



IL&FS Securities Services Ltd (ISSL)
ISSL Securities Transaction Services Ltd (ISTSL)

Acquisition Proposition – Teaser

November 2018

Executive Summary

Leadership in niche securities services business with a unique business model

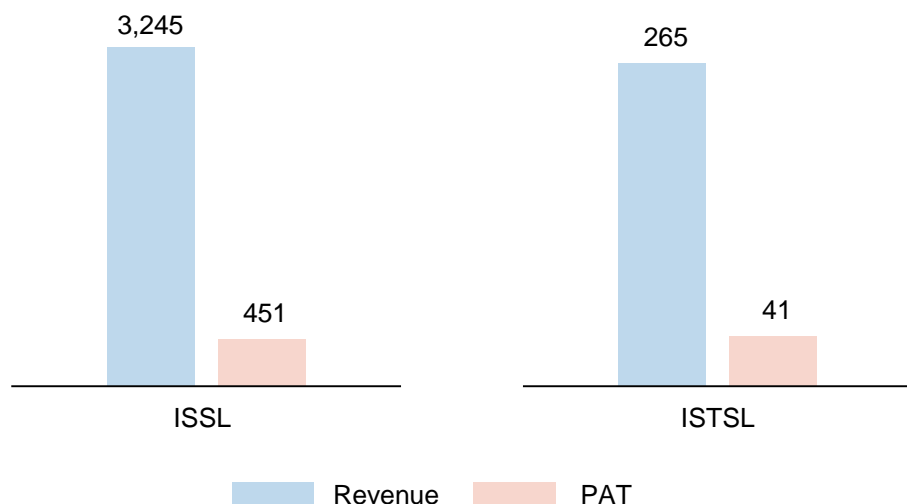
Business Summary

- ISSL, one of India's largest capital market intermediaries with multiple revenue stream is engaged in :
 - Clearing & Settlement services - Largest Professional Clearing Member (PCM) in Equity Derivatives & one of the largest PCM in Currency
 - Depository Participant
 - Custody & Fund services
- ISTSL, the largest PCM for the Commodity Derivatives segment.

Key Investment Highlights

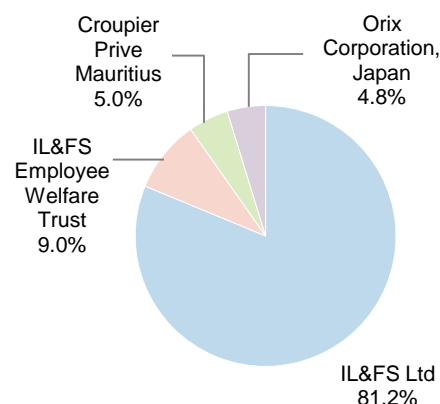
- Attractive platform offering secondary intermediary services to the capital market participants
- On an average 1.1 mn+ clearing transactions/day and Peak clearing transactions > 3.0 mn/day during H1 FY'19
- Significant cross selling opportunities across business streams
- Robust risk framework takes into account market sensitivity, institutional pedigree & regulatory requirements
- Cutting edge IT capabilities & supporting infrastructure

Revenue & Profitability (FY'18 in Rs. mn)

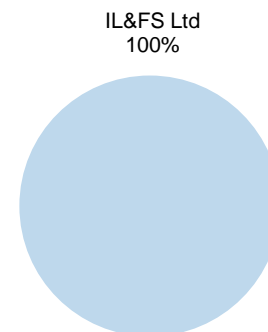


Shareholding Pattern (as of FY'18)

ISSL – 23.78 mn Equity Shares



ISTSL – 10 mn Equity Shares

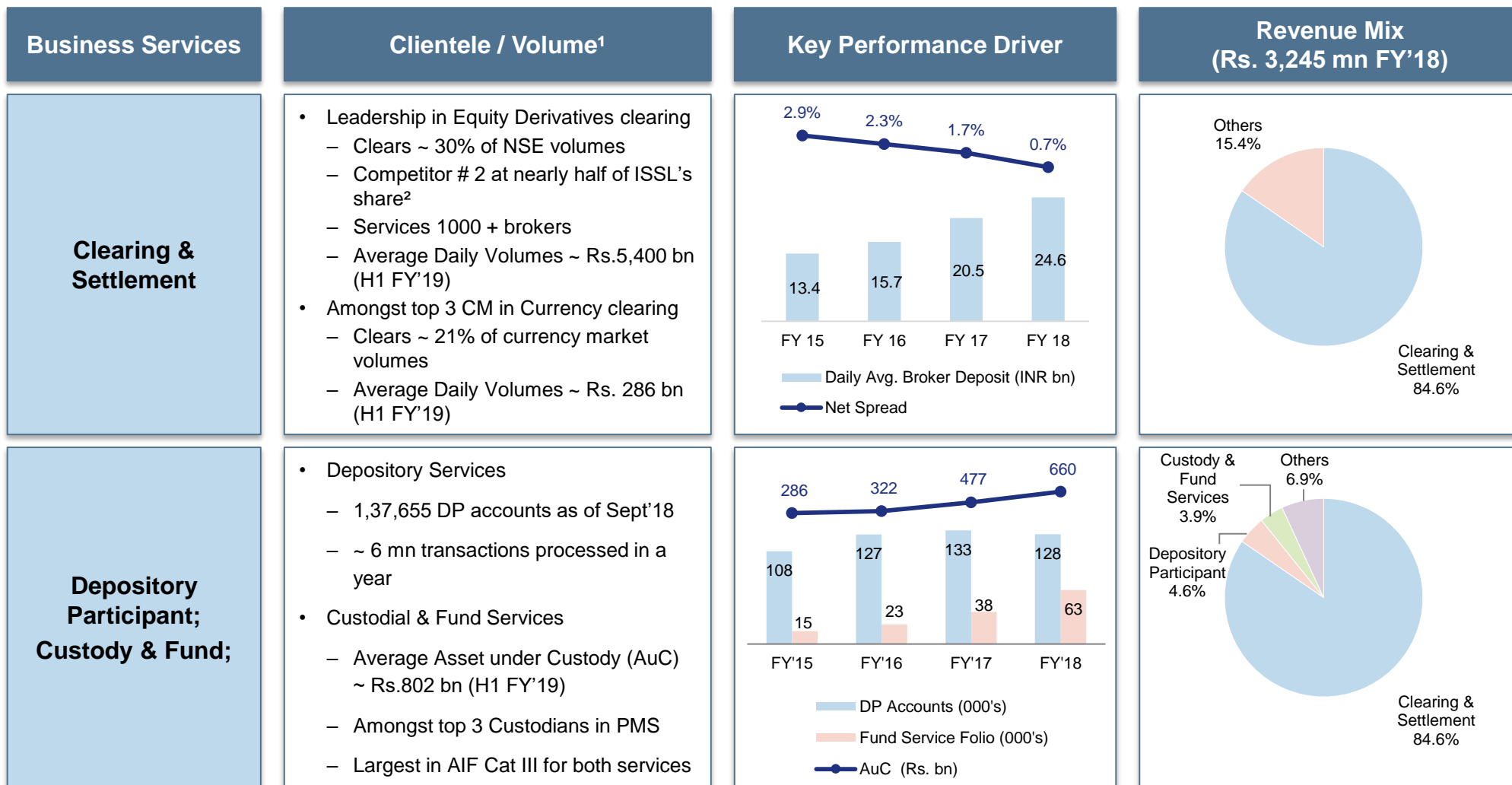


Source Company Management

Note ISTSL – Ceased to be 100% subsidiary of ISSL on transfer of its entire stake to IL&FS Ltd in June'17

ISSL – Established Market Leader

Long standing domination in the secondary market intermediary segment



- Consolidation opportunities for players with similar / variant of the business model to scale up the operations/ market share
- Multiple synergies for a bank to enhance retail presence through Depository services, and/or become a sub-custodian to Global Custodian, etc.

Source
 1. Company Management
 2. NSE – Data as of 4th Oct'18

ISTSL – Largest Clearing Member in the Commodity Derivatives Segment

- ISTSL was created to comply with Forward Market Commission directive to house Commodity Derivatives clearing business in a separate entity.

- Offers services to its Trading Members (TM) & Constituent Clients

Key Highlights



Registered with MCX, NCDEX and newly started commodities segment of NSE and BSE as a PCM



Provides IT services to clients which is further outsourced to ISSL

Strong Track Record



Established market leader with consistent ~ 26% market share¹



YTD Sept'18 average daily trading volume Rs. 145 bn (FY'18 - Rs. 124 bn)²

- Banks can realize synergies by extending Intra-Day and Overnight margin facilities, etc. to fuel Clearing business growth
- Offering combined bouquet of services to the clients across trading segment
- Under single entity, depending upon the TM / broker's current requirement, CM's ability to interchangeably use excess broker margin across asset class (post TM / broker's consent) to further drive growth

Source

1. MCX & NCDEX
2. Company Management

Financial Snapshot

Standalone Financial Summary

Particulars (in Rs. mn)	ISSL			ISTSL		
	FY'16	FY'17	FY'18	FY'16	FY'17	FY'18
Income Statement Summary						
Revenue	2,776	3,427	3,245	169	304	265
Employee Costs and SG&A	576	644	615	30	54	41
Interest	1,503	1,954	1,878	113	192	166
Depreciation	54	54	48	-	0	0
Total Expenses	2,133	2,652	2,541	143	246	207
EBT	643	774	704	26	57	58
<i>EBT Margin %</i>	<i>23%</i>	<i>23%</i>	<i>22%</i>	<i>15%</i>	<i>19%</i>	<i>22%</i>

Balance Sheet Summary	FY'16	FY'17	FY'18	FY'16	FY'17	FY'18
	Share Capital	238	238	238	100	100
Reserves & Surplus	2,538	2,655	1,974	142	146	133
Current Liabilities	32,657	26,805	40,450	2,051	3,088	3,276
Total Equity & Liabilities	35,433	29,698	42,662	2,293	3,335	3,510
Non-Current Assets	1,205	928	568	76	44	42
Current Assets	34,228	28,770	42,094	2,217	3,291	3,467
Total Assets	35,433	29,698	42,662	2,293	3,335	3,510

Note Revenue drop on account of shrinking spreads

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