Best Companies To Work For

Great Place To Work.

INDIA 2022

AngelOne

To,

Listing Department	Department of Corporate Service
National Stock Exchange of India Limited	BSE Limited
Exchange Plaza, C-1, G Block,	Phiroze Jeejeebhoy Towers,
Bandra Kurla Complex,	Dalal Street,
Bandra (East), Mumbai - 400 051.	Mumbai - 400 001.
Symbol: ANGELONE	**Scrip Code: 543235**

Dear Sir/ Ma'am,

Sub: Filing of the transcript of earnings call with analysts and investors under Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Further to our intimation on April 6, 2023, intimating of the earnings call with analysts and investors to be hosted by the Company on April 18, 2023, please find enclosed herewith the transcript of the said earnings call for your reference and records.

The transcript of the earnings call will be posted on the Company's website at www.angelone.in.

You are requested to take note of the same.

Thanking You,

Yours faithfully

For Angel One Limited
(Formerly Known as Angel Broking Limited)

NAHEED REHAN PATEL

Digitally signed by NAHEED REHAN PATEL
DN: c=IN, o=PERSONAL, pseudonym=185cc68bb8e00be1e52d8c75bc7e183b, 2.5.4.20=ADA6B9D983B03C8E2802615C6EF01E3B8A58731E21325C14CE39B2D3D8F97442, postalCode=400059, st=MAHARASHTRA, serialNumber=333b54bd95a7b4b72066364d67a6162749f8eacabfc4132538e641ebee970e18, cn=NAHEED REHAN PATEL
Date: 2023.04.21 16:50:26 +05'30'

Naheed Patel
Company Secretary and Compliance Officer
Membership No: A22506

Date: April 21,2023
Place: Mumbai

Encl: As above

EMPOWERING INVESTORS
A SEBI Initiative

CSO, Corporate & Regd Office:
601, 6th Floor, Ackruti Star, Central Road, MIDC,
Andheri East, Mumbai - 400093.
T: (022) 4000 3600
F: (022) 4000 3609
E: support@angelone.in
www.angelone.in

Angel One Limited
(Formerly Known as Angel Broking Limited)
CIN: L67120MH1996PLC101709
SEBI Registration No Stock Broker: INZ000161534,
CDSL: IN-DP-384-2018, PMS: INP000001546,
Research Analyst: INH000000164, Investment Advisor: INA000008172,
AMFI Regn. No. ARN-77404, PFRDA, Regn. No.-19092018.

"Angel One Limited

Q4 FY '23 Earnings Conference Call"

April 18, 2023

MANAGEMENT:	**MR. DINESH THAKKAR – CHAIRMAN AND MANAGING DIRECTOR – ANGEL ONE LIMITED** **MR. VINEET AGRAWAL – CHIEF FINANCIAL OFFICER – ANGEL ONE LIMITED** **MR. HITUL GUTKA – HEAD INVESTOR RELATIONS – ANGEL ONE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Angel One Limited's Q4 FY '23 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not guarantees of future performance, and involve risks and uncertainties that are difficult to predict.

I now hand the conference over to Mr. Hitul Gutka. Thank you, and over to you.

Hitul Gutka: Good morning and welcome, everyone. Thank you for joining us today to discuss Angel One's Q4 FY '23 financial and business performance. The recording of today's earnings call and the transcript will be uploaded on our website under the investor relations section. The financial results, investor presentation, and the press release are also available on the website.

For today's call, Angel is represented by Mr. Dinesh Thakkar, Chairman and Managing Director, Mr. Vineet Agrawal, CFO. We also have the other senior leadership team, along with SGA our IR consultants. The leadership team will give us a brief overview of the operational and financial performance of the quarter gone by, followed by the Q&A session. There may be certain forward-looking statements during the call, which must be viewed in aggregate with the risks that the company faces.

With the brief introduction, I now invite Mr. Dinesh Thakkar for his opening remarks.

Dinesh Thakkar: Thank you, Hitul. Good morning, everyone. I'm leading the call after a few quarters. However, let me reassure you that this is temporary. The leadership team at Angel One is built on a strong foundation, and needless to say, this professional team is capable of leading not only business growth and goals, but overall communication as well.

With Narayan Gangadhar's decision to move on, the day-to-day operation of the company will continue to be led by the team of high-caliber professionals under my active guidance. I would like to take this opportunity to once again state on the record our appreciation to Narayan for having led the organization for nearly two years, while wishing him all the best in his future endeavors.

We continue to strengthen our core teams as we maintain our focus on immense growth opportunities, keeping in mind our desire to improve customer experience consistently. Our goal is to partner with all Indians in their wealth creation life cycle by offering them all financial products they need as they grow.

The team is further strengthened by the addition of Mr. Amit Majumdar as an Executive Director for Strategic Initiatives of the company. It gives me great pleasure to welcome

Amit, who has had a variety of experience in the BFSI, health consulting business and has also been associated with Angel One in the past. Amit brings deep rigor and experience in the area of business growth and profitability. He will oversee various strategic initiatives that Angel One wishes to explore going forward.

This is on the leadership front. Leadership team is aligned with the vision of making Angel One India's most trusted fintech brand, empowering billion lives, leveraging the power of data and technology.

FY '23 has been another year of strong performance for Angel One, in which we continued to strengthen the business with each passing quarter. We launched the Super App and have seen successful migration and transition of all clients to the new app. It will be fair to say that this was perhaps one of the largest migration in digital space achieved by any company in India within the shortest possible frame.

Even in tough market conditions, our performance in FY '23 has demonstrated great resilience across various parameters, such as our market share in India's incremental demand account grew by 366 bps to 18.4%. We concluded the year with a client base of 13.8 million, making us one of India's largest retail stockbrokers. Our orders, a key revenue driver for our business, grew by 36% year-on-year to 926 million. The underlying ADTO more than doubled to over Rs. 13 trillion, thereby expanding our market share in overall retail equity turnover by 57 bps to 21.8%. Our digital playbook very clearly demonstrates the strong foundation on which our business is premised. Some highlights include our total client base grew by 7.6x over the last three years, as we penetrated more deeply into Tier 2 and beyond pockets and onboarded many new to market clients. Our net revenues correspondingly grew by 4.9x over this period. Our digital model offers significant operating leverage, as shown from margin expansion and a 10-fold jump in our profits over the last three years.

This superlative performance has come without any compromise on profitability or investments to spur the growth of our businesses. The fact that our operating margin has remained above our desired range of 45% to 50% gives us very strong headroom to achieve our aggressive growth targets.

Let me share with you some insights about the quality of our business the team has built at Angel One. The fundamental principle at Angel One has always been to stay focused on unit economics and run a profitable business, keeping clients at the center while enhancing their experience and wow quotient with the Angel One app. Our business model is geared towards attracting young cohorts who do not have physical access to capital market.

This young digital natives have a long runway in their career with sustainable revenue potential across multiple product offering on our Super App. As we speak, approximately 43% of our clients acquired in FY '23 fall into this category of less than 25 years in age. Our digital model has enabled us to penetrate deeper into Tier 2, Tier 3 and beyond cities, acquiring such client and serving them profitably. Empirical data on past client behavior suggests they continue to contribute healthy revenue over a five year period and beyond. Our digital business model demonstrates further improved revenue progression as client continue their journey on our platform.

In our Q4 FY '23 investor presentation, we have shown some strong data points evidencing this behavior, wherein the robustness of our digital model demonstrates a very healthy LTV to CAC of 7.8X based on first three years of aggregate client revenue. We firmly believe that as a client spends more time on our platform and consumes more service, this LTV to CAC has a long runway of growth.

This strong LTV to CAC trend further strengthens our mission of aggressively taking advantage of massive growth opportunities in underpenetrated geography while maintaining our robust contribution margin profile. Our seamless digital offering coupled with our trusted brand fulfills the basic principle pursued in any multi-generational product suite.

The inherent success of our Super App strategy is further strengthened by the strong growth in monthly unique SIPs observed in the first quarter of its full-fledged rollout. As we offer other financial products catering to an evolving needs of this client, we are confident about expanding our relationship across their long tenure, thus achieving the true potential of our Super App.

Our low fixed cost structure built on a very stable, agile and scalable digital model insulates our margin profile under all market conditions. This places us among the few highly profitable cash accretive business in the ever-evolving fintech industry. More details are provided in the presentation.

We continue to believe that the strengthening regulatory framework across various aspects emphasizes providing stronger guardrails, especially for growing retail investor base. This has been proven with continual growth across the multiple regulatory interventions in the past.

The ensuring regulations on client funds management is a further decisive step in building the confidence of retail participants. Our purpose is to collaborate productively with regulators in achieving this goal. I hope this incremental insight has enhanced your understanding of our business.

Vineet will now take you through our financial performance, post which we will be happy to answer your questions.

Vineet Agrawal: Thank you, Dineshbhai, and good morning, everyone. FY23 has been a breakthrough year for us as we increased our client base from 9.2 million to 13.8 million clients as we registered record high net revenue, EBITDA and profit after tax. During these four quarters, Angel One has outpaced the industry to gain market share while delivering a strong performance across multiple operating and financial parameters. Our Q4 FY2023 financial performance continued its strong trajectory with the gross revenues growing by 9% quarter-on-quarter to Rs. 8.3 billion.

Gross broking revenue grew by approximately 14% quarter-on-quarter to Rs. 5.8 billion. This accounted for about 70% of our total gross revenues for Q4 FY23 as compared to 67% in Q3 FY23.

Interest income which includes interest earned from our client funding book and from deposits with exchanges has remained stable sequentially at Rs. 1.4 billion accounting for about 16% of our gross revenues in Q4 of FY23.

The ancillary transaction income linked to the turnover grew by nearly 21% sequentially. This accounts for 9% of our gross total revenues.

The aforesaid has been achieved due to a strong 20.5% market share in India's incremental demat accounts, 16% quarter-on-quarter growth in orders to 263 million, 28% quarter-on-quarter growth in ADTOs to Rs. 18.5 trillion leading to an expansion of 124 bps in our overall retail equity turnover to 22.8%.

Our consolidated EBDAT margin for the quarter stood at 57.5% in comparison to 53.9% for quarter three.

Our Q4 FY23 margin has been positively impacted by Rs. 300 million on account of reversal of stock option grants. Our consolidated profit after tax from continuing operations increased by 17.1% quarter-on-quarter to Rs. 2.67 billion. Taking into consideration the reversal of grants, which positively impacted by Rs. 300 million, the consolidated profit after tax on adjusted basis would be Rs. 2.45 billion. For FY23, consolidated gross revenues grew by 32% year-on-year to Rs. 30 billion. EBDAT grew by 43% year-on-year to Rs. 12.2 billion, this translates to 53% margin. Profit after tax from continuing operations grew by 42% year-on-year to Rs. 8.9 billion.

For FY23, the aggregate dividend payout is 37% totalling to Rs. 3.3 billion. The period end cash and cash equivalent increased to Rs. 55 billion. Client funding book was Rs. 11 billion whereas borrowings stood at Rs. 8 billion. Robust profitability along with efficient capital utilization led to an improvement in return on average equity to 47.5% for FY23. With this, I conclude the presentation and open the floor for further discussion. Thank you.

Moderator: We have a first question from the line of Swarnabha Mukherjee from B&K Securities. Please go ahead.

Swarnabha Mukherjee: Yes, thank you. Good morning, sir. Congrats on a great set of numbers. First one, I wanted to understand, you have mentioned that your margin requirements might go up as a result of upstreaming of client funds and the incremental cost will be around Rs. 40 crores for nine-month FY24. So just if you could put a little bit more colour on this, why would the margin requirement go up? Is this because you will have to have the funds to be placed in the exchanges? Some colour on that, please.

Dinesh Thakkar: Sure, sure. Vineet, if you answer this question?

Vineet Agrawal: Sure. So, Swarnabha, in the SEBI board meeting dated 29th of March, the board approved the framework for upstreaming of client funds effective 1st of July 2023. Under this framework, the funds shall be up streamed only in the form of cash, lien-mark fixed deposits or pledge of units of mutual funds, etc. This means that bank guarantees submitted as a margin to the stock exchanges have been kept outside the purview of the upstreaming framework. So, this was allowed earlier, but in this current upstreaming framework, this has been kept out. So, this will lead to increasing the proprietary capital required under the segregation and allocation of collateral at a client level. And hence, the calculation which we've done, this means that it requires additional working capital for the company.

Swarnabh Mukherjee: So, that would be the total amount around Rs. 600 crores of additional working capital requirement. Would my calculations be correct, sir?

Vineet Agrawal: Sorry, I couldn't understand the question clearly.

Swarnabh Mukherjee: So, I mean your additional working, I mean the additional borrowing that may be required would be around to the tune of Rs. 600 crores?

Vineet Agrawal: It would be around Rs. 700 crores to Rs. 800 crores and the incremental cost for that would be about Rs. 40 crores for this nine months and tentatively about Rs. 50 crores, Rs. 55 crores on an annual basis.

Swarnabh Mukherjee: Sure. Couple of questions from the revenue side. First of all, in this quarter, particularly in the month of March, we have seen very strong momentum in terms of number of orders. Just wanted to get your views on if you think this should be sustainable or was it a reflection of the market conditions where, and we can maybe see some normalization going ahead. And also on the ancillary transaction charges that we had, that has also gone up. Although the number is relatively small in the mix, but it has gone up quite a bit compared to last quarter. So, also wanted to understand what is going on here.

Dinesh Thakkar: Let me take your question on order first, then on ancillary business transaction, Vineet will answer on that. See, in terms of order, we don't go month by month. There would be for this market like would continue to be a bit cyclical. But what we have seen during all the cycles like orders, number of orders that we get per quarter or per month has also has progressively increased. So, if you look at the block of like three months, six months and one year, we look at trajectory when we plan our year, we look at the trajectory based on number of orders which increases on every quarter basis.

Every quarter would be having a good month, bad month. It is a combination of different, different kind of like factors which impacts retail participation. But overall, our observation is that during all the cycles, we have seen number of orders from retail have constantly increased. On this ancillary transaction, Vineet, if you can answer.

Vineet Agrawal: This ancillary income is linked to the transaction, the turnover charges that the exchange is levying on us. And then we levy on the client. So, this will increase in tune with the increase in the ADTO. So, as you see the ADTO quarter-on-quarter has been growing and that is linked to the increase in the transaction charges or ancillary transaction income as we call it.

Swarnabh Mukherjee: Sure, sure sir. And Vineet, on the interest income part that you report as part of your P&L, has there been some kind of reclassification between interest income and other income?

Vineet Agrawal: Yes, we've consolidated the income which was reflecting in two parts of the financial statement into interest income. Otherwise, there's no change. Just for the ease of understanding.

Swarnabh Mukherjee: Okay. So, now your interest income will have the margin funding book interest income plus your float income as well as your other own income from your own proprietary book? Would that be correct?

Vineet Agrawal: That's correct.

Swarnabh Mukherjee: Understood. And lastly, couple of things on employee expenses and other expenses, if you can give some colour how to think about these numbers because other expenses have gone up this time and employee expenses have come down slightly, ex-off the ESOP cost, so, if you can give some colour about this?

Vineet Agrawal: So, in Q4, the employee expenses other than the ESOP expenses have come down primarily due to some reversals in the provision of variable pay etc. which we made throughout the year. That's the only impact. Otherwise, there's no major change in that.

Swarnabh Mukherjee: Okay. And other expenses, will it remain close to that, next to Rs. 100 crores mark?

Vineet Agrawal: Yes. So, other expenses, a large driver of the other expenses are the client acquisition cost. So, as we keep on increasing the acquisitions quarter-on-quarter, this cost is going to grow. It's a variable cost. And other costs are primarily on account of cloud expenses which again are linked to the turnover or the volume that happens on our platform. So, that also are going to grow.

Swarnabh Mukherjee: Sure. So, last question on the ESOP side. So, if you could highlight the reason for reversal of grant and any reversal you would expect to see…

Moderator: I am sorry, sir. Your voice was breaking. Can you repeat, please?

Swarnabh Mukherjee: Yes. So, I was asking on the ESOP cost, if you could highlight the reason for reversal of the grant and any subsequent of reversal which we can expect in upcoming quarters?

Dinesh Thakkar: Yes, Vineet. You can take this.

Vineet Agrawal: So, in terms of the future impact of the reversal, there will not be any future impact because once the stock grants have been reversed, whatever cost that was there, we've taken the reversal. So, there's not going to be any impact in the future.

Swarnabh Mukherjee: Okay. That's all. Thank you so much for all your answers.

Moderator: Thank you. We have our next question from the line of Sahej Mittal from HDFC Securities. Please go ahead.

Sahej Mittal: Hi. Morning all. Thanks for taking my question. So, first is on the other expense, right? If I look at slide number 24, printed slide 24, so you have been saying that the other expenses are sort of elastic? But if I look at the cost for second quarter FY'23 and the customer additions in Q2 FY'23 versus Q4 FY'23, right? The customer additions have only gone up from 12 lakhs to 13 lakhs, but other expenses are short of 30%? So, what explains this? I mean, if you can split it out in terms of the marketing expenses, maybe some branding expenses because this is not indicative of elasticity or if I am reading out something wrong in this number.

Dinesh Thakkar: See, you have to read this way that what we are showing as a variable cost, this is something that we can control in bad market conditions. So, most of the cost what has been shown like finance cost or commission that we pay to sub broker or a variable cost which is combination of marketing and all that, that can be like, we have lever to control that.

Now, on your question of that cost of acquisition like how much we acquired Q3 and Q4, I will ask Prateek to reply this on why this cost varies because as we said that we are going to an area where actually pockets which are under penetrated, which are difficult to capture and Angel has been very successful in terms of acquiring customer who are in this kind of those pockets and age group of around 25.

So, it is really like a unique to Angel that we have acquired those customer and we are profitable acquiring those customers. So, as we are going deeper into this pocket, these are the pockets which are growing at a higher rate and because of our unique approach in terms of like we acquire customer, we see that their journeys are creating revenue and we are profitable in terms of each and every acquisition that we do in this kind of cohort, our cost definitely would not be comparable to previous quarters we are referring to that. So, Prateek, if you can just throw light on that.

Prateek Mehta: Thanks Dinesh bhai. Mr. Mittal, just to add to what Dinesh bhai has already shared with you, broadly the 8% incremental market share, if you look at it, or 8% increments in number of customers, this comes in an environment where the actual additions in the DEMAT additions in the industry has come down, right. So, while the industry additions have come down, we have actually expanded both the number of customers and we also expanded our market share in the new acquisitions. And this primarily is a function of the acquisition engine that we have perfected, looking at the younger customer and looking at Tier 2 and Tier 3 geography to expand our reach.

As far as the break-even on these customers is concerned, we continue to break-even within two quarters. So, we are comfortable with our product experience and customer experience and we know that once these customers come in, we are able to engage them meaningfully and continue our -- both our acquisition market share and the profitability of these clients, both of them are conserved and hence we are definitely very comfortable about the increases that we might see temporarily.

And the long-term building block on this will continue to remain the LTV by CAC that we have shared in the presentation and that, as you have seen, continues to remain at 7.8 for the first three years and it continues to add enduring revenue to us in the long term. So, as long as we are comfortable with that, we will continue expanding.

Dinesh Thakkar: And one second, our revenue officer would like to add something. Devender, you would like to add on this last quarter acquisition?

Devender Kumar: Yes. Hi, Sahej. So, I think from quarter 3 to quarter 4 point of view, Sahej, the number of sales has grown by almost 30% as mentioned earlier. And I think the cost in terms of acquisition has also grown in line. But the overall performance remains as we are a growth company, we are driving growth, so we are going to enter new pockets and we have been entering pockets in a very profitable way. We have maintained breaking point at around two quarters. So, that's the two things that have been there. But, you know, just to answer that part of it, I think the Q4 sales has also grown by 30%, which is in line with what you have seen.

Sahej Mittal: Because if I look at the cohort-based revenues, right, because if you are seeing that in a difficult DEMAT addition environment, if you are going out and spending higher expenses on a per-customer basis, but the incremental revenues which these new customers are contributing, in no way we understand even from the ecosystem is that they will be contributing in such a way that the payback period would remain at six months. So, the numbers don't seem to add up, what kind of efficiencies are we looking at? Because the payback period will definitely shoot up, right?

Dinesh Thakkar: No, currently, like whatever cohorts we are acquiring, we give current position. Whatever we are saying six months, it is based on this current quarter. So, the way we analyze is that whatever cohorts we acquire every month-on-month, so whatever cost you are seeing, we analyze based on what kind of like revenue we will get from those particular cohorts. So, what we are mentioning right now is based on current cohorts that we have acquired.

Sahej Mittal: Right, and if you can please quantify the cloud expenses which we have recorded in this quarter and will it for the full year?

Dinesh Thakkar: Vineet do we disclose cloud expenses separately?

Vineet Agrawal: No, we don't disclose the expenses in that detail. So, when we release the financials with the schedules, we will have some data around the other expenses.

Sahej Mittal: Right and one last thing is on the employee expense. So, if you can please, give out that, the split between your employee in your staff, what proportion would be fixed and what is the variable component?

Dinesh Thakkar: Vineet?

Vineet Agrawal: Yes, so typically the increments, the variable pay and the ESOP cost that we onboard as part of our total cost are variable in nature and can be, managed or reduced.

Sahej Mittal: Right, and of our, overall staff cost, what proportion would be variable pay? I mean, my question was around that?

Vineet Agrawal: So, total of all of these would be about 30%, 35%.

Sahej Mittal: 35% And I mean of the Rs. 30 crores reversal and ESOP expenses, what proportion of those ESOP reversals is attributable to the CEO exit? The ex-CEO exit?

Vineet Agrawal: The entire 300 million is on account of that.

Moderator: We have our next question from the line of Aditya Chheda from InCred Asset Management. Please go ahead.

Aditya Chheda: Yes, hi, can you break down the cash and cash equivalents and investments into the cash which company has and cash which is for the margin requirement?

Dinesh Thakkar: Vineet?

Vineet Agrawal: Yes, the cash and cash equivalent of 55 billion of that almost 40 billion is the client funds and the rest is the net worth of the company that has been used for margins or…

Aditya Chheda: Got it, right.

Moderator: Thank you. We have our next question from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain: Yes, hi, congratulations on good set of numbers and must appreciate the kind of presentation is uploaded every time with more granular details on the various aspects of the business. Coming to my first question, I would just want you to expand the point on that Rs. 40 crores impact what you have spoken. Is it pertaining to the -- if the client gives 100% collateral against which you have to kind of deposit cash to the clearing corporation?

Dinesh Thakkar: Vineet?

Vineet Agrawal: Yes. Segregation of margins that requires that the client has to bring in at least 50% in cash and 50% non-cash. Where the clients offer more non-cash collateral, the broker has to pitch in with their prop funds which can be in the form of cash, FDs or BGs. So, this is one reason why the working capital requirement increases and of course there is also this element of segregation of margins across various segments where also we need to have some margins with the exchanges.

Prayesh Jain: Okay. And secondly, could you just you know explain this slide seven in a slightly more detailed manner?

Dinesh Thakkar: Yes. Here we are trying to like -- there were lots of questions in terms of what kind of a LTV to CAC a broking kind of like a company can expect from their client. So, we have kind of a historical record of people in that physical era where we have seen that the customer life extends beyond 5 years and kind of a like revenue that we get from customers drop but gradually it continues or gets steady after 3rd year.

So, when we are moving to digital era, we are seeing an improvement in customer's revenue or lesser drop of customer revenue from 1st year to 2nd year and from 2nd year to 3rd year. And if you go by empirical data or evidences which are there, the customer life cycle even in physical era where actually there used to be lots of customer revenue loss because of dealers attriting and all that. In digital era because clients are downloading an app, it remains on their phone.

We are not only seeing improvement in progressive years but this can continue beyond 5 years. So, this is what we are trying to compare that customer revenue from stock broking, it is not just for a year or two, it continues beyond 5 years and in digital era we are seeing an improvement of customer revenue from compared to what we were seeing in that pre-digital era.

Prayesh Jain: If I have understood it correctly, a customer acquired in H1 20 gave Rs. 100, the cohort gave Rs. 100. In H1 21, they gave Rs. 69 of broking revenues. Is that assumption, is that understanding, correct?

Dinesh Thakkar: I will ask Devender to explain you the slide properly. Devender, if you can just explain the slide properly.

Devender Kumar: Yes, sorry. So, hi Prayesh. Can you just explain, can you just ask the question again for simplicity and clarity? I will answer that.

Prayesh Jain: I just wanted to understand. So, is my understanding correct that in that slide seven, H1 20 you are mentioning 100% and in the year two you are mentioning that as 69%. So, is that understanding correct that the customer who gave you Rs. 100, customer that you acquired in H1 20 gave you Rs. 100 in H1 20. In H1 21, they gave Rs. 69. In H1 22, they gave Rs. 63 rupees. Is that what you are showcasing out here?

Devender Kumar: Yes, correct. So, that is what it is. In the year one, they have given us Rs. 100 and in the year two, if I look at H1 20 clients, they gave Rs. 69 and in the year three, they gave Rs. 63. If you look at the recent most quarter, where clients have completed year two, this is completed data of clients. So, H2 '21 gave Rs. 100 and in year two, they gave Rs. 86 to us. Yes, that's right, Prayesh.

Prayesh Jain: Okay, got it. And you know, my third question and last question would be on the float income. You know, there is a lot of thing now that you know, ASBA may or may not be getting implemented, that could be forced while it is voluntary right now. But eventually, it may be, it will be implemented in some form for the secondary market. So, just wanted to get some numbers around the float income that we generate and which could be at risk for say, you know, whenever that ASBA gets implemented?

And also, Dinesh bhai, if you can throw some thoughts on how do you see the ASBA implementation really happening in the industry, whether that will lead to consolidation or how, you know, what proportion of customers would be kind of willing to move to ASBA, some thoughts there that will be helpful?

Dinesh Thakkar: Yes, see, what we have seen is that whenever there is concern like regulatory changes, which helps bring in more confidence in retail, we see a huge improvement in terms of participation from retail in equity market. So, we are very bullish, every implementation that regulator is doing is bringing more confidence of retail customer and we are seeing huge penetration. If you look at like our TAM, almost like people who are holding PAN card and all that, it is beyond 50 crores and all that. But what is stopping them from coming to the market when markets are giving such an excellent return, is somewhat they are not finding this market to be very kind of like reliable or trustworthy.

So, my opinion is that all this kind of like changes which happens, it happens to expand the market and people like us who have a huge market share, only they gain further market share when these are implemented. So, my view is that ASBA right now appears to be a bit far away. Right now, we are talking about gearing up for upstreaming and all that.

ASBA does not seem to be coming in near future, but whenever it comes, we are not seeing a kind of like there can be impact in terms of float income and all that. But we are more dependent on broking income and other income related to financial services. So, I feel a huge consolidation will happen in terms of clients would move towards more digital kind of like brokers because they have a perfect ecosystem to take care about online transfers and all that. But point is that even RBI and banks should be ready with those kind of like real-time technologies. According to my opinion, it is a bit time away from here.

Prayesh Jain: Okay, got it. And lastly, any thoughts that you have that you know, whether the brokerage rate should increase who blinks the eye first because the cost of operations, cost of compliance by every announcement of the regulator is just going up. So, you know, do you have any thoughts around how the brokerage rate will move and who will blink the eye first? Because next year you have an Rs. 40 crores impact, possibly, on an annualized basis a Rs. 60 crores impact because of the upstreaming of funds. There is additional, I think, regulator had put in on identifying fraudulent accounts that system has to be in place. So, there are many compliance costs that have gone up. So, do you think that Rs. 20 per order is a fair cost or do you think that will be that will have to be increased in the near future?

Dinesh Thakkar: See, for industry, there is a huge cost, operating cost increases as well as if you look at technology and all that regulators coming heavily on having proper like the data center and proper kind of like cyber securities and all that. What it suggests that you need a scale to be into this business. A medium-sized or a small-sized brokerage house cannot continue to be profitable unless and until they raise the rate. But players like us who have a huge operating levers, they are very kind of like profitable because incremental business what we get straight away it results in improvement in our bottom line.

So, I do not think that bigger brokerages like us would think about changing the rate. That is my personal opinion, because we are seeing we have a huge operating margin and we would not like to be very much concerned about few costs increasing here and there. If you look at total kind of like the way we do compliance and the way we handle technology and all that, already we have taken lots of concern upfront costs to fulfill that requirement of regulators.

With this also we are saying our margins are quite decent enough. Every business works based on operating margin. If we are getting 50% and we can accommodate all this cost and because of scale we get an advantage. So, it is just add up to our advantage of getting more market share when mid-sized broker is unable to like adjust this cost in their cost structure and increase the rate.

So, that is where I feel people like us would be having, organizations like us would be having an advantage of more dependent on acquiring or getting more market share and offsetting this increased cost.

Prayesh Jain: Okay. Thank you so much and all the best.

Dinesh Thakkar: Thank you.

Prateek Mehta: Hi Prayesh. Just to add on your first question which was around slide number seven. Just to give you a little more color on the data that we have shown there. If you look at the pre-digital era, for any customer who used to go Rs. 100 in year 1, year 2 used to become Rs. 47 and then year 3 used to become Rs. 32 and then it would become stable at about 26% up into an annuity business. So, what we have done when we are showing this LTV information to you, we are showing that 47% which used to be in year 2 has now improved to 86% and 32% in year 3 has now improved to 77%.

So, and hence what we have done is that in the model we have taken the current behavior of the customer cohort that we have seen and we modeled out for every Rs. 100 that we are getting in year 1, we are taking Rs. 86 for year 2 and Rs. 77 for year 3. And we also know from our historical experience that this customer is going to stay with us for the long term and will continue to give us revenue at a stable rate over a window, which extends beyond the 5 year that we have modeled here.

Prayesh Jain: That is helpful, but just one line item in that estimation, the slide eight, what is the direct cost that is at Rs. 100 crores in year 1 and also Rs. 60 crores in year 2 and year 3?

Vineet Agrawal: Prayesh, this is the cost to serve the client. So, the first year cost that you are seeing at about Rs. 100 crores, it includes the cost of onboarding the client and thereafter whatever is the cost to serve the client, the direct cost.

Prayesh Jain: Okay, so roughly around Rs. 40 crores is what you are saying is onboarding and rest is kind of total service?

Vineet Agrawal: Yes.

Prayesh Jain: Yes, got that. That is very helpful and this is a very interesting slide that you have put across. Thank you.

Dinesh Thakkar: Thank you.

Moderator: Thank you. We have a question from the line of Nidhesh Jain. Please go ahead, sir.

Nidhesh Jain: Thanks for the opportunity. Sir, on the slide seven where you explained the cohort data, how is the trend for clients that we have acquired in FY'22, in FY'23, I think that data we have not shared in that cohort and the clients that we have acquired in FY'21, 2 years hence, how is the behavior there?

Dinesh Thakkar: Prateek, if you would like to take this question.

Vineet Agrawal: Nidhesh, we have shared the data for the clients that we have acquired in financial year '22 in the next slide which is slide number eight. So, builds the scenario where we are saying that for those clients that we have acquired in financial year '22, what was the revenue that we generated only from those clients in that period? What was the upfront cost that we incurred and then going forward, what is going to be the revenue based on the trajectory that we are seeing in slide number seven?

Nidhesh Jain: Yes, sir. I think in FY'23, in slide number eight, it is the estimate. It is not actual data for FY'23. That is right or based on the clients how they have behaved. FY'21 clients how they have behaved in FY'22, we have extrapolated that the clients that we have acquired in FY'22, they will behave the same way in FY'23.

Vineet Agrawal: Yes, so in the second year, when the clients, those that we have acquired in financial year 2022, when they move, some of them have moved to the second year and some of them will move to the third year. So, based on the trajectory that we have seen, their revenues will move in this progression.

Nidhesh Jain: I think it would be an actual data, not an estimate for FY'22 or FY'23, that was one observation. Second is, sir, the other operating expenses that we have seen increase, is it reasonable to assume that the acquisition cost per customer has gone up now versus what we used to do in the past? Though breakeven period still remains less than 6 months, but per unit cost of acquiring a customer has gone up. Is that a reasonable understanding?

Dinesh Thakkar: See, we don't disclose cost of acquisition, but just to answer your question, as I said that as we are moving towards deeper kind of like pocket, like Tier 3 and beyond, what we look at business unit, when we have certain cost of acquisition, whether that unit is profitable. So, we don't clearly focus on increase or decrease in cost of acquisition. Currently, our focus is on increasing market share.

So, whichever pocket we feel that this LTV to CAC is profitable or we can achieve a certain X on that, we try to go into that pocket and get a new set of customers. So, our current focus is on market share and LTV to CAC.

Nidhesh Jain: Sure. And then lastly, in the last early call, we have mentioned that we will move more towards LTV to CAC framework, which may lead to an increase in operating cost because historically we were focusing on payback period of two quarters or less. Now, we will be moving towards LTV to CAC model. So, that moment has happened and consequently, how should we think about EBITDA margins and FY24?

Dinesh Thakkar: Yes. So that moment has happened, as promised, that's the reason these slides are included, that we will be now tracking LTV to CAC. So now it is not like that this thing our operating costs will increase. Now we are more kind of, have visibility in terms of what revenue we can expect from a customer when it comes to projecting revenue for five to six years from the same cohort that we are acquiring. So, based on that, we are fine tuning our model in such a way that wherever we feel that we would be able to maintain operating margin of 50%, we would like to go aggressive in terms of acquiring those cohorts.

So that's the reason we told that we would be moving our model towards LTV to CAC and we will be disclosing all these numbers every quarter. But our focus would be to maintain this operating margin between 45% to 50%. Our focus would be to increase market share. Our focus would be to become a leader in this industry. We need to take very unconventional kind of step where these cohorts which are profitable, we should not avoid them.

Vineet Agrawal: So, Nidhesh, the purpose of including these slides as Dinesh has mentioned is just to bring that there is a long-term visibility in terms of the revenue and the profitability or the margins that we expect from clients that we acquire. Otherwise, what was happening is we were fixated with a payback period of six months or seven months or five months. And we were not looking at revenues beyond that. So, what we want to portray here is that in our business, once we acquire a client, there is a multiple year revenue profile that the client has. And that is what we want to portray.

So, we take the cost upfront and then there is a strong margin profile, very strong contribution margin that these clients give over the multiple period.

Nidhesh Jain: So just one follow up on the Super App. There we have seen that mutual fund SIP has almost doubled after we have launched mutual fund on our Super App. But that will not be a revenue generating stream because I believe that most of these will be direct funds. What are the rollout plan for other financial service products which will be revenue generating?

Dinesh Thakkar: Yes, we have a head, Saurabh, who heads this other income on the Super App. So, we have started this journey of mutual fund, just one quarter back and we have achieved a good kind of I would say, uptick from that. So, I would ask Saurabh to explain about other journeys that we are going to include on our Super App. Saurabh?

Saurabh Agarwal: Yes. Thanks, Dinesh bhai. We have already launched mutual funds in the quarter starting January and in two or three months we have seen number of SIPs grow 2x. The other products that we intend to launch this year primarily fall into the unsecured consumer lending space. So, where we will be acting as distributors to begin with and then move into creating our own risk models. So, I think lending, unsecured consumer lending, just to answer your question, unsecured consumer lending for the retail space will be the key focus area for us to generate revenue in the future. We will also be delving deeper into the insurance business going forward.

Nidhesh Jain: Yes. Thank you. That's it from my side.

Moderator: Thank you. We have a question from the line of Ajox Frederick from Sundaram Mutual Fund. Please go ahead.

Ajox Frederick: Hi. Thanks for the opportunity. Sir, I have two questions. One is on the number of orders per NSE active clients in the F&O space. If I do the math, it used to be about 40 orders per client and that has jumped to 50 orders in the quarter. So, the last eight quarters it used to be 38, 39, 40. But certainly there's been a substantial jump in 4Q, FY23. Can you please help me understand that?

Dinesh Thakkar: Vineet do we disclose this number of order or it is calculated, like pattern calculated?

Vineet Agrawal: The segment-wise breakup of the orders per client.

Dinesh Thakkar: Yes. Okay, fine. Devender, if you can just answer this phenomenon.

Devender Kumar: Yes. Thanks, Dinesh. Hi, Frederick. So, Frederick, when you look at NSE active client base that we overall looking at and it's driven by overall investor category of clients. When you look at the whole industry, this number is driven by investor category of clients. And when we look at our business, basically, it is driven by orders. Where orders is really what is driving it and where various segment penetration like F&O, commodity, currency, MTF and other categories play a role. So, from an overall point of view, it's not right to compare these two matrices because they are not in the same space. One is driven by the overall investor and business is rather driven by investor plus other categories of product that we distribute and then we provide on our platform. So, from an overall point of view, I would say that we should not relate the two in that sense.

Ajox Frederick: Okay. Got it. And, sir, again, since our persistency is getting better and we have good visibility, why do we stick with a 45% to 50% kind of an EBITDA margin? Because the contribution margin is very attractive and we are going to enter products which are going to give us better contribution. So, what makes it conservative is my question.

Dinesh Thakkar: Yes, we are not conservative. What we are saying that cohorts that we acquire because of digital model, that particular cohort, they improve on their contribution margin. But because we are into an investment phase where we want to become a kind of like most trusted brand in FinTech, thing we would be into this investment phase for a few years. So, when we are investing, we are conscious about not to go overboard. But be within that reasonable limit of whatever additional cash we are generating. Some amount should be put on innovation and upfronting on new technologies, acquiring new market share. So, we would be conscious about spending and maintaining this margin, operating margin of 45% to 50%.

Having said that, that does not mean cohorts that we have acquired, their margins will keep on increasing. As you saw that, what we have shown in that page number eight, the cohort that we acquired in '22, that will continue to improve on their contribution margin. But because we are developing this kind of Super App, we have developed this Super App for this year, we have launched it. We are launching mutual funds. We will be launching lending products, insurance products. We will continue to be into a kind of like heavy investment phase where we would not lose an eye on operating margin between this 45% to 50%, which includes investment in all kinds of new technologies and acquiring customers for those cohorts.

Ajox Frederick: That is very helpful. Sir, what is the ESOP outstanding right now?

Dinesh Thakkar: Sorry, I did not get your question.

Ajox Frederick: The ESOP cost which will be coming in the coming quarters?

Dinesh Thakkar: Yes. So you want to know what is the ESOP cost?

Ajox Frederick: Yes.

Dinesh Thakkar: Vineet?

Vineet Agrawal: The current year full ESOP cost is about Rs. 53 crores. As against that, the ESOP cost for the next year tentative is going to be about Rs. 110 crores, but that includes cost for some PSUs that have been granted, which is about Rs. 85 crores. So, only for the RSUs and the stock options, it's about Rs. 25 crores. PSUs have been granted considering a very stretched business growth. So, unless we achieve that stretch business growth, we are not going to…

Dinesh Thakkar: I will answer that Vineet. So, like normal ESOP and RSU would be around Rs. 25 crores as Vineet said. This year as we are ready launched, we have launched Super App, we have worked out a stretch target for people. If they achieve that, then we have made allotted PSUs for those segments and those targets.

Ajox Frederick: Okay. This is very helpful sir. Thank you and all the best.

Dinesh Thakkar: Thank you.

Moderator: Thank you. We have a next question from the line of Pallavi Deshpande from Sameeksha Capital. Please go ahead.

Pallavi Deshpande: Yes sir. Thank you for taking my question. Just one was an observation on the rating on Play Store for the app. It seems to have declined. It was 4 versus some peers now higher than us. Any comments on that? And second one would be if you could share any market share targets that you may have in terms of the ADTO business?

Dinesh Thakkar: What was the second question?

Pallavi Deshpande: Any targets on market share for the ADTO business?

Dinesh Thakkar: Okay. Let first Ankit cover this rating of our app.

Ankit Rastogi: Yes. Hi Pallavi. Play Store ratings which is Android app ratings are reflection of the reviews and ratings combined. And it's a moving number. Since we were migrating from the old app to the new app, obviously there was an element of surprise to a few customers. And that's why there was a fluctuation. Earlier also by the way we were at, I just mentioned we were at 4.2. The latest number by the way as of now today is 4.1. And it is a moving number and we are very optimistic that it will touch 4.5.

Pallavi Deshpande: Right. And second one would be on the market share target.

Dinesh Thakkar: Is it on market share of ADTO you are asking?

Pallavi Deshpande: Yes.

Ankit Rastogi: So, what exactly is your question on market share of ADTO?

Pallavi Deshpande: So, would we have a FY24 target in terms of market share there? And this is actually tying in with the earlier question that was asked with regard to price increases. So, is it the market share?

Dinesh Thakkar: Price increase already we have answered. And like increase in market share and all that, that would be more of a forward-looking statement, that we don't disclose or we don't say. But in terms of rates and everything already have answered. That is the point that we are able to see…

Pallavi Deshpande: I was just trying to tie up, that, would that be, is it market share that drives us now?

Dinesh Thakkar: Yes, definitely. We would be spending to gain more market share. Already we have done it every quarter. So, focus would be increasing our market share. Yes, right.

Pallavi Deshpande: And on the operating margin I think you mentioned 45% to 50%. So, that implies a decline in FY24.

Dinesh Thakkar: Yes, that includes even upfront of costs that we take for new technology. Investments that we do in new segments and investment that we do to acquire more customers. Because when you acquire a customer for that year, our operating margin is not same. So, what I was saying broadly, we would be guided by this operating margin of 45% to 50%. But if you look at cohort wise, our contribution margin tends to increase for every cohort that we acquire.

Pallavi Deshpande: Right, got it. Thank you so much.

Moderator: Thank you. We have our next question from the line of Deepak Sonawane from Haitong Securities. Please go ahead.

Deepak Sonawane: Yes, hi, sir. Thank you for the opportunity. So, my question is regarding our fees and commission expenses. So, for FY23, we have reported around Rs. 641 crores of the fees and commission expenses. And as I understand correctly, the majority of that will be to the sub broker, paid to the sub broker. So, apart from that, I mean, are there any agencies, I mean, are there any stakeholders that we pay commission or fees just for acquiring a client or else just getting those clients on, I mean, getting those clients active. So do we account that expense as in this fees and commission expense?

Dinesh Thakkar: Vineet will answer that and post that Ketan can take this question.

Vineet Agrawal: So, the fees and commission expenses is purely the sharing of broking revenue with the sub brokers, with the authorized persons for whatever revenue that we generate from that channel. Nothing else is recorded in that.

Deepak Sonawane: So, this is just only authorized person and not, I mean, any entity, I mean, that you acquire clients through online channels, right?

Vineet Agrawal: No, this is only sub brokers.

Deepak Sonawane: Okay, got it.

Moderator: We have our next question from the line of Jignesh Kamani from GMO. Please go ahead.

Jignesh Kamani: Hi. Just on the activation rate, so it has been declining since last couple of quarters. I just want to know the reason behind this and where it stabilise. And if you further dissect, its more due to the new client added in last two-three quarters where the activation is lower or in old client also we were seeing some fatigue and their activation is declining?

Dinesh Thakkar: See, first of all, we have shown the slide where we are clearly showing that activation and number of orders are not really connected. As we acquire more customer, few customers become active in that quarter. And when market condition changes, we see lots of more customer getting active. So overall what we have seen is that there is no strong correlation. If you check slide number 38, where we are clearly showing though based on market condition, activation ratio changes. But if you look at number of orders, they steadily grow. So our assumption is that as market, currently this quarter market was not great. There were like no volatility and no interest from retail as well as even other participants. But as this kind of like market movement improves, we will see a better activation. But when it comes to number of orders, we are seeing that steadily grows.

Jignesh Kamani: But if I further dissect it, so if two-three year old client, there also activation rate is declined or is mainly because of the new client is not becoming much active because of the current market condition?

Dinesh Thakkar: Devender, you will be able to answer this?

Devender Kumar: Yes, thanks Dineshbhai. So Jignesh, it's similar for old and new client because it is the overall buoyancy of the client, people are interested. So, we are looking at 12 months, people who have invested at least once in 12 months because NSE Active represents that. And this is primarily driven by how the overall market sentiment looks like which have been subdued in the last quarter. And it affects the new customers as well as the old customers in a similar way. It's not much different. Actually, for old customers, it's a little lesser. But from an overall point of view, it affects them in a similar way. There's no difference between the two.

Jignesh Kamani: Understood. Thanks a lot.

Moderator: Thank you. We have our next question from the line of Aejas Lakhani from Unifi Capital. Please go ahead.

Aejas Lakhani: Yes. Team, firstly again, credit to all of you for putting out the incremental information quarter-after-quarter and providing incremental insights into the business. It's really very helpful. So, credit to all of you for that. Dinesh bhai, my one question is that again on slide number seven, the data that you put out in the post-digital era for the customers who are far more sticky as compared to the pre-digital era, the counter narrative to that is that Dinesh bhai they have not seen market cycles. So how would you comment or how would you advise us to think because these are fairly new customers. Again, they've not seen seasoning and maturity across cycles. So how do you expect their behaviour or if you could comment a little on that?

Dinesh Thakkar: Yes. Lakhani, excellent question. When we are referring to empirical data, it covers almost like your dot-com bubble, your global financial crisis. This is a sample like what we are creating in front of you from FY15 to FY19. But if you ask my experience that clients who are active in that post-digital era also had a similar trend in crisis situation when market dipped, and again, when it recovered, we saw same kind of trend panning out. So, when you say five years and beyond, it includes one bull market, one bear market, and all that. So, behaviour of a customer who comes to the market remains the same. So, what we are saying is that if pre-digital era, this was a different trend, a customer what we acquired, it is not that they remained only when markets were good and they ran away when markets were bad.

They remained in the market for five years and beyond. Same thing we are going to see in the digital era also. Like it is not because of COVID or because of that they are new to market. People who are new to market in 2001 or 2005 to 2007, if you remember, there was a huge bull market. But post that also, when we calculated five years block and beyond, it remained almost same. So, when we take an LTV of a customer for broking, we usually take five years and beyond and then try to map it in terms of how this behaviour would be from one year to two year and two year to three years and beyond. So if you look at slide number 18 that we have shown, in that we have shown that despite all different market cycles, when we have seen this kind of like huge volatility in Nifty, retail participation has progressively increased. The number of orders you see has progressively increased. What it means, every customer who was acquired in that phase remained active beyond certain periods. It is not just only in that phase when markets were good, they were active. After that, they become inactive. So, if we take the whole cohort, what we look at that active customer base, they are the ones who contribute in the market. So, when you look at active customer base, it does not drop like suddenly, if you look at NSE active client base, data is available to public. So, when we go into granularity of our data, we have seen, I'm talking about last 15, 20 years, the customer that you acquire remain active five years and beyond.

So, we are showing that trend in slide number seven. What it was historical and how we are seeing improvement in digital natives. The reason for improvement, as I said previously, in physical era, when we acquired a customer, it was served by a relationship manager. If they attrite we'll lose that revenue from that active customer. In digital era, what we are seeing when a customer is acquired, they remain on our platform and are served on our platforms. That's the reason we are seeing increment from like first year to second year compared to previous era.

Aejas Lakhani: Got it Dinesh bhai, that was very helpful. And Dinesh bhai, going into the next year, what are the key metrics that you would track for growth that you are tracking?

Dinesh Thakkar: See, as I said, that we have been successful in terms of acquiring customers from tier two and beyond. So, we would remain aggressive in terms of acquiring those customers. Our model has been successful in terms of acquiring those customers and getting decent revenue. If I look at operating margin from those customers also, it is very attractive. Plus, we have added mutual fund journey. So definitely that attracts stickiness of customer who wants to invest in some other product apart from stockbroking. Progressively, in maybe fourth quarter of this financial year, we are going to introduce third party lending and all that. So, we would like to be distributor of all services. That's the reason I said that this year also we are looking at a kind of like being into investment phase. And we have worked out a stretched target for our team. And we are confident that we will be able to get good market share in areas which are non-broking areas. So, going forward, our focus now would be, not only achieving a good position in stockbroking kind of like area, but also achieving a good position in mutual fund, starting our businesses in lending, as well as going a bit aggressive on insurance side as well.

Aejas Lakhani: Got it. All the best, Dinesh bhai. Thanks.

Dinesh Thakkar: Thank you.

Moderator: Thank you. We have our next question from the line of Sanketh Godha from Avendus Spark. Please go ahead.

Sanketh Godha: Thank you for the opportunity. My first question is basically on the same other expense cost. So, if I do the math, is it fair to assume that to maintain the EBDAT margins around 45 to 50, this overall expense will be like 27 to 28% of the total fee and commission income. That's the way you want to operate these other opex given you said it is largely variable in nature?

Dinesh Thakkar: Vineet, please answer this.

Vineet Agrawal: Yes it remains in that trajectory. So if you see the net income is about Rs. 2,300 crores and our other expense is in line of 25% or so.

Sanketh Godha: Got it. And the question on the margin given to the clearing corporation, just wanted to understand that the float income, what you're going to earn from the clients will remain but the additional borrowing cost will be the additional cost which will impact from FY'24 onwards, right? So the float income is not going to go away, it's only if ASBA becomes the reality, the only way to trade, then you have a challenge with respect to the float income. Does, my understanding is right?

Vineet Agrawal: Absolutely right, so there is no impact on the float income under the upstreaming mechanism. It's just that there will be some incremental cost of borrowing.

Sanketh Godha: Can you break down Vineet, the Rs. 520 crores of interest income in the operating part into MTF, interest income on your own money and float money or client money?

Vineet Agrawal: That right now I won't be able to share, once we upload the schedules you'll have that data.

Sanketh Godha: Got it. And finally on the entire margin, what you give to the clearing corporation, can you give a broader breakup of the entire margin broken down into cash collected from the clients themselves and bank guarantee and the lien on FD? You indicated that Rs. 40 crores is the cash and Rs. 15 crores is closer to your own money, but what amount is bank guarantee? Is it the same amount what you are borrowing around Rs. 700 crores to Rs. 800 crores?

Vineet Agrawal: No. So, we don't disclose the breakup and I mean, the underlying cash and cash equivalent which we give to the exchanges is in that range of Rs. 4,000 crores of client funds and the rest of our funds. How much of that is in the form of bank guarantee that we don't disclose.

Sanketh Godha: Got it. And last one, MTF income somehow has not done great for us in FY '23. Any measures internally you have taken to build this book over FY '24 where that additional source of income can come, which has struggled in '23?

Dinesh Thakkar: Ketan, if you can take this question?

Ketan Shah: Yes. So MTF we are working on that strategy to increase the book size and the market share there. So right now we'll not be able to disclose that, but yes we are on it.

Sanketh Godha: But the trajectory is to make sure that in '24, the fund size or the lending portion should be much better than what you have expected from -- what we have witnessed in '23?

Ketan Shah: Yes. So that's the plan.

Dinesh Thakkar: Sanketh, first of all like we are not too much dependent on margin trading book because that is a concern like ancillary services given to customer, who is onboarding for stock broking activity. There are lots of customers who do F&O and lots of customer, who are doing on cash segment. So this cash segment is more dependent on market conditions. If at all we see a good rally in the market, they try to borrow more. So there would not be any linear correlation between like our revenue growth and growth in MTF, but having said that, we are working on lots of new products on MTF side. So we will see improvement on that side.

Sanketh Godha: Got it sir. Thank you sir.

Vineet Agrawal: Just one correction. So a few minutes back, I had mentioned the ESOP cost as Rs. 110 crores. The breakup of that into PSUs and the other stock options is PSUs is about Rs. 55 crores and not Rs. 85 crores and the rest is again Rs. 55 crores, so.

Dinesh Thakkar: So it remains same as last year, almost same.

Vineet Agrawal: Yes. Just that correction.

Moderator: Thank you. We have a question from the line of Sanjay Kumar from ithought PMS. Please go ahead.

Sanjay Kumar: Hi, thanks for the opportunity. So just one question. So I understand equity F&O structural trend since 2008, '10. So, but what is happening in commodity ADTO? Because it's also growing exponentially. Are we enjoying the efforts of MCX or is it down to what we are doing? Like now we've gone from 25% market share to 55%, it's a phenomenal performance. So just wanted to understand this part.

Dinesh Thakkar: Ketan, if you can take this question?

Ketan Shah: Yes. So if you look at commodity, largely the new volumes are coming on the options side and MCX is introducing various products on the options side. And given the fact that we were the early provider of options on our platform, on the mobile platform, that's the benefit that we are getting today and hence our market share there is growing.

Sanjay Kumar: Okay. Is this also a structural trend like equity F&O or is it linked to volatility in commodity prices, so it's more short-term in nature?

Ketan Shah: So MCX is bringing lots of innovative products there and MCX were so options were lacking on their platform, which now we are seeing lots of traction to it. So those products are actually helping business growing.

Sanjay Kumar: Okay. So right now, I think it's at 4%, 5% kind of contribution. So can it go to double digits or can it add more value for us going forward?

Ketan Shah: It would be too early to quantify that, but we are seeing good traction there for sure.

Sanjay Kumar:: Okay sir, that's it from my side.

Moderator: Thank you. We have our next question from the line of Sakshi Goenka from Sohum AMC. Please go ahead.

Sakshi Goenka: Hi thank you for taking my question. Just one follow-up on the margin funding. Suppose a secondary ASBA is implemented and all customers go for secondary ASBA, is that Rs. 4,000 crores on our balance sheet, which is in the form of trade payables, will that disappear? Is that understanding correct?

Moderator: Sorry to interrupt. Ma'am, can you use your headphone, please, your handset?

Sakshi Goenka: Yes. Can you hear me now?

Moderator: Yes. Please go ahead.

Sakshi Goenka: Yes. Just a follow-up question on that margin funding supposing a secondary ASBA is implemented and all customers opt for it, will the Rs. 4,000 crores of trade payables, which are sitting on our balance sheet disappear?

Dinesh Thakkar: Vineet?

Vineet Agrawal: It's very early to comment on that because we still don't have any visibility of how and when this ASBA mechanism is going to get implemented. Whether it will become mandatory both for the clients or the brokers or is it going to be optional, so it's very difficult to actually quantify anything.

Sakshi Goenka: No, but assuming that everybody opts for it because everything will be now blocked in your bank account and nothing will be coming to you guys, so is it fair to understand that Rs. 4,000 crores will not be with you?

Dinesh Thakkar: It is a very hypothetical question. Right now like, we would not be able to answer that because we have to look at, like how smooth and easy would be for a customer to use that ASBA. So we are dealing with customers who actively require funds, limits and all that. So they don't appreciate even a delay of a millisecond. So this whole banking system has to gear up to those concern like transfers of funds and all that. So I would say this is hypothetical question. Right now, we'd not be able to answer it.

Sakshi Goenka: Yes. Just one follow-up. Any timelines on appointment of new CEO?

Dinesh Thakkar: We are looking out for an appropriate candidate, looking at what plans we have for next three to five years. So as and when we are able to identify a candidate, we'll announce it to the market.

Sakshi Goenka: Sure. Thank you so much for your time.

Moderator: Thank you. We have our next question from the line of Dixit Doshi from Whitestone Financial Advisors. Please go ahead.

Dixit Doshi: Yes, thank you for the opportunity sir and congratulations for a great result. Sir, we have ancillary transaction revenue of around Rs. 258 crores and so this is like over and above what we pay to the exchange. So generally many brokers charge their clients on an actual basis. So is it we charge transaction charges to our clients with over and above the actuals that we pay to the exchange? And is this revenue under risk of any regulatory thing because generally, we have seen practices in the broking community that they charge on actual basis?

Dinesh Thakkar: No, we charge based on exchange basis of slabs, so definitely our turnover in exchange is different and client-wise slab is a bit different. So there is no concern like thing that concerns us right now because it is as per what business they want to promote and what we charge is also within that regulatory framework.

Dixit Doshi: Yes. Okay. So because your volumes are high, you were charged at a lower slab by the exchange, that's what you're saying.

Dinesh Thakkar: Right.

Dixit Doshi: And sir in this interest income, our float income would be roughly around Rs. 200 crores?

Dinesh Thakkar: Vineet, if you can take this question?

Vineet Agrawal: We are not disclosing the breakup of the float income and the interest income, which we earn from client funding book yet. Once we release our full set of financials with the schedules, you'll have that.

Dixit Doshi: Okay. And sir, since we are what is the investment that we have done in our Super App and that investment is complete now or and the Super App is live and active now?

Vineet Agrawal: So in terms of the capex spend that we've done, as I had mentioned earlier, it's in the range of about Rs. 30 crores and the entire capex spend has been capitalized since the Super App is already live on the platform.

Dixit Doshi: Okay. And if I heard you correctly answering one of the questions earlier, you said that you'll be distributing loan products and we will also take the loan book in our book or we'll take the risk or we'll just distribute the loan products?

Dinesh Thakkar: No. We would be a distributor apart from this kind of stock broking and AMC business.

Dixit Doshi: So it will be a platform for loan?

Dinesh Thakkar: Yes.

Dixit Doshi: We won't take the risk of the loans.

Dinesh Thakkar: No.

Dixit Doshi: Okay. And my last question, sir, because we are generating a lot of cash, almost and most of these products that we want to diversify is kind of a service and distribution kind of product, which may not require this kind of investment. So what do you think about investing this cash flow that we generate every year?

Dinesh Thakkar: I think, like we have a decent dividend distribution policy to take care of excess cash, and we are definitely looking at lots of kind of investment and opportunities in the market, which can help us grow our market share in other areas of services that we aspire to become a leader.

Dixit Doshi: And lastly sir, by when are we planning to launch our own mutual fund?

Dinesh Thakkar: Vineet, if you can just.

Vineet Agrawal: Yes. So we got an in-principal approval as a sponsor in February and we have some time to submit our final application. Once we submit the final application, the regulator takes anywhere between three quarters to four quarters to complete the processing and give us the final approval, post that we can launch our schemes. So technically it's about at least six quarters away.

Dixit Doshi: Okay Thank you.

Moderator: Thank you. We have our next question from the line of Saptarshee Chatterjee from Centrum PMS. Please go ahead.

Saptarshee Chatterjee: Yes, thank you for the opportunity sir and congratulations on great set of numbers. I have just one question that you have said that the activation rate that has slowed down, it is across the Board. But when I see your slide number 22, where you have given age-wise bracket of like cohort wise, distribution of brokerage income. There I see that two to three years, you have very high growth compared to other cohorts. Is it that their like number of orders per client is very different from otherwise or like how to read about this slide?

Dinesh Thakkar: Devender, would you like to take this question?

Devender Kumar: Yes. Hi, Saptarshee. So when you look at this slide, Saptarshee, this basically tells us the clients in various age brackets, so our main uptick of client growth started in FY '21 when post-COVID -- in fact, pre-COVID and then post-COVID, it just jumped up heavily like the industry as well. So what you're seeing here, when you see 242 going to 845, this is the large influx of clients that came in comparison to previous two to three years, that is being represented here.

If you look at the recent time where I think we are acquiring at a very healthy rate of clients, that represents that is a more clear-cut understanding of how the revenues are progressing in terms of that. But if you look at the past data, our base before FY '21 was pretty small. We have acquired a large base of customers, more than 1 crore since then and that's what is representing when you look at this chart. So when you look at beyond two to three years, it will show a very significant growth in that particular year is what is visible from this chart. So you can't compare it from that point of view.

But if you want to look at from this point of view like I'll give you an example. The Q4 '22 client, which is 1,534 as a revenue number, that number as we have shown before, if those clients have moved to second year which is basically Q4 '23, that has become 1,329. So you can actually see the correlation with slide seven where we have spoken about how the year one revenue and year two revenue of a client looks like. So this is the movement of clients over one to two years, two to three years.

So when you look at from a quarter four point of view the same clients gave us 1,534 in the first year and the same clients gave us 1,329 the second year when they moved to the second year cohort time. So that's the way you read it and post two years, basically the number of clients have increased drastically, that's why it's difficult to read in this chart at this point of time.

Saptarshee Chatterjee: Understood, sir. Just one related question is that your slide number seven beautifully gives the lifetime like how the revenue is acquired for the client, but I'm saying, for slide number 22, if my question is that for less than one year's client, the revenue numbers actually is not growing much. Is it that concerns that the quality of the new incoming client is deteriorating or like how do you read this?

Devender Kumar: So again, I think Dinesh bhai also mentioned. Whenever you look at revenue, looking at six months and 12 months period is the right way to look at it. Here we have presented a quarterly revenue breakup, the revenue that we got in the quarter four, which was kind of a subdued quarter as well. So when you want to look at from that point of view, this number is not too readable. We'll have to look at from a yearly point of view to cover various kinds of market scenarios and a normalized revenue, which is comparable in nature, so we cannot read the revenue in that front because there you have their market conditions of that particular quarter affecting it. But moreover, if you ask me from an overall point of view, we have seen stability in terms of the first year revenue that we are getting from the clients in the prior year in this financial year is what our models and what data base showing at this point of time.

Saptarshee Chatterjee: Okay, thank you so much.

Moderator: Thank you. We'll take our last question from the line of Anand Bhavnani from WhiteOak. Please go ahead.

Anand Bhavnani: Thank you for the opportunity. Two questions. One is on insurance. So insurance is typically seen as an extremely high-push product and a lot of large players in this space, insurance distribution, they have call centers and they are setting up physical offices. How do you think of your insurance plan and your right to win in this segment?

Dinesh Thakkar: Second question?

Anand Bhavnani: Yes. Second question is on how do you see the impact of extension of, as for equity trading on your volumes. Do you have an expectation of how this should lead to change in equity volumes? And also can it affect your commodity volumes given that several of your customers might be doing both equities and commodities?

Dinesh Thakkar: First question, insurance, Saurabh will answer that, but let me address your second one. The extension of time depends on how much they're going to extend. If they extend only till five, it will not be big impact on our volumes. Neither our cost will change because we are a digital player. So, if they extended like a commodity market till midnight, then we will see a good increase in volume. There's people who would like to take advantage of global market trends and all that. So we will see less of a gap up and gap down that will create more confidence in retail that there would not be any overnight kind of like risk in equity market. So we are very hopeful if at all this time is extended till midnight, we will see a good improvement in market volumes and a good participation from retail. On your first question on insurance, Saurabh, if you can answer that?

Saurabh Agarwal: So we already have a very large sub-broker base and very strong agent presence on the ground, that will obviously help us in building our insurance portfolio. Having said that, our core belief is insurance industry will also undergo strong change in terms of making things more digitized over-time and which is where our core B2C app and the focus on consumer value prop will come into play. So we'll not be pushing insurance hard like agents have done over the past. I think that is not the core agenda. If that answer your question?

Anand Bhavnani: Sure. Thanks and all the best

Moderator: Thank you. I would now like to hand the conference over to Mr. Dinesh Thakkar for closing comments. Over to you, sir.

Dinesh Thakkar: Thank you for joining us on today's call. I hope we had been able to answer all your queries. Should you require any assistance, please feel free to get in touch with Hitul Gutka, Head IR or SGA, our Investor Relationship Advisor. Good day.

Moderator: Thank you. On behalf of Angel One Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.