



Angel One Limited
Q4 FY '25 Earnings Conference Call
April 17, 2025



MANAGEMENT:

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Ankit Rastogi <i>Chief Product Officer</i>	Arief Mohamad <i>Chief Business Officer – Direct Business</i>	Nishant Jain <i>Chief Business Officer – Assisted Business</i>	Saurabh Agarwal <i>Chief Business Officer - New Business</i>	Ketan Shah <i>Chief Sales & Revenue Officer – Assisted Business</i>	Rohit Chatter <i>Chief Data Security Officer</i>
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E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 17th April 2025 will prevail.

Moderator: Ladies and gentlemen, good day, and welcome to Q4 FY '25 Earnings Conference Call hosted by Angel One Limited. 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.

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 touch-tone phone. Please note that this conference is being recorded.

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

Hitul Gutka: Good morning, and welcome, everyone. Thank you for joining us today to discuss Angel One's Q4 FY '25 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 the press release are also available on the website. For today's call, Angel One is represented by Dinesh Thakkar, Chairman, Managing Director; Ambarish Kenghe, Group CEO; Vineet Agrawal, Group CFO; Saurabh Agarwal, CBO of New Business; Hemen Bhatia, CEO, AMC; Srikanth Subramanian, Co-Founder, CEO of Ionic Wealth.

We also have the other senior leadership team of Angel One, along with SGA, our IR consultants. The leadership team will give us a brief overview of the operational and the financial performance of the quarter gone by, which will be followed by a Q&A session. Please note that there may be certain forward-looking statements during the course of the call, which must be viewed in aggregate with the risks that the company faces.

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

Dinesh Thakkar: Thank you, Hitul. Good morning, everyone. India's capital markets are currently undergoing a transformative phase with multiple headwinds at play, including the implementation of F&O regulation alongside a volatile geopolitical backdrop, both of which are impacting buoyancy in the markets. While it's true that the impact of F&O regulation has led to immediate decline in volume, reduced active client participation and muted order activity. We view this development as fundamentally constructive in the long run. We continue to believe that this is a temporary recalibration as the market participants adjust to the evolving landscape. Historically, we have seen that regulatory interventions are often met with initial resistance, but they also ultimately foster a more sustainable, transparent and effective ecosystem. This augurs well for intermediaries like us because we can better predict our unit economics and LTVs, thus making the business more resilient. Key operational and financial metrics such as total number of orders, operating margin and return ratio may not fully reflect the underlying strength of the businesses in the near term given the prevailing softness in the broader market.

As I mentioned during our quarter 3 earnings call, we anticipated being in a better position to assess the regulatory impact by the end of quarter 4. It now appears that much of the initial

disruption is indeed behind us. While client activity may remain somewhat subdued through the first half of FY '26, we have chosen to stay firmly committed to our growth investments. This decision may affect short-term profitability, but they are a critical enabler of long-term value creation and a market leadership. With the domestic macros improving gradually, inflation coming under control and the Central Bank moving on a softer interest rates, we believe that the situation should gradually return to normal. We anticipate quarter 4 FY '26 will mark a normalized quarter with operational and profitability metrics returning to their previous levels.

We are encouraged by the healthy demat account opening, sustained retail participation and reaffirming trends of mutual fund offtake to our platform. Though these are early signs, they nonetheless reinforce our confidence in strong underlying client interest.

Even during the transition period, we remain sharply focused on delivering a superior client experience. Our steady progress towards leadership position across metrics such as demat market share, NSE active client and trading turnover attest to the resilience of our platform.

Looking ahead, we are executing our long-term strategy to build a comprehensive financial service platform beyond broking to encompass credit, insurance, fixed income, wealth and asset management. Our branding partnership with Indian Premier Cricketing Tournament has further enhanced our visibility and strengthened our recall.

We are also investing significantly in technology to elevate the digital experience through the use of advanced analytics, artificial intelligence and machine learning. We aim to curate personalized client journeys, improve risk profiling and deliver relevant financial solution in a timely and efficient manner. We are beginning to see a tangible result from those efforts on our platform, driving deeper and more meaningful client customer engagement.

At this juncture, I am pleased to have Ambarish Kenghe or AK, our new Group CEO, joined today's earnings call. Ambarish is an accomplished leader with a proven track record in building and scaling impactful technology products across both global and Indian market including playing an instrumental role in the growth of Google Pay in India. Prior to that, he held senior leadership roles at Myntra, where he led product and platform strategy and at Cisco, where he focused on building innovative collaboration technologies. He also brings strategic insight from his time at Bain & Company, where he advised global client on business transformation. AK holds 4 patents to his name, displaying his strong academic credentials. He holds an MBA from UC Berkeley, a Master's Degree in Computer Science from Purdue University, a Master's Degree in Computer Science and Engineering from IIT Kanpur and a Bachelor's Degree in Computer Engineering from AMU. AK's unique blend of deep product expertise, technology leadership and strategic acumen makes him well positioned to lead the next phase of our growth.

I'm pleased to introduce Rohit Chatter as our Chief Data Officer. Rohit brings over 29 years of experience in driving AI and data innovation at scale. With leadership role at Walmart, InMobi and Yahoo! he has led ground-breaking work in generative AI, AdTech transformation and Big Data platform, turning technology into a business advantage time and again. His appointment reinforces our commitment to becoming an AI-first organization. With Rohit leading our data

and AI strategy, we are well positioned to accelerate innovation, deep customer engagement and drive operational excellence.

With favorable demographic trend in play, we are steadily enhancing our clients' relationship, traveling with them in their journey of wealth creation. Our expansive product and service offering, including credit, insurance, wealth and asset management will facilitate our garnering a greater wallet share from every client. The leadership of each of this business will provide you with further insights.

I'm also pleased to inform you that in line with our policy, the Board has approved a final dividend of ₹ 26 per share of the consolidated annual profit of the company.

Thank you for your continued trust and support as we work towards creating long-term value for all shareholders.

I now invite Ambarish to provide further updates.

Ambarish Kenghe:

Thank you, DT. Good morning, everyone. Thank you for joining us on the call today. It is an absolute honor to be addressing all of you on my first earnings call as the group CEO. Coming into this role as a technologist at the core, I'm truly excited by the opportunities that lie ahead of us.

We are operating at the intersection of finance and technology, a space undergoing rapid and continuous transformation. What is most encouraging is how receptive and ready the market is for newer technologies that can create not just scale and efficiency, but also truly delightful client experiences and long-term engagement and impact.

That said, I also want to acknowledge the dynamic and evolving nature of this segment of the fintech industry. As DT mentioned, the impact of regulatory adjustments, current market conditions and broader macro uncertainty is leading to some softness in volumes and revenues. However, these are near-term fluctuations, and we remain confident that the underlying fundamentals of our business and the industry are intact and resilient. And most importantly, the long-term prospects of India remain as strong as ever.

In fact, our long-term health indicators continue to remain robust. Even during such times, we have been successful in sustaining our market share across multiple metrics like total demat accounts, incremental demat account additions, active clients on NSE and overall turnover. These numbers reflect continued client trust and strong operational execution despite a challenging environment.

As it has been mentioned in our earlier earnings calls, I wish to reemphasize that technology remains the cornerstone of our growth strategy. As we look ahead, we see immense opportunity in leveraging artificial intelligence and machine learning to deepen our capabilities. Whether it is about hyper-personalizing client journeys, understanding behavioral and risk profiles or curating more relevant product offerings, AI can help us deliver greater value at scale.

As we scale, AI will also make our internal processes and operations more efficient and effective. We are investing with a long-term view to ensure our platform continues to evolve into a truly intelligent end-to-end financial services destination.

Let me now turn briefly to our Assisted business. We refined our partner acquisition strategy, focusing on onboarding better quality partners. We are continuing with our hyperlocal engagement strategy with partners for better long-term outcomes. I'm happy to share that the channel's diversification strategy is also playing out well with a steady growth in its mutual fund AUM. To better support our channel partners and drive productivity, we continue to improve NXT, our digital platform for them with emphasis on deeper client interactions, better advisory and cross-sell capabilities.

On the distribution side, while Saurabh will give you more details around it, I'm happy to share that we have expanded our partner roster to 6 for credit distribution and 5 for insurance. On the client side, we onboarded 2 banks, demonstrating the high level of confidence placed on us with respect to scalability this platform can achieve. We strongly believe this segment can play a significant role in diversifying our revenue base and addressing a wider set of financial needs for our clients in the long run.

Our operational performance has been healthy in the macro schematic at play. We acquired 1.6 million clients with 88% from Tier 2, Tier 3 and beyond cities. Consistent and well-calibrated acquisitions drove our market share in demat accounts and incremental demat accounts higher sequentially by 19 basis points and 50 basis points to 16.1% and 21%, respectively. Our market share in active clients and overall retail equity turnover remained steady at 15.4% and 19.9%, respectively, during the quarter.

Angel One will continue on a path of sustainable growth while maintaining a strong focus on unit level profitability. Our digital-first model enables scalable operations and enhances lifetime value, all while keeping costs efficient. Most importantly, we stay committed to serving our customers in the best possible way.

I now invite Saurabh to provide further updates on the distribution business.

Saurabh Agarwal:

Thank you, AK. Good morning, everyone. Always a pleasure to have you with us, and I appreciate your time. Let me walk you through the key updates from this quarter and our outlook on the evolving distribution opportunity. As AK mentioned, diversifying our products and service offerings to address the broad spectrum of our consumers' financial needs is central to our Super App strategy.

We have approached this in a calibrated manner, ensuring each rollout delivers the desired impact before scaling meaningfully. We will continue with this disciplined approach as you will see some products reaching maturity while new rollouts are released in parallel. To this end, in Q4, we doubled down on strengthening our client journeys, expanding product coverage and deepening our strategic partnership across verticals.

Let me start with credit, a business we believe will become a formidable vertical for us going forward. This quarter, we added 3 more lenders on our platform, 2 banks and 1 fintech, bringing

our total partnerships to 6. More integrations are underway, setting us up for broader coverage and a stronger funnel across consumer profile. We continue to see strong demand, particularly in unsecured loans, where we have disbursed over ₹ 7 billion cumulatively as of March 2025.

Even as lenders adopt a cautious stance, we believe this foundation gives us credibility and momentum to scale from here. More importantly, we are investing in credit with a long-term and a strategic lens. We are building proprietary lender allocation engine, which matches customers with the right offers based on eligibility, risk and likelihood of approval.

We also continue to focus on building AI/ML-driven risk and propensity models, thus enhancing our ability to add more value to our customers and partners. The thesis remains clear. India's credit penetration is low, digital access is improving and regulatory support is constructive. With a differentiated tech-led approach, we aim to build one of the most reliable, scalable and partner and consumer-friendly credit distribution platforms in the country.

In the mutual fund business, while the quarter saw some softness with new SIPs at 1.9 million, this trend was broadly in line with market sentiment. Good news is that our MF AUM continues to grow and our share in incremental SIPs remains stable, a strong sign of platform stickiness. But this business is not just about numbers, it's about brand trust and investor confidence.

We had run our first MF brand campaign in Q3, and the response from young first-time investors was very encouraging. We are now focused on positioning Angel One as one of the most consumer-friendly investment platforms, especially for those just starting out on their financial journey. Our focus going forward will be to increase our brand consideration along with continuous improvement in client experience.

Overall, retention remains strong, and we are seeing more users adopt multiproduct behavior, a natural validation of our Super App strategy.

In our insurance distribution business, we have onboarded 2 more insurers this quarter, enhancing our coverage and strengthening our proposition as a holistic one-shop insurance platform.

The focus here is razor sharp, create best-in-class journeys with minimal friction and best pricing, use tech to personalize policies based on customers' needs and build both assisted as well as fully digital offerings to serve all consumer segments well. We are currently in the process of integrating additional insurers. And over the next few quarters, this vertical will see expansion both in terms of product lines and reach.

To summarize, while macro conditions remain a little volatile, our belief in the long-term opportunity remains stronger than ever. Credit is a marathon, not a sprint, and we are building for scale and sustainability. Mutual funds are showing clear signs of brand trust and platform love. Insurance will slowly move out of beta and into expansion mode. We are also investing well in data intelligence, personalization and real-time recommendation engines so that every customer gets the right product from the right partner at the right time.

With that, I'll pause here and hand it over to Hemen to share more on the AMC business. Thank you.

Hemen Bhatia:

Thank you, Saurabh. Good morning, everyone. In our Q3 earnings call, we shared the exciting news of receiving the regulators go ahead to commence our mutual fund operations. I'm pleased to share that the progress since then has been both energizing as well as encouraging. In a short span of time, we successfully launched our maiden new fund offering.

We introduced 2 flagship products, the Angel One Nifty Total Market Index Fund and Angel One Nifty Total Market ETF with the latter being India's first ETF tracking this index, a true first-mover achievement. Later in the quarter, we expanded our product suite with our first debt offering, Angel One Nifty 1D Rate Liquid ETF Growth.

These offerings mark our strategic entry into passive investing space, and they reflect our commitment to simple, efficient and scalable investment solutions. We distributed these products through a multichannel strategy, leveraging our captive reach, third-party distribution partners and the direct route, ensuring a wide accessibility across investor segments.

Now let me share some early traction that speaks volumes. In just a short time, we garnered ₹ 740 million in AUM across these 3 products. More importantly, we saw participation from clients spread across over 8,800 PIN codes, a truly remarkable start for a newly launched AMC. This is not only a short -- strong start, but it is also clearly validates investor appetite and trust they instill in us.

This initial momentum reaffirms our conviction in the immense potential of passive investing in India. We believe this space is primed for structural growth driven by powerful underlying levers such as favorable demographic trends, rising income levels and growing awareness of portfolio diversification and the role of passive products.

Passive products are democratizing investing. They cater a wide spectrum from first-time investors seeking simplicity and transparency to seasoned professionals building long-term low-cost portfolios. What makes passive investing particularly compelling is its philosophy of owning the market rather than attempting to outperforming.

This approach minimizes the risk of poor stock selection, removes human bias, lowers portfolio cost and supports long-term capital appreciation with minimal friction. These are the outcomes that clients are seeking. At Angel, we believe we are in the right place at the right time with the right capabilities to seize this unfolding opportunity. Looking ahead, we have ambitious plans to launch our product suite to cater to a variety of client needs, thus staying true to our mission of making quality investment accessible to all.

In parallel, we are deeply committed to investor education, empowering clients to better understanding the benefits of passive strategies and thereby driving deeper adoption. Our long-term vision is clear, that is to emerge as a category leader in passive investing space while consistently creating an enduring value for our clients and stakeholders.

With this, I take a pause and invite Srikanth to take you through the developments in our Wealth Management business.

Srikanth Subramanian: Thank you, Hemen. Good morning, everyone. As my other colleagues covered the evolving landscape, I would like to take a moment to build on that by sharing our perspective on what lies ahead and how Ionic Wealth is positioning itself in this environment. In a world marked by uncertainty with multiple global scenarios playing out simultaneously, prudence and preparedness are key. This is why we believe 2025 is a year of asset allocation. We are actively advising our clients to diversify across precious metals, including gold and silver, building duration in debt and in some cases, tactically even into global equities. Indian equities remain neutral with a staggered approach. Diversification is no longer optional. It's foundational.

With an estimated AUM between USD1 trillion to USD1.2 trillion, India is entering a pivotal growth phase. We are seeing new capital formation and active portfolio reshaping from promoters of listed companies to a new generation of investors seeking differentiated opportunities. This signals a structural shift in how wealth is being created, mobilized and deployed.

Risk appetite too, is evolving. Today's HNIs are increasingly embracing non-traditional asset classes from pre-IPO participation to early-stage investing. Regulatory initiatives such as the accredited investor framework and asset classes like SIFs are further expanding access to sophisticated products. And fueling this momentum is the triple multiplier effect, which is the powerful convergence of rising HNI participation, asset appreciation and incremental income-led savings.

Over the past year, we have laid a strong foundation across our key business verticals, the ultra-high net worth individual cohort, which we define as greater than ₹ 25 crores net worth, the HNI or the wealth tech cohort, which we define as the INR1 crore to ₹ 25 crores net worth segment and our alternate assets vertical.

What sets us apart is our decision to go omnichannel, giving our clients the flexibility to manage their wealth the way they choose. Our D2C app is seeing good initial momentum. Investors from first time -- first-timers to seasoned professionals are using the app not just to view their investment portfolio, but also to use our insights to implement changes.

Tools like tax calculators, analytics and portfolio assessments are helping them make informed decisions. While technology enables scale and access at one end for our HNI customers, our personalized portfolio-led approach continues to drive deep engagement at the other end for our ultra HNI investors.

Our ultra-high net worth business, which is clients above ₹ 25 crores net worth is our current growth engine. We are leveraging our RM network to engage with listed promoters and founder entrepreneurs. The response to our tactical deals and curated product suite has been extremely encouraging. Clients are particularly drawn to exclusive investment opportunities.

On the other hand, the HNI of the wealth tech segment, which caters to investors between ₹ 1 crores and ₹ 25 crores is where we see massive untapped potential. In recent months, 2

approaches of ours have gained strong traction among HNIs. A, fractionalization, enabling access to previously elusive investment opportunities at more accessible investment levels; and B, accreditation, supporting clients in becoming accredited investors, thereby unlocking sophisticated products such as PMS and AIFs at lower entry thresholds.

Let me now take a moment to share a snapshot of our business progress. In the first year since inception, Ionic Wealth now manages over ₹ 3,790 crores in assets under management, comprising of ₹ 3,327 crores in actively managed assets and an additional ₹ 463 crores in custody assets.

We proudly serve a base of 680-plus clients across ultra-high net worth and the HNI segments through dedicated relationship managers, our website and the mobile app, offering a seamless omnichannel experience tailored to their preferences. Our team has grown to 166 professionals, including 57 highly experienced relationship managers.

Equally strong are our tech team and product and research team. We have established our presence in 9 key cities, ensuring we are close to our clients. In closing, we believe India offers a compelling long-term structural story and Ionic Wealth is strategically positioned at the intersection of this opportunity.

With this, I hand it over to Vineet for the next segment.

Vineet Agrawal:

Thank you, Srikanth. Good morning, everyone. Quarter 4 of financial year 2025 was the first full quarter post implementation of the index derivative regulations. This, coupled with softer market conditions, led to a 22.4% decline in our number of orders to about 327 million. As a result, our Q4 FY 2025 gross and net revenues were lower by 16.3% and 15.7% sequentially.

Our gross broking revenue, which accounted for about 60% of our total gross revenues degrew by 22.6% sequentially to nearly ₹ 6.3 billion in quarter 4, owing to softer client activity. While F&O continues to be the larger contributor, its share in our overall gross broking income reduced to approximately 77% in quarter 4 of FY 2025 as compared to its range of 81% to 87% in the last 11 quarters. Share of cash and commodity segments increased to 14% and 8.6%, respectively, in quarter 4 of FY 2025.

Share of direct business in our net broking revenues remained consistent at about 76%, with the balance 23% being contributed by clients from our assisted business unit. Our average client funding book remains steady at ₹ 40.3 billion, for the quarter.

We had lowered the interest rate on margin trading funding to 14.99% in mid-November 2024. Q4 being the first full quarter of this change, we saw a 5.2% sequential decline in our interest income on this average book. The interest earned on fixed deposits was lower by 1.7% sequentially owing to lower quantum of fixed deposits. Both of these led to a 3.4% sequential decline in our gross interest income to nearly ₹ 3.4 billion, thus accounting for about 32% of our gross total revenues for the quarter.

Income from depository operations, which accounted for just over 4% of our total gross revenues declined by 20.5% sequentially, mainly due to lower cash delivery volumes. Income from

distribution operations grew 4.6% sequentially to ₹ 314 million, accounting for 3% of our total gross revenues for the quarter. This was primarily driven by growth in distribution and insurance products.

Finance cost decreased by 3.9% quarter-on-quarter to ₹ 803 million pursuant to a marginal decrease in average cost of borrowings. However, the average quantum of borrowings were higher by 7.3% quarter-on-quarter, primarily for margin requirements at the clearing corporations.

Employee benefit expenses, including cost of granting ESOPs, degrew 21.3% sequentially to nearly ₹ 1.9 billion. This was on account of onetime impact of the variable pay reversals by ₹ 641 million. ESOP cost for the quarter was higher due to issuances of fresh annual grants under LTI Plan 2021 for Angel One, along with the grants for the wealth management business under its LTI Plan 2024.

Other operating expenses for the quarter rose by 13.6% sequentially to ₹ 3.8 billion. This includes ₹ 344 million we spent on IPL associate partnership sponsorship and related digital and advert media spends during the quarter, which was not there in the previous quarter in addition to our regular brand spend.

Our quarter 4 reported consolidated operating margin at 31.8% was lower by 1,019 basis points quarter-on-quarter as compared to our reported quarter 3 margins. This was because of sustained investments in acquiring clients even in softer market conditions as we strongly believe that this will give us the substantial impetus for growth of our business in times to come.

Please also note that this operating margin subsumes expenses of incubating our new businesses of asset management and wealth management.

As we go into quarter 1 of the current financial year, we will continue with our growth investments with an aim to expand our market share. In quarter 1 of this financial year is also seasonally impacted on account of increments, proportionate booking of variable pay for the new fiscal and higher IPL spends owing to more number of matches.

Depreciation and amortization cost increased by 7% sequentially to ₹ 285 million in quarter 4 as we capitalized assets during the quarter.

Our reported consolidated profit after tax declined by 38% quarter-on-quarter to ₹ 1.7 billion. Our reported total gross revenues and profit after tax for the full year FY '25 stood at ₹ 52.5 billion and over ₹ 11.7 billion, representing a growth of 22.6% and 4%, respectively, over the corresponding period last year.

Period-end cash and cash equivalents were higher on account of marginally higher client monies, coupled with our own cash generated during the course of the year. Correspondingly, some of our -- of this positive cash flow generated is also reflected in investments. Post our QIP last year, our client funding book soared by 2.2x to ₹ 38.6 billion. This growth was funded through a mix of the QIP proceeds, our own cash generated and borrowings, which led to a 1.3x increase in our period-end borrowings.

The consolidated net worth of the company increased to ₹ 56.4 billion as of 31st of March 2025. FY 2025 is a mixed year, for the first half reaping benefit of buoyant market conditions and the second half impacted by regulatory changes and market softness, leading to an overall impact on our profitability and return on average equity, which contracted to 27%. As the business normalizes over the next few quarters, we strongly believe that our ROE should trend back to its historical levels.

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

Moderator:

The first question comes from the line of Swarnabha Mukherjee with B&K Securities.

Swarnabha Mukherjee:

Three questions from my side. First one, I wanted to have a better understanding on the expense head for the quarter and how we should look about it for FY '26 in particular, in terms of the reversal of the variable pay, what was the rationale for the same, and then when we move ahead in FY '26, as you mentioned in your opening statements in terms of incremental provision for the variable pay for the next year, how should those numbers look for FY '26? And also, if you could give similar comments related to the opex because as I am seeing that the customer acquisition rate has come down, but even if I remove the IPL related costs from the opex head that you have reported, I think the headline number looks fairly steady.

So with lower customer acquisition, the opex levels still continue to remain steady. So has the cost of acquiring new customers gone up? And if so, I mean, would it be like a structural thing? Or should we expect it to mellow down going forward?

So based on the cost side and also wanted to understand in terms of the cohort level analysis that you have provided, if I look at the revenue generation across various cohorts, what I see is that in the current environment, so FY '25 versus FY '24, I think the revenue drop for the customers acquired in fiscal '23 has seen a more disproportionate impact. So what is -- I mean, if you could highlight what would be the reason why this particular cohort is more impacted vis-a-vis others?

And secondly, also, I noticed that the breakeven period has impacted. So is this more a reflection of market situation? Or is there something structural and it should prompt us to look at our strategy? So these are the broad level questions. I have one or 2 bookkeeping questions, which I can possibly ask after the response.

Dinesh Thakkar:

So Swarnabha, on this variable cost as our industry is cyclical, always we say we have some buffers, which are variable, which we can play with. So when we set our targets, we set certain variable portion. If we missed that this time because of regulatory changes and all that, we were unable to reach our targets, so definitely, there is a reversal of variable cost. But going forward, always this is the practice, we do some projection based on that, we work out fixed and variable pay. So for coming year also, same system would be followed.

So on second question on customer acquisition, I will ask Arief to address this later. On your cohort level revenue and all that, we don't disclose much on that unless -- Amit, do we disclose cohort level revenue?

Amit Majumdar:

Yes, Dinesh bhai. So I think he's referring to slide number 12.

Dinesh Thakkar: Okay. One second. You can take that later. And on breakeven impact, we believe that if we look at customers' wallet share, that has not shrunk. So their engagement in this market will, in fact, going to improve. So except for the temporary phase that we are seeing because of regulatory change and macro getting weak and all that, we are seeing this impact. But otherwise, I believe that we will be able to maintain this breakeven of between 6 to 9 months. So Arief, you can take that customer acquisition cost and then Amit, you can take that cohort level.

Arief Mohamad: Thank you sir.

Swarnabha Mukherjee: If I can just -- sir one just follow-up on the employee expense side. If I just understand, I mean, we are broadly running at INR200 crores, INR210 crores kind of a run rate in second and third quarter. For the provisioning and basically the number for, say, 1Q onwards, should we expect a number higher than that?

Dinesh Thakkar: Okay. Let Vineet answer this properly. Vineet, if you can take this question.

Vineet Agrawal: Yes. So Swarnabha, obviously, with the increments and the new variable pay provisions for the current financial year, the numbers will be higher than the previous year, but you can take the trend of the previous years and extrapolate these numbers.

Swarnabha Mukherjee: Okay sir , helpful.

Dinesh Thakkar: Yes, Arief if you can take that.

Arief Mohamad: Yes. Thank you. Good morning, everyone. Thanks a lot for the question. That's a very -- so when I look at it, the cost of acquisition had gone up in JFM across the industry, driven by a couple of channels and correspondingly, it also went up for us. But our acquisition mix is based on a multiple set of channels, and we have corrected for that mix. And we are very confident that the COAs will come down as we go forward, and we are already seeing the reduction as we get into April.

Swarnabha Mukherjee: Sir, just one quick follow-up. This reduction, will it be like what we have seen previously in non-IPL periods or so? So maybe somewhere at the level of 2Q or something. Would that be a fair assumption?

Arief Mohamad: There will be a seasonal mix of IPL being slightly on higher side, but we see it below last year levels as we go forward.

Swarnabha Mukherjee: Understood.

Dinesh Thakkar: Okay. Amit, you can take the next one.

Amit Majumdar: Yes. Thank you, Dinesh bhai and Swarnabha, on the cohort level revenue, the question that you posed. So FY '25 has been an extraordinary year for reasons that we all know. And if you observe carefully, you will see that almost for all cohorts, there has been an impact.

With respect to FY '23, in particular, that you mentioned, well, this is just the start of a cohort of customers, which has to be allowed some time to stay on the platform for them to start

generating revenue. So I think what we tried doing here is transparently declare Y-o-Y cohorts that we have been acquiring and how their behavior has been over a larger period of time.

So actually, if you see from year 3 or year 4 onwards is when there is consistency of revenue of that particular cohort. So therefore, in case of FY '23 and for any other year beyond, we have to allow for a few more years to go by for us to make a very firm assessment around the quality of that cohort.

We are not seeing a significant challenge so far as cohort acquisition is concerned because our acquisition metric for cohort-wise -- acquisition metric for cohort has been consistent Y-o-Y. So we have not had a significant change in the way we acquire our customers. On your point on breakeven, again, to look at a breakeven point for FY '25 will be very short-term view. You will have to again allow it some time to settle.

We continue to believe that when markets are normal and in a cycle of 4 to 5 years, you will have periods of abnormal market conditions, either downward or upward. And therefore, the way to look at this is more long term and allow the entire cycle of 5 years to play out. And therefore, that year of FY '25 breakeven is not a number that you should go by in terms of future trends.

Swarnabha Mukherjee: Okay, sir. That's very helpful. Just a couple of bookkeeping questions. If you could share the mix between cash intraday and delivery orders among the overall cash orders mix. You used to disclose that earlier, but I think I did not find that in the presentation. And second is in terms of the new ventures, for example, Ionic wealth, is the number -- where is the number reported in our overall revenue mix that we have provided in the gross revenue?

Dinesh Thakkar: Vineet, if you can take that Ionic Wealth and then Amit, you can check whether we disclose the mix or not.

Amit Majumdar: Yes.

Vineet Agrawal: So the new businesses, including asset management, wealth and distribution, they are clubbed under distribution. The 3% revenue that we have disclosed as a constituent of the total revenue, it's included there.

Swarnabha Mukherjee: Okay, sure sir. On the order mix if you can...

Vineet Agrawal: Swarnabha, on the order mix, since now we are charging for both cash delivery and cash intraday, it doesn't make any difference. So we've clubbed it as cash segment. And you can continue to extrapolate those numbers.

Moderator: Next question comes from the line of Prayesh Jain with Motilal Oswal Financial Services Limited.

Prayesh Jain: Just a few questions. Firstly, on the expenses front, again, you mentioned that the cost of acquisition has gone up. First of all, could you allude the reasons for the same? And how do we see this? You mentioned that it will go down. But if this run rate, even it sustains or if it kind of

goes down by 10%, thereabouts, still the margins that you had spoken about in the earlier call that a long-term sustainable margin of 45% to 50% seems to be far-fetched right now.

So what kind of trajectory should we think about EBITDA margins from FY '26? Or as you mentioned that Q4 FY '26 will be first normal quarter of normal levels, that would be -- would that mean a 45%, 50% EBITDA margin by then or would you say FY '27 will be a year where we should think about that kind of levels? That would be my first question.

Second question would be on the wealth business. You mentioned in the presentation of about ₹ 3,300-odd crores of AUM. Could you split it for us as to how much is transactional? How much is in MF, PMS, AIF? What is the color of this book today? And because the size looks pretty good. And what is the kind of revenue potential out of this asset on a yearly basis?

Third question would be on the MF AP channel. You mentioned that AUM has been gaining traction. What is the kind of AUM size that you would have achieved in this business? And last on loan distribution, you have been able to distribute only about ₹ 100 crores in this quarter versus about ₹ 240 crores in the previous quarter. Why this decline? And what kind of traction should we see from here? Yes, those would be my questions.

Dinesh Thakkar:

Okay. Great. First, on this thing, expense side, cost of acquisition, Arief will take in terms of what do we see in terms of cost of acquisition going forward. But let me tell you one thing. See, our model, coming back to margin and all that, cost of acquisition, if at all, in certain quarter goes up and down, but still it is not as big to change the margin profile of the company altogether. Because even in digital company, if you see cost of acquisition to LTV, if it is even 5 - 5.5 also, you will see margin going beyond 50%. So I believe that, okay, already what we are seeing is that, okay, there will be some seasonality. There will be some change in terms of pricing in certain channels, but we acquire customers from multiple channels. So we would like to then focus more on channel, which is more viable for us to acquire customers, so we are seeing enough channels are available for us to maintain kind of a growth rate in customer acquisition. In terms of margin, because of this regulatory changes, macro and lots of things happened in this quarter 3 and quarter 4, what we are seeing is that in terms of revenue curve, we are seeing bottoming up from, say, like revenue curve has changed from Feb and in March, we saw an uptick. And as we speak also, we are seeing that revenue curve has taken a turn for better.

Margin expansion, you will see at the exit of quarter 4 where again, you will see a margin coming back to 40%, 45%. So exit of quarter 4, we will see again margin coming back and we again going back to normal kind of like productivity metrics, margin as well as ROE. And yes, on Wealth Management, if Srikanth or Shobhit, you can take this question.

Srikanth Subramanian:

Yes, I'll take it, Srikanth here now. Prayesh, thank you for your question. Happy to sort of answer in a manner that while it's been a year as far as wealth inception is concerned, we actually became fully licensed over the last 4 or 5 months. So in view of all of that, we -- on our roughly about ₹ 3,370-odd crores of actively managed assets, around 75% of that is in the nature of recurring AUM, which means it's a mix of advisory, it's a mix of trail-based distribution businesses and about 20% to 25% of that will be transactional assets.

The only reason I will add a caveat for no other reason, but the fact that it's too early for me to project the trend line. I think the team is experienced enough to know that a good high-quality wealth management business is built when you build a strong annuity income over long periods of time without losing focus on strong tailwinds as far as transactional opportunities are concerned. So at this moment, it is close to about 3/4 of this in various portfolio compositions across advisory and trail income and about 20%, 25% would be into transactional assets.

Prayesh Jain: Srikanth, what is the revenue contribution of this ₹ 3,300 crores in a sense, what basis points could you be doing it on an annual basis in terms of revenue?

Srikanth Subramanian: Yes. Prayesh, at this stage, as I said, I think it's just been about 3, 4 months. So we haven't done a full 1 year of seasoning, but we are fairly in line with what the established best practices in the markets are. So now that we have clearly established benchmarks in terms of what others are in terms of an annual margins. At this point of time, we are fairly in line with that, but I would want this to be seasoned a bit more before we start getting into specifics. But at this point of time, a very healthy mix of this AUM is into an annually recurring kind of color.

Dinesh Thakkar: Yes. And on your AUM on mutual fund, already, we are building a good AUM on direct as well as B2B, but your question was particularly on AP. I will ask Nishant to answer this. Nishant, you are there? Okay. Let Nishant come in. On loan distribution, Saurabh, you can take this question.

Saurabh Agarwal: So yes, on the credit disbursement side, we saw a temporary moderation this quarter due to cautious underwriting in slightly volatile macro conditions. That said, momentum is actually slowly picking up again as confidence is beginning to return and funnels are becoming slightly better. Having said that, we are focused on building a strong, sustainable lending play with the right partners, the foundation is being laid right now and which positions us well for long-term scale and resilience. Short-term softness is not something that we are really worried about. Also, as I mentioned earlier, last quarter, we have added 2 bank lenders and a fintech, right, and built very solid AI/ML models on propensity and matching algorithms, right, all moving us towards a very robust future for credit in Angel One.

I hope that answers your question.

Prayesh Jain: Yes, I got that.

Dinesh Thakkar: Okay. Did we get Nishant back? Nishant, can you hear me?

Nishant Jain: Yes. I can.

Dinesh Thakkar: Can you just give brief on MF fund AUM that we have built in that AP channel?

Nishant Jain: Sure. So with regards to your question, we have grown by about 2.2x with regards to the last financial year in this year. This has been coupled with some of the interventions that we had done in this space, driving mutual fund distributor appointment. We in fact, acquired over 7,000 mutual fund distributors in this year itself. There were a lot of intelligent cross-sell nudges that

we were providing to our users to, therefore, build traction around SIPs, lump sum. And some of those initiatives have helped us deliver about ₹ 3,700 crores of AUM as we exited this year.

Moderator: Next question comes from the line of Pradyumna Choudhary with JM Financial Family Office.

Pradyumna Choudhary: So 2 questions. First one is, if I look at your F&O market share, there's been a slight moderation in Q4 compared to Q3. So how should we maybe look at this going forward given that anyway, the market share gains have already slowed down compared to earlier quarters? And similarly, on the commodity side, the last 3 quarters, we've been seeing a declining market share. So how should we really understand this? And if you could maybe comment on the players who seem to be taking the incremental market share? That's the first question.

Dinesh Thakkar: Okay. Devender, you'd be -- please take this question of F&O market share. And commodity, who would be the right person to answer that?

Devender Kumar: I'll take both of them. Mr. Choudhary, from an F&O market share point of view, we see a slight change. From an overall trajectory point of view, we are seeing incremental market share gain. We are seeing a temporary dip with that F&O regulation changes coming in, which is affecting the retail client segment, particularly harder, where we have a very strong market share. And that is reflective of that aspect only, which is basically you can see that there is some reset that has happened and it is the growth that we have been able to do will continue from there. From a commodities point of view, I think it's more of a composition mix of the commodities market, where traditionally, we have a very strong market share in crude oil. And what lately has happened as the composition of the market is changing and crude oil turnover contribution in commodities has gone down, this is what is reflective. We have not really lost any market share. It's more of a composition mix, which is reflecting in terms of the overall market share that Angel is having.

Pradyumna Choudhary: Understood. Well understood. And second question is on the activation rate. So one would ideally expect this number to -- at certain times, if I compare over the last several years, quarter-by-quarter, one would expect this number to at times go up, especially during a bull run when you expect maybe the active clients would start growing faster than the total clients and maybe decrease during a bear run or a flat markets.

But what we see is it has continuously declined over the 2-, 3-year period quarter-on-quarter. So if -- like why is this happening? And if this is happening, so then is it even a right metric to look at total client acquisition given that maybe we are anyway not able to convert a larger chunk incrementally into active ones?

Dinesh Thakkar: What happens we need to have a particular base. From that base, a certain amount of customer becomes active. It is not that the person becomes active, they only remain active. As you rightly said, in bull market, bear market, you will see different kind of customers becoming active of the base.

So if base is larger, definitely number of customers getting active in good times and all that would be more. But if there's a bear market, lots of people who have opened the account, maybe

bought some shares, they would like to wait till the time they find a proper opportunity. It is not those accounts are dormant or they are not interested in market.

They are opening the app. They are getting engaged in terms of looking at markets and all that. So customer acquisition is important to increase our base. So that's the top of funnel that we get. And when market conditions based on whatever liking customer has, they become active.

Moderator: Next question comes from the line of Karan with Jetha Global.

Karan: Can you hear me?

Dinesh Thakkar: Yes, I can hear you.

Karan: Okay. Great. And hopefully, we're turning the corner. So I wanted to just address the multi sort of vertical strategy here because you're setting yourself up for what is hopefully a very durable growth. I'm pretty curious to hear from the new CEO on how -- what is his assessment of the tech stack.

We had to rate it on -- you had to grade Angel One's tech stack today, maybe on a scale of 1 to 10, where is Angel One. And then what's the plan there in terms of getting the tech stack to a place where you can obviously sell these products and it's seamless for the customer and all of that? Are we already there? Or is there a lot more work required?

And then I guess a broader question is, if you look at the materials, these calculations on cohort and LTV and paybacks, they're all -- they only consider 1 product or maybe 1.5 products in terms of what the customer is doing. But can you give us a sense of a customer who has actually engaged with many of these other products?

Maybe they are using 3 or 4 of your products, they bought an ETF, they bought an insurance policy, they've taken a loan, they're buying and selling derivatives. What does that look like? And ultimately, if you're paying higher CAC, are you underwriting that these customers are going to eventually subscribe to more than one product? So how are you bringing it all together in terms of products per customer, however you want to look at it?

Dinesh Thakkar: Okay. I will take 2 questions. Latter one first. And on tech stack and all that, I will ask Ambarish to comment. In terms of like cohort LTV and all that, currently, our calculation is based on revenue that we get from broking services and allied services. So we are new in terms of getting into other products like mutual fund, loan business and all that. So we are still in the process of building up and gaining some good market share.

So going forward, definitely, all that revenue from this customer from all these services will be incorporated. And on higher CAC, it is just, I think, a temporary phase. Right now, we are not targeting higher CAC based on revenue from other verticals because we feel that we have enough base and we are able to attract enough clients who can justify their CAC based on broking revenue.

But as we get more detail and data on revenue from other products, definitely we would like to acquire customers at higher cost. So that's broadly our strategy that going forward, we want to be a platform company where we are able to sell multiple products and then see what the revenue we can get from this customer and what is the lifetime value based on that, we can increase our cost to acquire the same customer.

Ambarish, if you can take that tech stack question.

Ambarish Kenghe:

Yes. Thanks, DT, and thank you, Karan, for the question. I'm actually very pleased with the shape of the tech stack at Angel One across the board and across products that you see. In fact, if you look at Angel One, it's the only company that kept up with the times really across the board and continuing to evolve.

So the tech stack is in phenomenal shape. That said, I think it's a continuous process. You have to continuously evolve with the times. And the good news is we have a phenomenal team. DT talked about Rohit joining the team, but we have a phenomenal set of leaders across the board who are continuing to stay up with the times.

You are also going to see more investment, as we have talked about in artificial intelligence and that being an inflection point. So that will continue. But to your question, the tech stack is in a phenomenal shape, is able to handle a large amount of volume, a large amount of features and keep up with all the compliances as well.

Moderator:

Next question comes from the line of Abhijeet Sakhare with Kotak Securities.

Abhijeet Sakhare:

My first question was -- so I wanted to get a sense of the customers that we've acquired in the recent quarter because this is coming with a new set of -- under a new set of regulations. I wanted to understand if this set is -- this cohort is behaving very differently in terms of activation rates or the first products that they trade with.

And a related question would be, how has been the competitive intensity in terms of customer acquisition during this quarter?

And second question is just to go back to the previous question to AK, which is that if you could talk about a few areas where he thinks he can make a decent sort of intervention or impact on the current business because he comes with a financial services background plus a consumer background. So Angel in a way kind of is a mix of both. So are there any areas where we can see some major shifts based on his experience?

Dinesh Thakkar:

Okay. Sure. DK, if you can take this quality of customers that have been acquired after regulatory changes. And let me just answer in terms of competitive intensity, I think that, okay, that is not an issue because we are gaining market share. And it seems that, okay, whatever we are doing in terms of efficiency, it is better than competition.

Currently, any kind of like element which is coming from competition is not really a concern. In fact, we are looking at how do we delight our customer in a far better way than what

competition is doing. So DK, you can take this customer quality. And Arief, if you want to add on this competitive intensity first?

Devender Kumar:

Yes. Thanks, Dinesh bhai. Abhijeet, from an overall point of view, the customer profile remains overall pretty same as what we've been acquiring in quarter 2 and quarter 3. But what impact we have seen on the overall industry is also similarly applicable to the new clients that is there as well. But I believe that as the consumer behavior evolves, some of the product segments have gone away, our belief still stands.

The wallet share that we have been able to take care will continue to elongate, and we'll see these impacts coming in the next 2 quarters where their behaviors will evolve. That's what the belief is. From a competitive intensity, I think, Arief, do you want to put some words?

Arief Mohamad:

Yes, yes. Thanks a lot for the question. On the competition intensity, I would say that our read is that there's a lot of wait and watch that is happening in general across the industry, but we feel that this is also a good time for us to be staying aggressive in acquiring clients, right?

Also to kind of add on to what DK mentioned, see, bearish and bullish markets might have an impact on the immediate activations. But once you acquire a client, they are an asset that will keep adding to the growth. The activation might slightly take a slightly longer gestation, but they will return back the goodness for us is how we look at it.

Dinesh Thakkar:

Ambarish, if you can take that -- your final question.

Ambarish Kenghe:

Yes. Thank you for that question. I think any leader coming in, as you would understand, has to, of course, enable the team, and that's the most critical thing. And I see a fantastic team already in place and moving in the right direction. So what you're going to see is that I'm going to enable and be a multiplier for that.

But that said a few areas that I have in mind and you will see happen is, number one, I think as we do more product diversification, we have lending, insurance, other things that you see around us, how do we bring all of these things together and make it better for the customer and create a fantastic place for financial services platform for people to come in there. So that's a very important part of it. How do you sort of bring it all together?

Number two, I think you will see a bunch of chat from me on AI also artificial intelligence and machine learning over as we continue this conversation. And you're going to see a few areas where it's going to impact, right? Number one, it's going to have an impact on what you see built into our products, models, personalization.

So you're going to see AI impact on that. Number two, you're going to see an impact on how we produce those products. Are we doing code generation using AI? Are we building our UX through AI and stuff like that. You're also going to see that impact, and it's already starting to happen in our processes and what -- how we are using AI tools internally to improve our processes, making them both efficient and effective.

And in the long term, you're also going to see us getting smarter using AI, just use it for learning and other things. Now this is not all going to happen next quarter, right? It is a journey that we'll continue on, and we'll continue that conversation.

The last thing I'd mention is that we would also get better at -- it's evolution, but get better at reading signals from the customers, understanding them better and creating better, more delightful journeys for them as we acquire them as well as take them through our product. Thank you.

Moderator: Mr. Sakhare, are you done with the questions?

Abhijeet Sakhare: Yes. That was useful.

Moderator: Next question comes from the line of Ajox Frederick with Sundaram Mutual Funds.

Ajox Frederick: Sir, you have mentioned that the impact of new businesses on your cost is 1.8% for the full year. Can you help me understand what was the quantum in 4Q?

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

Vineet Agrawal: Sorry, can you just repeat the question? What was the quantum? I couldn't get the last bit.

Ajox Frederick: Yes. The quantum, which was on account of incubating new businesses, the expenses basically in 4Q.

Vineet Agrawal: Yes. So the net burn in 4Q was about ₹ 62 crores, ₹ 63 crores for these 2 new businesses, which is the Asset Management and Wealth Management, which translates to about 1.8% of the operating margin overall.

Ajox Frederick: I'm assuming that's for the full year, right?

Vineet Agrawal: No, this is for the -- yes, full year. And for the quarter, I think it was about -- yes, I mean, it's 1.8%.

Ajox Frederick: Okay, sir. Secondly, sir, you also mentioned that you have confidence of bringing down COA eventually. So what feelers or what indicators are we seeing out there to bring down the cost of acquisition?

Dinesh Thakkar: Arief, you can take this question.

Arief Mohamad: Yes, DT. So it is not -- just to correct that -- so it is not about getting the COA down eventually, whatever increase that we saw in JFM, we have corrected for our mix. And we are already seeing that cost of acquisition coming down even for this month. So it's not about an eventual scenario. So we are already there.

Dinesh Thakkar: Yes. In this cost of acquisition, what is important is that, as I always said that, okay, what is the lifetime value of a customer and which pockets can we get into to get more market share. So always our focus would not be on reducing any kind of like cost when it comes to acquiring

customer. It is more about getting quality customer for whatever kind of like geography we're acquiring. So in JFM, what happened was a temporary kind of like bit upside. But what we are talking about, we'll get back to the normal trajectory. But as we see more revenue coming from the same customer because we are getting to multiple products. If we see we are able to sell more product than just broking, definitely, it makes sense for us to even increase our cost of acquisition. So we are constantly monitoring what the cost of acquisition and what kind of activity we see of a customer on our platform.

Moderator: Next question comes from the line of Nidhesh Jain with Investec.

Nidhesh Jain: The first question is on a possibility of price hike that is completely off the table or that is still under consideration, given that we have already seen 3, 4 months of customer behavior after the regulations?

Dinesh Thakkar: Nidhesh, we have to watch in terms of -- because there are lots of things which happened in this quarter as last time I told. We have to wait for 1 or 2 quarters to say that what is the behavior of customer post these regulatory changes. But initial sense, what I'm getting is that, okay, we would be back to normal kind of margins by exit of quarter 4.

But till the time it is not necessary for us to look into prices, we would like to maintain this price. So initial kind of signs what I'm saying in terms of, as I said, that revenue curve has almost bottomed out, and we are seeing revenue kind of like improving since March. So we would like to monitor this situation for 2 quarters before we take a stand on price. See price, I feel customers are not sensitive, but we want to maintain this price if we are confident that we would be able to get to this margin what we would be comfortable, that is in the range of 45%, 50% in few quarters. So stand would be wait for a few quarters, take the behavior of customer. As I said, there are lots of products that we are introducing, look at kind of margins, what we'll get from customers that we have and we acquire. We are confident that in a few quarters, we would be able to bounce back to margin of 40%, 45%.

We would be comfortable focusing on increasing more customers on this platform. See, digital company has to look at how many more customers we can serve on a similar platform. So till the time we are seeing customer acquisition rate is very high, we would like to pause and check and take a call only if it is necessary.

Nidhesh Jain: Sure, sir. Understood. And second question is that -- so we started as a digital broking business, then we are now doing a lot of things on the financial management side for the client. So do we also think that there is a possibility of entering into other financial service areas, specifically on the transaction payments, credit card side to become a holistic financial services platform over a medium-term perspective?

Dinesh Thakkar: See, currently, our focus is to be a distributor for all the services. So whatever services user wants and where we can extend our platform, we will do that. AK, you want to say something on this?

Ambarish Kenghe: No, I think that makes absolute sense. I think we've got a platform that we've got tons of customers coming here. And we are already doing -- of course, you talked about AMC and

Wealth Management, but we are starting -- we are doing lending, insurance, of course, broking very big. So those are all just the right things, and we'll continue to distribute any financial products that we can on a platform. So think of it as a platform.

Moderator: Next question comes from the line of Vikram Raghavan with Moon Capital.

Vikram Raghavan: Just one question. What is the percentage of revenue expected from new businesses over the next, say, 1, 3 and 5 years?

Dinesh Thakkar: Yes. So we believe these new businesses, especially like distribution of credit, insurance and particularly wealth management, they can really substantially grow at a good size given if it all we give proper time and focus on that. And that is our focus that how to become a leader in all this kind of like vertical. But to give a time frame in terms of what the percentage of revenue mix will happen in next few years would be difficult to predict because even broking is expected to grow at a very high rate for the next 15 to 20 years.

So even if we are able to grow other line of businesses, so to give a kind of a call in terms of what the percentage revenue that we'll get from other businesses in next 3, 5 years, it's a very dynamic call that because we have to keep something constant.

But when all these verticals are growing at a good rate, I can tell you one thing that our aim is where -- whichever vertical we want to get into, we want to achieve leadership position. In any other vertical that we have gone apart from broking, broking, definitely, our aim is and we are leaders, but we would like to be a leader in that in the next 3 to 5 years.

Moderator: Next question comes from the line of Aman Dugar with Nuvama Wealth.

Madhukar Ladha: This is Madhukar Ladha here from Nuvama. I don't know whether this question was addressed or not. The total staff cost for the year is about ₹ 855 crores. And in Q4, there has been a little bit of a reversal in variable cost. Can you spell out what is the total fixed and variable cost -- staff cost for the entire year? That is just one thing that I would like to know.

Dinesh Thakkar: Vineet, you can take this question.

Vineet Agrawal: Yes. Thank you, Madhukar, for this question. But we don't really disclose the entire variable. As we said, we've reversed a large part of our variable cost in this year. So you can extrapolate the number based on that. And of course, there is a little bit of variable pay that we give to some of our other junior level employees.

Moderator: Next question comes from the line of Sanketh Godha with Avendus Spark.

Sanketh Godha: Basically, the question is that your March saw an improvement in number of orders per day to 5.4 million. And I just want to understand in April, how you are seeing the trend. And actually, in the full year, you were at 6.9 million orders per day in FY '25. So just wanted to understand, are you decently confident that for FY '26 the number of orders for the full year or by exit at least, you will claw back to 6.9 million orders per day is the first question what I had.

And the second question was, sir, that in the fourth quarter, your margins were at around 32%. I believe in first quarter of FY '26, it will be more impacted maybe because of higher IPL cost allocated to that quarter. So from residual 9 months of the next year, to even deliver 41% EBITDA margin, you should be maybe closer to 45% plus or maybe closer to 50%.

So just wanted to understand what are the levers you might be having other than maybe cost-cutting exercise to deliver EBITDA margin at least similar to what you have delivered in FY '25. So that -- those are 2 my questions, means if you can give a little number related things, it will be really useful.

Dinesh Thakkar:

Yes. See, we always take a number based on like averages what industry has delivered. So to take a call on 1 month or 1 quarter would be difficult. But what we believe is that factors which were impacting kind of like create dullness in market are getting resolved. Macros of India, if you see interest rates are coming down, So that will bring in more customers to equity market. So our belief is based on averages that we see for 3 years, 5 years and all that. And based on, we understand that customers what we have acquired will become as active as they were maybe in quarter 2 of last year. So to give a call that, okay, whether it is going to improve in a few months or 1 or 2 quarters will be difficult.

But as you rightly said that, okay, we can take a call that by exit of this financial year, we would be able to acquire a certain amount of customers, and we believe activation ratio of this customer would be at a certain point. Based on that, we are confident that by exit of quarter 4, again, you will see margins coming back to this.

So to comment on quarter 1 onetime cost, the IPL cost is a cost which has to be kind of like -- which is giving us more visibility, more recall. So when we talk about Indian youth coming to this market for the next 5 years, 10 years, 20 years, you should think about Angel One as a preferred kind of like platform company.

So this cost, I think we should look at a bit medium- to long-term horizon, although we had to book it in that quarter itself, but I would say it is something like earning before this IPL, which should matter to all the analysts because benefit that we get from IPL is a bit medium to long term. So we are confident that we'll be able to achieve a good margin kind of like by exit of quarter 4. We are not looking at cost cutting. We are focused on growth.

We believe by exit of quarter 4, you will see lots of other verticals where we have started investing will contribute to the revenue, may not be to profits. But what happens, what is important is that, okay, slowly their burn rate and their focus on being a leader in all that is going to ultimately generate more revenue from per customer that we acquire.

So we are very confident by exit of quarter 4, we will see everything would be almost to normal what we used to see in this industry because as a digital company, there's a fixed cost that we have to take to build the platform. So incremental customer that we acquire, margin from that incremental customer is very high.

So we are very confident if you look at growth rate of acquisition that we are getting, even in bad market where -- we never knew how do we acquire a customer, how do we react when

there's a big regulatory changes. Now that everything has stabilized, worst is behind us, we'll again work out a proper growth strategy where we are able to acquire more customers, which will lead to expansion in margin by exit of quarter 4, yes.

Sanketh Godha: Got it. So basically, you are decently confident that by end of the fourth quarter, you will get to 45%, 50% kind of a margin, which we usually used to operate in that sense?

Dinesh Thakkar: We can say 40%, 45% by exit of quarter 4, and it will expand as we move to the next financial year.

Moderator: Next question comes from the line of Swechha Jain with Whitestone Financial Advisors.

Swechha Jain: I have 2 questions. My first question is, sir, when we distribute the third-party products, I just want to know how much do we get as a part of commission or whatever, how much do we make on this? And second thing, sir, I wanted to know if you could share how much revenue have we made in this quarter from distributing the products other than the broking revenue. So products from AMC -- revenue from the AMC, wealth management, credit distribution and insurance. If you could just give me...

Dinesh Thakkar: Vineet, can you take this question based on whatever we disclose.

Vineet Agrawal: Yes. The percentage of revenue that we have earned from the distribution part of the business, which includes the distribution of credit products, insurance, the asset management and the wealth management businesses is about 3% of the revenue.

Swechha Jain: Overall revenue. So this is Q4, right?

Vineet Agrawal: Yes.

Swechha Jain: Okay. Fair enough. And sir, when we distribute the third-party products, how much typically we make on that?

Dinesh Thakkar: In general, if we make take this.

Saurabh Agarwal: Sure, sure. So in general, for most products, I think we make in line with the industry, be it credit or insurance, right? And for mutual funds since we largely do direct at one part of the business, there, it is zero commission. For the regular part, we make in line with the industry again.

Moderator: Next question comes from the line of Bhuvnesh Garg with Magma Ventures.

Bhuvnesh Garg: Just a couple of data keeping questions. So firstly, if you can mention the ESOP cost for Q4 and how it would look like in FY '26 and '27?

Dinesh Thakkar: Yes, Vineet, if you can take this question.

Vineet Agrawal: Yes. The cost for stock options has been in the range of about ₹ 35 crores - ₹ 38 crores quarter-on-quarter. And overall, for the entire year, it's in the range of about ₹ 105 crores. Next year,

based on the grants that we are going to do now, the cost is going to increase. I'll come back with the number maybe in first quarter once we have the grants in place.

Bhuvnesh Garg: Okay. Sure, sure. Second question is on gross broking revenue per order. So if I see, it was flat quarter-on-quarter, but I understand that we start charging on delivery orders from mid-November onwards. So basically, Q4 would be the full quarter where there should be the full impact of the charges on delivery order. But still, the revenue was flat -- per order was flat Q-o-Q. So if you can just explain what was the reason for this?

Dinesh Thakkar: DK, you can take this question.

Devender Kumar: Yes. Mr. Garg. So at an overall level, the macro of the industry has been subdued in quarter 4, which has impacted. But what I'm seeing, it's more of a play of the composition mix of various segments that has kept it flat and the macro conditions, which we believe in the coming time will recover. So it's just a macro aspect.

Moderator: Next question comes from the line of Ajay Nandanwar with Blue Argon Capital Capital.

Ajay Nandanwar: Quick question on your sort of future growth areas. What's the opportunity you see in distribution from a customer perspective and from your right to win perspective?

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

Saurabh Agarwal: I'd actually want to hear that question once again, please.

Ajay Nandanwar: Sure, of course. So you mentioned that you want to focus on distribution as a growth area going forward. I'm keen to understand what do you see as the opportunity in the market from customers' perspective and from your sort of competitive advantage perspective?

Saurabh Agarwal: Yes, sure. Great question. So I mean, if you take one area at a time, if you just take credit, which is like the key focus area, unsecured credit over the last 3, 4 years has grown massively. You would have seen close to ₹ 6 lakh crores to ₹ 8 lakh crores of PL being distributed in the market over a 1-year time frame itself, right?

So the size of the opportunity and that too growing at close to 20% CAGR over the last 3, 4 years. So over the next 4 years, 4 to 5 years, we might look at close to a ₹ 20 lakh crores annual offtake in PL in India, right? Even if we look at, say, a 1% market share, that is ₹ 20,000 crores of PL being distributed. So that is the size of the opportunity that we look at only from an unsecured credit in PL perspective.

Then there will be more growth areas that we will enter over time in credit, be it on the unsecured side or the secured side as and when we deem fit. Even on the insurance side, if you see digital penetration as of now is still very poor. And with large regulatory push from IRDA, right, to have more penetration, this size of the business will also keep on growing. So I think both these areas, be it insurance or credit, we are very bullish that they can become very sizable business over the next 3 to 5 years.

- Dinesh Thakkar:** Yes. Apart from that, even like mutual fund AUM, wealth distribution and all that, all that verticals are very promising.
- Ajay Nandanwar:** I don't doubt the size of opportunity. My question is more about what is Angel's competitive advantage in that space. We have been a broking house for a long time. So what our sort of differentiator when it comes to distributing.
- Dinesh Thakkar:** Saurabh, you would like to answer? Let me just cover this, then I will give it to you. The main advantage is that we have built an excellent platform where customers are really loving to buy more products. So our cost of acquisition becomes limited. If you are able to sell incremental products, definitely, that makes a big sense for us.
- And even for a customer, it makes a sense that they are buying all the product from the same platform. So that is where we have invested on tech, and we have created a big kind of a team who have created a very delightful kind of an experience on this platform. That makes very kind of like user-friendly platform for user who is coming for one product and buying multiple products. Yes, Saurabh, over to you.
- Saurabh Agarwal:** I'll just to add to what DT said, I think there are 2 or 3 large levers. One, the customer quality that we see on our platform is substantially good. right? The second is the engagement of the customers on the platform is higher than a lot of other consumer platforms in the country. And the third is the amount of time that they spend on our platform gives us a lot of handle on their data, right? So these are 3 large levers that enable us and have clear competitive moat with respect to others who are doing plain vanilla distribution for their customers.
- Ajay Nandanwar:** Got it. Okay. One more question, if I could. On the client funding book, what's the yield on assets? You have around ₹ 3,850 crores asset book. What's the yield on it at this point?
- Dinesh Thakkar:** Vineet, if you can take this?
- Vineet Agrawal:** Yes. So we levy an interest of 14.99% on MTF.
- Ajay Nandanwar:** If I look at the interest income, it seems much higher. It's ₹ 338 crores. Is there something else there?
- Vineet Agrawal:** Yes. So this interest revenue line item comprises of 2 components. One is the margin trading -- interest from margin trading funding and the other is interest from deposits that we place with the exchanges.
- Moderator:** Ladies and gentlemen, due to time constraint, that will be the last question. I would now like to hand the conference over to Mr. Dinesh Thakkar for closing comments.
- Dinesh Thakkar:** Thank you for joining us on the call today. I hope we have answered your queries satisfactorily. Should you require any assistance, please feel free to contact Hitul Gutka, Head of Investor Relations or SGA, our Investor Relations advisor. Have a good day.
- Moderator:** Thank you. On behalf of Angel One Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.