Angel One Limited

Q3 FY '24 Earnings Conference Call

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MANAGEMENT:

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Prateek Mehta *Chief Business Officer – Direct Business*	**Nishant Jain** *Chief Business Officer – Assisted Business*	**Prabhakar Tiwari** *Chief Growth Officer*	**Ketan Shah** *Chief Strategy Officer*	**Deepak Chandani** *Chief Data Officer*	**Anuprita Daga** *Group Chief Information & Security Officer*
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Hitul Gutka *Head of Investor Relations*					

Moderator: Ladies and gentlemen, good day, and welcome to Angel One Limited Q3 FY '24 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 the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

I now hand the conference over to Mr. Hitul Gutka from Angel One Limited. Thank you. And over to you, Mr. Gutka.

Hitul Gutka: Thank you. Good morning, and welcome, everyone. Thank you for joining us today to discuss Angel One's Q3 FY '24 financial and business performance. The recording of today's earnings call and transcript will be uploaded on our website under the Investor Relations section. The financial results, investor presentation and press release are also available on the website.

For today's call, Angel One is represented by Dinesh Thakkar, CMD; Vineet Agrawal, CFO. We also have the senior leadership team of Angel One, along with SGA, our IR consultant. The leadership team will give us a brief overview of the operational and the financial performance of the quarter gone by, followed by a Q&A session. Please note that there may be certain forward-looking statements during the call, which must be viewed in aggregate with the risk that the company faces.

With this brief introduction, I now invite Mr. Dinesh Thakkar for his opening remarks. Thank you.

Dinesh Thakkar: Thank you, Hitul, and good morning and wish you all a very successful 2024. Let me begin by giving you all a perspective of how we think about growth as we strongly believe in the tremendous opportunity at our disposal.

Over the last 27-plus years, our team has dedicated their efforts to offer clients the most suitable product in a seamless and efficient manner by harnessing power of data and technology. Over time, our organization has also ensured that it constantly evolves with the needs of its client and strives to stay relevant. That has been the core proposition of Angel One. Our goal has been to not just provide services, but also to cultivate a culture of investment.

The digital assets we have developed are continuously evolving enriched with innovative features to ensure an unparalleled investing experience. It is through such exceptional experience that clients choose to remain engaged with a platform like us over the long term. We firmly believe in the importance of encouraging long-term investing habits, even if it means that some services are not immediately remunerative.

Witnessing the change in today's retail investors, we have consciously and actively building their portfolio through SIP and direct equity investments is the incredible rewarding. It is heartening to see that long-term retail investments through both these channels of direct investment, direct equity and mutual fund stands about 1/3 in NSE free float market capitalization as of September 2023, even as many of them continue with their trading activity in different segments.

This gradual shift towards long-term wealth creation is an exciting prospect, defining the longevity of retail investor in India's capital markets. More individuals are recognizing the potential in these products driven by the opportunity for sustained growth. It is gratifying to see our efforts contributing to this transformation in India's investing landscape.

I'm happy to share that Angel One continues its robust performance in Q3 FY '24 as well. Angel One is among the few players to consistently expand its market share across various parameters while operating the business with very strong unit economics. This has been an especially historical quarter for us as we acquired more than a million clients in a month and 2.5 million clients in a quarter for the first time, accounting for nearly a quarter of industry's net client addition.

This consistency in acquisition and expanding market share is premised on our superior tech and product development, topped by continuous enhancement focused on priming our customers' experience. Let me take you through some of the company's key development, after which Vineet will walk you through our financial performance.

Broking and Super App. Our clients' needs are central to us. During the quarter, we channelised our effort to make the Super App more productive for them, thus double-clicking on their needs. Since majority of the clients are young and fresh in their investing journey, it is imperative that we focus on process improvements, right from easing their on-boarding experience to offering them unique features which simplifies their investment journey on the app. We integrated the Google mobile number picker in KYC journey, thus leveraging existing information from client's Google-linked accounts. This not only eases the data input step for our clients, but also improves the accuracy in capturing their contact details.

We launched our self-serve journey for our clients with the aim to empower them to modify and update their KYC documents through the DIY route, thus reducing the dependency on manual assistance. Moreover, we encourage and help this young client to invest and build their lifetime wealth. We developed and released the stock discovery feature on our Super App. These screeners host a collection of stocks like blue chips, sectorial themes, top gainers, etc., thereby improving engagement and encouraging client to build long-term portfolios.

Simultaneously, addressing the need of our experienced clients, we introduced some advanced features like open interest analytics. We also optimized the Web trading application with the rollout of TradeOne, an all-in-one solution offering seamless trading experience, which allows our clients to quickly access multiple data points and just take more focused decisions. We also upgraded our charts with the introduction of some new free-to-use features for our clients. All this reflects on our commitment to continuously improve our product stack for both the new to market and experienced clients.

A culmination of this enhancement has led to further improvement in our overall NPS. Another indicator of highlighting superiority of our product is that Angel One has consistently ranked among top 10 finance apps on Play Store and App Store and is in the top 5 on iPad. We will continue our emphasis on improving experience for all our clients.

Over the next few months, we plan to roll out enhancements on our charts like Tick-by-Tick Data, which will provide clients with the most recent market activity. We also plan to develop an all encompassing equity portfolio view, aggregating that holding across different platforms into one unified holding report.

MF and lending update. Our mutual fund offering on Super App has done exceptionally well since its launch. We created simple and user-friendly experience, results of which are clearly visible from the off take of SIP through our platform. Focusing on easy-to-use journeys, we installed pipes, allowing our clients to set up SIP mandate through UPI as well.

We also put efforts in optimizing the homepage, thus making it easier for user to discover funds. This tweaks led to a significant improvement in conversion. Not just that, we have also made enhancements to the NXT platform, ensuring our channel partners have better visibility and capabilities. Our latest addition, the SIP health score, is also well received. Through this, we encourage our client to stay discipline in the long-term investing journey. Features like this have culminated into better client retention on the app, with around 90% of SIP clients continuing to engage.

I am thrilled with the progress we have made in simplifying the journey of our client and supporting their investment habits. This has led to an incredible 17-fold year-on-year increase in SIP registration to over 9,55,000 during the quarter ended December '23. Our sustained position as India's second largest player for incremental registered SIP is a testament to the effectiveness of Super App strategy and the value it brings to our clients.

Our aim is to partner with our clients at every important phase of their life. While providing equity and mutual fund is a pivotal part of this commitment, we are broadening the horizon. We are extending our touch points by venturing into distributing credit and fixed income product. During Q3 FY '24, we dedicated efforts to crafting journey to distribute credit products. These are currently undergoing beta-testing, and we are gearing up to launch this offering in the current quarter.

Initially, we will take a measured approach stepping in cautiously to grasp the nuances of the ecosystem better before we scale up the servicing offering. Our strategy for expanding this service vertical relies on the wealth of data from our extensive client base. We will use this data to develop an informed approach, ensuring that as we expand our services align with precisely our clients need and expectation. This data-driven strategy is key to our gradual yet meaningful expansion.

Data science. A testament to success of our data-driven strategy is the sustained growth of our existing business. We are harnessing a vast pool of data and leveraging it to create predictive model using complex algorithms. This model analyse client behavior, thus empowering us to improve our engagement through personalized experience.

Insights from the in depth analysis play a pivotal role in our decision making process. Data equips us to swiftly adapt to market shifts, ensuring our strategy remain agile and responsive. Incrementally, our data driven machine learning algorithms allow us to strengthen in our security protocols and protect sensitive information, thus effectively mitigating risks associated with fraud.

Content strategy. During the quarter, we sharpened our focus on our content strategy, which forms a bedrock to engage and educate people for various financial products and establishes industry thought leadership. A key tenet here is to leverage social media, communities and users to promote awareness.

Going forward, we will be rolling out multiple content initiatives aimed towards our target audience for brand recognition, engagement, recall, acquisition and eventually activation. We will design well-targeted authentic linguistically and culturally accessible content that sparks conversation around wealth, investment and finance amongst our future clients.

Assisted business unit. Coming to our plans for growing the assisted business, we have very high aspirations here, I strongly believe that we can and will disrupt the existing format of the business. Here, I wish to update that the tenure of NSE AP order served to us on July 14, 2023 has run its course. And we have now commenced onboarding new authorized persons. We will transform the ecosystem and improvise better engagement journey on our NXT platform.

Over the next couple of quarters, we will dedicate our efforts to building a strong foundation and will focus on assembling a specialized team for this vertical. We will have a targeted approach to expand our network of channel partners as we forge newer partnerships and penetrate further in underrepresented geographies. Here, too, we leverage our technology prowess as we build intelligence in our system premised on data.

Group CISO on-boarding. I am happy to introduce Anuprita Daga as our Group Chief Information and Security Officer. She is a distinguished thought leader with over 25 years of expertise in spearheading security transformation, architecture, defining and driving security strategy, data privacy, risk qualification and compliance with various global regulatory guidelines. She served as a CISO and Data Privacy Officer at Yes Bank prior to joining Angel One. Anuprita will enhance information security, cybersecurity, data private framework at Angel One.

AMC. During the quarter, we progress building the leadership team for our asset management business. I am happy to share the on-boarding of Hemen Bhatia as the CEO of the business. Hemen brings along with him a wealth of experience cultivated over 17-year in the asset management industry, which is last engagement being as Head of ETF at Nippon Life India Asset Management. Through this numerous engagement at industry and regulatory committee, Hemen has played a pivotal role in fostering growth of passive funds industry in India. He will lead the strategic direction and growth initiatives for our asset management business.

We also on-boarded Mehul Dama as the Chief Investment Officer for the business. Mehul comes with an equally strong repute with over 19 years of experience across financial services, of which more than 14 years were in asset management with companies like Nippon Life India Asset Management, Goldman Sachs Asset Management and Benchmark AMC.

Operational Performance. I'm delighted to share that we delivered yet another historic performance during Q3 FY '24. For the first time, we acquired over 1 million clients in a month, thus leading to 2.5 million gross acquisition during the quarter. With such a strong acquisition run rate, we now account for nearly 1/4 of the industry's acquisition. With this, our period ending client base expanded to over 19 million, accounting for about 14% of India's Demat accounts. Robust client acuity led to 8.7% sequential growth in our average daily orders to 5.8 million, again our lifetime best.

The ADTO generated on our platform continued to be on an uptrend, growing by 21.4% quarter-on-quarter to nearly ₹ 36 trillion, as we continue to gain market share in overall retail equity turnover by 62 bps quarter-on-quarter to 26.8%.

At Angel One, our steadfast commitment has always been to foster profitable growth. While we remain dedicated to the core ethos, we recognize that it is equally imperative to make strategic investment to strengthen the business and stay ahead of the curve. The investments made in Q3 FY '24 demonstrates our proactive approach. Whether it is building a team for newer businesses like asset management, expanding our client base or upgrading our tech and product to continuously prime client experience. We acknowledge that this strategic move impact our margin in the short term. However, this investment will significantly contribute toward long-term profitable metrics.

In 9 months of FY '24, we acquired over 5.9 million clients and reported nearly 937 million orders executed on our platform, both of which are higher than what we did in the entire of the last year. I hope these insights have given you a flavor of our tech-driven business model and our growth strategy to become a more integrated financial service play. Vineet will now take you through our financial performance, after which we'll be happy to answer your questions.

Vineet Agrawal: Thank you, Dineshbhai. Good morning and happy 2024 to everyone. As highlighted by Dineshbhai, Q3 FY '24 has been a very strong operational quarter for us as we achieved our historic best performance yet again with average daily orders growing by 8.7% sequentially to 5.8 million, taking our aggregate order count higher by 3.5% sequentially to 350 million in Q3 FY '24.

Despite three lower number of trading days in the quarter, Angel One clocked its highest ever quarterly gross total revenue at ₹ 10.6 billion, aided by a 17% sequential growth in interest income. Gross broking revenue declined marginally by 2.6% quarter-on-quarter to ₹ 7.1 billion, in spite of higher order count.

The composition of orders underwent a shift in Q3 of FY '24 with cash segment orders growing by nearly 20% to 74 million. In the middle of Q2 of FY '24, we instituted a change in our tariff structure for the intraday cash segment, where we now charge clients 0.03% of the value of the order or ₹ 20 per order, whichever is lower, as compared to our earlier structure of 0.25% or ₹ 20 per order, whichever was lower. This change is the dominant reason for the decline in gross broking income for the quarter.

Gross broking revenues account for 67% of our total gross revenues. Within this, F&O continues to drive our gross broking revenue, contributing 84% in Q3 of FY '24, while the share of cash and commodity segments remained stable at 11% and 5%, respectively. Since majority of our clients are part of our direct business unit, their share in the -- in our net broking revenues stood at approximately 76%, while the balance 24% was contributed by clients acquired through our assisted business unit.

We are witnessing steady buildup of our long-term relationship with our clients. This is evident from the rising share of those clients who have been with us for more than 2 years. These cohorts accounted for 48% of the net broking revenue in Q3 of FY '24, a significant increase from about 25% in Q3 of FY '22.

Through several efforts, advancements and incremental product offerings across the Super App platform, we are further strengthening the lifetime value proposition of these young clients. During the quarter, we witnessed significant improvement in the cash delivery segment. Higher activity in this segment is an important lever for our client funding book, which witnessed a robust growth of 32.1% sequentially to average at ₹ 18.6 billion for the quarter. This led to a corresponding growth in the interest we earned from this book. The interest earned on client funding, along with the interest earned on deposits with exchanges, led to a 17.2% sequential growth in our total interest income to ₹ 2.1 billion, thus accounting for about 20% of the total gross revenues during the quarter.

The ancillary transaction income linked to the turnover clients do on our platform, stood at approximately ₹ 0.8 billion, accounting for nearly 8% of Q3 FY '24 total gross revenues.

Finance cost was higher by nearly 35% quarter-on-quarter to ₹ 356 million in Q3 FY '24 on account of higher average borrowings for the period, in line with higher client funding book and higher margin requirements with the growth in business. Of the ₹ 400 million estimated increase in net finance cost due to the impact of higher borrowings for substituting the underlying collateral for bank guarantees with borrowed funds towards margins with the clearing corporation, pursuant to the SEBI circular, discontinuing any client funds as collateral for bank guarantees, we have incurred about ₹ 160 million for the period between July to December '23 and estimate to incur another ₹ 150 million in the ensuing quarter. This is due to the fact that most of the BGs with collateral as client funds matured by the end of September 2023 and the requirement for incremental borrowings went up after this.

Employee benefit expenses, including cost of granting ESOP, was at ₹ 1.4 billion for the quarter, sequentially higher by 6.5% due to the addition of headcount, primarily in the asset management business, data and analytics, technology, operations functions and related hiring spends.

Other opex for the quarter clocked over ₹ 3.2 billion, being 21.7% higher sequentially as we achieved our highest ever gross client acquisitions, leading to an increase in related one-time client acquisition and ongoing costs. Operating expenses were also higher on account of higher spends on tech infrastructure, demat charges in line with growth in business and a quarterly incremental spend of ₹ 25 million on CSR.

Flat revenue, coupled with aggressive client acquisition initiatives, led to a decline in our consolidated operating margin to 44% for the quarter versus 51.3% in Q2 of FY '24. This margin, however, remains in line with our guided range. This upfront onetime investment in acquiring more clients today will help us grow the business, grow the business yield going forward. Thus, reaping benefits of better operating leverage.

16.7% increase in depreciation and amortization costs at ₹ 131 million in Q3 was on account of commissioning of some of our network infrastructure and other costs of our data centers and disaster recovery sites.

Our consolidated profit after tax from continuing operations was lower by 14.5% quarter-on-quarter from ₹ 3 billion in Q2 of FY '24 to over ₹ 2.6 billion in Q3 FY '24.

For Q3 FY '24, the Board has approved a distribution of about 40% of post-tax profits as third interim dividend to the shareholders, aggregating to ₹ 1.07 billion and translating to ₹ 12.7 per equity share.

Our 9-month FY '24 total gross revenues and profit after tax stood at nearly ₹ 29.2 billion and ₹ 7.9 billion, respectively, representing a growth of 33.4% and 26.1% over the corresponding period last year.

Period-end cash and cash equivalents increased to ₹ 90.6 billion on the back of increase in clients margins. Period-end client funding book grew to nearly ₹ 19.7 billion compared to ₹ 11.5 billion as of March '23. Consolidated net worth of the company grew to ₹ 27.9 billion. As we continue to operate the business within our desired margin profile, our 9-month FY '24 annualized return on average equity remains a healthy 42.3%.

With this, I conclude the presentation and open the floor for further discussion. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. We'll take the first question from the line of Swarnabh Mukherjee from B&K Securities. Please go ahead.

Swarnabh Mukherjee: I have a few questions that I'll quickly ask a couple of questions on the revenue side. So if you could explain what made you change the tariff structure in the intraday part. Is it competition or is it something else? And why ancillary revenue is down 10% despite overall volumes have gone up.

And also, if you can discuss a little bit in detail on the expenses side, particularly the customer acquisition cost. So what proportion of that will be part of our overall other expenses line item and whether per customer acquisition costs have increased at a similar level to earlier and how we expect the payback from these customers as the payback period remains 6 months? Or any kind of change in the metrics that you are seeing? So these are my 2, 3 questions. I have other questions. If time permits, I'll ask them after.

Dinesh Thakkar: Yes, excellent questions. See, on the tariff part, as repeatedly, we have told that we are actually market makers. We are able to expand market. So we have to go into kind of different geographies, different profile of customers and check what are the offerings which will attract them to onboard in this industry.

So time and again, we have been kind of like coming out with lots of kind of like tariff structures and all that, where we are able to attract new set of customers. But what guides us, what we look at is that what is the cost of acquisition and what kind of a lifetime value we can derive from this set of customers. So that is the prime reason that we -- all the time being first kind of like mover in this market to acquire new profile of customers. We have to try out different ways to onboard this customer.

But what we have seen, once the customer is on-boarded, almost lifetime value is just -- that justifies cost of equation to the tune where we want to maintain an OPM of 50% and above. So we look at that. Second, on ancillary revenue and all that, I would ask Vineet to cover it later. Let me just complete on your -- the cost of acquisition and LTV side, although I have covered.

So our cost of acquisition has not increased, first of all. As I said that we go for different profiles, and every profile we try to map what an LTV achieved. If you look at all the profiles that we are acquiring customers from open market, our cost to LTV has remained steady and we still maintain that breakeven of 6 months. Vineet, if you can just answer on ancillary revenue and expense side?

Swarnabh Mukherjee: Sir, just a follow-up on your response on this first question. Sir, so you have highlighted on the lifetime value of the customers and the feedback period. So in terms of -- on the margin overall, you have mentioned generally that 45% to 50% OPM is your target range. But you have normally delivered better than that. Now should we consider that this particular quarter to be a relatively one-off quarter? Or were the margins came to the lower end of the range?

Or should we think that now we are going ahead to be more aggressive and that is why maybe over the next 2, 3 quarters, also our margins would start playing out at the lower end of the region, if you could give some color on that.

Dinesh Thakkar: Yes, sure. As I said, our overall metrics, is cost of acquisition to LTV has not changed. But what happens like this quarter was full of seasons and all that. So when we take LTV of a customer is 5 years and beyond. So there will be a few quarters where clients are not active because, as you know, Diwali, Christmas, New Year and all that, activity are a bit lower. And plus this quarter, if you see, we had 3 less working days.

So overall, we don't see any impact on margin. But what will happen? If you get an opportunity to acquire more customers, it's an upfronting cost. So the impact will show a lower margin for that quarter. But if we extrapolate business model, that whole OPM has not changed. There are a few quarters when you get more opportunity to acquire more customer. You see that quarter, you may see OPMs less because of upfronting costs on acquiring customers, on-boarding customers, expanding our technology capabilities and all that.

So this quarter was more about investing in new of customers. If you look at our customer base has grown almost by 16.5% quarter-on-quarter. That is a huge. There's a cost of acquiring a customer. And revenue is going to come in the next five, six years. So if I look at the metrics of cost of acquisition and LTV, it is almost like similar to what it was the previous quarter.

So overall, I don't see that this impact on margin, what we are seeing in this quarter, is permanent. It is something that we got an opportunity to acquire more customers. We acquire, we invested on expanding our kind of like technology capabilities and all that. So there's a cost of cloud, there is a cost of on-boarding a customer. So overall, I can tell you that our cost of acquisition and LTV hasn't changed. So there is no impact on long-term guidance that we say that we would like to remain in that zone of 45% to 50%.

But if we look at our cost of acquisition to lifetime value, what slide we show, it appears to be around in the range of 75% to 80%. Slowly, you will see that, okay, this will play out once kind of like India reaches a level where there is not a huge opportunity to grow but we are more trying to get more wallet share of our customer. That is where a true reflection of OPM would be visible.

But currently, as we are growing, as we see more opportunity to acquire customers, we may see impact in a quarter or 2. And then again, if at all opportunity stabilizes, you'll see we're going back to the same OPM. Plus, we are investing in new businesses. So that new businesses will have impact in terms of we have to take upfront costs in the new businesses.

But if I talk about broking, we have been maintaining this kind of like cost to LTV, but new business addition that we are doing, incremental investment that we have to do is not going to impact margin in a big way.

Vineet Agrawal: Swarnabh, on your question about ancillary income. So as we mentioned earlier, that there were 3 less number of trading days in this quarter, and that is linked to the number of trading days. So primary impact of the decline is because of the lesser number of trading days.

Swarnabh Mukherjee: Okay, sir. But overall turnover, despite lesser number of trading days, would have increased, right? So this would be kind of the fees that you pay to exchanges linked to the turnover?

Vineet Agrawal: Yes. We -- as we also explained, the order mix has also undergone a bit of a change, where cash delivery orders were higher as compared to the other segments. So it's a mix of number of trading days as well as the change in the order mix.

Moderator: We'll take the next question from the line of Prayesh Jain from Motilal Oswal. Please go ahead. Please go ahead.

Prayesh Jain: Yes. First of all, wish everyone a very Happy New Year. And I have a few questions. Firstly, on the pricing price action again. Is it fair to understand that you want the mix of your brokerage business to slightly increase towards the cash segment? And because you also alluded to the fact that this price cutting realization cutting would help you grow your margin trade funding book as well. And so is that -- is there a change in thought process where you want to kind of increase the share of cash segment volumes? That would be my first question.

Second is on the cost front. Again, what you alluded to there is no change in the cost. Would there be any other additional costs that would have gone up sequentially apart from client acquisition costs because that reflects in the in the increase in the overall admin costs? And lastly, on whether, with the RBI regulation changes, what would be your approach on the lending, the loan distribution business?

And whether there is some thought on could you give some insights into as to how will you approach this? What would be the ticket sizes that you would be looking at or some information so that we can understand this. And just 1 small clarification, does this ETF SIP come into your client acquisition in any form? That would be my questions.

Dinesh Thakkar: Okay. Let us go one by one. One on this mix. See, we always said that we want to be having a market share in all the segments. So you are right in terms of when it comes to market share in cash segment, margin trading, everywhere we are looking up to be in kind of a leadership position.

So wherever you find a pocket like there are clients who want to start their journey by cash segment, we are equally kind of a like eager to acquire them and try to nurture them on our platform. As I said, what we have realized, even when we take customers or cash segment, lifetime value of this customer is almost quite decent in terms of unit wise economy. So it surpasses like or maybe passes that kind of like test of OPM of 50% and around.

So yes, when we are looking at the new geographies, lots of customers, they don't want to start activity, which is very intense high. They want to start building portfolio. They want to buy cash segment. They want to make a portfolio. So we are very keen to get a market share over there. And that does not impact our cost of acquisition to LTV metrics.

Second, when we come on expenses. Yes, this quarter, 1 cost was because of higher acquisition that we did. And plus, we did a lot of investment in building technology capabilities. So there were 2 content components, which was upfront and which was needed looking at the higher base that we are serving now. On this RBI regulatory regulation and on SIP, we don't acquire a customer. It is just cross-sell. Saurabh would be the right person to answer both these questions. Saurabh?

Saurabh Agarwal: I think your question on RBI, let's take a step back and understand what RBI has done and why, right? I think the core issue is leverage in the unsecured business across a few cohorts was building up and customers were getting burdened. And hence, what RBI has done, it has increased the risk weight. By doing that, what happens is cost of funds and hence, ROI for a few cohorts will go up.

Primarily, we believe that for lending business to go a long way in India, it has to be responsible lending. You can be overburdening the customer with a lot of leverage. So that is our view on what RBI has done, how does it impact us, right? So one is this is the foundation year for us to build the lending business. So as of now, we are in the beta testing stage.

Secondly, in terms of our plans in lending, we were never looking to get into small ticket lending, which is where the entire stress is build up. So direct impact on the business in the year going forward also looks to be very, very limited. In terms of the ticket size that we are looking to target, it will be north of ₹ 1 lakh on an average. So I think largely, we don't see any impact on us. In fact, we are quite positive that RBI has come out with this regulation now when we are in the initial phase of building our business.

Having said that, since the industry is very large, there is a lot of demand, we are sure that the overall industry is poised to grow multifold over the next few years and we will be a key beneficiary of that growth.

Prayesh Jain: Okay. And just on the SIP thing, whether a customer is acquired and he invests in a SIP, invest in an ETF, which ideally for us will be 0 revenues. Would that still be counted in the gross client addition? How does that go?

Saurabh Agarwal: No, since we only do cross-sell on the MF SIP part, the client addition happens only when someone completes a KYC for opening a demat account, right? So someone doing a SIP or not doing a SIP, that does not get counted in your gross client addition.

Moderator: The next question from the line of Chintan Sheth from Girik Capital. Please go ahead.

Chintan Sheth: Sir, on the affiliated channel partner side, if you can provide some more color what's your strategy around adding new set of adding new channel partners and whether that affiliated channel can be also leverage to expand your growth on the lending side of the business as well as your AMC side of the business in terms of distribution of the product, whether there will be an overlap to that, that will be the one.

And second, on the on the margin front. Again, sorry to harp on that. But this upfronting of cost, if you can elaborate in terms of, if I look at the cost was slightly offset -- the increased cost is understandable. But at the same time, the cut the tariff also impacted the margins slight more than the increased cost. So the understanding would be that this is the last leg of tariff cut, which we can see or there is still you need to optimize it if the market in favor of in terms of adding more number of clients. That will be the 2 questions.

Dinesh Thakkar: Yes. On assisted channel, I will ask Nishant to give his view. Let me cover upfronting cost, which is very important to understand in this kind of business.

So what happens when we are acquiring a customer, as I said, that we have to do an upfronting cost, like we don't apportion this cost across the life cycle of the client. So when we are taking a big chunk of cost on customers when we acquire, we are able to realize only like, come to a breakeven only after 6 to 7 months. So there is a period where it takes time for us to breakeven on this cost. But, when we take the cost, it is reported immediately in that quarter.

So second comes when we are growing our customer base, we need to take care of their growing requirement in terms of technology capabilities, in terms of ruggedising our products and all that. So lots of kind of technology cost goes upfront. So when a client is acquired, we try to see that our capacities are created for these client so that they don't face and glitches any problem when they are trading in the future. So that way, when we are building any platform, there are lots of costs which immediately comes as an upfront cost, if we are increasing our base of customers, okay?

Second comes tariff impact. As I said, it is not a tariff impact. It is about how do we grow the market? In India, as you see, like 65 crores, we are having a PAN account. But they are not taking interest in equity, where we know that every person needs certain kind of like saving investment and equity has given an excellent return in terms of CAGR of 13%, 14% for 25 to 30 years. So we need to players like us have to really expand this market. So we need to go into an area, understand what tariffs would attract them, what kind of content would attract them. So there is also cost we have to take to attract these new geographies, new profiles.

So when we are working on a new tariff plan, what we look at is, is this customer profitable in the future? What would be his trajectory or her trajectory? If that comes as a trajectory, would be an OPM of 50% around, so try to modify change, work out a campaign, work out marketing around that. So on aggregate level, you may feel that we have reduced the tariff. We are reacting to how to acquire and how to get a new geographies, new profile in the market. That is how we have grown for all these years. So we will continue our strategy to understand what this customer needs in terms of understanding content, in terms of journey on our platform, in terms of tariffs, which will make this person on board on our platform. So that's the reason tariffs, when we speak on tariffs, we look at lifetime value. If we are convinced that the lifetime value does not change, we will try to tweak it, that makes attractive for the customer, and that helps us to gain market share.

So this is what on upfront cost and tariff.

Chintan Sheth: What is this benchmark, LTV, you keep talking about what is the benchmark you keep the range, you keep in terms of is it linked to the income of that individual percentage of income of that individual? Or how should one look at the LTV for you? What is the LTV for you?

Dinesh Thakkar: Yes. So we look at every cohort and all that. But what we disclosed is the total cohort that we had acquired in FY '22. So if you look at that cohort behaviour is almost same. Like when we take up costs, almost LTV appears to be around in the region of 8x. So what we are seeing at that time also, we told that breakeven of this customer that we acquired is around 6 months, that trend continues. So when we talk about CAC to LTV, we look at cohort wise profile wise. But when we disclose to you, it is more of like mix of all cohorts.

But what we look at, even like customers today, we don't go out and acquire customers for SIP. Because until now, we are not convinced in terms of CAC LTV. But we have enough customer base to sell them SIP, sell them mutual fund. So for other cohorts, whenever it becomes profitable, we go out in the market and acquire those customers at a new pricing or work out some content strategy or create some journeys, some referral programs.

So for us, for all these cohorts, it is important that we are able to maintain a margin of around 50%. So few cohorts will be giving above that, few cohorts will be giving a bit below that. But we don't totally go into cohort, which we are not sure that we can make it profitable.

Chintan Sheth: Fair enough. On the assisted channel?

Dinesh Thakkar: On assisted channel, Nishant, if you can just?

Nishant Jain: Sure. Thanks for your question, Chintan. See, growth in assisted business has to be seen in 2 ways. One, deepening our relationship with our existing clients, which is where Dineshji had alluded to how we are planning to transform our NXT platform primarily through which our SBs engage with their end clients.

Adding a layer of cohortization, personalization and therefore, being able to roll out relevant products to relevant users. So that's the first piece of this growth path. The second is with regards to engaging with newer channel partners, the likes of mutual fund distributors, POSPs and DSAs to be able to unlock growth potential within mutual funds, within lending or within insurance. And the game of this multichannel play primarily to expand our footprint as also to deepen our relationship with the existing customer base.

Chintan Sheth: Okay. So that will be a separate channel than the broking affiliation partners that will be a subset, right, for the insurance just to be...

Nishant Jain: What I am considering is that both these channels would be at play. Even our existing sub-brokers would be selling mutual funds and insurance products. And at the same time, we would have kind of new channels getting unlocked as we proceed.

Chintan Sheth: Sure. Sure. Okay. Any broad or near-term targets in terms of what we are looking at expanding the base of affiliated channels? Or are we also looking at tweaking our commission to the channel partner so that the business, they get attracted to enroll with us and extend their engagement with their counterpart clients at the end? So are we trying to further incentivize them more initially and then grow that business? What will be the strategy there?

Nishant Jain: The idea is to build business on back of a solid foundation, which is where leveraging technology plays a key role and also engaging with quality channel partners to be able to provide a great experience from a customer point of view. These are the 2 focus points commercials and kind of discounting in any formal fashion is not the primary strategy.

Moderator: Thank you. We'll take the next question from the line of Abhijeet Sakhare from Kotak Securities. Please go ahead.

Abhijeet Sakhare: I had just a couple of clarifications. So on Slide 11, where you have the vintage-wise revenue breakup, can you also share what is the vintage wise breakup of active clients as of now, around 5 million plus that you have?

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

Vineet Agrawal: No. Right now, we don't disclose that information. So I don't have that with me right now.

Abhijeet Sakhare: Okay. Sure. No problem. And the disclosures on Slide 10 on the cohort of FY '22. So if you could just give some sense on how the FY '23 cohort has behaved so far? Are the trends similar to FY '22 or any deviations?

Vineet Agrawal: I would ask you to wait for some maybe a quarter or so. We'll come up with an updated data point on this. So we've shared it for FY '22. Once we have the complete data for FY '23, we'll share with you.

Dinesh Thakkar: I mean, if you want to add this because why we took '22, not '23 because they haven't completed this. We are talking about lifetime value Abhijeet. So it is important that we have a data of 3 years and 4 years. So this was the closest year which comes where we can at least show some kind of like trend of a customer. But as I said, the breakeven of that time customer and today's customer remains same, 6 months. Amit do you want to add anything on this?

Amit Majumdar: This is because we went digital around FY '22, and we want to actually cover the journey of the digital customers how they have behaved. And FY '23 is effectively when they complete 3 years. And therefore, it was relevant. FY '22 is the customers who complete 3 years. And therefore, for the time being, it is relevant to look at the 3-year LTV for that set of cohort customers, which has completed 3 years. As we get to the next financial year, we will again update this slide as Vineet just suggested.

Moderator: The next question is from the line of Dixit Doshi from Whitestone Financial Advisors. Please go ahead.

Dixit Doshi: Sir, there was some tariff change in the cash segment. So if we have to compare only for the derivative segment, our brokerage income from the derivative segment would have been -- would have increased quarter-on-quarter or it was flat or we lost some volume or market share there and we saw some impact in the brokerage income in our Derivatives segment as well?

Dinesh Thakkar: Dixit, this market you have to see in context of like little bit dynamic. So like revenue from customer every quarter is not consistent. They are based on market situation, some events, some news. So this quarter, usually quarter 3 is always kind of like a very silent quarter because of festivals and all that. So comparing 1 quarter to other quarter this way may not be a proper comparison. What we look at the trajectory of a customer who become active and they remain actually for a few quarters.

Dixit Doshi: Yes. The reason for asking this was because at the exchange level, the number of options contracts traded quarter-on-quarter was significantly high. So that...

Dinesh Thakkar: Okay. Bhavin, can you take this?

Bhavin Parekh: Yes, sir. Basically, this quarter, what we saw is a lot of weekly expiry got spreaded over the week. Bank Nifty expiry changed. Then obviously, Fin Nifty and the Mid Cap Nifty got a lot of participation.

What has happened is, though we see the number of contracts were traded higher, we have actually seen that the contract per order has increased for a customer. Premium has reduced when the customer trades and if it's an expiry date, the premium has actually gone down. So they are able to trade higher number of contracts for the same amount of premium that they want to trade for. This is the reason that we have been seeing that though the contract numbers have increased at the exchange, the same has not got translated into orders across exchange.

Devender Kumar: So Mr. Dixit, also just to add to this point that when we look at the overall growth of the market, we usually look at overall market share. So in case of F&O market share, if we compare to quarter 2 to quarter 3. In quarter 2, we were at 26.2% market share. And our market share has gone up to 26.9%, which is reflective of the fact how we have grown along and faster than the market itself. That's the way we gauge the overall growth of the segment itself.

So accounting for these 2 aspects, so we are looking at a flat thing, but overall market share has gone up, which is always showing how quarter 3 for the overall industry has been also a little subdued in nature.

Dixit Doshi: And because market share, we are referring to the retail market share? Because there must be a lot of Pro account volumes also in this. So we see net of that, right?

Devender Kumar: The retail market share was in quarter 2 used to be 26.2% in F&O segment; now we are at a retail market share of 26.9%, so which has sequentially gone up in quarter 3, as we mentioned.

Dixit Doshi: Okay. And 1 more question, sir. I missed it in the -- in your opening statement. Maybe if you can let us know by when we plan to start our AMC business?

Dinesh Thakkar: Yes, sure. Hemen, if you can just take this question.

Hemen Bhatia: Sure. So Mr. Dixit, currently, we are in the process of seeking the AMC, the MF license from SEBI and are doing the needful in terms of setting up the necessary infrastructure, processes, policies. So again, as I said it is a process we endeavor to get the license as soon as possible once all these formalities are complete, and we will have to wait for the regulator then to revert for any queries or any questions that they have on the existing setup, which we have. So it will be very difficult to give a timeline now, but our endeavor is to be on ground as well as possible.

Moderator: The next question is from the line of Pallavi Deshpande from Sameeksha Capital. Please go ahead.

Pallavi Deshpande: I just wanted to understand, you mentioned about the increased headcount for the asset management, etc. So what is -- and then it's mentioned in your presentation, Page 12, that it's been put in other expenses to increase employees. So I just wanted to understand how many -- what was the amount of expense on the employee side and wide figures on that -- in the other expenses?

Dinesh Thakkar: Vineet, if you can take this?

Vineet Agrawal: Yes. So as we mentioned in the operating profit bridge, that the employee cost has increased by about ₹ 56 million for the CTC cost and about ₹ 30 million for the ESOP cost. So we've added about 107 employees overall in the -- across the group, including the new business data analytics, technology product. So with this, the cost has gone up by almost ₹ 90 million, including the ESOP costs.

Pallavi Deshpande: So the other expenses don't include any employee expenses. Is that right?

Vineet Agrawal: So the other expenses do not include. All the HR-related costs are part of the employee expenses and ESOP costs.

Pallavi Deshpande: Okay. Secondly was on the tech team -- how much, what would be our spend on tech -- if you can give any -- as a percentage of revenue as well as a percentage of PBT?

Vineet Agrawal: No. We don't disclose that any percentage.

Pallavi Deshpande: Yes. And the number of people in the tech team last was 500, I don’t recall. And what is it now versus last year?

Vineet Agrawal: So across technology, product and digital footprint, we have more than 600 people.

Pallavi Deshpande: Right. And the AMC side is the hiring over, we need more hiring to be done for the people side then?

Vineet Agrawal: No. My understanding is most of the crucial hiring is over. Maybe a couple of associates may be required.

Pallavi Deshpande: Right, right. Just lastly on this, you mentioned about this cash side. I think I got some comments like you're interested in the market share and all. Is there any increase expected for the share of cash business or are we targeting, anything like that?

Dinesh Thakkar: So we have high aspirations in terms of increasing our market share, whatever it is possible. It would be difficult to put a number, but we would like to see that everywhere, like not just one segment, all the segments, wherever we become active , we focus on certain market share and would like to see incrementally every quarter, every 6 months, we get better market share than where we are.

Moderator: The next question is from the line of Nidhesh from Investec. Please go ahead.

Nidhesh Jain: Is there an update on wealth management business that we have been talking about last quarter? And any update on the business model impact, which customer segment you will target and what is the model of reaching out those customers?

Dinesh Thakkar: As announced last quarter, that we are keen to start wealth management business. But as I said, that would be functional only in first quarter of next financial year. Currently, we are in the process of strategizing and working out a right kind of approach where we can use our technology and where we can serve customers who have this kind of like need for this kind of product.

It's a bit early to comment right now because we are in the process of putting our heads down and working on the right strategy. May be by end of next quarter, we'll be able to come out with some clear direction on wealth management piece.

Nidhesh Jain: Sure. Second, if I look at the derivatives revenue. That has declined 6% Q-on-Q versus a 1% decline in derivatives number of orders. So revenue per order in Derivatives segment has declined by almost 5%. So any particular; reason? Have we changed any pricing there? What has driven that?

Dinesh Thakkar: No, nothing like that. It may be like a number of contracts for all who would have increased value. Bhavin or take this or Devender?

Devender Kumar: So again, to mention, I think when you're looking at quarter-on-quarter, Mr. Nidhesh. There is a factor of 3 less trading days in this particular quarter. So there is already an impact of 3% to 4%, which has impacted by a lesser number of trading days.

Now coming to point #2, that overall F&O market has increased. I think Bhavin mentioned that how a number of contracts per order has gone up, which has resulted into the number of contracts increased not reflecting into order side, which is where our pricing model is set.

And the third point remains that when we look at the F&O market, right? We look at our market share, right, which has gone up from 26.2% to 26.9% from quarter 2 to quarter 3, which means that we have gained market share in the retail market share. Obviously, we only participate in retail market share today. So in retail market share, we have increased our share. And at an overall level, if you look at quarter 3 itself, because of the holiday season, there is obviously a subdued performance, overall market behaving in a little subdued way as well. So that is the...

Nidhesh Jain: My question was actually on revenue per order. If you look at F&O revenue divided by number of orders for us, that was around 23-point something last quarter. That declined to 22.2, I think, in this quarter. So is there any pricing change in F&O or mix of flat fee has gone up. What has led to that 5% decline in revenue per order in the F&O segment for us?

Devender Kumar: So at an overall level, Mr. Nidhesh, so when you look at the overall order sizes, the flat fee contribution to our overall pipe used to be -- has increased by -- used to be around 85% in the last quarter, which has now increased to almost 89%.

Now that must be reflecting back in terms of the overall revenue per order because I think the flat fee clients are growing much faster pace in comparison to old customers which are at a percentage base with us. So that is maybe one of the factors also contributing in terms of the overall reflection of revenue per order than that you are looking at.

Nidhesh Jain: Sure. And also my last question is on opex. So if I look at admin, other expenses has gone up by ₹ 57 crores this quarter. If you can get us some breakup that what was the main components of this increase, like what has -- what percentage of this has been contributed from customer acquisition, whether from other components, that would be helpful.

Dinesh Thakkar: Whatever we can give detail. Vineet, if you can just...

Vineet Agrawal: So there are 3 or 4 main components that have contributed to this growth. One is, of course, the 3.5 lakh more clients that we acquired during the quarter as compared to the previous quarter. The on-boarding cost of those clients, which is in a onetime offering cost that we incur.

The demat charges have grown in line with the growth in the cash delivery volume and the income in the depository operations. The tech infra cost, the opex part of tech infra cost. And there has been a ₹ 25 million additional contribution to CSR as compared to the previous quarter.

Moderator: We take next question from the line of Ashutosh Garud from Ambit PMS. Please go ahead.

Ashutosh Garud: So just wanted to understand on this tariff cut on the intraday segment and the upfronting cost. I mean, what I heard you mentioning about that you will continue this thing as long as you see a scope of acquiring clients given the low penetration and given how we are placed from a secular trend perspective, the segments which we operate, this looks like a fairly long-term approach as far as you get -- you're targeting these kind of customer acquisition and the tariff change. So would it be fair to assume that through FY '25 as well, will you see this kind of a margin percentage going ahead on the operating front?

Dinesh Thakkar: Yes. Ashutosh like as you rightly said that, this seems to be a very secular trend, and we don't know where this trend will lead in terms of penetration, how much of population will be ready to really jump and start investing in equity. If that trend continues, we are talking about currently like if you look at active customer base, hardly 3 - 3.5 percentage of population is investing in equity and similar numbers are for mutual fund.

So point is that if that trend continues, it is really kind of like very profitable for us because it is just one time the lifetime you get an opportunity to acquire a customer when they are on-boarded, then to acquire a customer from competition is always difficult. So this trend, we have seen everywhere in the U.K., U.S., where this kind of a trend came and people started attracted towards equity. Players who become big, they became really a solid player who were able to work on a good profitable business.

It is difficult to say in terms of upfronting cost up to what level it will continue. But what I am seeing that this seems to be like a trend which is going to last up to at least we see a penetration of at least 15% to 20% of population coming on our platform and using our industry products.

On tariff costs, as I said, that we have to be dynamic because India is very diverse. There are different needs of people. So we have to look at that, what are the requirements and at what price they would be attracted on our platform.

As I said, that we are guided by our CAC to LTV as we see a margin of 50% and around. We try to go into a newer pocket and acquire newer customers. That is how Angel One has grown since 2020. So all the time when you acquire a new set of customers, it's clear that our ARPU is decreasing. But when you look at our overall margins, it has remained intact than a few quarters when we become kind of an aggressive acquiring customer, there is an upfront cost on technology, on-boarding, on acquiring a customer. But if you look at unit-wise economy, it is still very attractive to continue to see which are the pockets where we can acquire more customers and continue with this trend.

I would be very delighted to see this trend continues for next five to seven years. That means we are looking at deep penetration of this equity market where we become a leader. So in digital market, what is important is that what kind of market share we have and how many people are really using our services. In both the metrics in terms of acquiring a customer, we are a market leader. In terms of creating revenue from each customer that we are acquiring, including like selling their mutual SIP and all that, we have been getting a good market share.

So overall, this suggests that this business model is strong enough and our platform is very popular amongst all category of customers. There are a few platforms which are popular with trader category. But in our case, we have seen diversity of customers that we are able to acquire and serve and create revenue from them is quite immense. So that way, I feel, if this trend continues because of diversity we have a better business model, which can sustain for a longer period of time.

Devender Kumar: One more point to it, Ashutosh. One point to note now as we are looking at no grabbing market potential -- this is also reflecting in our cash market share. The post the tariff chain has happened, our market share used in cash market used to be stagnant in retail market share is to stay at around 13.8%.

In the first time, after eight quarters, we have seen a strong increase in market share as well. Wherein in quarter 3, we're looking at a market share of almost 15.1% in cash market as well. So it is in line with our aspiration of increasing the potential of India and grabbing larger market share, which is reflecting with the strategy going live as well, all from that point of view.

Ashutosh Garud: So just to add, I mean, on the -- and once you're starting on the AMC front, I would want to believe the LTV, which you assume now should go up as we go ahead because you're adding new verticals from business aspects.

Dinesh Thakkar: So Ashutosh, as I repeatedly told that till the time we are satisfied with OPM, what we do is we try to spend more on acquiring customers. If you think that, okay, I think two more products or LTV has increased. So we'll try to acquire more customers, spend more on acquiring new set of customers. So what is the guiding force for us is that CAC to LTV? And see, if you stop like growing, our margin may increase. But what is important for us is that if there's a budget to acquire a new set of customers, explore new profile of customers, we'll go ahead and do it.

Moderator: The next question is from the line of Sanketh Godha from Avendus Spark. Please go ahead.

Sanketh Godha: Sir, when I see your customer acquisition, it's very visible that the bulk of the customer additions happening in tier 3 markets. Sir, your statement you made with LTV to CAC or payback period is six months. Is it even true for Tier 3 clients? Or your Tier 1 clients are cross subsidising Tier 3 clients and therefore you say it is 6 months? And because it's not converting into revenues because you added a single number in the second quarter, but it's not translated into revenue in third quarter. Just wanted to understand that it's cross subsidisation and we are hoping that it will play out in subsequent years rather than an immediate 6-month basis for Tier 3 clients?

Dinesh Thakkar: First of all, the answer would be like require lots of components to be identified and to be really, we don't disclose all that for every cohort. Even you say Tier 1 urban and all that, Tier 3 also, we have KRA Yes, KRA No, 20 below, 25 age below, 25 above. So, what we look at is that bulk of customers that we acquire in that kind of like cohort, what kind of like CAC to LTV is there. As I said, that we are looking at OPM of 50% and above.

So different tiers will be having a different kind of ratio. We don't disclose those kinds of data. But what I'm trying to say is that even Tier 2, Tier 3 and beyond, CAC to LTV is very profitable. And it meets our specification of maintaining an OPM of 45 to 50%. If you look at our customer base that we are acquiring, most of the customer, 80%, 85% are coming from Tier 3 and beyond.

There was an impact of Tier 3 and beyond. If there was an impact of Tier 3 and beyond, it would have been visible by this time. So in 3 years, if you see our trend is that we are acquiring maximum customer from Tier 3 and beyond. So clearly, it is visible that those segments of customers are profitable, are contributing to our margins and that initiative that we took initially, though people are a bit skeptical in terms of our approach of going into Tier 3 and beyond. But what happened because we were first to get a great market share. When I'm saying, many organisations were able to acquire the customer from Tier 3. But we were the one who are able to make them active, create a good engagement kind of like programs, and today we can see that what suits we have kind of like delivered to in terms of revenue to -- revenue from each cohort of customer.

So to answer your question, Tier 3 and beyond is also a very profitable pocket. So we are very aggressively trying to acquire -- trying to work out proper kind of like marketing for those areas. And we feel that we being market leader in that, it's very easier for us to acquire because we have created journeys for this customer on our app. So when they are on boarded on or app in terms of content, in terms of nudges that we gave, pricing also that we have worked out is very effective for them. And for us, what is important, if you're able to activate it, if you're able to make this customer active, that is most important, and we have been successful in that.

Sanketh Godha: Got it. But just wanted to understand, is it a assumption, is it safe to assume that payback period is a little longer in Tier 3 compared to maybe long term, it will play out LTV to CAC. But on immediate payback period point of view, Tier 3 clients will take a little longer compared to Tier 1 inductions?

Dinesh Thakkar: Currently, data does not suggest that. As I said, that depends on what kind of profile we are acquiring.

Sanketh Godha: Got it. And sir...

Dinesh Thakkar: But the data is not suggesting that Tier 3 can say like breakeven is higher than urban and all that.

Sanketh Godha: Got it. And I just wanted to understand the Tier 3, which is the channel, is it the same authorised person which are driving the growth in client addition? Or is it more direct or referred? I just wanted to understand the color how you are managing to acquire more customers in these geographies.

Dinesh Thakkar: Sure. So Prabhakar our Chief Growth Officer will answer this, but let me tell you that we have two channels. One is the assisted channel, where customers are acquired through this like authorized person. On digital side, Prabhakar will be a better person to answer this.

Prabhakar Tiwari: Thank you for the question. I mean if you look at it, we have a strategy which is based on 3 pillars. First is a channel-specific. As Dineshbhai pointed out, that we focus on specific channel and their cost-to-revenue ratios. So be it organic channel, be it referral channel, be it paid channel or be it financial influencer channel. We ensure that at a channel level, those profitability are maintained and we do a pan-India campaign leveraging various cohorts. Second approach we take is a signal-based approach.

Now the signal-based approach is unique to us, and this is what Dineshbhai said, we have mastered since 2020, thanks to a very close collaboration between the acquisition revenue team that we know which signal to pass on to acquire customers, which are good revenue yield for us. And we also know like what kind of investment we want to do behind those cohort of customers.

The third is what we call a catchment area. So we know for sure that there are certain places which are very heavy on trader kind of new cohort, and we ensure that we pay additional cost for additional revenue for those cohorts.

Why we have been able to be successful on it is because somewhere both our performance marketing, brand and content work very closely with each other. And we try to go with a full funnel approach, whether it is Tier 2, Tier 3, Tier 4. So both our brand media choices and also in terms of performance marketing, paid channel choices are in sync with each other.

Sanketh Godha: Got it. But is it safe to assume that out of the total client acquisition on a marginal basis, the authorized person contribution is coming down, and it's more and more happening in the digital way of acquiring the customer?

Prabhakar Tiwari: Dineshbhai, can you take it? Yes.

Dinesh Thakkar: Can you just repeat your question?

Sanketh Godha: So, I was just asking...

Dinesh Thakkar: I said that okay, that yes. Yes, please.

Sanketh Godha: My question was on incremental basis, whether the client acquisition is more happening outside the authorized but are more compared to the authorized person? I just wanted to understand on AP is still leading the client acquisition for us?

Dinesh Thakkar: No. See, like when we are talking about broad basing this market, definitely, digital marketing and all that would be a main engine of growth. Because assisted channel looks at quality of customer, okay? So they will acquire a new customer when they see a quality. But when we are acquiring digitally definitely, we expand and grow fast on digital side. If you look at our market share also on digital side, on flat brokerage and all that, it's increasing in our overall revenue pie.

So to answer you this question flatly would be in terms of when we're acquiring new pockets, new geography this B2C direct marketing would be having a higher market share and will be growing at a higher rate. And when it comes to assisted business, maybe in terms of acquisition, they will be a bit lower than digital side. But in terms of quality of revenue, there is far better because they are very selective.

Vineet Agrawal: And just to add to what Dineshbhai said, the ratio remains almost same. Of the 100 clients that we acquired in any month or quarter, a fourth of those clients come from the assisted business and 3/4 comes from the direct channel. So that ratio remains more or less same.

Sanketh Godha: Okay. Perfect, sir. And last one from my side. Sir, the authorised person led strategy on MF distribution. I just wanted to understand when it is going to go live and when we can see that number trickling down to our revenue? And second, we had a freeze on new addition of authorized person. So I believe 6 months are over. So as we have started adding more authorised person? Or still we are deepening our existing price person to this channel?

Dinesh Thakkar: Nishant if you can to take this question.

Nishant Jain: So as far as the embargo was concerned, it has been lifted, and we are pretty much open to acquiring more APs in areas where we don't have adequate representation. In areas where we have decent coverage of our APs, we would continue to grow on back of those channel partners. As I also mentioned in one of the earlier responses, that we are also going to be acquiring newer channel partners like mutual fund distributors, POSPs and DSAs in Phase 2.

Sanketh Godha: Perfect. On this MF distribution through authorized person, which was a stated strategy, when we can expect that number to trickle down in our top line and bottom line?

Nishant Jain: This is a futuristic statement. I'm not sure if I can make it here.

Sanketh Godha: But actually, as you said, wealth management is expected to go live in 1st quarter of FY '25, then this MF distribution, which we are largely going to super.

Dinesh Thakkar: Sanketh, just to answer you, our MF through AP is already live. Now we are talking about scaling it up. So Nishant Jain has joined to scale up all the division, all that kind of distribution channel apart from authorized person.

Sanketh Godha: Sir, the reason I'm asking this question is that our distribution income is still ₹ 10 crores, ₹ 11 crores, which has not changed meaningfully in the last 2, 3 quarters. So when we can see this number to go up, given we are already live with the MF distribution?

Dinesh Thakkar: Sanketh what happens that, okay, to really like start any new division full fledge, it requires a kind of a like foundation period. So currently, I would say for assisted business beyond selling stock broking product and cash market product and scale it up require some kind of like investment in kind of working on the right strategy and right plan. So I would say you'll see some traction coming from this vertical maybe first quarter of FY '25.

Moderator: The next question is from the line of Mayank Bukrediwala from Citadel. Please go ahead.

Mayank Bukrediwala: You've already spoken about this issue, which is our futures our F&O ADTO growth has been much higher than the ordering growth, and this has been proved for many, many quarters now, but it seems to have accelerated a lot in this particular quarter. I mean, if I just simply look at it over a 2-year period, our F&O orders have increased by almost 2.2, while the ADTO has increased by almost 5.5. So this is a very large gap created over 2 years.

And I'm not sure if this is entirely explained by a decline in premiums and all of that. So I just want to understand what else is driving this? And this entire splitting of expiries, where we've got an index expiring every day has not really resulted in a material increase in F&O ordering for us. Do you anticipate that will happen from here onwards?

Dinesh Thakkar: One thing on ADTO and order I'll ask Devender or Bhavin to answer that on that -- split of expiry and all that. Again, there is one thing. The customer comes with a certain budget, certain wallet. So he can stretch his wallet only to certain amount of contracts and orders. So choice would be, he gets more choice, but that does not mean he is going to trade more. So that is where like when a customer have choices, benefit would be more customers are attracted towards market thinking there's a lots of choice.

But individual, putting in more money, I don't think that is happening in retail side at least. So what you will see because of this kind and more product available, more people are attracted and they are getting affected and on-boarding on our industry. So that is a good thing that they get variety and they're attracted towards variety. That is what I feel.

If you look at expiry, there were enough product when Sensex and Bank Nifty and all that came up with a different expiry day. Because of wider choices, we are seeing customer base again started growing. So if you look at growth in this last December, was maximum. What is happening is that this market or this industry has to give lots of variety and look at more customers getting on-boarded rather than getting more wallet share from the same customer.

On ADTO to order, Devender would like to answer. I think I'm not audible. Bhavin or Devender can answer this. Question was that, okay, why this ADTO has increased 5.5x. I mean, it is related strike price and premium.

Mayank Bukrediwala: Your response on the order growth not picking up materially makes sense, which is why it's surprising as to why the ADTO growth picking up then, is a lot more, I don't know, is some activities -- does some institutional activity also pass through us or something which is driving this?

Dinesh Thakkar: No, we don't have institutional business. We just do retail.

Bhavin Parekh: Yes, sir. Sir, first of all, for clarification that ADTO is based on the notional calculation. So it is not just premium into quantity, but it is strike plus premium into quantity, and that's how the market share is derived on ADTO. So because the nifty values have gone up and the bank nifty values have gone up, there is a change in ADTO due to that. And also, there would be some factor on number of contracts per order. So both of this would have made the ADTO look higher. But practically, that's the reason, sir.

Dinesh Thakkar: So that's the general reason. I think the ADTO is strike price, but I think with this daily expiry premium has gone down. So what you're seeing, you may see ADTO has gone up. But what you should look at premium and kind of like customer has to pay premiums or they have to buy any contract.

Mayank Bukrediwala: No, that's right. But the difference is huge because your F&O ADTO growth is about 20% Q-o-Q, while your F&O order is flat Q-o-Q. Now this 20% cannot be entirely explained by the difference in the premium coming down is what I think. That premium has certainly come down.

Dinesh Thakkar: We look at our market share has not gone down. And it is not that some other component in retail, what we are talking is about retail ADTO and retail order per client. So that is the only way we can explain.

Beyond that, I think there is no explanation. Because in this segment, institution is not included. So what we are seeing is that we track our market share. And that premium market share, I think we -- our market is increasing. So there is no reason for us to believe that somebody else is taking away the market share or business from us.

Bhavin Parekh: Sir, I'll just seconds more to reemphasize on this. What has happened is, see, the nifty values have gone up in this quarter, right? And when we talk about an ADTO, the notional value would depend on the strike price, right? Strike price has gone up. But the premium value because of the weekly expiries have gone down. So you might see a rise in ADTO, but it would not translate into the actual premium turnover of the customers.

One factor is that. Second factor is very clearly that the number of contracts per order has gone up. So customer is able to create a higher number of contracts with the same premium value that they normally play with. And that is the 2 main reasons why you will see the disconnect.

Moderator: Ladies and gentlemen, due to the paucity of time, that was the last question for today. 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 the call today. I hope we have been able to answer all your queries. Should you require any assistance, please feel free to get in touch with Hitul Gutka, Head Investor Relations or SGA, our IR Advisors. Good day.

Moderator: Thank you, members of the management. Ladies and gentlemen, on behalf of Angel One Limited, that concludes this conference. We thank you for joining us, and you may now disconnect your lines. Thank you.