

October 26, 2023

<b>To, The Manager, Listing Department, BSE Limited, Phiroze Jeejeebhoy Tower, Dalal Street, Mumbai – 400001. Tel No.: 22721233 Fax No.: 22723719/22723121/22722037/ BSE Scrip Code: 540776</b>	<b>To, The Manager, Listing Department, The National Stock Exchange of India Ltd., Exchange Plaza, 5<sup>th</sup> Floor, Plot C/1, G Block, Bandra - Kurla Complex, Bandra (E), Mumbai – 400051. Tel No.: 2659 8235 Fax No.: 26598237 NSE Symbol: 5PAISA</b>
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Dear Sir/Madam,

**Sub:- Transcript of Earnings Conference Call on Unaudited Financial Results (Standalone and Consolidated) for the quarter and half-year ended September 30, 2023:**

In continuation of our letter dated October 11, 2023 and pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of Earnings Call held on Thursday, October 19, 2023 for discussing financial and operational performance of the Company for the quarter and half-year ended September 30, 2023 has been made available on the website of the Company at;

[https://storage.googleapis.com/5paisa-prod-storage/files/investor\\_relations/2023-10/Transcription%20of%205%20Paisa%20Capital%20Limited%20Q2FY24%20Conference%20Call%20-%20final.pdf](https://storage.googleapis.com/5paisa-prod-storage/files/investor_relations/2023-10/Transcription%20of%205%20Paisa%20Capital%20Limited%20Q2FY24%20Conference%20Call%20-%20final.pdf)

Kindly take the same on record and oblige.

Thanking You,  
Yours faithfully,

**For 5paisa Capital Limited**

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**Namita Godbole**  
**Company Secretary & Compliance Officer**  
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**5paisa Capital Limited**



**Spaisa Capital Limited**  
**Q2 FY24 Earnings Conference Call**

Event Date / Time : 19/10/2023, 12:00 Hrs.  
Event Duration : 58 mins 20 secs

**CORPORATE PARTICIPANTS:**

**Mr. Narayan Gangadhar**

Managing Director and Chief Executive Officer

**Mr. Gourav Munjal**

Whole-Time Director and Chief Financial Officer

**Q&A PARTICIPANTS:**

1. **Arasan M** : Individual Investor
2. **Sumit Jankar** : Individual Investor
3. **Kajal Gandhi** : ICICI Direct
4. **Nemin Doshi** : Motilal Oswal
5. **Deepak** : Sapphire Capital
6. **Rishikesh Oza** : Robo Capital
7. **Abhishek Saraf** : Individual Investor
8. **Anshul Mittal** : Tiger Assets
9. **Franklin Moraes** : Equentis Wealth Advisory
10. **Shreyans** : Electrum PMS

## **Moderator**

Good afternoon, ladies, and gentlemen. I'm Vidya, moderator for the conference call. Welcome to 5paisa Capital Limited Q2 FY24 Earnings Conference Call. We have with us today, Mr. Narayan Gangadhar, MD and CEO, 5paisa Capital Limited; and Mr. Gaurav Munjal, Whole-Time Director and CFO, 5paisa Capital Limited. As a reminder, all participants will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during the conference call, please signal and operator by pressing \* and then 0 on your touch tone telephone. Please note this conference is being recorded. I would now like to hand over the floor to the management. Thank you and over to you.

## **Narayan Gangadhar**

Hi, everyone. Good afternoon and welcome to our Q2 FY24 earnings call. On the call I'm joined with Mr. Gaurav Munjal, our Chief Financial Officer. The markets have continued to perform reasonably well, and customer sentiment continues to remain strong. Q2 FY24 has been a milestone quarter for the entire industry, as we've added 9-million-plus demat accounts, 51% growth from Q1 of FY24 across India. We ended this quarter with 3.7 million accounts. We have acquired 1.35 lakh customers this quarter, a 25% QoQ growth, with all our efforts focused on quality acquisition and improving cost efficiency. We have succeeded in achieving the highest ever revenue of INR 96.9 crores, 15% growth on a QoQ basis, and 21% on YoY basis. The quarter profit in Q2 FY24 of INR 19.1 crore that is a growth of 31% QoQ and 78% YoY, along with the highest PAT margins of 20% this quarter.

We are very glad to report strong growth in our retail ADTO segments, and our overall ADTO market share stands at 3.23%. That represents a 27% QoQ growth. This quarter, we made significant improvements to our overall MarTech stack by standardizing our tools, fixing data attribution and introducing best-in-class frameworks to measure efficiency on our digital platforms. We are well-placed to scale our acquisition channels due to the investments we have made in our KYC journey or One Click identity integration, pipeline optimization and effective personalization. Our superior technology investments in this domain will help us scale our top of the funnel over the coming quarters. Our focus remains building a scalable digital acquisition engine to attract new core customers to our platform.

This quarter, we have begun investing in artificial intelligence and data science to offer a better suite of products to our customer cohorts. This past month, we launched several data science models to understand dormancy and optimize trading behavior while minimizing the risk for our customers. While this is a brand-new domain for 5paisa, we are very excited about the prospects of integrating AI into our product offerings. We will be talking more about these initiatives in the coming quarters. This quarter on the product side, we've made many significant updates largely tailored to our traders. We launched our

new Micro Charts products, which is integrated and available across all our platforms in Beta. With this, traders can expect better SLAs and throughputs while placing large orders during peak periods.

We've introduced a lot of trader-oriented features such as predefined options strategies, like Bull Call, Spread, Straddle, Condor, Butterfly et cetera. We have fully integrated trading view Webhook into our FnO 360 platform. Our customers will now be able to generate links from our platform and connect with trading view alerts to place orders based on pricing. In addition, we also introduced the trading of BSE options on all our platforms. These features that I just talked about are the best-in-class in the industry, and they raise the bar for innovation in the trading space. Over several years, 5P, 5paisa has innovated fast for our customers. However, this time, our products across iOS, that is Apple, Android, and web have grown disparately with each other.

Now while this is true of most products in the industry, I believe our customers deserve a standardized best-in-class consistent experience. Therefore, I'm excited to announce that we have launched a major technology project to overhaul our product offerings and make them consistent across all three platforms. This new product launch will be our largest offering in many years. It will help us innovate faster, reduce technical depth, while helping us launch multiple categories very quickly across platforms. While this is our largest project launch in many years, I expect the full rollout to take a couple of quarters. While we start early beta testing later this December.

Our retail customers and trading investors stand to benefit greatly from these new capabilities, which will help to add flow much more smoothly across different platforms and product types. This, I believe, is the first of our overall product strategy to introduce cutting edge trading products to the market. 5P, the technology lead broking firm, our goal is to provide best-in-class trading platform for investors and traders alike. We will continue to provide technology and strategy updates as we chart the journey ahead. We continue to invest in technology and launch innovative products for our 3.7 million strong customers.

With this, we would like to open the meeting to any questions. Thank you very much. Gaurav over to you.

**Gaurav Munjal**

Moderator, you can take the questions.

**Q&A**

**Moderator**

Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press \* and 1 on your telephone keypad and wait for your turn to ask the questions. If you would like to withdraw your request, you may do so by pressing \* and 1 again. Ladies and gentlemen,

if you have any questions please press \* and 1 on your telephone keypad. The first question comes from Arasan M, individual investor. Please go ahead.

**Arasan M**

Sir, I just have a query regarding component of bank balance. Could I just possibly know what is the segregation between what amount is owed to the customers, as in what has been deposited as margin and what actually belongs to as in the company?

**Gaurav Munjal**

So, FD balance is INR 1,588 crore. So, other financial liabilities is approximately INR 1,159 crore, so whatever the other financial liability remains belongs to the company.

**Arasan M**

Okay, so apart from the other revenues remaining.

**Gaurav Munjal**

Yes.

**Moderator**

The next question comes from Sumit Jankar, an Individual Investor. Please go ahead.

**Sumit Jankar**

Thank you for providing the opportunity, and congratulations for a good set of numbers. Sir, my question is regarding the retail market share. The market share which is mentioned is 3.23%. So, is it overall market share or the cash market share?

**Narayan Gangadhar**

It is the overall market share.

**Sumit Jankar**

Overall. So, what can be the split for cash market share and the derivative market share

**Moderator**

Sir, sorry for interrupting. Sir, your voice is not audible clearly sir.

**Sumit Jankar**

So, what is cash and derivatives market share?

**Narayan Gangadhar**

Actually, we don't share that segregated data, but I can tell you that overall it is in the range of 3-5% cash market and the same as in the F&O segment.

**Sumit Jankar**

Okay. Sir, in last two quarters, the market share has grown by almost 20 basis point, which is over and above the growth of industry turnover. So, can you mention what has helped you and what could be your target market share in coming quarters?

**Narayan Gangadhar**

So, what has helped us is that over the last several months, we have focused heavily on launching trader-specific features which are very well received by our customers. If you look at our product offering over just the last two months, right? There's lots of new features that we're built. For example, users can now make decisions in derivative markets using heat maps, bits versus indices, OI build up and whatnot, right? All of these are best-in-class, and they are the first in the industry.

So, a lot of these features have actually helped drive adoption to the platform, that's one. Second is that we continue to invest very heavily in our FnO 360 platform. And we have done a lot of work on developer APIs, which has improved our core infrastructure and market depth APIs and things like that. So, all of these product features ultimately have led to greater participation and obviously greater market share as a result of that as you see.

**Sumit Jankar**

Okay, and what could be your target market share? I mean, in coming quarters, how much growth you can see in the coming quarters?

**Narayan Gangadhar**

See, we generally don't talk, we generally don't think in terms of these kinds of metrics. The metrics which are important to us is we want to continue launching these features, so that our customers can be happy and they continue to trade more on our platform. Now, obviously, the growth that you have seen, our goal is obviously to accelerate and exceed that. But in our experience, I think our focus is really on actually winning the trading customers first. And to that end, some quarters, we may launch fewer features, some quarters, we will launch more features. So ultimately, we are not so interested in seeing a month-on-month game plan, we are taking a much longer view. But overall, if you ask me, I would say that within the next year, we should be at least doubling from here on out, that's really where I want to take the company.

**Moderator**

The next question comes from Kajal Gandhi from ICICI Direct, please go ahead.

**Kajal Gandhi**

Hi, congratulations on the good set of numbers. So, what was the algo, if any in the overall volume?

**Narayan Gangadhar**

So, we don't discuss that information. As you can understand, it's a very sensitive information. But I can tell you it's a non-trivial part of our overall numbers, largely because we are one of the largest API and Algo players today in the industry. And I think that's a known fact. But for sensitivity of information we don't really divulge. That said, it's a very central part of our overall order mix.

**Moderator**

Ladies and gentlemen, if you have any question, please press \* and 1 on your telephone keypad.

**Nemin Doshi**

So, my question was regarding the client acquisition thing. So, how do we see plan our client acquisition strategy so as to gain market share as well as the model that you're developing on the platform front? So,

what could be your strategy for client acquisition thing? Because that would drive the overall numbers as per.

**Narayan Gangadhar**

See, as we had discussed that, our company currently, we are on the cusp of digitalization, okay. So, in the past, we had historically under invested in the MarTech capabilities, which is why we could not really scale acquisitions very quickly. Now, over this past quarter, obviously things have changed. We have undertaken a couple of major initiatives, one of them is a total rehaul of our MarTech stack. And the MarTech stack holds the key to actually scale.

So, how are we fixing it? One is, we are building new capabilities on the MarTech side, we are building new technology systems, we are deploying them, we are fixing data issues. Because as over the last 7, 8 years, there have been lots of legacy that has been built up which we are currently moving beyond. So that's one point.

Second is, as you may have noticed, we have completely rehailed our KYC platform. It's currently in the Beta stage. And we plan on launching the new KYC by the end of November. So as these new products come to light, the journey is going to be very seamless for customers. So, these are main two initiatives we are taking. Of course, now in addition to that, what we also will do is through this quarter, as MarTech stack continues to ready, and I have discussed this in my opening earnings script.

What we plan on doing is plan on scaling more, we plan on expanding the top of the funnel, and we plan on introducing the 5paisa product offering to Tier 2, Tier 3 customers and beyond. Because we believe the market is currently still expanding and a lot of that growth comes from these cities, which we want to target. So, it's really three things, fix the product, fix the tech, get the MarTech capabilities which we are already doing, and over the coming quarter continue to scale it further. That's really it.

**Nemin Doshi**

Got it. So, with the same thing, considering the competition, how do you see as to, because we are still in the nascent stage, and we are yet to see the growth in terms of customer acquisition in terms of market share as well. So, considering competition, how do you view as the overall industry in front of you? How do you go about it?

**Narayan Gangadhar**

See, it's interesting. If you just look at the industry. I mean, the answer is actually in the history itself. If you were to ask me this question three years ago, there would be no Groww or Upstox in the picture at all. The top five looks completely different. Now if you look, just within two years, the entire landscape



has turned upside down, right? So, actually, what is in demand right now is there is no clear winner. That is really hard. Yes, it is true that the number one player seems to have taken away the market, but again, this market, it is the product experience is changing and customer expectations are changing big-time. To give you an example, if you take the number of traders in the last year, that number itself has grown by about 40%. So, their needs, their requirements, their product offerings are changing very rapidly. So, everybody is trying to figure it out.

So what I see is that, when I look at the industry going forward, what we are going to bet on is, how can we create a space for these high-end traders and build a very deep and a very, like a defense and depth type product offering, which allows us to enhance and launch newer strategies, newer models, which are not available on any other platform. And that's why if you look at all our earnings call, my focus is largely on features that we have introduced for traders, because that's where the puck is skating.

**Nemin Doshi**

So, is it fair to say you would focus more towards the derivative segment of the customers?

**Narayan Gangadhar**

Yes, that is definitely one of the areas we're focusing on. Obviously, cash is also important. But between the two, yes, I think the derivative part is more where the innovation is happening. Other products, they have kind of reached that right risk reward profile. So, there's not much in terms of new products that can come in on the cash side.

**Nemin Doshi**

Got it. And lastly, if we consider this overall tech, the tech infrastructure, that you're going to develop. So, how long will this last and how do you see this shaping in coming years? So, basically, how long does it take the investment journey to complete?

**Narayan Gangadhar**

Yes, it's a great question. See, as I mentioned in the call, right? See, we are right now on taking a major rehaul of the 5paisa app. See, our app is already rated. If you compare my rating, that is our 5paisa's rating with Groww and Upstox, we are also at 4.3, 4.4, and they are also at 4.3, 4.4. In fact, I would say 5P is within the top 3 as far as the product rating is concerned. Now, what has happened is that, because our product experience is not consistent across iOS, that is across your Apple iPhone, and across your Android phone, customers are obviously aware about it. There the customer bar itself has gone up. So, what I think is that I am looking at a couple of quarters of baseline development. And I expect that by the time we exit

this calendar year, most of the core work would have already landed. And then post that this is just continuous provision.

**Moderator**

The next question comes from Deepak from sapphire capital. Please go ahead.

**Deepak**

Sir, I just want to understand, you mentioned somewhere in one year we are looking to double the market share, is that right?

**Narayan Gangadhar**

Yes, that's right.

**Deepak**

So, from 3% and 3.25%-odd we are looking at 6.5% of market share.

**Narayan Gangadhar**

That's our goal. That's our target.

**Deepak**

Okay, understood. And what it means for the revenue? I mean, if your market share doubles, ideally your revenue should also double or how should one look at?

**Narayan Gangadhar**

See, I think, whenever you're in this phase, currently as we discussed, the market is expanding. Okay. So, in a rapidly expanding market, the focus really has to be only on growth, because otherwise we will be completely irrelevant in another three years from now. So, to continue to expand and improve our presence in the entire marketplace, we will continue accelerating our investment pipeline, which is our customer acquisition pipeline. Obviously, when you're targeting growth, clearly sometimes the revenue it doesn't grow, doesn't go one-on-one in hand. It's not like there is direct correlation. That never happens in any business, not just this, but any business.

So, the way we are thinking about it is that we know that we want to run the business within the current operating model that you're already seeing, right? For example, you saw how much profits we made, what margins we have, it's all open book. So, my plan is we want to continue maintaining that framework and that's how we are operating the company ahead. So, I can't give you a straight answer as to what whether the revenue will grow in straight line or whatnot, but you can expect that it will be in the same ballpark in the same measure as it has been so far.

**Gourav Munjal**

Just so we add in this, you understand in the broking industry we have broking allied, cross-sell and others. So, ADTO and all is related to the broking. But that MTF income and DP income is not related to the ADTO. Ideally it should be in that direction, but there is no one-to-one 100% correlation between these two.

**Deepak**

I understand that. But ideally if my market share doubles, ideally at least my revenue should be up by 50%, 60%, 70%. Right?

**Narayan Gangadhar**

Yes, that's right.

**Deepak**

That is a fair understanding, right?

**Gourav Munjal**

Yes, that is based on past experience. Based on past experience your understanding is correct, but we don't know how that in the future market will react.

**Deepak**

Of course.

**Narayan Gangadhar**

One important point, Deepak, to remember is that these customers. See, when we acquire customers and as the market share continues to scale, many of the customers would not have aged in the system. So, for actually seeing the real run rate of revenue, you'll have to wait for about eight or nine months. You have

to give at least two, three quarters beyond the acquisition point to see the whole effect of it. One great example is, if you look at some of our competitors, people who have gone up on an aggressive acquisition spree, say about a year back, if you look at their revenue today, the numbers are looking very solid because obviously they are reaping dividends of what they've already sown. So, when we look at our revenue pipeline, I think you will see a mix of both, you will see mix of new revenue, as well as you will see existing participation increase and that's really what we are focused on.

**Deepak**

Correct. Fair enough. I got it. I mean, in terms of margins also, because your fixed cost is largely it will not grow at the same rate and your revenue is increasing. It has been on an increasing trend. So, ideally that is helping your EBITDA margin. I mean, if you see last maybe even what 9, 10 quarters you have been straight increasing our EBITDA margin from 10-11% to now 35% rate and that's a commendable job we have done. But what's the steady state we are looking at? I mean, it cannot keep increasing, right? So, there must be some threshold we are looking at that this is the range where we want to stabilize our EBITDA margin, given our investment in technology as well as in marketing. So, what is the management thought process on that?

**Narayan Gangadhar**

See, our thought process is like any healthy business. Currently you see this EBITDA growth and right now we are at this number of 35% as you yourself have said, right? So, obviously, we want to continue to keep this and perhaps even grow it to a certain degree. But clearly, we cannot expect the 50%-plus EBITDA margin, because that makes no business sense, because then we are leaving the table because we need to go acquire customer. So, ultimately, I think we will be somewhere in the same range like we are in right now, perhaps it will be actually better, but overall our focus will be on top line and increasing the top of the funnel.

**Deepak**

Fair enough. So, our 35-40% range would be a right number?

**Narayan Gangadhar**

That's the right number. It's very healthy range for anyone like us.

**Deepak**

Okay. And this quarter numbers includes the full impact of our acquisition, right?

**Narayan Gangadhar**

Yes. Whatever you're seeing is fully accounted, yes.

**Deepak**

Fully accounted, right, the acquisition numbers.

**Narayan Gangadhar**

Yes.

**Deepak**

So, why your gross line numbers have not changed? I mean, this gross line number of 3.73 million does not include that additional 2.75 million or 1.5 million, I think, that we got from the acquisition.

**Gourav Munjal**

Yes, it has changed. So, in this quarter, we have acquired 1.35 million, earlier we have acquired 1.08 million. So, if we add, it will come 2.43 million, which is matching with our opening figure.

**Moderator**

The next question comes from Rishikesh from Robo Capital. Please go ahead.

**Rishikesh Oza**

Sir, my first question is with respect to the client acquisition. So, QoQ we have grown 25% there. How do we see this growth in coming few quarters?

**Narayan Gangadhar**

We see it accelerating. But one thing to remember is that, specifically this month and the next month because of this Diwali season and because of this cricket craze that is going on, all the inventory costs have gone through the roof. So, almost all digital players, unless they are the largest ones like Flipkart and all, every other player who is in our category, the spend and accordingly the acquisitions are likely to be muted, just because this doesn't make sense to overspend at this, especially for the coming months. But if you take those two aside, I think the overall trajectory for us is likely to be the same and even increase going forward.

**Rishikesh Oza**

Okay. So, in last quarter you had alluded that a QoQ acquisitions once the processes have built to some point, QoQ customer acquisition can be 15% around. So, is it fair to say this will be a sustainable growth number QoQ?

**Narayan Gangadhar**

Yes. If you take the trailing, yes, that is what we are aiming for. Yes, that's correct.

**Rishikesh Oza**

And sir my next question is actually on the cost structure. So, we have roughly INR 140 crores OpEx in total expenses in this H1, so roughly INR 280 crores for the year. How do you see this cost structure growing for the next one or two years?

**Narayan Gangadhar**

I will answer the first part and Gaurav will take over. See, basically the way it is, is that a lot of these cost structures are already amortized than they are accounted for. Our existing cost structure is not likely to change very dramatically, because a lot of the team building that's going on and a lot of the spends that is going on is actually replacement spend. So, yes, it may go up slightly by maybe 10%, 15% whatever the number is. But we don't expect that to change dramatically. Okay. Now with that, I'll let Gaurav take the question also and he can give his perspective on how he's thinking about it.

**Gourav Munjal**

So, most of the cost has stabilized. People cost, tech cost and everything. But in other expenditures, there is an advertisement and branding costs, which is purely dependent on the market acquisition. So, if we see the opportunity in the market that we can acquire double customers, so the costs will go up related to that aspect only. And then, second, we are also looking for some investment in technologies, but that would not be much, it would be hardly 5% to 7% increase in existing costs, and other costs will be the same.

**Rishikesh Oza**

Okay. But if you're looking to double our market share, can we say that maybe 50% correlation within the revenues also? So, if cost structure is not going up and maybe ad expense might not go up that much, the margin should actually increase, right?

**Gourav Munjal**

I haven't said that the cost will not go up. I said that, in respect of advertisement and marketing, it will go up, because we need to acquire more and more customers and in that respect the cost will go.

**Moderator**

The next question comes from Abhishek Saraf, an Individual Investor. Please go ahead.

**Abhishek Saraf**

So, my question pertains to the growth and the way we are trying to expand into Tier 2 and Tier 3. So, first of all, we all know that the profitability at trader level is quite minimal, means, not many traders are able to make profits. So, I wanted to understand, how will this impact our stickiness going forward? Are you seeing any trends shift in the way the individual traders are able to make profits, are more traders able to make profit, which will actually ensure that more stick around?

Secondly, since we are venturing into Tier 2, Tier 3, how is the behavior of such traders different from, say a more steeped into like Tier 1 towns? So, is there any difference in the behavior of such customers? And what kind of impact that can have on our margins? And lastly, zero-day expiry, how are you seeing this? Because other industry players expect that their margins will kind of lower, although that will have an impact on volume in a positive way.

**Narayan Gangadhar**

Okay. You've asked three questions. We'll go one by one. So, basically, the customer behavior today has not been any different than customer behavior even 10 years ago. The actual on an absolute basis the number of people who make money in the market and for whom this risk, this profile of investment makes sense, that is always likely to give the same percentage. It's not like today customers are losing more than what they were losing 10 years back, that's not true at all. Right?

What has happened is that more awareness coming into the market, financial products such as mutual funds have taken off in a big way. So, if you look, the actual majority growth is headed is going in that direction actually. Now for our industry, what we are noticing is that the sophistication of traders is dramatically increasing and that is a more interesting trend actually, because if those customers, those top 10%, 20% customers, they are the ones who actually drive-up margins and drive-up the economies of scale for pretty much everybody else, they kind of amortize it for people like us. So, we can offer the product to all. So, is that trend changing? No, I don't see that trend changing and I don't think there's any negative bearing also on the market. So, that's first part and the participation.

The second part is that, as the penetration in India increases and we have data from US, from South Korea, from China if you look, the actual volume, the number of these high-end traders is only going to increase. And there the participation in terms of ADTO is actually only going to keep rising. And we have data going back 10 years to prove that in India and we have data over the last 30 years to prove that from either US or China or even South Korea. So overall, I think our economy is not any different than these economies. We're all growing at a very rapid speed. And with the customer profile and the risk profile available in the market, I expect that the retail participation will continue to remain strong, including from traders.

Now, as far as your other question on margin is concerned. See, we have already answered that earlier. I expect that this is a business that can run within this 35% to 40% margin as we have discussed earlier, because our goal clearly is, yes, we can run it even at higher margin, but that's not the goal. The goal is right now to expand the market. So, that's really our single pointed focus is how do we get more products, how do we get more new platforms in the hands of customers so that they can get familiar with this equity class and continue to trade. And if you look in every single earnings call I've given here, you can see that my focus is largely on that, because I talk about those features only.

**Abhishek Saraf**

If you can share your thoughts on the Zero Day Expiry product, so how is it going to impact our business?

**Narayan Gangadhar**

Actually Gourav, can you share any data that we have seen from the last two, three months on this? So, let Gourav add to this point. Gourav, go ahead.

**Gourav Munjal**

So, the question is regarding that Everyday Expiry, right?

**Narayan Gangadhar**

Yes.

**Gourav Munjal**

Okay. So, overall the volume has gone up in the exchanges side and we are expecting that volume will be going up even in future with more participation of the customers. And most of the volume is increasing in the option turnover. So, that will impact our revenue, which will be in the positive side, and it will help us to increase our margins also.



**Moderator**

The next question comes from Anshul Mittal from Tiger Assets. Please go ahead.

**Anshul Mittal**

We are planning to double our market share in next one year. So, I just want to know, how exactly are we doing that? How are you going to do that?

**Narayan Gangadhar**

See, first of all, asking that question in a public forum, you are not going to get an answer from any CEO, because that is our secret sauce. Anyway, I can give you an overall idea. See, the overall idea is that, the reason we are investing in MarTech capabilities is because we can spend on the top of the funnel to acquire customers. So far, our company had never really invested in MarTech capabilities at all. Our investments are underwhelming.

Now we are doing a total revamp of that. So, one is by improving that core technology which allows us to spend more money and allows us to get customers at a more efficient scale. That's one. Second is, we are aggressively investing in building new data science models that help us understand how to curate customers. And this is something that I've discussed in this earnings call earlier, right? I expect that a good percentage of the facelift will just come from these projects. And this is where a lot of the innovation is going to happen, because currently as new customers come online their onboarding experience becomes extremely critical.

So, focusing on the KYC journey, focusing on the first trade, focusing on understanding, decluttering the product, all of these things will help us build our brand presence across the platform. So, we also plan on investing more in brand assets. So far, we have not done any of that. But as we look at our growth strategy, it's going to be multi-four, it's going to be product, it's going to be a mix of brand, it's going to be a mix of performance market and such, in addition to organic, obviously.

**Anshul Mittal**

So, since, Narayan Gangadhar, you're now onboard 5paisa, how are you revamping this management? How are you like making changes? What plans do you have in mind?

**Narayan Gangadhar**

See, we are obviously, as you know now. For two quarters, we have said this, that we are continuing to invest in technology, that is, I think, a big area of focus and priority. So, clearly those investments, some of those have already finished, some of those are already in progress, and some of those will take place over the next quarters or so. So, my overall strategy is to focus on this part, build these tech capabilities. And in addition, we have a very solid team, but there are some parts of that teams which needs to be up leveled. So, we are continuing to attract new talents to the company. Because obviously, the kind of problems we are solving now are also changing with time. So, my plan is that I plan on revamping and rebuilding this new product offering with the new teams, that's already in place, and we continue to scale from here on out. So that's how we're looking.

**Moderator**

The next question comes from Franklin from Equentis Wealth Advisory, please go ahead.

**Franklin Moraes**

So, I wanted to know what are your average yield and margin for the MTF book?

**Gourav Munjal**

MTF book, we have 18% to 22%. It is based on the net worth of the customer, but the range is 18% to 22% per annum.

**Franklin Moraes**

Okay. And what is the margin that you will be getting on this?

**Gourav Munjal**

So, exchange defines the margin, it's script wise. Most of the securities, I mean, they want it at 25% upfront.

**Franklin Moraes**

I was asking about net interest margin after adjusting for your cost of funds.

**Gourav Munjal**

So, we do have a INR 500 crores of net worth, in which we have own funds as well as the banking facility also. But overall, I can tell you that, right now 11% of the costing is coming, it's the cost for overall industry and we are getting 18% to 19%. So, the difference, 7% to 9% is the spread.

**Franklin Moraes**

And what is the outlook for this book?

**Gourav Munjal**

So, we have improved that. I mean, we have mentioned in our investor presentation that it is a INR 269 crore, but that was the average. So, even the average has gone up by 20%. But if I tell you that on 30th September, it has crossed INR 300 crore.

**Franklin Moraes**

Okay. Because at the industry level, I've seen, a lot of players have scaled up this book. So, I was just trying to understand maybe from a 1-2 year perspective, can we see meaningful increase even from these levels?

**Gourav Munjal**

So, I understand that what you are referring to that, but they are also not earning anything on that. They have reduced the cost drastically. I mean, they're just recovering costs. So, they're not getting any profit on this. So, we want to grow this with the profit margin. So anyhow we won't be able to reach that level. I can't go with the 10% or 11%. But, yes, the competition is there, that may impact even in future. But let's see what will happen.

**Franklin Moraes**

And recently, last one year at least we have seen 250 basis point increase in costs. So, have we been able to pass on this entire cost for this book?

**Gourav Munjal**

No. As you know that in the MTF overall industry is have been reducing the rate and the competition is coming. So, in terms of income, we haven't changed it. But that 2.5% we have internally optimized it and that is not a 2.5%, it would be approximately 1.5% for us but that we are taking in our books.

**Franklin Moraes**

Okay, so this 18% to 22% kind of range that would have been prevalent even in the last year as well.

**Gourav Munjal**

Yes. We haven't changed the interest rate on that.

**Franklin Moraes**

And sir, in the revenue mix you have a component - Others, which is about 24% of the overall revenues. What would be the broad two-three components within this?

**Gourav Munjal**

Actually, majority is that interest on FD, which we earned from own funds as well as on the client funds. And apart from that, there is very small, that figure is in lakhs. But I can tell you, out of that 99.9% is interest on FD.

**Franklin Moraes**

Okay. And at least as SEBI circular says that they're in talks or planning to come up with an ASBA facility for secondary market as well. So, what is your approach on that in case we lose some of the float?

**Gaurav Munjal**

Yes, we can. We need to see that the how the industry will impact. So, even in the IPO people got so much confused. But in this, everyday trading, they may get confused, and they don't accept these kinds of facilities because it is optional. So, we need to review that how much it will impact, even the entire industry need to view that. And if acceptance is more then there will be drastic impact on that income, then definitely the entire broking industry may increase the broking income. They won't be able to do INR 20 per trade. That's my belief.

**Moderator**

Thank you, sir. Ladies and gentlemen, if you have any questions, please press \* and 1 on your telephone keypad. The next question comes from Shreyans from Electrum PMS. Please go ahead.

**Shreyans**

What will be the impact on our interest income due to instantaneous settlement coming in?

**Gourav Munjal**

So, I just answered on that, the recent circular ASBA is coming. So, if the client opts for that mode then other income can impact. But we need to see that when the circular will come and what exactly they want from investors as well as from the broker and how much it will affect, we need to review that.

**Shreyans**

No, sir. No, I'm not talking about ASBA, I'm talking about the instantaneous settlement. Like, right now, we are settling at T+1, right? If let's say, next year we moved to instant settlement. So, what will be the impact of that? Like float income will be reduced, right?

**Gourav Munjal**

No, it will not get impacted. There will not be much effect. See, most of the traders keep funds and for the intraday facility and all. So, the margin would be the exchange and they wanted to play with the intraday. And I understand there are settlements. So, if I need to settle in T+0, there will be no much impact for me, even on the interest rate.

**Moderator**

Thank you, sir. Ladies and gentlemen, if you have any questions, please press \* and 1 on your telephone keypad. We have a follow up question from Deepak from Sapphire Capital. Please go ahead.

**Deepak**

Sir, you mentioned in one of the remarks, I think QoQ some 15% growth we are looking at. So, what exactly we are looking at there, I mean, which parameter we're talking about here and what is the parameter is for?

**Narayan Gangadhar**

Our growth metric is basically the number of customers who have been acquired in the quarter. And that is obviously the meta metric. And then obviously, the other metric is, all other the metric such as revenue and others are derived from that. But the main metric is going top of the line, daily active customers.

**Deepak**

So that we're talking about is the active customer, right? The 18% QoQ.

**Narayan Gangadhar**

Yes.

**Deepak**

And secondly, on this other income, I mean, the ASBA and all, will it impact or will it not, it depends upon the circular. So, what we are trying to say here?

**Gourav Munjal**

So, I just conveyed earlier that ASBA will come, and it may impact and it may not impact. But I don't know how much it will impact our financials. Because I need to see that how many investors have adopted that. And yes, if, let's say 10% of the customers are adopting that, then definitely the income will fall by 10% other income. But we can increase somewhere else, so that we can compensate our income on the total here.

**Deepak**

So, what exactly here we're saying that the excess fund that is lying at maybe our account, 5paisa account, so that the customer chooses to transfer it back to their bank account.

**Gourav Munjal**

It will not be transferred. It will be in the customer bank account, and it will be blocked by the bank and the bank will send us to our RMS that these funds are blocked, that customer should don't do the trade. So, I can't earn interest on that then.

**Deepak**

Correct. So, that's how it will impact us. I mean, in that sense.

**Gourav Munjal**

Yes. Because ultimately the margin which we are keeping in the form of FD to the exchanges that we are getting the interest that you can't earn on that. Ultimately, customer will earn on same.

**Deepak**

Correct. Because earlier these funds are lying in your account, right? Largely.

**Gourav Munjal**

Yes. Right now it is lying in accounts, yes.

**Deepak**

And by when we will get the clarity, I mean, in terms of timeline?

**Gourav Munjal**

Actually, we are in touch with SEBI. I mean, they will release a detailed circular along with all depositories and all, and then we'll see. I'm hoping that in the month of January they will issue the final guidelines and all. And they will also allow some time two to three months for the implementation. Actually, this requires a lot of integration on the banking side also because ultimately bank, broker and exchanges, all three should be in the line. So, there are systems that needs to be developed at the banking side also, and that's why it's taking time.

**Deepak**

But as of now, we are enjoying that interest income, right?

**Gourav Munjal**

As of now, we are, every broker is.

**Moderator**

Thank you, sir. Ladies and gentlemen, if you have any questions, please press \* and 1 on your telephone keypad. We have a follow up question from Sumit Jankar, an Individual Investor. Please go ahead.

**Sumit Jankar**

I have questions regarding algo trading. What I've seen is, the turnover coming through algo trading is rising QoQ, but it is mainly driven by premium customers, as it is not much cost efficient. So, how do you see it in coming years? Will it be affordable for retail clients, so that it is driving huge turnover? So, how do we look into the algo trading?

**Narayan Gangadhar**

So see, actually, that's a very good question, okay. With algo trading, the main opportunity that we see is that we have the product easy to use for customers. And that, today's the biggest challenge, the biggest challenge in any platform, because they make it harder for people to actually go and start and test different strategies, deploy them on cloud and scale. So clearly, there's a room there where we can innovate. We are obviously the leader in the category. So, we are investing big time in building our features, so that with the right infrastructure capabilities and such, the algo guys can reap the benefit.

Secondly, what the algo people want is other facilities such as colocation, they want the ability to run their own custom infrastructure. There's lots of other unique requirements like that, which make it technologically very challenging to actually provide it. But those are precisely the problems we're solving. So overall, I see algo participation will only grow from here on out and in fact is definitely here to stay.

And your other question on whether the margins are depressed, that is not true actually. The margins are not depressed. It's just that these customers have a very different profile, the way we treat them, and the way they look for the kind of products and all is very, very different because their strategies are different. Other than that, there's no material difference actually, between them and a regular high-end retail customer.

**Sumit Jankar**

Okay, so will low margin customer will be able to trade in algo?

**Narayan Gangadhar**

Yes. Not today, but in time, yes. In time, absolutely. Today, they can't trade it. Today, if they trade, they will likely not have the infrastructure, the tooling, the money and capabilities. But that is what we are building. So, I'm just saying in general for every platform, not just our platform.

**Moderator**

We have a follow up question from Abhishek Saraf, an Individual Investor. Please go ahead.

**Abhishek Saraf**

One small thing on our growth. So, we are definitely trying to grow 15% QoQ on acquisition. So, if you can share some of your thoughts on the stickiness of the customer, is what kinds of customers and what percentage of customers, let's say, stick with the platform for a year out to two year out and which type of customers, who engage in certain kind of product or type of trading? So, any broad level thoughts on this will be very helpful.



**Narayan Gangadhar**

I think, honestly, majority of our customers are repeat customers. So, they are coming to the platform, they use the systems and as they build the experience, then they continue to improve their engagement with time. Now, obviously for those customers as they age in the system, we have to provide them the right products for their right risk profile, which is what 5paisa is focused on. So overall, I see that our retention numbers are very strong. Obviously, we don't discuss those numbers, they're very sensitive, but they're very strong, and I expect those only to get better with time.

**Abhishek Saraf**

Sir, the reason I asked is that because many traders or investors have multiple accounts. And as you rightly said, that once you're engaged in, let's say, a new customer or a new trading kind of customer, he will have multiple account, but slowly he will try to migrate towards one where he gets more used to it, and he has more comfort level. So, I was coming from that place, actually.

**Narayan Gangadhar**

Yes, I think they are, that's why product experience is the most important thing. If you look at customers, if you talk to any of the top customers, it's not like they prefer Zerodha to any other product. There is no such thing. It's a misconception. Ultimately, what they want is a stable, reliable platform, and they want a broker they can trust. So, if you look, the reason our customers trust us, is because they can pick up the phone, they can call us, we are engaged, and being we have maintained that good touch advantage with all our top clients. And obviously, we are also one of the few brokers who's heavily focused on traders. So, we've invested a lot in building capabilities for them, which obviously gives us a lot of leg-up advantage over many of our competitors.

**Moderator**

Thank you, sir. Ladies and gentlemen, if you have any questions, please press \* and 1 on your telephone keypad. I repeat, ladies and gentlemen, if you have any questions, please press \* and 1 on your telephone keypad. There are no further questions. Now I hand over the floor to the management for the closing comments. Over to you, sir.

## **Narayan Gangadhar**

Yes. So, again thank you very much for this earnings call. We look forward to continuing the momentum and growth. And we will share the investor deck and everything online and we look forward to this call again next quarter. Thank you very much. Have a good day.

## **Gaurav Munjal**

Thank you so much to all the investors. If you have any questions, you can mail to us at [ir@5paisa.com](mailto:ir@5paisa.com). And I wish you Happy Diwali to all the investors.

## **Moderator**

Thank you, sir. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may all disconnect your lines now. Thank you and have a good day everyone.

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- Note:**
1. This document has been edited to improve readability
  2. Blanks in this transcript represent inaudible or incomprehensible words.