



Angel One Limited

Q3 FY '25 Earnings Conference Call

January 14, 2025



MANAGEMENT:

Dinesh Thakkar <i>Chairman & Managing Director</i>	Vineet Agrawal <i>Group Chief Financial Officer</i>	Amit Majumdar <i>Group Chief Strategy Officer</i>	Ravish Sinha <i>Group Chief Product & Technology Officer</i>	Jyotishwarup Raiturkar <i>Group Chief Architect & Chief Technology Officer</i>	Ankit Rastogi <i>Chief Product Officer</i>
Nishant Jain <i>Chief Business Officer – Assisted Business</i>	Arief Mohamad <i>Chief Business Officer – Direct Business</i>	Ketan Shah <i>Chief Sales & Revenue Officer – Assisted Business</i>	Anuprita Daga <i>Group Chief Information Security Officer</i>	Meenal Maheshwari Shah <i>Group General Counsel</i>	Manmohan Singh <i>Group Chief Risk Officer</i>
Subhash Menon <i>Group Chief Human Resources Officer</i>	Saurabh Agarwal <i>Chief Business Officer - New Business</i>	Devender Kumar <i>Chief Revenue Officer – Direct Business</i>	Bhavin Parekh <i>Chief Product Operations Officer</i>	Hemen Bhatia <i>CEO – Asset Management – Angel One Asset Management Company</i>	Srikanth Subramanian <i>Co-founder & CEO – Angel One Wealth</i>
Dharmendra Jain <i>Co-founder & Head of Business Product – Angel One Wealth</i>	Hitul Gutka <i>Head of Investor Relations</i>				

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 14th January 2025 will prevail.

Moderator: Ladies and gentlemen, good day, and welcome to Angel One Limited Q3 FY '25 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 the 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 involves 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, Sir.

Hitul Gutka: Good morning, and welcome, everyone. Thank you for joining us today to discuss Angel One's Q3 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 Mr. Dinesh Thakkar, Chairman & Managing Director; Mr. Vineet Agrawal, Chief Financial Officer. We also have the 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 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. I wish you all a very happy and prosperous 2025.

India's capital markets are on the remarkable growth path driven by a surge in demat account additions. This momentum reflects the growing trust of retail investors in equity as a promising asset class, an achievement rooted in ever evolving regulatory landscape. Enhanced transparency through regular regulatory updates has cultivated trust, fuelling steady increase in participation and trading volume across the industry. We enthusiastically support this advancement as they not only empower investors, but also ensure long-term client retention, a key driver of sustainable growth for a business like ours.

The regulator made such an update to cultivate trust, as Q3 FY '25 reflects the implementation of the True to label framework, standardizing exchange charges with a flat fee structure regardless of turnover. This change has brought client much needed

transparency and predictability about the cost they incur. This move was undoubtedly beneficial for clients, but it also eliminated a key revenue stream for brokers.

To adapt, we took proactive steps introducing flat fee brokerage for cash delivery orders and implementing interest charges on disproportionate non-cash collateral exceeding ₹ 50,000 from mid-November 2024. These adjustments have been warmly embraced by clients, who prioritize exceptional platform and experience over minor pricing tweaks. More importantly, this highlights our ability in devising effective pricing strategy in response to evolving business environment.

In Q3, the industry also saw implementation of first phase of the measures to strengthen equity index derivative framework for increased investor protection and market stability. The full rollout will take place across the ongoing quarter. While regulatory changes often lead to temporary disruption and volume corrections. History shows that client adapt quickly, as seen during the peak margin regulation between 2020 and 2021, which ultimately fuelled growth through an expanded client base. This reinforces our belief that these interventions enhance client longevity and drive higher LTV across the industry.

At Angel One, we estimate a short-term impact of 13% to 14% on total net income due to these changes for the period of implementation till client behaviour adjustment, apart from market-driven softer volumes as evident since October 2024. Additional regulatory update on grouping monthly expiry for each of the exchange, 2 exchanges to 1 day of the week, would bring an additional 3% to 4% decline. We will know more about the real impact of these interventions by the end of March. However, we are confident that our aggressive client acquisition strategy and normalization of trading behaviour will not only bridge this gap, but also set the stage for renewed growth in subsequent quarters.

Our investment in acquisition channels, product innovation, technology, analytics capability remains robust as we meet our expected increased client on-boarding. Our client centric Super App strategy is central to a vision of offering a seamless, all-in-one financial ecosystem. This platform is steadily progressing towards becoming the first port of call for our clients as we expand the product portfolio to address all our clients' financial needs.

I am happy to share, Q3 FY '25 saw significant milestones, including the beta launch of insurance journey within the SuperApp. The regulatory approvals for launching our Mutual Fund under the aegis of Angel One Asset Management Limited and Portfolio Management Services under Angel One Wealth Limited. I am also delighted to announce the launch of wealth management brand 'Ionic Wealth' by Angel One. Srikanth will provide further detail on this.

We continue to expand our offering across broking, MTF, third-party product distribution and our foray into asset and wealth management. These achievements, coupled with our endeavour to enhance personalization algorithms, position Angel One as a

comprehensive non-banking financial service platform, empowering our clients to create long-term wealth.

Our assisted business channel also scaled up the mutual fund distributor network, contributing to a growing mutual fund AUM. Based on behavioural insights, we refined client engagement through improved discovery on the app. We are continuously investing in improving the NXT platform for our assisted business partners, empowering them with comprehensive visibility of client activities across incremental product offering, and better tools to offer clients a curated service experience. To help our high-quality business partners further expand their customer base, we have piloted super local activity that leverage targeted localized insights and tools. This strategy helps bridge the gap between digital convenience and personalize community focus interactions.

Operationally, we achieved healthy results despite headwinds adding 2.1 million clients with 88% coming from Tier 2 and Tier 3 and beyond cities. Our consistent focus on growing market share is evident with 26 basis points sequential expansion in our share across India's total demat account to 15.9% as of December 2024.

Furthermore, our overall -- the retail equity turnover market share expanded by 41 basis points to 19.7% in Q3 FY '25.

Angel One remains focused on sustainable growth with strong control on unit economics. The digital model facilitates economies of scale with superior LTV while optimizing our cost of acquiring clients. As a result, we can maintain our robust profitability metrics amid the evolving external environment.

I am pleased to announce that the Board has approved reinstatement of dividend distribution of 35% of quarterly consolidated profit after tax. I now invite Saurabh to provide further updates on the distribution business.

Saurabh Agarwal:

Thank you, Dinesh Bhai. Good morning, everyone, and I wish you all a very happy New Year, and thank you for taking the time to join us today.

I am excited to share our progress across key areas of our business over the last quarter. We have made strong strides in enhancing client experiences and expanding our product offerings.

In the mutual fund distribution business, we achieved a major milestone in December 2024 with nearly 9 lakh unique SIP registrations, our highest ever. For the past two consecutive quarters, we have recorded over 2 million SIPs, reinforcing our position as the second largest player in the incremental SIP registration and continuing to increase our market share.

Our first MF brand campaign also gained excellent traction, marking the beginning of our journey to establish ourselves as the easiest and the most consumer-friendly investment platform, particularly aimed at younger investors who are just starting their financial journey.

Additionally, we are seeing strong 6-month and 12-month retention from our MF users, which only strengthens our belief that client longevity on the platform will continue to increase as the MF play scales. Also, share of users who have transacted on MF have continued to increase, further solidifying our multi-product Super App strategy.

In our digital insurance distribution business, we took a significant step forward by launching motor insurance on our app. We have integrated with three insurers and are now live with a select group of clients. We are very quickly adding more insurers to the platform and will move beyond the beta phase to extend this service to our full client base in some time.

Now, I want to focus on our credit distribution business, a space with immense potential. Over the last two to three years, the personal loan space has grown rapidly but not without challenges. In the industry, there has been higher KYC frauds, over-leverage and delinquencies exceeding expectations. As a result, lenders are now adopting a more cautious, measured approach. While this has led to some short-term growth headwinds, this pause is crucial for building a stronger and more sustainable ecosystem in the long term.

Having said that, we remain extremely optimistic about the future of this space and here is why. India's credit potential is enormous. Our retail credit to GDP ratio is still low compared to developed economies, which presents a huge growth opportunity. Consumer demand is strong. The younger generation is embracing credit to fulfil their aspirations and once they understand how to use credit responsibly, there is no turning back. The regulator is also active and proactive. With measures like increasing risk weights and shifting bureau reporting to a 15-day cycle, they are minimizing risks and promoting responsible long-term growth in the sector. Technology is transforming the landscape. Account aggregators are making the underwriting process more seamless and efficient while video KYC is addressing fraud issues.

With throughput improving every quarter, onboarding will become faster, more secure and more scalable. Lastly, borrowing rates will normalize over time, making this a more favourable environment for lenders and borrowers alike. Angel One, we believe, is particularly well positioned to thrive in this market. The foundation that we have built is rock solid.

Our tech stack is very robust, ensuring minimal downtime and a seamless experience for both customers and partners. Our customer base is high quality from a credit standpoint, demand is high and engagement on our platform continues to be exceptionally good.

More importantly, while we operate as a distributor, we are investing heavily in building our risk modelling capabilities. By leveraging advanced decision systems, we can provide the right products to customers, support lenders with better underwriting and improve the efficiency of collection, all while we continue to take zero risk on our books.

Additionally, coming to Q3, this quarter had a strong start. We went live with 3 lenders, refining our processes and learning valuable insights on the lender management front. So far, we have cumulatively disbursed ₹ 600 crores in personal loans on the platform. We are also integrating with 3 more lenders in the final stages and will scale in a measured manner.

While some headwinds may persist over the next couple of quarters, we are very confident that we will emerge stronger and continue to accelerate growth given that there is minimal legacy that we have to live with in this new paradigm. The credit distribution business fundamentally is a long-term game with the right strategy, a cutting edge technology platform powered by deep AI/ML models, and an unwavering commitment to doing things the right way in alignment with the regulator. Angel One is poised to, over time, become a very large player in this play. With that, I will pause and request Hemen to share his insights on the AMC opportunity that lies ahead.

Hemen Bhatia:

Thank you, Saurabh. Good morning, everyone. I'm extremely excited to share that we have recently received the regulatory approval to commence our mutual fund operations, a significant milestone in our journey to create a trusted brand for passive-only products. Our focus is clear, and we are working to develop a range of products that combine exchange-traded funds, i.e., ETF and index funds to meet the diverse needs of our clients. Let me explain our approach.

While the ETFs will be distributed through brokers, offering their clients a cost efficient and accessible investment option, Index Funds will come in 2 forms: direct plans and regular plans. Direct plans that investors can purchase directly through platforms, and regular plans where we will pay commissions through distributors, ensuring widespread accessibility.

To help our clients fully embrace passive investing, we are creating educational material to demystify this product and explain their advantages. We believe education is key to empowering clients and will play a critical role in driving adoption. The potential for growth in this space is immense with the industry's rising AUM base and the increasing share of passive in the overall mix, we see tremendous opportunity to contribute to this shift.

Active funds often face challenges in consistently delivering outperformance, which is where passives come in. They provide better visibility into returns, a low-cost model for clients and a stickier asset base, offering stability over the long term.

I am also incredibly proud of the pedigree team we have built, which is working to ensure we deliver high-quality, client-focused solutions. As we move forward, we have

ambitious plans to expand our product suite and cater to a broad spectrum of investor needs.

At the heart of our efforts is a commitment to offering low-cost solutions, client education and a clear focus on sustainable growth. I am confident that our approach will not only position us as a leader in the passive investment space, but also create lasting value for our clients and stakeholders.

Thank you for your trust and support as we embark on this exciting journey. I now invite Srikanth to take you through the developments in our wealth management business.

Srikanth Subramanian: Thank you, Hemen, and good morning, everyone.

Interesting times in India's wealth management industry as we are entering a very pivotal phase, and we have often quoted the triple multiplier effect, which essentially comprises of a growing number of high net worth individuals, appreciating assets and also incremental savings as everyone's income sort of also increases year-on-year. Yet despite this promising growth opportunity, the current structure of the industry remains largely evasive for a very emerging segment, which is what we call as the middle belly of the segment.

We believe this is an opportunity not just to grow, but to redefine how wealth is managed. Our vision is simple, and we are very ambitious to reimagine conventional wealth management.

We aim to blend our deep domain expertise, our core strength, with innovative technology to achieve scale and efficiency like never before. At the heart of this vision is our commitment to creating an omni-channel wealth experience. We want to give our clients the flexibility to engage with us on their terms, whether it is through DIY tools and tech or by leveraging the expertise of an experienced wealth manager.

Our growth strategy rests on 3 critical pillars: investment quotient, IQ; digital quotient, DQ; and a very important ingredient in our high-quality wealth business, emotional quotient, EQ. These pillars shape everything we do, ensuring we deliver not only cutting edge solutions, but also curate an exceptional client experience.

To support this, we have embraced some of the best governing standards. We have constituted a world-class Advisory Council, an expert think tank for various asset class views and an internal investment and a product approval committee to guide our product strategies. These are our engines of innovation, pushing us to think differently, act boldly and stayed ahead of the curve.

As a customer-first organization, we rebranded ourselves as Ionic Wealth and Asset Management, respectively. The brand aspires to be the cofounder in our customer's journey of wealth creation by bringing the power of networks alongside strong investment and tech capabilities to enable their vision.

We also have launched our Ionic Wealth app in both Play Store and App Store. To start with, it will allow us to provide real-time access of portfolio performance analytics and assisted client journey. This will help us make -- this will help investors make better portfolio decisions. You can soon expect the app to bring more features basis customer feedback and suggestion as we build further based on a customer-first approach.

From a regulatory standpoint, we made significant progress. With our ARN, PMS and RIA licenses already in place, we are ready to serve our customers. Our product offerings will focus on 5 themes; passives, quant, PIPE, secondaries and high yield. And of course, also Global is one of it that we are quite excited about to ensure we cater to diverse customer needs.

In terms of scale, we have been progressively expanding our geographic footprint with offices now across 7 cities and a dedicated team of about 140 professionals spanning relationship management, investment experts, technology and other support functions. We will keep a strong focus on growing the market horizontally without diluting quality and look to better margins, leveraging the omni-channel approach.

I am confident that with our strategy, our people and our passion, we are poised to transform the wealth management landscape. Thank you for your time and trust. With this, I will hand over the call to Vineet to give you an update about the financial performance of the quarter gone by. Thank you.

Vineet Agrawal:

Thank you, Srikanth. Good morning, everyone. Despite the general market weakness, coupled with the impact due to the implementation of new regulations, we have been able to expand our market share in demat accounts, NSE active clients and retail overall equity turnover. Our aggregate orders for the quarter were lower by 13.8% to nearly 422 million, which also includes the impact of 4.7% lower number of trading days.

This being the first quarter post implementation of true-to-label regulation, our Q3 FY 2025 gross revenues were impacted to that extent. Ancillary transaction income, which stood at ₹ 1.15 billion in Q2 of FY 2025, was nil in Q3 of FY 2025. Had we been able to garner this income in Q3 as well, our gross revenues would have been higher by ₹ 1.1 billion. To offset this impact, we levied various charges from mid-November 2024, which led to an income of about ₹ 238 million. Hence, on a like-to-like basis and considering the impact of the index option regulations, our total gross income would have been at approximately ₹ 13.5 billion as against ₹ 12.6 billion reported today. That is a decline of 10.9% sequentially against 16.6% printed now.

Our gross broking revenue, which accounted for about 65% of our total gross revenues, de-grew by 12.5% sequentially to nearly ₹ 8.2 billion in Q3, owing to lower client activities. F&O continues to contribute about 81% of our gross broking revenues, followed by cash and commodity segments at 12% and 7%, respectively.

Share of direct business in our net broking revenues remained consistent at 76%, and the balance being contributed by clients under our assisted business.

Our average client funding book grew by 4.2% sequentially to ₹ 40.5 billion for the quarter, which at the end of the quarter was higher at ₹ 43.3 billion. The revised interest rate of 14.99% on MTF introduced in November 2024 reduced our interest income by nearly ₹ 102 million during the quarter.

The interest earned on fixed deposits was also lower by 7.8% sequentially, owing to lower quantum of fixed deposits and a marginally lower yield. Both these led to a 2.8% sequential decline in our interest income to ₹ 3.5 billion, thus accounting for about 28% of the gross total revenues for the quarter.

Income from depository operations, which account for 4.4% of our total gross revenues, declined by 24% sequentially, mainly due to lower cash delivery transactions.

Income from distribution operations grew 16.9% sequentially to ₹ 300 million, accounting for 2.4% of our total gross revenues for the quarter. This was primarily driven by growth across distribution of credit products and IPOs.

Finance cost increased by 10.8% quarter-on-quarter to ₹ 835 million on account of 4.6% higher borrowing to fund the growth in the client funding book and for margin requirements at the exchanges, coupled with a 35 to 40 basis points increase in average cost of funds.

Employee benefit expenses, including cost of granting stock options, grew 3.1% sequentially to nearly ₹ 2.4 billion on account of headcount increase in tech, product, data analytics, legal and the wealth business.

Other operating expenses for the quarter fell by 9.7% sequentially to ₹ 3.3 billion, primarily on account of lower client acquisitions. CSR contribution for the quarter was higher by ₹ 28 million, along with some increase in brand-related spends.

Our Q3 FY 2025 reported consolidated EBDAT margin stood at 42%, while this was lower by 787 basis points quarter-on-quarter as compared to our reported Q2 margins. However, this compression was lower by 257 basis points when adjusted for the impact of the ancillary transaction income.

This operating margin also subsumes the expenses of incubating our new businesses of asset management and wealth management. Our margins are likely to remain in this range till the time the new regulations are fully implemented and client behaviour normalizes. Having said that, the unit economics of the business continues to remain healthy as we reap benefits of high lifetime value for our clients.

Depreciation and amortization costs increased by 4.2% sequentially to ₹ 267 million in Q3 as we capitalized infra assets.

Our reported consolidated profit after tax from continuing operations declined by 33.5% quarter-on-quarter to ₹ 2.8 billion. This would be 16.8% lower sequentially compared to Q2 PAT adjusted for the ancillary transaction income.

Our 9-month FY2025 reported gross total revenues and profit after tax stood at ₹ 41.9 billion and nearly ₹ 10 billion, representing a growth of 43.4% and 27%, respectively, over the corresponding year last year.

Our 9-month FY2025 profit after tax is 88.6% of our entire FY '24 profit, demonstrating our sustained and strong growth trajectory.

Period-end cash and cash equivalents, client funding book and investments stood higher as of December 31st, 2024, as compared to March 31st, 2024.

As of December 31st, 2024, the margin monies from clients were lower, while borrowings were higher when compared to March 2024. The consolidated net worth of the company increased to ₹ 56.3 billion as of 31st December.

Our 9-month FY 2025 annualized return on average equity remains healthy at 33.3%. As the business normalizes, we strongly believe that our ROE should trend back to our historical levels.

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. The first question is from the line of Prayesh Jain from Motilal Oswal.

Prayesh Jain: So just firstly on the impact of the regulations, right? So firstly, on the true-to-label implementation, we have -- we had mentioned in the previous call that we don't expect any hit because of the pricing action that we have taken. But I understand that the period that we have seen is only for the benefit we got of the new action was only for half of the quarter, but still, the benefit seems to be much on the lower side. I understand some part of it would be the volume hit, but still, that is only 10% or 12% of the volume hit. Then why we have not been able to recoup that part.

Secondly, on the lot size impact visibility, this probably first 15 days of Jan first 13-14 days of January, if you could highlight as to what is the kind of behaviour of the customer in your cohorts, wherein whether the customers who were trading a year, one lot have kind of started trading into the new lot size. Or how is the kind of impact? Because my guess is it would be relatively lesser impact. So could you throw some highlights there?

Thirdly, on the credit business, how would you be kind of monitoring the end use of personal loans that you have disbursed so far, whether that's coming back to markets or how would the behaviour be?

And my last point would be, are you contemplating a price hike anytime soon in the F&O segment as to how long will you wait before you kind of take that call because the profitability is definitely getting hit. Those would be my questions. Thanks.

Dinesh Thakkar:

On your first question on true-to-label, what we discussed was primarily based on price increase that they are going to do and charges that we are going to put on collateral that we receive or -- non-cash collateral that we receive, but it appears to be like there will be hit not more than 1% to 2% difference in terms of what we had estimated and what we see.

So overall, we can see that, okay, we were able to recover lots of loss, but not fully, but maybe there is a hit of around maybe 1% or 2%. That too, as we see volume build up, I am sure that we will be able to cope up. So what is important is that what is that overall hit? When we talk about true-to-label about rationalizing this F&O and all that.

So in that area, I would say that what we had estimated last time, hit of around 13% to 14%, still it remains true. But only difference is now that, okay, with bunching of monthly expiry into 1 day per exchange, there would be an additional hit of 3% to 4%. So overall, it would be safe to say that hit appears to be overall, combined everything, true-to-label and all that areas combined together, it would be around 18%. And if you look at our customer base growth, that remains intact.

The good part is that customer inflow in this market remains very healthy. So we are growing at 40-45%, and that trend continues. We are expecting that this will offset this onetime hit that we have seen. The current hit that you are seeing that includes everything, regulatory changes, slowdown in global economy, slowdown in our economy. So all that impact clubbed together appears to be a bit higher than what we had guided. But we are very sure that this hit would be within the bracket of around 18%. For kind of safety purpose, in your model, we can take a revenue hit of 20% one time. But if we look at lifetime value of a customer, I don't see any reason for me to believe that there will be a change in lifetime value of customer.

It is too early right now to say people who are doing one lot, what they're going to do. So 10 to 12 days, it's too early for us to give some insight on what these customers are going to do. But if we have to guesstimate, somewhere this customer will go towards cash market and all that, that will increase volume in cash segment and because we are charging on cash orders, so that would be compensated.

So January hit and all that combined together, it includes all this, what I'm saying, hit will be 18% around. And plus point is, as I said, customer base is still growing at a very healthy rate of around 40% to 45%. And on credit business, I'll ask Saurabh to talk about that -- one second, Saurabh, before you take now, he had asked about price hike.

See, Prayesh, what we will wait for 1 or 2 quarters to see a permanent impact. And if needed, definitely, we have levers to play on our prices. So prices, we would like to see all patterns stabilize in terms of what's an hit because of market conditions, because of global environment. And then we'll take a very informed call on how much hike we have to incorporate. If at all, we see there's a permanent some kind of a loss. Too early to say, right, at this point.

- Prayesh Jain:** Yes. So yes, before we move on to the credit question, sir, just 1 clarification. When you say 18% to 20% hit on revenues from your existing base of customers -- so that we should think from a yearly perspective, right, that from a year-to-year perspective, your existing customer base revenues would be hit by 18% to 20%?
- Dinesh Thakkar:** See, Prayesh, what happens like in broking business, what we look at, what does that -- kind of like first year revenue we get from end customer. So based on that, we work out our acquisition cost and margins and everything. So that base is something averages of what we get from customers in good and bad market.
- In good market, we may get higher. Bad market, we get lower. But what we have to take is an average realization of end customer when we acquire. So that we are saying, first year revenue can take a hit of around 18%. But if I take a lifetime value of end customer or say, previously, we were taking 5 years, it will extend beyond 5 years.
- So lifetime value, there would not be any hit. That is our initial guesstimation. But maybe once we get the data for a few months, we would be able to extrapolate lifetime value of end customer also, whether this hit is permanent or it is just kind of like reaction to these changes. If at all we feel it is permanent, we will try to use our price hike levers.
- Otherwise, if you think it is temporary revenue of a customer, in terms of first year revenue, is going to revert back to normal, we would be okay with this pricing because we are seeing overall OPM would be around 50%. That is what we would be comfortable with.
- Prayesh Jain:** Got that.
- Dinesh Thakkar:** Saurabh?
- Saurabh Agarwal:** So to answer your question on end use monitoring, our customers, when they take personal loan on our platform via our lenders, they confirm in the journey that they won't be investing this money in the capital market. Having said that, is there a direct way to monitor end use of this money, fundamentally not because money is fungible. Where a customer gets money from in his account and where he invests, that is not possible to understand.
- Having said that, we do some surrogate analysis to understand if there is a possibility that the customer is investing money back into the trading ecosystem again. And the initial analysis does not say that the number is too high. There is no direct way to ascertain any end use of any loan that the customer get from any lender anywhere.
- Prayesh Jain:** Got that. Just one last question. If you look at your opex, in spite of the sharp fall in the customer addition in the quarter, your opex still hasn't kind of commensurate fall we haven't seen. So apart from CSR expense that you mentioned, what other expenses were kind of elevated in this quarter? And what should be the kind of run rate going ahead when we look at this?

- Dinesh Thakkar:** Vineet, if you can take the question.
- Vineet Agrawal:** Sure. So Prayesh, the overall other expenses, which are reflective of a large part of our customer acquisition cost, has declined by almost 10% and that decline also subsumes the impact of higher branding spends that we have done and the CSR expenses. If we were to acquire the same number of customers, then the cost would have been higher to that extent. But overall, there is a slight increase in the COA, and that's seasonal in nature given the fact that in Q3, generally, you have a lot of competition from these e-commerce platforms, etcetera. So it's not something which is of any cause of concern or worry.
- Moderator:** The next question is from the line of Ajoy Frederick from Sundaram Mutual Funds.
- Ajoy Frederick:** Sir, if I back compute the per customer revenue from cash delivery, it is coming to be at about ₹ 4. Is my math right, on an average? So what I'm doing is I'm -- yes, you mentioned that for cash deliveries, we have some ₹ 238 million income and I'm just dividing that by the number of deliveries, which we disclosed in volumes, which is 57 million...
- Dinesh Thakkar:** Is there any insight on that, Vineet or...
- Ajoy Frederick:** No. I'm trying to see if this is sustainable because you're charging about ₹ 20. So -- but we're getting about ₹ 4. So I'm just trying to run the mental math incremental revenue from the cash delivery. That is what I'm getting at.
- Dinesh Thakkar:** First of all, we have started charging by mid of November. So I don't know what volumes you are taking. You're taking for full quarter, then you are wrong.
- Ajoy Frederick:** No. I'm -- yes, I'm netting off half of it. So exactly -- so if I should do it one-third for the quarter and then do it that way?
- Dinesh Thakkar:** Vineet, is there any guidance on that?
- Ajoy Frederick:** Or going forward, yes, that will be better.
- Vineet Agrawal:** So this ₹ 238 million that we've mentioned are inclusive of the charges for non-cash collateral, cash delivery and some of IPFT, etcetera. It's not only for cash delivery. And these charges have been implemented across the quarter.
- So some got implemented, say, in the second week of November, some in mid-November and thereafter. So it's -- I mean, the way you've calculated, it's not the right way. But anyways, we don't give monthly numbers. So I will not be able to give you any insights on that.
- Ajoy Frederick:** Okay. And sir, on this cash delivery volumes going forward, we'll be making roughly what per order?
- Dinesh Thakkar:** Vineet, do we have any guidance on that?

- Vineet Agrawal:** So that's something which we don't say. And again, these are dependent on what kind of volumes our clients do. So we can't give you any number on that.
- Dinesh Thakkar:** But broadly, what we charge, if we can, Devender or somebody can give that indication. What is our charges?
- Devender Kumar:** Yes. On the delivery side, we introduced the pricing of ₹ 20, or 0.1% with a minimum charge of ₹ 2 on the cash delivery side. Now the average charge will depend on the behaviour of the clients in different quarters. That's the way it is.
- Moderator:** The next question is from the line of Gourav Gumber from Taurus Mutual Fund.
- Gourav Gumber:** Sir, my question is how big can you see this AMC and opportunity going forward?
- Dinesh Thakkar:** The AMC and wealth business can really grow at a substantial size. We have seen what can happen like market is available and opportunities are available. By using tech and kind of like domain knowledge, this business can really grow well. I would ask Srikanth to brief you on this.
- Srikanth Subramanian:** As Dinesh mentioned, we are seeing a number of SIP growth in accordance to the full year growth -- full year growth in almost in the same accordance as we are seeing demat growth. So I think that is a well-known information that how retail investors are sort of embracing mutual funds, especially on the SIP side, but as my colleague, Hemen had mentioned in the call just before me, both from the AMC side, which is focusing on a very passive-only kind of the business and also from a wealth side, where we are taking the baton and increasing the solutions to the customers using PMS and AIF for offering alternative active management routes.
- We are looking at giving the 360-degree solutions to our clients, and we are trying to take a very paperless approach in wherever we can, just to ensure that we are able to grow the market, both horizontally and vertically. But as part of the overall growth plan both the newly incepted businesses, which is AMC and Wealth have a significant contribution in the future growth plan of the firm.
- Dinesh Thakkar:** I will ask Hemen to cover, but we believe that even passive managed funds and all that, it is the right product for retail and especially for a platform company like us, it is going to give a substantial growth. Hemen, if you can just touch upon your insight on AMC?
- Hemen Bhatia:** Yes, sure. See, the idea is that we want to be a trusted and go-to brand, go to AMC for passive-only products, that is ETF and index funds. So one part is expanding the investor base, right, for passive products. So we want to expand the investor base. We want more and more new investors who start investing in passive products, and that can happen by educating the customers on the benefits of passive investment strategy.
- At the same time, we would want to enlighten customers investing into active funds, over the underperformances of active funds over long-term, that why it is difficult to keep beating the benchmark on a consistent basis. So we'll have to highlight that to the

existing customers who are investing in active funds, that till now you have been ignoring passive funds, but with passing time and with market maturing, you'll have to -
- passive funds will have to be included as part of their overall portfolio. Additionally, we would like to build our product bouquet also of ETFs and index funds and provide logical building blocks to the customers so that they can build, it can be used to build the core part of their portfolio. Yes.

Gourav Gumber: And sir, how are you seeing this revenue mix shifting from proper broking business to this AMC and the wealth management business going forward -- 2, 3 years going forward?

Dinesh Thakkar: See, we are seeing a good growth in all the verticals. As we said that we have started credit business since 2 quarters, we have disbursed around ₹ 600 crores. Similar is the case with mutual fund SIP, today we are number 2 in terms of incremental SIP. So it will take its own time but focus is to be leader, to gain big market share. So currently, we are not like trying to see that, okay, how much revenue we'll get from which vertical. But what is important is that how much of wallet share of an individual that we acquire comes to us in whatever service they want to use. Focus is on wallet share. We want customers to come on our platform, retain with us, buy all the services, whatever is needed in terms of mix of services, that person should be satisfied with us.

Gourav Gumber: Okay. Thank you, sir.

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

Sanketh Godha: This question is to Vineet, basically, Vineet if you see would have applied these new charges like on non-cash collateral and the delivery, and if you applied for the full quarter compared to given the numbers are already there on orders and everything. So if you would have applied for the full quarter, the ₹ 23.8 crores would translate into what kind of a figure?

Vineet Agrawal: Sanketh, it's difficult to estimate because there has been some market correction also. So it wouldn't be comparable like-to-like basis whilst the turnover charges have been hovering same at almost ₹ 1.1 billion, ₹ 1.15 billion. But because the market sentiment across cash, F&O have been slightly weaker, so it wouldn't be right to compare that.

Sanketh Godha: I understand the point support, given we have the data of number of orders and everything. On like-for-like, whether that number would have been easily double, closer to double kind of a figure is around ₹ 50 crores or ₹ 45 crores. So just wanted a broader colour on how much we could have could if it be applied for the full quarter?

Vineet Agrawal: So you've got to look at it from this way that in the long term once things settle down and the behaviour normalizes, we should be able to ideally recover almost 75%, 80% of this cost that we've been talking about in the past also. So just wait for the entire scenario to pan out, and then we'll have a better picture in terms of how we are able to

recoup this cost. As Dineshbhai also mentioned that overall, the impact should not be in the overall revenue pie, it should not be more than 2% for this true to label.

Sanketh Godha:

Okay. Perfect. And second question, probably to Dinesh. Sir, you said that the impact on net revenue could be in the range of 18 to 20. So just wanted to understand, you are making second quarter, which was of no regulation, as a base. On that number, the impact could -- net revenue impact could be 18%. And it remains and you believe that this 18% to 20% impact will get only reset in the third quarter of FY '26. That's the way I need to understand, right?

And then the second point is that this 18% to 20% you are saying on net revenue, because the rules are probably applicable to derivative, then on broking, this impact could be as high as 30% to 35%, only broking line item in between line item.

Dinesh Thakkar:

Sanketh, when a customer comes, he uses all the services, F&O, cash, commodity, uses margin trading. So we have to see impact on total revenue that we get from customers. So for us, whether that person trades in F&O, cash, commodity or margin trading, it becomes a part of our broking services.

So that way, we will always calculate what the impact on net total revenue that we get from customers, because when we acquire a customer, which is what the revenue we can get from this customer. Okay. We don't decide that whether this customer who is onboarded will start cash market or he start F&O and all that. Just to segregate F&O does not reflect a proper business model of Angel One.

Okay. So what is important over here is that this market are cyclical. It is like a mutual fund industry. When you say you'll get a CAGR of 14%, there would not be any year you will get 14% consistent. Sometimes you'll get 8%, sometimes you'll get 22%. But what we work out is averages. Similarly, in our business model, we have to work at averages that we can get -- the average revenue that you can get from customer, whether quarter 2 represent that kind of like cohort, not necessarily because we take data of almost 8 quarters to 9 quarters and see what kinds of revenue you can get when we acquire a customer average revenue. There will be a bad quarter, there will be a good quarter. If I extrapolate quarter 2 and say that this revenue we would have got for a year that would have been wrong. Because if I take quarter 2 and a growth of 40%, it would hit the roof. So what is important for you all is to understand what is an average revenue this broking house can get? So based on this average, you form the kind of like baseline, then you see what the customer growth that we are getting. It's around 40% to 45%. Adding all that, you can work out a model for 3 years, 5 years. Otherwise, if you go by quarter-in-quarter, it is very difficult to predict this kind of business. Similarly, if I want to predict which mutual fund is going to give me what returns, I'll go wrong, if I look at just quarterly performance. So broking business is almost similar, where we take averages and we take average revenue that we'll get from a customer that we acquire for first year, averages for 5 years. So there is also data scientists model that we use, which goes into detail of each and every cohort and comes out with averages. That is how we budget or spending to acquire a customer.

- Sanketh Godha:** Got it, sir. But just to put it in simple words, given we are adding more customers. Naturally, they will add to the revenue. So this 18% to 20% in your assessment, what is a negative impact, will get wiped down because of the extra customer addition, say, in a couple of quarters?
- Vineet Agrawal:** Exactly my point. So now there is a new base that we are working with, okay? So it's a 1 time correction. But if you look at growth of this base remain intact because customers that are coming to the market are coming at the same numbers. And not only they are coming at the same numbers, in fact, their spending in second year, third year is increasing. They are buying more products.
- So we have to look beyond broking now. Currently, whatever we are talking is based on broking revenue. But maybe in a few quarters, we'll start talking about revenue from other verticals that our services they are using.
- Sanketh Godha:** Got it. But sir, this 18% to 20%, you believe a couple of more quarters of pain, then it will get reset by maybe we'll see the similar revenue by what we delivered in second quarter, saying -- I know it's a difficult question. But just asking whether it will be visible in, say, second quarter of FY '26 that you'll see the same revenue what you deliver in second quarter of current fiscal year?
- Dinesh Thakkar:** Looking at the growth rate, we don't give forward-looking statement, but a clean maths I'm giving you. Hit of revenue in terms of 20%, market normalizing and growth rate of customer to the tune of 40%, in 2-3 quarters, we'll be back to these numbers. Pure math, not predictions. Not forward looking statement. Yes.
- Sanketh Godha:** I understand, sir. So again, this is a little more strategic question. See, we are doing multiple things like offering distribution, credit, wealth, AMC, So these are all new incubations, so maybe it's a little long-term question, 3 years, 5 years, if you add up all these numbers, whether these will contribute how much to your total topline as such? Internally, whether you have made a target that we should be contributing, let me say, 15, 20, 30, 40, what that number would be as a percentage of the total revenue. At what level of the contribution you believe all these businesses will break even and add to the bottom line? It's a long-term question, maybe not an immediate basis, maybe 3 years, 5 years, when you see these things will play out materially in top line and bottom line inductions?
- Dinesh Thakkar:** See Sanketh, very interesting question, but I don't want to sound as if I'm giving some forward-looking statements. But what I believe youth, like when they are on-boarding this platform, they want all the services on one platform. So you can check the data that, okay, how much they are going to spend on broking services and investment, how much they're going to spend on insurance, lending product, how much they are going to put money in mutual funds and wealth management.
- So we believe that we will get substantial portion of their wallet share for all the services. So I believe that we are looking at how to get into wallet share and how to like get a

market share where we say that whatever vertical we are entering, we have a leadership position in the next 5 years.

So based on that, I would say that we would be a substantial player in all the services that we are offering, like you started mutual fund. When we started 6 quarters back, we had clear cut view that we want to become a leader in this segment. So today, as we speak, we are number 2 in terms of incremental SIP. So slowly in a few years, you will see in a substantial portion in AUM and all that.

So for every business, we have a target that we want to become a leader in that segment. That's the reason you will see our initial investment would be on top management so that we get the structure right, with the vision that we want to be leader. It is not that we are doing it for additional revenue, whichever area we are entering, we want to be into top position.

So based on that, you can do a rough calculation in 5 years, what is the revenue pool for different services that you are offering. In every services, we want to be into that top 10 players.

Sanketh Godha: Got it. Perfect. That's it for my side. Thank you.

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

Nidhesh Jain: Sir, when you talk about price hike decisions, so what that decision will be based on, whether you will look at payback period, LTV or what data point you will try to make it equal to prior versus today versus prior to regulation?

Dinesh Thakkar: Right. So what we look at that we are focusing on business model, which can give an OPM of 50% on a very sustained and long-term basis. So very important is if we can just work out a lifetime value, which is not easy, it takes some time. So initial kind of like reaction, if at all we have to take a decision on price hike would be on what kind of like growth we are seeing in customers who are doing 1 trade in F&O, which area they are going, are we able to recover certain portion that we have in our mind to achieve that OPM of 50%. So if at all we see, we would not be able to maintain this trajectory of OPM of 50% for this business, we will take a call on price hike.

Nidhesh Jain: And by OPM, you mentioned you mean EBITDA margin, right? The reported EBITDA margin that we reported?

Dinesh Thakkar: Yes.

Nidhesh Jain: And secondly, there is a sharp decline in trade payables on a Q-on-Q basis from ₹ 9,400 crores to ₹ 6,500 crores. So what is the reason for the decline? And how should we see that trend going forward?

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

- Vineet Agrawal:** Yes. Nidhesh, this is in trend with the weaker sentiments in the market. And when people trade more, they bring more money when people trade less, they keep lesser money. So this is nothing to worry about. As the market sentiments improve, we will see an improvement in the trade payables as well.
- Nidhesh Jain:** Sure. And last question is on mutual fund distribution monetization. So we have become second largest SIP originator, I think mutual AUM has crossed ₹ 10,000 crores. So is there a plan or is there any way we can monetize this platform on the mutual fund distribution?
- Dinesh Thakkar:** Currently, this in mutual fund distribution on B2B, we are charging. And on B2C, we are not charging. Because that is helping us to retain our customers and engage customers for a longer period of time. So our calculation shows that whenever we acquire a customer usually is acquired for broking even if you acquire for mutual fund services, revenue from those customers are almost same because ultimately, this customer trades in stocks, he goes and trades in F&O, commodity.
- So lifetime value, as well as first year revenue, is almost similar to a broking customer. So we do not see any kind of like loss because we are offering this at like a direct plan, where we are not earning revenue, by direct selling mutual funds to them. But revenue that we get from other services was almost same when we acquire a customer for broking service.
- Nidhesh Jain:** Sure. Thank you, that's it for my side.
- Moderator:** Thank you. The next question is from the line of Shreyansh Shah from Fort Capital. Please go ahead.
- Shreyansh Shah:** This is Shreyansh. So basically, my question was what is the churn rate among your NSE active clients like this trend as compared to the industry benchmarks?
- Dinesh Thakkar:** Devender, any data we share on this?
- Devender Kumar:** We do not share data on churn rate, but it will be ballpark in the same way as the industry rate. There's not much difference.
- Dinesh Thakkar:** If you can see, we are gaining more customer, active customer on NSE that is disclose our data. So you can take industry and our trend. Our trend is a bit superior to competition.
- Amit Majumdar:** Shreyansh, if I may add, what you will notice is that there are a couple of data points that we have been coming out with. One is, of course, the consistency in revenue year-on-year, so which shows that our customers are sticky on the platform. We have also have data around, how they have been building wealth for the next few years when they are on the platform, that also shows their stickiness.

And the data that Dineshbhai mentioned on the incremental customer additions, so far as the active customer base is concerned, which you will see on the NSE, and we are actually trending pretty well and amongst the highest in terms of the number of incremental customers that are coming and trading on our platform.

And this is a 12-year rolling period. So given that 12-month rolling period. So given the 12-month rolling period, we are seeing a significant rise in active customers who are trading on our platform, even in these market conditions.

Shreyansh Shah: Okay, yes. And just a follow-on question. In regards to this wealth management segment, what share of revenue do you expect in next few years?

Dinesh Thakkar: See, we are not comparing this revenue with broking. So this is a wrong comparison. We are looking at that segment independently, and we want to become a really big player there. Srikanth, if you'd like to take this question?

Srikanth Subramanian: Yes, sure. Dinesh also mentioned wealth, as you all know, is a practice business. It's not a business that is built overnight. And we are here in terms of having some of the best quality talent from the industry, both in terms of domain and obviously combining it with Angel One's tech prowess.

The idea here is conventional wealth management has seen some bit of struggle to grow in terms of their ability to serve customers beyond, let's say, the top end of the customers. We believe that there is a play, where if we do not dilute our domain skills and add technology skills on top, we can grow the market horizontally, which means we can take our trade across to a much wider set of audience, where we can by using technology can disseminate services without adding to the cost to serve economics.

So, I think the vision that we have is to continue focusing servicing some of the higher-end customers who have been patrons and who we have been very fortunate to service for a long period of time and continue that high-touch business. But now to take a similar experience and bring it to a much wider audience, who are ambitious, we have reasonably strong wealth. But as I mentioned in the opening remarks, there is a reasonable scarcity in terms of high-quality services and choice of services available to these customers. So our idea is to expand the market, thereby expand our economic model accordingly. And also by using technology automate most of the journeys, which in wealth management are ready for automation. So for example, anything that touches, will keep a very high-touch experience. Anything behind that we believe can be significantly automated, thereby keeping our overall opex in check.

So we will, of course, keep speaking to each other for a while to come. You will see some of these playing. I think our ability or our vision to grow this business is slightly more over the medium to long term, keeping in mind how to keep the cost economic model slightly different, whereby we can service a much larger audience and to keep the operating margins slightly more in control by using the right technology. So, that's the way the vision of wealth management has been in the foundation.

- Shreyansh Shah:** So currently, you don't have any quantifiable numbers as such in mind to share?
- Srikanth Subramanian:** Look, these licenses that are required to run this game almost towards the end of the last quarter. We already have a fairly interesting pipeline, but we can only -- we could have only started once the relevant regulatory approvals came in place. So I think now that they are all behind us, we expect the numbers to start picking up from here.
- So I think at this point of time, I'll refrain from making a forward-looking statement, but it suffices to say that what was required to build it in terms of people, product, and license, and technology, all four are in place now.
- Shreyansh Shah:** Thanks a lot. It's from my side.
- Moderator:** Thank you. The next question is from the line of Sanjay Shah from Pranishta. Please go ahead.
- Sanjay Shah:** Dineshbhai, I think you partially answered the question in response to another participant, but I just wanted to kind of understand that with all the initiatives that we have on insurance, on lending credit that is, mutual fund is mostly passive, wealth management, by when do you think all of this will start firing on all cylinders to augment the revenue base that we have currently? Will it be more like 2 to 3 years or probably 4 to 5 years? Just an understanding of how you think the company will shape?
- Dinesh Thakkar:** So already we have factored in all the costs for all this vertical, almost to a great extent, and they have started firings. If you look at mutual fund, as I said already, we are number 2 in terms of incremental SIP. In terms of credit, we have disbursed around ₹ 600 crores. Insurance journey, we have just did a beta testing. Wealth, we just got licenses and team is in place. So I believe that already like all the verticals have started contributing to the top line. So every quarter, you will see the growth rate and we'll disclose number of each and every vertical.
- Sanjay Shah:** Got it. And how would you think the company would look like in, unless it's an absolutely unfair question, I mean, just want to get a sense of how, you visualize the company to be in 3 to 4 years, time as compared to where we are right now?
- Dinesh Thakkar:** See, like size of the company would become bigger, but we want to be a platform company, except for wealth management, where we would be looking at Ultra HNI, HNI business. But, what is important for Angel One is that how we can use technology to disrupt and make inclusive for everyone, all individuals across the country to get the service whatever they need in terms of their personal finance.
- So I would see next 3 to 5 years is a platform company where revenue is coming from all different services. So a customer has a faith in terms of when they on-board, they are sure that they would be guided advice on all the services, what they're looking out for. We are not a company who will be just selling or pushing all the products.

We'll be using lots of AI tools to understand personalized every cohort, every person's requirement and be fully connected with ecosystem. So what we would be in 3 to 5 years would be fully connected platform with the whole ecosystem and would be having a good insight of every individual who on-boards on our app and we'll be able to guide in terms of their cash flow, their goals, their requirement. We will be totally a different company than what we are today.

So we are investing heavily on those tools and those kind of like innovations. And you will see every quarter, you will see some kind of like incremental kind of like innovations would be bringing on our platform.

Sanjay Shah: Understood. And Dineshbhai, just 1 quick last 1 on the regulatory changes happened, and a lot of regulatory changes have happened, do you have any view on any further maybe market practice changes or regulatory changes that we might need to adapt to over the next foreseeable future? Or you think that we've probably seen as much as 1 at this point in time?

Dinesh Thakkar: I think whatever like major kind of like regulatory changes, which they had in mind, have already been implemented. I don't see any major kind of this thing coming now. We have to just get adopted and adjusted to this kind of new reality. And for customer, it takes time to adapt and readjust to this reality.

So they are also like be trying to work on that, which segment they want to be active. Now given that there was slowdown this quarter, so they need some trigger to get back into market and say, hey, I was doing F&O, I want to do cash or commodity or whatever. So I think that kind of like that implementation of regulatory changes, almost is there in our market and our volumes.

Sanjay Shah: That's fantastic. Thank you so much, Dineshbhai and all the best.

Dinesh Thakkar: Thank you.

Moderator: The next question is from the line of Swarnabh Mukherjee from B&K Securities. Please go ahead.

Swarnabh Mukherjee: So I just wanted to understand on the expenses side. So what would be the proportion of, say, fixed cost in the other expenses head and how to read this going forward in the coming quarters in sync with the customer acquisition? And alongside that, you had mentioned overall margin of around where we are right now, so maybe to 40% going forward also. So I assume that, that should be excluding the investments for IPL, or you're expecting a margin profile of that, including IPL cost as well. So that is the first part.

And also, in the IPL period, would we be continuing to do the same amount of like advertising spend like we did last time or in the current situation where the market conditions are stepping, would we be looking to maybe slowdown slightly that spend? So that is on the other expenses. And also if you could give some guidance on how we

expect the employee expense base to shape up going forward and whether we would expect some inflation going ahead in FY '26. So that's on the expenses side. And also in the assisted business, I wanted to understand how many sub-brokers we had and what is our, you know, right to win there. I mean, considering that few of your sub-brokers might already be distributing financial products. So, if you could just give us some color of, how we expect growth there. And slightly on a medium-term point of view, in your mind, if you could help us understand which businesses among the newer ones that you are investing in is likely to scale up faster than the other. How should we think about it? Yes, these would be my questions.

Dinesh Thakkar:

Okay. First of all, on expenses side, almost we have taken a majority of expenses, except for our CEO would be joining maybe in our next start of the financial year. So otherwise, I don't see any major kind of changes in terms of fixed expenses because we were in that build-up at almost like whatever was needed in terms of senior resources. Now everything depends on how business grows and how much we want to spend on acquiring the customer, given that, we were growing at the rate of around 40%, 45%. So that is already factored in our cost. And IPL, again, expenses are always is based on responses that we get when season starts.

So it's just too early to comment on IPL part. But definitely, we would like to continue with our visibility and expenses that we did last year, we saw a good benefit from that. On your financial product distribution, Saurabh and Nishant, if you want to take this question?

Nishant Jain:

Yes, so I'll try and respond to your question with regards to how would the channel partner expansion help us drive revenue and overall expansion and growth. So here is how one has to see this. One is that the vision for the assisted business has always been multi-channel play and multi-product play. And therefore, what that means is that it doesn't necessarily restrict us from not expanding the channel partner base. So for example, to your point, there might be a few sub-brokers who might be having a POSP elsewhere. So that's fine. But also, there would be a large portion of sub-brokers who might not be dealing in insurance, and that is the first port of call that we would, of course, drive. Having said so, we are also actively targeting the 2 million-odd POSPs that exist in the industry. At the same time, we see a lot of opportunity for us to train youngsters and make them self-sufficient. So it will be a combination of the 3. As far as our expansion of the channel partner in regards to Insurance is concerned. The same approach has to be seen in context of mutual fund distributors. We have almost doubled our mutual fund distributor base in the last 9 months. Now another vector of growth for us would be that you may come in as a mutual fund distributor or you may come in as a point-of-sale partner. But eventually, we would anticipate and we would expect you to also transition to broking, which is the mainline and vice versa. So there will be a lot of cross pollination. As a result, the growth or the upside would be, I would say, a summation of all these activities.

Swarnabh Mukherjee:

Understood, sir. And Dinesh, sir, on the question like on the 3 businesses that we expect to grow?

- Dinesh Thakkar:** As I said, whatever business we get into, our vision is to become a leader in that business. So all business are very important for us in terms of growth and having certain position because our customer needs all these services. But if you are -- I think you are purely talking about, when they will contribute to bottom line.
- So business like credit, wealth, mutual fund, insurance business would be fast to contribute to bottom line. AMC, because we want to build a very sustained, a very large business will take its own time because we want to sell just right product which is for retail.
- And for us, like as I said, when we are selling a right product, mutual fund and all that, it may not contribute to bottom line immediately but it helps us to retain sustained customer and expand this market and get higher market share in terms of new acquisition and get people who are trusting on our platform.
- Swarnabh Mukherjee:** Okay, sir, understood. And just a quick last one. The 18% to 20% impact that you see, so that is on the net income, right? So, I mean, excluding what we pay to our APs. Would that be the right assumption?
- Dinesh Thakkar:** Right. It's the net impact on our revenue.
- Swarnabh Mukherjee:** impact on?
- Dinesh Thakkar:** Net revenue, Yes.
- Swarnabh Mukherjee:** Okay, sir. Understood. That's very helpful, sir. Thank you so much, sir.
- Moderator:** The next question is from the line of Karan from Jetha Global. Please go ahead.
- Karan:** I had two questions. When you think about AI and one of the biggest benefits of AI in the BFSI vertical, I think the recent Bajaj Finance Investor Day made it quite clear that there's a big potential increase in revenue per employee. And if you sort of benchmark the number of employees, that Angel One has at this point, which is if your website is correct, 3,700 employees versus global peers such as Futu, Interactive Brokers or Robinhood, you do have 50% more employees than them, despite revenue base that is far lower.
- So I guess the question is, when you double and triple your revenue base from where we are today, what do you think happens then to your employee base? Because theoretically, AI should allow you to really drive that number up materially, which I think is a much more important metric than necessarily margins in any given quarter. So that's the first question.
- The second question would be just on the engagement, if you look at MAUs. I know we're building this kind of cross-sell platform, which is fantastic. It's certainly enlarges the TAM. Now the payment platforms who are considerably more MAUs have tried this

in a way and failed. And I guess my question is with many fewer MAUs, we're hoping to build this platform.

I guess, with the thesis that the retention of our customers is higher and they come in with very purposeful intent to shop for financial services. But yes, if you could explain why it didn't work there and why you think it's going to work here in terms of cash rates of these various services because it certainly didn't work, I think, in that scenario, other than just lending, I guess, right?

Dinesh Thakkar: I will ask both CPTO Ravish and CTO Jyoti to add. But what I want to say is that we are very much focused on using AI and all that. That's the reason you will see a lot of spending is going on acquiring people who have knowledge, who have worked with these models. But we are not just looking at just creating this efficiency of employ. We would like to use AI to personalize service to our customers and many more things. Ravish and Jyoti, if you can add on this, both the questions, yes.

Ravish Sinha: So, I think the first question around how AI is going to take over and what will happen to the employees, I necessarily don't see it that way. Any kind of technology evolution, even in the past, has never resulted in saying what happens to the employees or how they stand. It just up-levels the job.

And people do jobs at a more extracted level, rather than impacting the employee directly. So I don't necessarily correlate those things. AI actually should bring in goodness to us and better personalized experiences to our consumers, which we are committed to and we have started and pouring into that to personalize services. So that would be the answer to the first question. The second question, can someone repeat that?

Dinesh Thakkar: Karan, ask the second question on what you were asking, retention of customer and all that?

Karan: Yes, I can repeat my second question. So my second question is, if you look at Paytm and PhonePe, they have 200 million MAUs or at least PhonePe does, and they tried the cross-sell strategy in financial services, and it hasn't worked. You have far fewer MAUs than that, although growing rapidly. But you, I guess, you are positive here that your cross-sell strategy will work. So I just want to understand why it didn't work in 1 case and why it should work in this case?

Dinesh Thakkar: Let me just answer first part, then Ravish or Jyoti, you can take over. Cross-sell branch would have a stretchability on what they can sell. So maybe we work hard on seeing that, okay, whether we are able to get first of all visibility and top-of-the-mind recall, where people are able to connect with their services.

So maybe what we are doing in terms of working on brand visibility and trying to work on creatives is helping us. Second thing is that when we build any platform company, immaterial of whether you're using AI or not, to build a platform company takes lots of expenses. Once you have built, capacity of that platform is immense.

So as we acquire more customers, you will see our proportionate to what customers we are acquiring or revenue we are getting, our cost will not grow proportionately. On other things, Ravish or Jyoti, if you can take.

Jyotishwarup Raiturkar: So we already leveraged Copilot whether it's for core completion or for automation of a few manual activities already, right. So we are working closely with Microsoft on figuring out how Copilot can improve, developer productivity and how we can automate certain tasks which were previously done manually.

Amit Majumdar: And Karan, if I may also add, the stickiness of the customer is actually depends upon the intrinsic nature of the platform. So like you compared ourselves to, say, a Paytm. So the point here is that our hero product has been equity.

And in an equity, a customer has exposure on a platform and he is investing money, he is investing stocks, he is holding them, and therefore his ability to stay on the platform is far more longer than comparing, say, to a platform which is a payment-driven platform where the stickiness of the customer is limited because there are several payment platforms, each of them giving out offers, so the customer generally follows an offer to maximize his own gain. And to that extent, therefore, the inherent nature of the platform also determines how SuperApp, in our case, will be more successful.

And therefore, it is this very sticky customers to whom we are selling other products and services. And that ensures that our SuperApp strategy is here to stay and will be far more beneficial when compared to the platforms that you mentioned. Hope that also addresses your question.

Nishant Jain: So I would also like to kind of chime in here. Given my past experience, what I am seeing is that the adjacencies also play a role. So, to the point which Amit just made, if as a consumer I am coming into a platform like a PhonePe or a Paytm, taking a payment-first approach, I am not necessarily seeing an adjacency in a Paytm mall or adjacency in a travel unless there is a payment involved or adjacency in investments.

I am looking for subject matter expertise and which, on occasions, it has been perceived by the consumers that these platforms have fallen short of it. The very fact that PhonePe has so heavily, I would say, promoted motor insurance is a very concerted effort to re-divert the active users that they have towards a particular segment.

So, the point one is making is that a very, very fragmented adjacencies have not necessarily worked. Now, how it differentiates and distinguishes us is that we have always been an equity-first approach. Our consumers who have come in so far have come in from an equity-first use case.

Now, when an adjacency like a mutual fund or an adjacency like an insurance or an adjacency which could be in the form of a wealth product is pitched to that consumer, the receptivity of that consumer is far higher. That's what our experience so far suggests.

And I'll also kind of re-emphasise on the point which Amit had made and Dinesh Bhai had also touched upon, which is that if you look at even a consumer who's coming from a mutual fund-first approach, the moment that consumer shifted into broking, we are seeing similar revenues from that consumer coming by.

And therefore, what this is telling is that adjacencies is a very, very important component in terms of the decision-making. Now, that's one take on what your question was.

Devender Kumar: Just to add, Karan, to what Amit and Nishant are highlighting, I think whenever you look at other platforms like PhonePe, Paytm, they are kind of operating in the space of money flow while they're helping and making it easier for people to flow the money into various services. But when you look at our services, we are kind of operating at the end point of that money flow, where that money gets deployed, wherever it's investment, whether it's insurance, whether it's lending. These are end points of money. I think that's where the prime difference lies in terms of how we are operating and how other platforms are operating.

Moderator: The next question is from the line of Shobhit Sharma from HDFC Securities. Please go ahead.

Shobhit Sharma: Sir, my first question is we have exercised multiple pricing levers. One of them was quarterly account maintenance charges on the non-BSDA account. On the last quarterly call, we mentioned that most of our accounts are non BSDA. So what was the revenue, which we have recognized from these accounts in the current quarter?

Dinesh Thakkar: Do we disclose all this, Devender or Bhavin?

Devender Kumar: We don't share these numbers across. This part of other income is where it gets accounted Shobhit. But at an overall level, this is -- we don't share the point-wise numbers.

Shobhit Sharma: Okay. My second question is on your insurance distribution space. We have started penetrating in this space. Are we penetrating this space? Is this entirely digital or we have some feet on the street for this distribution?

Dinesh Thakkar: Yes. So Saurabh and Nishant, you both can answer this.

Saurabh Agarwal: So on the insurance distribution piece, we have been there on ground for a few quarters now already. On the digital distribution piece, we have just launched motor insurance on the app with the insurers. So that will scale over time. But on the physical distribution piece, we already have feet on street, and we've been doing some business on the insurance side there as well.

Shobhit Sharma: Yes. So a follow-up on this. Like we have seen the largest distribution platform on this space is a fintech, and they also provide support at the time of claims, which provides trust to the consumers for buying the policy via them. What kind of support does Angel One provide their customers if they procure insurance from them?

- Saurabh Agarwal:** We have just launched the buying journey for the customers, the claims support and all of those things to ensure that we have the best experience for the customer, which is getting built and will get built over the next few quarters, when we integrate deeply with our lenders, with our insurers and solve the claim journey.
- Moderator:** Thank you. Ladies and gentlemen, due to time constraint, this was the last question for today's conference call. I would now like to hand the conference over to Mr. Dinesh Thakkar for his 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 Advisers. Have a good day.
- Moderator:** On behalf of Angel One Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.