Robust Quarter; Dropping Coverage owing to De-listing

Est. Vs. Actual for Q4FY24: Revenue – BEAT; EBITDA – BEAT, PAT – BEAT

Changes in Estimates post Q4FY24

We discontinue our estimates as we are ***dropping coverage*** with ISEC receiving approval for delisting.

Key Result Takeaways

- **Market Share** – In Q4FY24, ISEC lost market share in terms of the *Retail cash market* by ~40bps QoQ. The retail cash market share stood at 12.7% vs. 13.1% QoQ and 11% YoY. In terms of Retail derivative market share (incl. Option premium and Future Turnover), it improved by ~100bps YoY and stood at 7.8% vs. 6.8% in Q4FY23. In the commodity segment, the company lost market share by ~40bps QoQ. Mutual Fund AUM Market share has remained largely steady at 1.8% vs 1.7% QoQ. ISEC continues to maintain its leadership position in MTF with a market share of ~20% vs. ~22% in Q3FY24.
- **Update on Focus Areas of ISEC**
  - **Wealth Management** – ISEC added ~7.5K clients during the quarter. Total AUM grew by 28/1% YoY/QoQ. Revenues grew by 92/21% YoY/QoQ. Blended yields improved to 48bps vs. 32/42bps YoY/QoQ, led by improved yields in the recurring assets (+18bps QoQ) and a marginal improvement of ~4bps in the transactions asset yield on a QoQ basis.
  - **Derivative Segment** – In Q4FY24, F&O orders/customers grew by 24/23% YoY. Derivative broking revenues grew by 24/17% YoY/QoQ. The share of derivative broking remained stable at 16% of total equity revenue.
  - **Loan Disbursements** – The company disbursed loans of Rs 18.7 Bn (-14% QoQ). The share of home loans increased QoQ to 42% from 35% in Q3FY24.
- **Q4FY24 Financial Review** – Revenues grew by 74/17% YoY/QoQ. Broking revenues registered a strong growth of 89/26% YoY/QoQ. In the institutional business revenues (+118% YoY) growth was driven by a decline in Cash ADTOs and muted capital market. In the issuer and advisory services segment, ISEC witnessed a strong revenue growth of ~723% YoY and ~7% QoQ steered by increasing deals. ISEC continues to see a strong IPO pipeline of ~18 deals (valued at Rs 443 Bn) along with an additional mandate of 25 deals where the amount is yet to be decided. ISEC continues its focus on building non-IPO revenues. Distribution revenues grew by 9% QoQ, largely driven by increasing mutual fund distribution revenue.

  Opex growth was elevated at 55/18% YoY/QoQ, mainly led by higher interest cost and other Opex. However, strong top-line growth contained the C-I ratio to 53.4% from 60.1/52.9% YoY/QoQ. PAT grew by 104/15% YoY/QoQ.

Conclusion:

ISEC has exited FY24 on a strong note, registering a strong operational revenue/earnings growth of 49/52% YoY. This growth was driven by improved broking revenues along with a slight improvement in Opex ratios. The company's efforts have been gradually yielding results as ISEC has seen notable improvement across many parameters amongst its key focus areas. Given that the delisting proposal of ISEC has been approved in Mar'24, **we discontinue our coverage on ISEC. As per the scheme of arrangement, shareholders of ISEC will get 67 shares of ICICI Bank against 100 shares held in ISEC.**

Key Financials (Consolidated)

(Rs Cr)	Q4FY24	QoQ (%)	YoY (%)	Axis Est.	Variance
Revenue	1,543	+16.7	+74.4	1,357	+13.7
EBITDA	1,079	+18.4	+96.9	955	+13.0
EBITDA Margin (%)	69.9			70.4	
Net Profit	537	+15.2	+104.3	468	+14.7

Source: Company, Axis Research

(CMP as of 18 Jan, 2024)

CMP (Rs)	703
Upside /Downside (%)	N.A
High/Low (Rs)	865/428
Market cap (Cr)	22,740
Avg. daily vol. (6m) Shrs.	5,66,873
No. of shares (Cr)	32.3

Shareholding (%)

	Sep-23	Dec-23	Mar-24
Promoter	74.8	74.8	74.7
FIIs	10.1	10.3	10.4
MFs / UTI	2.3	2.1	3.2
Others	12.8	12.8	11.7

Financial & Valuations

Y/E Mar (Rs Cr)	FY22	FY23	FY24P
Revenues	3,438	3,425	5,051
PBT	1,853	1,501	2,278
Net Profit	1,383	1,118	1,697
EPS (Rs)	42.8	34.6	52.5
P/E (x)	16.4	20.3	13.4
RoE (%)	65.0	42.3	50.1
Div. Payout (%)	56.0	54.9	55.2

Change in Estimates (%)

Y/E Mar	FY25E	FY26E
Revenues	*Not Applicable as Dropping Coverage*	
EBITDA		
PAT		

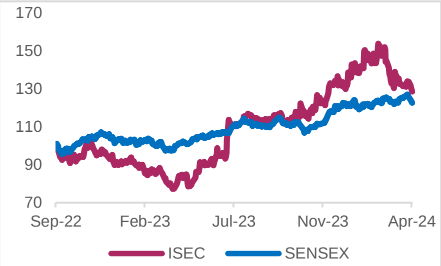
ESG disclosure Score**

Environmental Disclosure	16.4
Social Disclosure Score	26.8
Governance Disclosure Score	84.9
Total ESG Disclosure Score	**42.7**
Sector Average	**38.9**

Source: Bloomberg, Scale: 0.1-100

**Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2022 disclosures

Relative performance



Source: Ace Equity, Axis Securities

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Results Review (Consolidated)

	Q4FY24	Q4FY23	YoY %	Q3FY24	QoQ %	FY24	FY23	% YoY
Profit & Loss								
Revenue from Operations	**1,514**	**860**	**76.1**	**1,299**	**16.6**	**4,943**	**3,325**	**48.7**
-- Broking Income	585	310	88.7	465	26.0	1,877	1,256	88.7
-- Income from Services	405	262	54.7	379	6.9	1,393	1,067	54.7
-- Interest Income	523	287	82.1	455	15.0	1,673	1,001	82.1
Other Operating Revenues	29	25	16.2	24	22.6	106	90	16.2
Other Income	1	0	195.3	1	139.6	2	10	195.3
Total Revenue	**1,544**	**885**	**74.5**	**1,323**	**16.7**	**5,051**	**3,425**	**74.5**
Operating Expenses								
-- Employee Expenses	210	161	30.2	229	-8.3	870	698	24.7
-- Interest Expense	327	175	87.0	261	25.3	987	536	84.0
-- Depreciation	34	21	63.9	27	24.0	109	75	45.1
-- Other Opex	254	175	44.8	182	39.3	807	615	31.2
Total Expenses	825	532	55.0	699	17.9	2,773	1,924	44.1
C-I Ratio (%)	***53.4%***	***60.1%***		***52.9%***		***54.9%***	***56.2%***	
EBITDA	1,079	548	96.9	911	18.4	3,372	2,103	60.3
EBITDA Margin (%)	69.9%	61.9%		68.9%		66.8%	61.4%	
Profit Before Tax	720	353	103.8	624	15.4	2,278	1,501	51.7
Tax	183	91	102.6	158	15.9	581	383	51.5
Profit After Tax	537	263	104.3	466	15.2	1,697	1,118	51.8

Source: Company, Axis Securities

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY22	FY23	FY24P
Revenue from Operations	3,435	3,416	5,049
Other Income	4	10	2
Total Income	**3,438**	**3,425**	**5,051**
Total Operating Expense	1,586	1,924	2,774
PBT	**1,853**	**1,501**	**2,278**
Tax	470	383	581
Profit After Tax	**1,383**	**1,118**	**1,697**

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E March	FY22	FY23	FY24P
Equity Share Capital	161	161	162
Reserves & Surplus	2,269	2,691	3,761
Net Worth	**2,431**	**2,853**	**3,923**
Borrowings	**7,846**	**9,408**	**16,887**
Other Liabilities	3,370	3,308	4,814
Total Liabilities	**13,646**	**15,569**	**25,623**
Cash & Bank balances	5,617	6,791	11,251
Loans	6,857	6,420	11,934
Fixed Assets & Others	1,173	2,358	2,437
Total Assets	**13,646**	**15,569**	**25,623**

Source: Company, Axis Securities

Ratio Analysis

(%)

Y/E March	FY22	FY23	FY24P
Profitability & Efficiency Ratios			
RoE (%)	65.0	42.3	50.1
RoA (%)	12.7	7.7	8.2
Cost to Income Ratio (%)	46.1	56.2	54.9
Valuation			
BVPS	75.3	88.4	121.3
Change	*33%*	*17%*	*37%*
Price-BV (x)	9.3	8.0	5.8
EPS	42.8	34.6	52.5
Change	*29%*	*-19%*	*52%*
Price-Earnings (x)	16.4	20.3	13.4
Dividend Per Share	24.0	19.0	29.0
Dividend Payout Ratio	56%	55%	55%
Dividend Yield (%)	3.4%	2.7%	4.1%

Source: Company, Axis Securities

ICICI Securities Price Chart and Recommendation History

Date	Reco	TP	Research
19-Jan-22	BUY	990	Result Update
21-Apr-22	BUY	865	Result Update
22-Jul-22	BUY	530	Result Update
21-Oct-22	BUY	625	Result Update
20-Jan-23	BUY	600	Result Update
20-Apr-23	BUY	500	Result Update
24-Jul-23	UNDER REVIEW	NA	Result Update
17-Oct-23	UNDER REVIEW	NA	Result Update
16-Jan-24	UNDER REVIEW	NA	Result Update
18-Apr-24	DROPPING COVERAGE	NA	Result Update

Source: Axis Securities

AXIS SECURITIES

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