attract customers. There is no assurance that it will be able to attract such customers without having to reduce fees, which could have a material adverse effect on its business, financial condition, cash flows and results of operations.

ICICI Sec is subject to extensive statutory and regulatory requirements and supervision, which has material influence on, and consequences for, its business operations: ICICI Sec business activities are subject to extensive supervision and regulation by the Government and various regulatory authorities, such as SEBI, IRDAI and PFRDA. In addition, its business operations are subject to regulatory limits on brokerage fee rates and net worth requirements imposed by stock exchanges. Further, to undertake some of its business activities, including for the launch of new products, it needs to obtain registrations and approvals under, and comply with, regulations issued by various regulatory authorities, including, SEBI, IRDAI and PFRDA, from time to time. Its business activities and operations are compliant with all applicable laws. However, it cannot be assured that the Government or the regulatory authorities will not take different interpretations regarding applicability of, or compliance with, the laws and regulatory framework governing its business. Moreover, there is no assurance that the Government or regulatory authorities will not take a different interpretation regarding any of its current business activities being restricted or prohibited under applicable laws or the terms of the regulatory registrations and approvals obtained by it. ICICI Sec may be unable to obtain, maintain or renew, or comply with the terms of, the regulatory approvals and registrations applicable to its business activities, and this may have adverse consequences for its business operations. Due to the nature of business activities undertaken by it, its employees are also required to comply with various regulations, such as SEBI Insider Trading Regulations, SEBI Research Analysts Regulations and SEBI Investment Advisers Regulations. Even though ICICI Sec has established an internal framework to monitor the conduct of its employees, it cannot be assured that none of its employees will violate the provisions of applicable law in the course of their employment with it or that all such violations would be detected by it in a timely manner. Any violation of applicable laws by employees related to their employment may affect the business operations or reputation, or result in imposition of vicarious liability on it by the Government or regulatory authorities.

ICICI Sec may fail to detect money laundering and other illegal or improper activities in business operations on a timely basis: ICICI Sec is required to comply with applicable anti-money laundering and antiterrorism laws and regulations in the jurisdictions where it operates. These laws and regulations require financial institutions to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting activities. Such policies and procedures require to, among other things, establish or designate an anti-money laundering framework, conduct customer identification in accordance with relevant rules, duly preserve customer identity information and transaction records and report suspicious transactions to relevant authorities. It is required to implement timely and effective surveillance controls and measures towards ensuring that its electronic brokerage platform is not misused by its customers or market participants to carry out manipulative trading activities. ICICI Sec is also required to monitor and analyse any surveillance alerts received from stock exchanges. Failure to implement such controls or monitor such alerts could lead regulatory actions against it and harm reputation.

There are operational risks associated with the financial services industry which, if realised, may have a material adverse effect on the business, financial condition, cash flows, results of operations and prospects: Similar to other companies in the financial services sector, ICICI Sec is exposed to a number of operational risks that can have a material adverse effect on its business, financial condition, cash flows, results of operations and prospects, including its brokerage business. Such risks could manifest at any time in the future although it has implemented internal control measures to prevent against the risk of operational failure, it may not be able to completely avoid the occurrence of or timely detect any operational failure. It also face the risk of regulatory penalties in its brokerage business from the exchanges/regulators for failures of routine operational processes. In the past, it has been, and in the future may be, penalised by the regulators and stock exchanges for non-compliance with regulatory rules and bye-laws relating to operational failure, including in connection with cases of operation failure beyond its control.

Face intense competition in businesses, which may limit growth and prospects: ICICI Sec face significant competition from companies seeking to attract its customers'/clients' financial assets. In particular, ICICI Sec 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. It competes on the basis of a number of factors, including execution, depth of product and service offerings, innovation, reputation, price and convenience. The Indian securities industry is fragmented and typified by low barriers to entry. Many of its product and service offerings in the brokerage and distribution businesses are easy to replicate. This increases the risk of consolidation among its competitors and the risk of entry of commercial banks and e-commerce companies to enter the market. The financial services industry in India is undergoing rapid and significant technological and other changes. Its competitors are focused on using technology, big data and innovation to simplify and improve the customer experience, increase efficiencies, redesign products, improve customer targeting, alter business models and effect other potentially disruptive changes in the Indian financial services industry. ICICI Sec use technology in almost every aspect of its business, including sales, risk management, fraud detection, customer service and settlement. If it do not anticipate, innovate, keep pace with and adapt to technological and other changes impacting the Indian financial services industry, it could harm its ability to compete in the market, decrease the attractiveness of its products to customers and materially and adversely affect the business prospects.

May not be able to sustain growth or expand customer base: ICICI Sec has experienced significant growth over the past several years, with its total revenues increasing from Rs. 7,058.4 million in fiscal 2013 to Rs. 14,042.3 million in fiscal 2017 and Rs. 13,446.9 million in the nine months ended December 31, 2017. Its ability to sustain growth depends on various factors, including ability to manage growth and expand customer base. It may not be able to sustain growth in light of competitive pressure or other factors. Sustained growth may place significant demands on its administrative, operational and financial resources, which may be unable to handle. Any slowdown in growth, whether in absolute terms or relative to industry trends could adversely affect its market position and a loss of its market position could adversely affect its ability to sustain growth. Its business is highly competitive and need to maintain customer base and attract new customers in order to maintain or grow its market share. Similar to other competitors, it serves its customers and manage customer relationships partially through branch network. In addition, as a result of intense competition, it may face increased pressures on declining fee and commission rates, and will need to provide better and customized services and products to differentiate itself and to retain and attract customers. If it is unable to expand branch network and address the needs of customers by offering competitive rates, maintaining high quality customer service, continuing product innovation and providing value added services, or if it otherwise fails to meet customer's demands or expectations, it may lose its existing customers to its competitors or fail to attract new customers, which may in turn have a material and adverse effect on business, financial condition, cash flows, results of operations and prospects

ICICI Sec's risk management and internal controls, as well as the risk management tools available to it, may not be adequate or effective in identifying or mitigating risks to which it is exposed: ICICI Sec has established a system of risk management and internal controls consisting of an organizational risk management framework, policies, risk management system tools and procedures that it consider to be appropriate for its business operations, and it has continued to enhance these systems. However, due to the inherent limitations in the design and implementation of risk management system, including internal controls, risk identification and evaluation, effectiveness of risk control and information communication, its risk management systems and mitigation strategies may not be adequate or effective in identifying or mitigating its risk exposure in all market environments or against all types of risks. ICICI Sec methods for managing risk exposure and estimations about market volatility and its assumptions and estimates used in determining margins for its products may not always accurately predict risk exposure, which can be significantly greater than its estimates. Inaccuracy in estimates of the level of margin to be maintained by its customers with it for the transactions undertaken by them could result in a shortfall in margins deposited by its customers with it, which may adversely affect ICICI Sec's financial condition. It is likely to offer a broader and more diversified range of products and invest in a wider range of assets in the future. Its failure to timely adapt its risk management policies and procedures to its developing business could have a material adverse effect on its business, financial condition, cash flows, results of operations and prospects.

Face certain other risks related to distribution business, which accounts for a significant portion of revenue and profitability: ICICI Sec derives a significant portion of revenues from its distribution business. It distributes, through its electronic brokerage platform, physical distribution network, sub-brokers, authorised persons, IFAs and IAs, financial products issued by third-party institutions and also offer referrals services to third party service providers. The structure of some third-party products that it distributes and services that it refers customers to may be complex and involve various risks, including credit risks, interest risks, liquidity risks and other risks. Although as a third-party distributor, it is not directly liable for any investment loss from or default of the products it distributes to its customers, it may be subject to customer complaints, litigation and regulatory investigation, which could have an adverse effect on reputation and business.

ICICI Sec could be subject to claims by customers and/or regulators for alleged mis-selling: ICICI Sec sells its third-party distribution products through employees as well as intermediaries including sub-brokers, authorised persons, IFAs and IAs. Intermediaries aid the customer in choosing the correct product, explaining the benefits of such product, disclosing product features and advising on whether to continue with a particular product or switch products. Under certain circumstances, the sales process might be considered inadequate or there might be misconduct on part of its employees or intermediaries or during the course of customer service. Such misconduct could include activities such as making non-compliant or fraudulent promises of high returns on investments and recommending inappropriate products or fund management strategies. It also offers dealer-based order placement services to its retail customers. The dealers has close relationships with its customers and are in a position to influence customers to trade in excess of their risk appetite. Transactions not authorized by the customers and excessive trading resulting in losses to customer may to result in compensation claims from customers. Any case of mis-selling, or recurring cases of mis-selling, could result in claims and fines against it and could have a material adverse effect on its business, financial condition, cash flows, results of operations and reputation.

International operations increase the complexity of the risks that ICICI Sec face*:* ICICI Sec has operations outside India through its branch office in Oman and its indirect subsidiary, ICICI Securities Inc., which has its main office in New York, USA and a branch office in Singapore. In addition to the business operations undertaken outside India by it and through branch office in Oman, it also provides various services to overseas institutional investors in the ordinary course of its business operations in India. Further, its international profile exposes it to a variety of regulatory and business challenges and risks, including political and cross-cultural risk and has increased the complexity of its risks in a number of areas including pricing risk, currency risk, interest rate risk, regulatory risk, reputational risk and operational risk. It also face risks arising from its ability to manage inconsistent legal and regulatory requirements in the multiple jurisdictions in which ICICI Sec operates and changes in tax laws which could make some of the products less attractive to customers. Its businesses are subject to changes in legal and regulatory requirements and it may not be possible to predict the timing or nature of such changes. Business opportunities in these jurisdictions will also determine the growth in its operations.

Face various risks due to reliance on third-party intermediaries, contractors and service providers: ICICI Sec rely on third parties, such as exchanges, clearing houses and other financial intermediaries to facilitate financial transactions. In addition, it rely on sub-brokers, authorised persons, IFAs and IAs to help distribute its products. In addition, it competes with other financial institutions to attract and retain sub-brokers, authorised persons, IFAs and IAs to help distribute products and its success depends upon factors such as the amount of sales commissions and fees it pay (including due to regulatory restrictions), the range of its product offerings, reputation, perceived stability, financial strength, the marketing and services ICICI Sec provides such intermediaries and the strength of its relationships with them. If the company is unable to attract or retain sub-brokers, authorised persons, IFAs and IAs, it could have a material adverse effect on business, financial condition, cash flows, results of operations and prospects. ICICI Sec also rely on third parties to provide certain critical trading infrastructure and software, in connection with its institutional brokerage and its treasury and trading businesses. If the third parties upon which it rely cannot expand system capacity to handle increased demand, or if any of their systems otherwise fail to perform or experience interruptions, malfunctions, disruptions in service, slower response times or delays, then it could incur reputational damage, regulatory sanctions, litigation and loss of trading, any of which could materially adversely affect the business, financial condition and results of operations. In addition, ICICI Sec license certain software and technology from third parties. Any premature termination of its license agreements or the loss of the ability to use such software or technology for any reason would have an adverse impact on its business and operations. Rapid changes in industry or technology may also result in its licensed technologies becoming obsolete prior to the expiration of its licenses or to the recall or discontinuation of support for outdated products or services.

Face various risks in relation to its investment banking business: ICICI Sec's investment banking business subjects it to various risks including failure or inability to obtain necessary regulatory approvals or failure to timely execute a mandate, which may subject it to regulatory penalties and adversely affect the business. The offering of securities of listed companies, are subject to a review process conducted by SEBI. The result and timing of these reviews are beyond its control, and may cause substantial delays to, or the termination of, securities offerings. Its investment banking business exposes its employees to sensitive data in relation to private and public companies, including material non-public information. The unauthorised dissemination of such information, or its use for illicit trading purposes, by its employees could subject it to fines and regulatory actions, damage its client relationships and harm its reputation. By the nature of the investment banking business, ICICI Sec may be subject to litigation and/or regulatory action, in and outside India, arising from facilitating the sale of securities to investors. Furthermore, changes to the regulatory requirements for investment banking business may pose challenges in terms of deal execution, client development, pricing and distribution capabilities. If it is unable to adjust its business strategies to meet the new challenges, it may not be able to compete effectively in the industry, which could in turn materially adversely affect income from its investment banking business.

May incur losses on treasury and trading business from market volatility or investment strategies*:* ICICI Sec primarily trade in listed equity (cash and derivative) and fixed income securities for its own account. The performance of proprietary trading business depends on market conditions and investment decisions and judgments. It closely monitor the market value and financial performance of its portfolio, and actively adjust such portfolio to allocate assets based on market conditions, liquidity requirements and internal risk management guidelines. However, its investment decisions are based on human judgments, which involve discretion and assumptions. If decision-making process fails to effectively control losses, or its forecasts do not conform to sudden changes in market conditions, or if ICICI Sec do not effectively manage its exposure to concentration risks from particular assets, its proprietary trading business may result in substantial losses. In addition, it may suffer losses in an adverse market environment despite active management of investment portfolio. If any of the above happens, ICICI Sec could suffer material losses, which would materially and adversely affect its business, financial condition and results of operations.

ICICI Bank, and some of the Directors and related entities may be subject to conflicts of interest because they compete against and have interests in companies which are in the same line of business as its: ICICI Sec's Promoter, ICICI Bank, competes with in connection with various businesses, including the distribution of third party financial products and private wealth management ('PWM'). In addition, ICICI Bank also possesses a merchant banking license and may, in the future, compete with its investment banking business. Some of its Directors are also directors on the board of ICICI Bank. ICICI Bank and/or some of its Directors and related entities hold direct and indirect interests in various financial companies, including ICICI Securities Primary Dealership Limited, which is engaged in dealing debt securities and the debt capital markets. Due to such conflicts of interest, ICICI Sec Promoter or some of its Directors/senior management may make decisions regarding its operations, financial structure or commercial transactions that are adverse to its interests. They may also enable a competitor to take advantage of a corporate opportunity at its expense. Such decisions could have a material adverse effect on business, financial condition, cash flows, results of operations and prospects.

A significant decrease in liquidity could negatively affect the business and reduce customer confidence: Maintaining adequate liquidity is crucial to brokerage operations, including key functions such as transaction settlement and margin lending, investment banking, and other business activities with substantial cash requirements. ICICI Sec is subject to cash deposit and collateral requirements with clearing houses and exchanges, which may fluctuate significantly from time to time based on the nature and volume of its customer's trading activity. It meet its liquidity needs primarily through cash generated from operating activities and debt financing. A reduction in liquidity could affect the ability to trade on the exchanges, stunt the growth of its business and reduce the confidence of its customers in it, which may result in the loss of customer accounts. Factors that may adversely affect liquidity position include a significant increase in brokerage services, volatile markets, the settlement of large transactions on behalf of brokerage customers and any obligation arising out of underwriting activities. Although its management believes that the company has diversified sources of external financing, such financing may not be available on acceptable terms or at all due to disruptions in the credit and capital markets, changes in regulations relating to capital raising activities, its credit rating, general market conditions for capital raising activities, and other economic and political conditions in and outside of India.

Financial services firms are subject to increased scrutiny concerning perceived conflicts of interest that increase the risk of financial liability and reputational harm*:* ICICI Sec is subject to various laws relating to the prevention of insider trading, front running and other conflicts of interest. Conflicts of interest may exist between (i) its departments; (ii) the company and its clients; (iii) its clients; (iv) the company and its employees; or (v) its clients and its employees. Although it has internal controls and measures in place, it cannot be assured that ICICI Sec or its agents/intermediaries will always manage such conflicts of interest, including compliance with various applicable laws and regulations. In addition, such controls and measures may be incorrectly implemented and fail to perform as expected. Any such failure to manage such conflicts could harm ICICI Sec reputation and erode client confidence in it. In addition, potential or perceived conflicts of interest may also give rise to litigation or regulatory actions. Any of the foregoing could materially and adversely affect its business, financial condition and results of operations.

If research disseminated or advice provided by the company contains errors, this could have a material adverse effect on business, financial condition or results of operations: ICICI Sec retail research team provides its retail customers with research covering over 230 Indian companies as of December 31, 2017. It also provides its institutional clients with research covering over 220 Indian companies as of

December 31, 2017, in addition to macroeconomic or industry-related research. Although due care and caution is taken in issuing research recommendations, the accuracy, adequacy or completeness of the information, which is based on information obtained from sources that it consider reliable, is not guaranteed. Errors or omissions in the information or for the results obtained from the use of such information may cause its research findings to be incorrect. In addition, ICICI Sec's institutional and retail research teams work independently and may produce conflicting recommendations, which could lead to customer complaints and litigation against it. Incorrect research findings may lead to customer complaints, have a materially adverse effect on its brokerage and distribution businesses, subject it to regulatory action and harm its reputation, each of which could have a material adverse effect on its business, financial condition or results of operations. ICICI Sec also provide investment advisory services to its customers. Such services include the preparation of financial and retirement plans, investment advice or portfolio evaluation. Any errors in the factors that its advice depends on can lead to dispensing incorrect or inappropriate advice, which can lead to customer complaints, have an adverse effect on its business prospects and harm reputation.

ICICI Sec is reliant on the "ICICIdirect" brand. Its business may be subject to periodic negative publicity, which could have a material adverse effect on business, financial condition, cash flows, results of operations and prospects: Business of ICICI Sec is, to a large extent, reliant on the strength of the 'ICICIdirect' and 'ICICI Securities' brands, its reputation and that of its Promoter. The intense media scrutiny and public attention that the financial services industry is subjected to, in addition to increasing consumer activism in India, increases the risk to the reputation of the industry in general, and a risk of negative publicity and damage to its brands if ICICI Sec is presented in a negative light. Any damage to its brands or reputation could hamper the trust placed in the brand and cause existing customers or intermediaries to withdraw their business and potential customers or intermediaries to reconsider doing business with it, especially in its institutional brokerage and investment banking businesses. Furthermore, negative publicity may result in increased regulation and legislative scrutiny of industry practices as well as increased litigation, which may further increase costs of doing business and adversely affect the profitability. Negative publicity may also influence market or rating agencies' perception of ICICI Sec, which could make it more difficult for to maintain its credit rating. Therefore, any damage to the 'ICICIdirect' or 'ICICI Securities' brands or its reputation could have a material adverse effect on the business, financial condition, cash flows, results of operations and prospects.

Credit risks in day-to-day operations, including in investment portfolio, may expose to significant losses*:* ICICI Sec may suffer significant losses from credit exposures from its customers/clients and counterparties. Its brokerage and investment banking businesses are subject to the risk that a client or counterparty may fail to perform its obligations or that the value of any collateral held by it to secure the obligations might become inadequate. It is exposed to credit risk arising out of receivables from clearing houses of stock exchanges which comprise initial margins placed with clearing houses and receivables relating to sales of securities which has traded, but not yet settled. It is also exposed to credit risk with regard to its fixed deposits placed with banks. ICICI Sec is dependent on a number of parties like brokers, merchant bankers, stock exchanges, banks, registrars and share transfer agents, clearing houses and other intermediaries for its transactions execution and/or for day-to-day operations. If any of these counterparties do not perform their obligations due to bankruptcy, lack of liquidity, downturns in the economy, operational failure, fraud or other reasons, and any collateral or security they provide proves inadequate to cover their obligations at the time of the default, it could suffer significant losses and it would have adverse effect on financial condition, cash flows, results of operations and cash flows.

Rely on the Indian stock exchanges for a significant portion of business*:* ICICI Sec's brokerage business relies on the Indian stock exchanges, such as the NSE and the BSE, and the clearing corporations to execute and settle all its customer's/client's transactions. Its electronic brokerage platform and systems for institutional brokerage clients are connected to the exchanges and all orders placed by its customers are fulfilled through the exchanges. Any disruption in the functioning of the exchanges or a disruption to its connection with the exchanges could have a material adverse effect on its business and results of operations.

Required to maintain various licences and permits for business from time to time. Any failure or delay in obtaining or renewing licences or permits may adversely affect the operations: ICICI Sec's business is subject to regulations prescribed by SEBI, IRDAI, PFRDA and other regulatory authorities and it requires certain approvals, licences, registrations and permissions for operating its business (including for the operation of branches). Its business is subject to regulations prescribed by SEBI, IRDAI, PFRDA and other regulatory authorities and require certain approvals, licences, registrations and permissions for operating its business (including for the operation of branches). In accordance with the regulations formulated by SEBI and other regulatory authorities, ICICI Sec is required to intimate or obtain approvals, as the case may be, amongst others, for changes in Board, and changes in shareholding pattern. Government licences and approvals may also be tied to conditions, some of which may be onerous to the Company and require substantial expenditures. There is no assurance in the future that the licences, approvals and permits applied for or held by it will be issued, approved or renewed in a prompt manner, or at all, under applicable law. Its failure to obtain or timely renew such licences and approvals in a timely manner, or at all, and comply with the provisions of the applicable laws and regulations could lead to suspension or cancellation of registration or imposition of sanctions by the relevant authorities, including penalties. If ICICI Sec is unable to make applications and renew or obtain necessary permits, licences and approvals on acceptable terms, in a timely manner, at a reasonable cost, or at all, it could materially and adversely affect its financial condition and results of operations.

A downgrade or a potential downgrade in debt rating could have a material adverse effect on the business, financial condition, cash flows, results of operations and prospects*:* ICICI Sec has been rated AAA (domestic credit rating) for the purposes of long-term debt and A1+ (domestic credit rating) for its short-term debt by CRISIL since fiscal 2007 and 2008, respectively. While there has been no prior instance of a downgrade in debt rating, any future downgrade or the announced potential for a downgrade, could have a material adverse effect on its business, financial condition, cash flows, results of operations and prospects.

Face additional risks as ICICI Sec expands its product and service offerings and grow its business: ICICI Sec will continue to expand product offerings and business as permitted by relevant regulatory authorities and market opportunities. New product offerings in brokerage business are required to be compliant with the complex regulatory requirements and trading validation requirements of the exchanges. Failure to consider, identify and provide for all additional risks may result in adverse financial impact on the Company. If it is unable to achieve the intended results with respect to its offering of new products and services, or manage the growth of the business, its business, financial condition, cash flows, results of operations and prospects could be materially adversely affected.

A significant portion of brokerage and distribution revenue and income is derived from relatively few customers: Although ICICI Sec had 3.9 million brokerage and distribution customers with operational accounts as of December 31, 2017, the top 5% of such customers accounted for a majority of its brokerage and distribution revenue and income in the six months ended December 31, 2017. The loss or financial difficulties of such customers, or significant decreases in the overall volumes of trading from such customers, could materially and adversely affect the business, results of operation, financial condition and cash flows.

Financial difficulty and other problems relating to financial institutions in India could have a material adverse effect on the business, results of operations and financial condition: ICICI Sec is exposed to the risks of the Indian financial system which may be affected by the financial difficulties faced by certain Indian financial institutions whose commercial soundness may be closely related as a result of credit, trading, clearing or other relationships. This risk, which is sometimes referred to as “systemic risk”, may adversely affect financial intermediaries, such as clearing houses, banks, securities firms and exchanges with which it interact on a daily basis. Any such difficulties or instability of the Indian financial system in general could create an adverse market perception about Indian financial institutions and banks and adversely affect its business.

ICICI Sec may be affected by competition law in India and any adverse application or interpretation of the Competition Act could adversely affect the business: The Competition Act was enacted for the purpose of preventing practices that has or are likely to have an adverse effect on competition in India and has mandated the Competition Commission of India to prevent such practices. Under the Competition Act, any arrangement, understanding or action, whether formal or informal, which causes or is likely to cause an appreciable adverse effect on competition is void and attracts substantial penalties. Further, any agreement among competitors which, directly or indirectly, involves determination of purchase or sale prices, limits or controls production, or shares the market by way of geographical area or number of subscribers in the relevant market is presumed to have an appreciable adverse effect in the relevant market in India and shall be void. However, if ICICI Sec is affected, directly or indirectly, by the application or interpretation of any provision of the Competition Act, or any enforcement proceedings initiated by the CCI, or any adverse publicity that may be generated due to scrutiny or prosecution by the CCI or if any prohibition or substantial penalties are levied under the Competition Act it would adversely affect its business, financial condition, cash flows, results of operations and prospects.

ICICI Sec do not own the ‘ICICI’ trademark and logo and other trademarks in relation to its business. In addition, it may be unable to adequately protect its intellectual property since a number of its trademarks, logos and other intellectual property rights may not be registered and therefore do not enjoy any statutory protection*:* Third parties may infringe ICICI Sec’s intellectual property, causing damage to its business prospects, reputation and goodwill. Its efforts to protect intellectual property may not be adequate and any third-party claim on any of its unprotected brands may lead to erosion of its business value and its operations could be adversely affected. ICICI Sec may need to litigate in order to determine the validity of such claims and the scope of the proprietary rights of others. Any such litigation could be time-consuming and costly and a favourable outcome cannot be guaranteed. It may not be able to detect any unauthorised use or take appropriate and timely steps to enforce or protect its intellectual property. It has a total of 26 registered trademarks and two registered copyrights. Additionally, it has 9 trademarks applications and two copyright registration applications filed by it in respect of its intellectual property which is pending at various stages. It cannot br assured that any unauthorised use by third parties of the trademarks will not similarly cause damage to its business prospects, reputation and goodwill. Furthermore, ICICI Sec do not own the “ICICI” trademark and logo, as well as other trademarks in relation to its business, such as “ICICI Direct”, “3-in-1-i-direct account”, “3-in-1 E-Invest Account” and ”Buy Today and Sell Tomorrow”, which is registered in the name of ICICI Bank. The trademark licensing agreement can be terminated if ICICI Bank ceases to hold 51% of the equity share capital in the Company on a fully diluted basis and if ICICI Bank notifies its intention to terminate this agreement. In the event of such termination, ICICI Sec would be required to, among other things, delete “ICICI” from its corporate name and other trademarks.

Profit & Loss Rs in million

Particulars	9MFY18	FY17	FY16	FY15
Brokerage income	7489.5	7758.9	6607.3	7554.1
Income from services	4694.1	4982.9	3499.3	3363.1
Interest and other operating income	1117.5	1086.6	956.9	910.1
Profit/(loss) on sale of securities (net)	145.8	213.9	182.3	267.8
Total Income	**13446.9**	**14042.3**	**11245.8**	**12095.1**
Total Expenditure	**6854.1**	**8379.7**	**7086.8**	**7124.3**
Employee benefits expenses	4148.2	4846.6	4013.7	3920.7
Operating expenses	1103.1	1289.5	1015.0	1045.4
Other expenses	1602.8	2243.6	2058.1	2158.2
PBIDT	**6592.8**	**5662.6**	**4159.0**	**4970.8**
Interest	351.5	287.4	258.4	311.0
PBDT	**6241.3**	**5375.2**	**3900.6**	**4659.8**
Depreciation	115.6	154.8	159.6	163.0
PBT	**6125.7**	**5220.4**	**3741.0**	**4496.8**
Exceptional items	0.0	0.0	0.0	0.0
Tax (incl. DT & FBT)	2134.8	1834.5	1353.8	1558.1
Tax	2216.1	1903.7	1475.3	1630.7
MAT credit entitlement	0.0	0.0	0.0	0.0
Deferred Tax	-81.3	-69.2	-121.5	-72.6
PAT	**3990.9**	**3385.9**	**2387.2**	**2938.7**
EPS (Rs.)	12.39	10.5	7.4	9.1
Equity	1610.7	1610.7	1610.7	1610.7
Face Value	5.0	5.0	5.0	5.0
OPM (%)	73.1	59.0	48.5	53.8
PATM (%)	53.3	43.6	36.1	38.9

Balance Sheet: Rs in million

Particulars	9MFY18	FY17	FY16	FY15
Equity & Liabilities				
Shareholders Funds	**6751.2**	**4895.8**	**3981.6**	**3523.1**
Equity Share Capital	1610.7	1610.7	1610.7	1610.7
Reserves and surplus	5140.5	3285.1	2370.9	1912.4
Non-Current Liabilities	**1243.4**	**1164.6**	**895.1**	**685.7**
Other long-term liabilities	845.6	826.5	627.5	525.0
Long-term provisions	397.8	338.1	267.6	160.7
Deferred Tax Liabilities (Net)				
Current Liabilities	**21222.3**	**14414.0**	**9098.2**	**9419.8**
Short-term borrowings	8607.1	3954.1	1728.6	2265.3
Others	10397.0	8699.3	5925.4	5568.8
Other current liabilities	2129.3	1709.6	1402.3	1544.8
Short-term provisions	88.9	51.0	41.9	40.9
Total Equity & Liabilities	**29216.9**	**20474.4**	**13974.9**	**13628.6**
Assets				
Non-Current Assets	**2382.5**	**3146.3**	**2461.8**	**2093.3**
Tangible assets	260.90	241.9	250.9	252.7
Intangible assets	102.3	104.4	103.2	95.7
Capital work in progress	35.4	0.5	3.8	6.9
Intangible assets under development	24.3	27.9	20.3	30.1
Non-current investments	18.9	20.5	12.2	12.2
Deferred Tax Assets (Net)	659.1	577.8	508.6	387.1
Long-term loans and advances	1232.9	1361.8	1292.7	1147.0
Other non-current assets	48.7	811.5	270.1	161.6
Current assets	**26834.4**	**17328.1**	**11513.1**	**11535.3**
Current investments	1000.0	0.7	0.0	0.0

Stock-in-trade	291.1	310.9	1412.7	338.1
Trade Receivables	3558.6	7100.5	2933.3	1731.3
Cash and bank balances	14302.9	8823.6	6394.2	8530.6
Short-term loans and advances	6789.4	358.7	253.6	310.1
Other Current Assets	892.4	733.7	519.3	625.2
Total Assets	**29216.9**	**20474.4**	**13974.9**	**13628.6**

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066 Compliance Officer: Binkle R. Oza Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600