

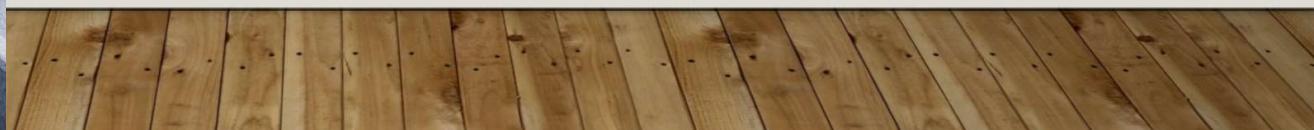
ICICI Securities

EQUITY RESEARCH ON ICICI SECURITIES

BY- AYUSH JADIA

MOHIT YADAV

REEVANSH SHAH



INTRODUCTION

- ICICI Securities Limited is a financial services company that provides a range of services, including investment banking, institutional broking, retail broking, and financial product distribution. The company is a subsidiary of ICICI Bank Ltd and began its operation in May 1995. It continues to grow its operation by expanding its client base and providing different types of services. The company operates www.icicidirect.com, a virtual financial supermarket, meeting the three need sets of its clients - investments, protection, and borrowing..



INTRODUCTION

- ICICI Securities is registered with the Securities and Exchange Board of India (SEBI) as a Stock Broker, Merchant Banker, Portfolio Manager, Investment Adviser, and Research Analyst. It is also registered as Corporate Agent with the Insurance Regulatory and Development Authority of India (IRDAI) and Point of Presence (POP) with the National Pension System (NPS). The company has developed four clear business lines – broking, distribution of financial products, wealth management, and investment banking – to meet the needs of its customers. ICICI Securities has been performing well in terms of operating income and margin ratio. The company has also provided insights into its strategies and risks in its integrated report



PERFORMANCE

- In the third quarter of the fiscal year 2023, Genus Power Infrastructures (GPIL) reported revenue of Rs2 billion, showing a 2.3% increase compared to the same period last year but an 8.3% decrease compared to the previous quarter. Their EBITDA was Rs205 million, down 2% compared to the previous year but up by 21.7% compared to the previous quarter. The EBITDA margin improved to 10.2% from 7.7% in the second quarter of fiscal year 2023 due to a decrease in commodity prices, which led to better gross margins.



PERFORMANCE

- Profit After Tax (PAT) reached Rs116 million, marking a significant 41.6% YoY increase and a 14% QoQ increase, supported by higher other income of Rs82 million, reflecting a 98% YoY increase and a 7.2% QoQ increase. GPIL also secured a Letter of Acceptance (LoA) worth Rs24.2 billion (net of taxes) from the state of Assam for the implementation of advanced metering infrastructure (AMI) to install and operate 2.949 million smart meters starting in January 2023. This new order increased the order book to Rs40.99 billion (net of taxes), up from Rs16.8 billion at the end of Q3FY23, providing strong visibility for future orders in the near to medium term.



PERFORMANCE

- The company anticipates further margin improvement as commodity costs continue to decrease, and semiconductor supply chains return to normal. Therefore, they recommend a BUY rating with a revised target price of Rs121 per share, up from Rs107.

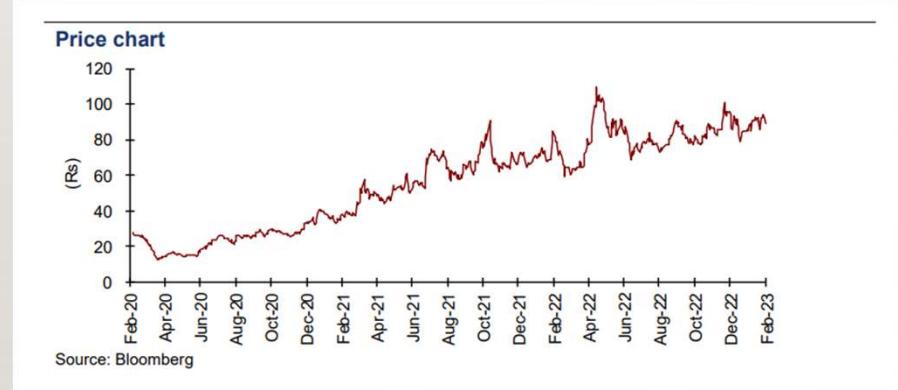


KEY HIGHLIGHTS

- Revenue for Q3FY23: Rs2.004 billion, up 2.3% YoY, down 8.3% QoQ.
- EBITDA: Rs205 million, down 2% YoY, up 21.7% QoQ.
- EBITDA Margin: 10.2%, up from 7.7% in Q2FY23.
- PAT: Rs116 million, up 41.6% YoY, up 14% QoQ.
- New Assam AMI Project: LoA worth Rs24.2 billion.
- Order Book: Increased to Rs40.99 billion.
- Expectation of Semiconductor Supply Normalization and Decreasing Commodity Prices in FY24.
- Participation in Rs270 billion worth of live tenders.
- Valuation: BUY rating, target price revised to Rs121 per share.

VALUATIONS AND METHODOLOGY RISKS

- ICICI Securities maintain a BUY rating on GPIL and roll forward their valuations to FY25E earnings, assigning a 17x multiple, which is in line with its 10-year historical average, as opposed to the previous 20x multiple used for FY24E, resulting in a revised target price of Rs121 (previously Rs107). At the current market price of Rs89 per share, the stock is trading at 12.5x P/E and 8.6x EV/EBITDA on an FY25E basis.
- Key risks to their call include:
 1. Slower-than-anticipated pick-up in tendering activities.
 2. Continued shortage of semiconductors and other electronic components.
 3. A significant increase in commodity prices.



COMPETITION

Brokerage revenue mkt share	FY14	FY15	FY16	FY17
ICICI Securities	6.0%	5.9%	5.6%	5.6%
Kotak Securities	4.2%	4.6%	4.9%	5.3%
Motilal Oswal	3.2%	3.5%	3.9%	3.9%
India Infoline	3.9%	3.7%	3.6%	3.2%
HDFC Securities	2.5%	2.6%	2.7%	3.0%
Others	80.3%	79.6%	79.3%	79.0%

ICICI Securities VS HDFC Securities

HDFC Securities is perceived as one of ICICI Securities's biggest rivals. HDFC Securities is headquartered in Mumbai, Maharashtra, and was founded in 06/2000. Like ICICI Securities, HDFC Securities also operates in the Investment Banking and Securities industry. HDFC Securities generates 53% the revenue of ICICI Securities.

COMPETITION

- **ICICI Securities VS EFSL**
- EFSL is one of ICICI Securities's top competitors. EFSL is a Public company that was founded in 1995 in Mumbai, Maharashtra. EFSL operates in the industry. Compared to ICICI Securities, EFSL has 4,115 more employees.



COMPETITIONS

- **ICICI Securities VS Sharekhan**
- Sharekhan has been one of ICICI Securities's top competitors. Sharekhan was founded in 2000 in Mumbai, Maharashtra. Like ICICI Securities, Sharekhan also works within the Investment Banking and Securities industry. Sharekhan generates \$3.1B more revenue than ICICI Securities.



KEY RATIOS

CAGR IN 10 YEARS						STANDALONE ▾
		Mar 2023 (Cr.)	Mar 2022 (Cr.)	Mar 2021 (Cr.)	Mar 2020 (Cr.)	Mar 2019 (Cr.)
↑ Net Worth 28.32%						
↑ Debt 45.76%	EQUITY	161.43	161.34	161.11	161.07	161.07
↑ Gross Block 13.97%	RESERVE SURPLUS	2,663.66	2,247.75	1,642.46	1,030.32	873.34
	TOT DEBTS	9,408.27	7,845.53	3,629.91	1,657.12	451.83
	GROSS BLOCK	338.50	233.36	192.72	267.51	57.12
	CAPITAL WORK IN PROGRESS	30.87	14.22	7.87	8.13	3.98
	CASH LIQUID INVESTMENT	6,749.14	5,578.40	3,844.77	2,377.81	3,120.79
	NET WORKING CAPITAL	5,504.37	3,176.96	2,348.26	2,056.94	1,020.32
	CURRENT ASSETS	8,809.15	6,539.88	5,070.44	3,626.93	4,180.34
	CURRENT LIABILITIES	3,304.78	3,362.92	2,722.18	1,569.99	3,160.02

DATA SHEET

CAGR IN 10 YEARS						STANDALONE ▾
		Mar 2023 (%)	Mar 2022 (%)	Mar 2021 (%)	Mar 2020 (%)	Mar 2019 (%)
 Net Worth	28.32%					
 Debt	45.76%	PE	12.42	14.54	11.52	16.63
 Gross Block	13.97%	P/BV	4.89	8.33	6.82	7.49
		MCAP SALES	4.04	5.84	4.76	5.19
		ASSET TURNOVER	0.30	0.44	0.62	0.79
		EV/EBITDA	7.82	10.22	7.59	9.17
		DEBT/EQUITY	3.30	2.72	1.77	0.95
		ROE	42.47	65.49	71.28	48.23
		ROCE	18.06	27.06	37.13	38.46
						46.22

CASH FLOW STATEMENT

Cash Flow

Particulars	Rs (in Crores)				
	Mar'23	Mar'22	Mar'21	Mar'20	Mar'19
Profit Before Tax	1495.31	1849.78	1430.77	747.63	755.10
Net Cash Flow from Operating Activity	-675.99	-2600.50	-1610.58	-1861.68	2288.79
Net Cash Used in Investing Activity	-124.74	-68.78	-40.13	-22.57	-20.77
Net Cash Used in Financing Activity	265.99	3130.46	1417.02	545.02	-561.48
Net Inc/Dec In Cash and Cash Equivalent	-534.74	461.18	-233.69	-1339.23	1706.54
Cash and Cash Equivalent - Beginning of the Year	751.51	290.33	524.02	1863.25	156.71
Cash and Cash Equivalent - End of the Year	216.77	751.51	290.33	524.02	1863.25

Rs (in Crores)

QUATERLY RESULT

	Jun 2023 (Cr.)	Mar 2023 (Cr.)	Dec 2022 (Cr.)	Sep 2022 (Cr.)	Jun 2022 (Cr.)	
SALES	934.11	884.69	878.79	858.27	793.55	
GROSS PROFIT	385.78	373.22	394.84	421.34	380.96	
GROSS PROFIT MARGINS	100	100	100	100	100	
OPERATING PROFIT	570.15	547.40	547.69	523.10	481.01	
OP PROFIT MARGIN	58.66	59.60	60.13	59.51	58.57	
INTEREST	184.50	174.56	152.90	108.11	100.24	
PROFIT AFTER TAX	269.95	261.95	279.11	299.45	271.09	
CASH PROFIT	292.98	280.78	299.96	319.72	289.48	
EPS	8.36	8.12	8.64	9.28	8.40	

P/L STATEMENT

	Jun 2023 (Cr.)	Mar 2023 (Cr.)	Dec 2022 (Cr.)	Sep 2022 (Cr.)	Jun 2022 (Cr.)	
SALES	934.11	884.69	878.79	858.27	793.55	
GROSS PROFIT	385.78	373.22	394.84	421.34	380.96	
GROSS PROFIT MARGINS	100	100	100	100	100	
OPERATING PROFIT	570.15	547.40	547.69	523.10	481.01	
OP PROFIT MARGIN	58.66	59.60	60.13	59.51	58.57	
INTEREST	184.50	174.56	152.90	108.11	100.24	
PROFIT AFTER TAX	269.95	261.95	279.11	299.45	271.09	
CASH PROFIT	292.98	280.78	299.96	319.72	289.48	
EPS	8.36	8.12	8.64	9.28	8.40	