To,

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

Dear Sirs,

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

Further to our intimation on July 13, 2022, intimating of the earnings call with analysts and investors to be hosted by the Company on July 15, 2022, please find enclosed herewith the transcript of the said earnings call for your reference and records.

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

You are requested to take note of the same

Kindly take the same on record.

Thanking you,
For **Angel One Limited**
(Formerly Known as Angel Broking Limited)

NAHEED
REHAN
PATEL

Digitally signed by NAHEED REHAN PATEL
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Naheed Patel
Company Secretary and Compliance Officer
Membership no. A22506

Date: July 19, 2022
Place: Mumbai

Angel One Limited
Q1 FY23 Earnings Conference Call

July 15, 2022

MANAGEMENT:

Dinesh Thakkar *Chairman & Managing Director*	**Narayan Gangadhar** *Chief Executive Officer*	**Vineet Agrawal** *Chief Financial Officer*	**Dinesh Radhakrishnan** *Chief Product & Technology Officer*	**Jyotiswarup Raiturkar** *Chief Technology Officer*
Ankit Rastogi *Chief Product Officer*	**Prabhakar Tiwari** *Chief Growth Officer*	**Ketan Shah** *Chief Strategy Officer*	**Dr. Pravin Bathe** *Chief Legal & Compliance Officer*	**Subhash Menon** *Chief Human Resources Officer*
Bhavin Parekh *Head of Operations, Risk & Surveillance*	**Devender Kumar** *Head of Online Revenues*	**Hitul Gutka** *Head of Investor Relations*		

Moderator: Ladies and gentlemen, good day, and welcome to the Angel One Limited Q1 FY '23 Earnings Conference Call. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. I now hand the conference over to Mr. Hitul Gutka. 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 Q1 FY23 Financial and Business Performance. The recording of today's call and the transcript will be uploaded on our website in the Investor Relations section. The Financial Results, Investor Presentation and Press Release are also available on the website.

For today's earnings call, Angel is represented by its leadership team. We have with us today Mr. Dinesh Thakkar – Chairman and Managing Director; Mr. Narayan Gangadhar – Chief Executive Officer; Vineet Agrawal – Chief Financial Officer; Dinesh Radhakrishnan – Chief Product and Technology Officer; Jyotiswarup Raiturkar – Chief Technology Officer; Ankit Rastogi – Chief Product Officer; Prabhakar Tiwari – Chief Growth Officer; Ketan Shah – Chief Strategy Officer; Dr. Pravin Bathe – Chief Legal and Compliance Officer; Subhash Menon – Chief Human Resources Officer; Bhavin Parekh – Head of Operations, Risk and Surveillance; Devender Kumar – Head of Online Revenue; SGA, our IR consultants.

Our leadership team will give you a brief overview of the operational and the financial performance for the quarter gone by, followed by a Q&A session.

As a reminder, I would just like to inform you all that the company does not provide any operational and financial guidance. There may be some forward-looking statements during the call, which must be viewed in the aggregate with the risks that the company faces.

With this brief introduction, I would now like to invite Dinesh Thakkar for his opening remarks.

Dinesh Thakkar: Thank you, Hitul. Good morning, everyone.

After a very strong FY22, the broking industry started the current year on a positive note with 6.9 million new demat accounts opened and cash and F&O ADTO for the industry witnessing a sequential growth of 10% in Q1 FY23. All this despite a somber macro environment, which was dampened due to risk-off sentiment, firm commodity prices, geopolitical tensions and expectation of a global recession. Economies across the world, including India, are facing inflationary pressure, which led to upfront loading of interest rates. As the supply side situation improves, inflation should come down just leading to normalization of interest rates in the future. A recent report released by RBI highlights that, India, is today, better positioned to mitigate external risks and global spillovers as compared to the taper tantrum period.

These global headwinds have led to ephemeral correction in capital markets. During the ongoing correction, India continued to witness net outflow by FIIs in cash segment. However, this was more than offset by inflows from domestic institutions and retail investors. For 9 consecutive months now, retail investors have been net buyers with direct investments of over Rs. 1.4 trillion in the cash segment on NSE. As on March 2022, holding of retail investors in India Inc. continued to remain steady at 9.7%. All this only highlights the growing financialization of savings of Indian economy.

This is a significant and fundamental shift that the country is experiencing. In the long term, as the young India commences their journey in capital markets, depth of India's capital markets will further deepen. This segment forms a backbone for a growing investor base in the country.

Digital brokers like us, leveraging technology, are advancing further to cater to geographically dispersed population with small ticket needs. We are transforming not only the industry landscape, but also the financial well-being of every individual. RBI, in its recently released financial stability report, mentioned that apart from declining real returns, improved availability of information on investment, widespread public awareness, easy KYC and client on-boarding process and effective use of technology are drivers of widening investor base, including first-time investors.

As more first-time investors are on-boarded, especially during such period of market correction, there is bound to be some inertia in their activity. However, older clients continue to remain active. The same is witnessed from growing ADTO, number of cash trades and F&O contracts for the industry. This represents growing maturity of the retail investors and their ability to handle volatility better. Going forward, as these first-time investors mature in the system, their contribution to the overall metric will also improve. This, coupled with more clients being on-boarded from untapped geographies will propel growth. I strongly believe that the long-term structural growth opportunity for the industry continues to remain intact.

Digital players like Angel are building efficiency in pricing and processes as we harness the power of technology like artificial intelligence, machine learning, data science, etc. to build resilient business models. Use case of this are presently across client acquisition, on-boarding, engagement and communication, etc. and the same will be leveraged in the other areas of business as well. Using this tech development, I believe that equity will find a credible wallet share, which is currently negligible with every individual in the country. This will happen as more investors on board and they systematically invest in equities.

To facilitate and build a conducive environment for the latter, industry players are building large repositories of content and will help both new to market and experienced investors. Angel has demonstrated its strong market position premised on its tech-focused approach over the past few years. Our endeavor to offer clients the best investing experience is reaping rich dividends as evidenced by our strong operational performance over many quarters. Even in tough market conditions, as witnessed over the past couple of quarters, we have been able to protect our turnover market share while expanding our share in total Demat accounts, incremental Demat accounts and NSE active client base. This shows the solid fundamentals on which our business have been built.

To further extend and take advantage of maturing ecosystem, we are preparing to broaden our product portfolio. As a first step, we have rolled out the first phase of our Super App, to a limited set of clients on the OS as well as web platform. Narayan will detail out some of the operational metrics of our Super App.

I am happy to share that the Board has approved the distribution of 35% of quarter's consolidated post-tax profits as the first interim dividend to the shareholders. The record date has already been communicated to the shareholders via our stock exchange notification.

I now request Narayan to brief you on the operational aspect of the business.

Narayan Gangadhar: Thank you, Dinesh. Thank you all for joining us today. I will walk you through some of our recent developments and our operational performance.

The strategic pillar on which Angel has been built is client-centricity and addressing their problems by using technology. With this intent in mind, we commenced our journey to develop our Super App last year. I'm delighted to inform that we have successfully rolled out the first phase of our Super App to limited clients on the iOS, which is the Apple, and the web platforms.

The Super App has been architected and built on 5 fundamental principles: Simplicity, Transparency, Availability, Reliability and Swiftness. The cutting-edge technologies used to build the app will empower and enhance client experience. The tech innovation ranges from crafting dynamic native experiences on mobile apps to creating consumer cohorts and assigning curated journeys.

The new app is packed with features and upgrades to the existing ones, like a new homepage, which is like a centralized hub that contains all critical information required by clients. It houses multiple cards for display of information such as real-time index performance, client portfolio performance, funds transfer, insta trade, good till trigger, stock SIPs and other features. We have investment recommendations, portfolio analyzer which help facilitate especially our first-time investors to invest properly. Here, we recommend a basket of stocks to our clients. Using the portfolio analyzer, clients will be able to monitor the return performance at the stock and sector level within their portfolio. We have also incorporated something known as similar stocks that tells our clients about peer stocks to the ones they are viewing.

We further optimized client on-boarding journey through a refreshed KYC 2.0. This new version is equipped with real-time validations and assimilates continuous feedback from clients. It helps onboard clients faster and helps them drive more efficiency and do-it-yourself account opening journey.

We have revamped the entire post-trade activities with DASH as a new section. With this, we bring in more transparency for a lot of our clients with respect to P&L statements, trades and charges and such. Clients can view their P&L in a calendarized view, which helps them to identify the outcome of their trading for a particular period or a particular day. As a result of all this, we have seen a reduction in client calls to our contact center for post-trade clarifications.

During this quarter, we undertook some corrective measures with respect to our smart API to enhance its performance and make it more stable and scalable. As a highlight to our Q4 2022 earnings call, we went live with the direct mutual fund option for our clients on our Angel BEE app. Over the next few quarters, we will continue to emphasize on building strong holistic ecosystem to empower our clients to invest via this channel. Once we achieve stability of this product, we will migrate the same to our Super App as well. This will effectively lead to significant expansion of our lifetime relationship with clients.

On the IOS Super App version, we have reached approximately 30% active user base by June end, which comprises both migrated and new users. We are experiencing encouraging signs of acceptance. We have witnessed an improvement in client activation between 0 to 15 days for our new IOS app, while comparing previous IOS app by a massive 16 percentage points.

The Web version has a smoother UX and superior performance as compared to our earlier version. Learnings from issues on our vintage web platform enabled us to develop this new platform that is smoother, more stable and secure.

We addressed some key pain points relating to our KYC journey for our Web users, which led to an approximate 10% growth in our KYC web journey. This easy-to-use product demystified the daunting experience of today's trading into an awesome simple experience.

Over the last month of operations of our Super App, we have received positive response from our clients, along with some feedback to improve experience. These upgrades are being worked on and being implemented on our upcoming releases in our iOS, Web and Android platforms.

On the technology side, we undertook architecture upgrades to our payment gateway system. This led to lower latency, improved security, lower drop rates, better monitoring and alerting requirements. This has contributed to an 80% reduction in the time taken to load banking pages for our clients across all apps.

In Q1 FY23, we received feedback from clients with respect to our legacy broadcast system on our Web platform. This was a major overhaul we undertook as we moved away from third-party service providers to designing and developing the same in-house. Our new broadcasting system facility increased reliability, scalability, low latency, etc., thus giving far more optimized output to our clients. Additionally, we undertook process optimization around back-office, which led to reduction in time for billing-related activities by about 80%.

Coming to our operational performance, Q1 has been historic as we have been one of the few players to surpass the 10 million client mark. Other parameters around our operational and market share are, we acquired 1.3 million clients on a gross basis during Q1. 95% of these clients came from Tier-2, Tier-3 cities. This led to a 51-basis point expansion in our Demat market share to 10.8%. On an incremental Demat account basis, our market share expanded to 17.5%. Our NSE active client base grew to 4 million. As a result, our overall share in NSE active client base expanded by 43 basis points sequentially to 10.6% as of June 30, 2022. Our ADTO, average daily turnover, grew by 9% to approximately 9.4 trillion, thus translating to 20.8% market share in overall retail equity turnover. Our turnover market share improved in June to 21.2% from nearly 20% in May. Our number of orders at 207 million was similar to our Q1 numbers.

These operational parameters demonstrate a high level of resilience that the business model has, despite market cycles. For 39 months in a row since migrating to a flat pricing structure, we have experienced growth in our average daily orders in over 80% instances when the headline indices corrected by 5% or more. We are confident of the robustness of our business model and strongly believe that our engines will facilitate us to garner superior growth from target markets. This is premised on our client-centric approach as we leverage technology to build a sustainable and profitable business.

We continue to expand and hire top tech talent. We are continuing to invest and build in our tech and product leadership team to help us achieve and attain our overall market leadership. These assets build in superior performance for our clients through products and thus making the business robust, reliable and competitive.

I'm very happy to welcome Mr. Dinesh Radhakrishnan as our Chief Product and Technology Officer. He has a rich 25-plus years of global experience in building top-quality software products for brands like Intel, Bloomberg, Rakuten and Ola across U.S.A. and India. Dinesh will lead technology, product and design teams at Angel.

With this, I now request Vineet Agrawal – our CFO, to brief you on the financial performance. Thank you. Over to you, Vineet.

Vineet Agrawal: Thank you, Narayan. Good morning, everyone. I will take you through the financial snapshot for the quarter gone by.

As mentioned by Dineshbhai and Narayan earlier, Angel continued to deliver a strong performance on all operating parameters even in a challenging macro environment.

Coming straight to our Q1 FY2023 financial performance, our gross revenues remained flat at Rs. 6.9 billion. Key drivers of our gross revenues were:

Gross broking revenue, which remained stable at Rs. 4.7 billion. This accounted for approximately 69% of our gross revenues. Interest income, which includes interest on our client funding book and interest earned from deposits with exchanges, grew by approximately 14% quarter-on-quarter to Rs. 1.2 billion. This accounted for about 18% of our gross revenues. The ancillary transaction income, which is linked to the turnover of our clients, accounted for nearly 8% of our total gross revenues, came in at Rs. 543 million. Depository income, which contributed 4% to the total gross income, registered a decline of approximately 17% quarter-on-quarter. This was due to muted activity in the cash delivery segment. Income from distribution of third-party products accounted for 1% of our gross revenues, grew by approximately 15% sequentially.

Our Q1 gross broking revenue is further split as follows: Share of F&O segment increased to 81%, while the contribution of cash segment came down marginally to 14%. Share of commodity and currency segments remained flat at 4% and 1%, respectively. The average revenue per customer for the quarter was Rs. 453. This was primarily due to a higher share of new-to-market clients, which were over 87% of our gross acquisitions for the quarter. Basis our experience, these clients initially are low revenue accretive, but stabilize and prime in activity with time. This is a secular trend and is not something to worry about as we expand our base and market share, keeping our margins in line.

Our net broking revenue from less than 2-year-old clients on our platform continued to remain robust at 73% in Q1 FY23. This is driven by a multifold increase in our client base over the last 2 years. The net broking revenue under the flat fee plan continued to witness very strong momentum, thereby contributing to a significant 85% of our overall net broking revenue. Share of the total net income from our flat fee clients to the consolidated total net income, grew 1.7x to 84% in Q1 of FY23 from 50% in Q1 of FY21.

This being the first quarter of the current financial year, it incorporates the impact of salary increments given to our employees. Our employee cost for the quarter also factors in the proportionate impact of the budgeted variable pay for the current financial year. As discussed in our Q4 FY22 earnings call, we have granted 1.03 million options to our employees under the LTI 2021 plan during the quarter. The full year incremental cost of the incremental stock grants will be about Rs. 600 million for FY23. In line with the same, Q1 FY23 accounts for about Rs. 130 million, that is over 19% of this cost.

Our refined acquisition engines facilitated a healthy client addition in Q1 FY23. During the quarter, we spent little aggressively on client acquisitions, which led to higher OpEx. Despite this, our overall payback metrics continue to remain intact of within 2 quarters. Due to this higher cost of Q1 of FY23, operating margin came in at about 48% and our consolidated profit after tax from continuing operations stood at Rs. 1.8 billion.

Our consolidated earnings per share stood at Rs. 21.9 per equity share on a quarterly basis.

On the balance sheet side, cash and cash equivalents decreased to approximately Rs. 48 billion, largely due to a decrease in client funds to approximately Rs. 36 billion. The period ending client funding book was at about Rs. 16 billion, whereas borrowings stood at under Rs. 12 billion. Some enhancements in tech capabilities led to a marginal increase in fixed assets to Rs. 1.7 billion as of June 2022 from Rs. 1.6 billion as of March 2022.

Our net worth increased to over Rs. 17 billion as of June 2022. Our annualized average return on equity came in at 44.1%.

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

Moderator: We will now begin the question-and-answer session. The first question is from the line of Sahej Mittal from HDFC Securities. Please go ahead.

Sahej Mittal: So, sir, a couple of questions from my side. I mean, what is the targeted activation rate for the Super App given that currently we are at 30% activation rate. So, I mean compared to our old app and given that this new Super App has much more additional features, so what is our targeted rate on the activation? That is my first question. And second is on the admin expenses. Now given that we had a 16% dip in the customer additions on a sequential basis, so the OPEX should have seen some moderation given that marketing expenses are variable in nature. So, what was the marketing expense for the first quarter and the last quarter and what has led to such a spike if this was not on the back of the marketing expenses? And just to clarify, does the staff cost ex of ESOP include the variable pay in the first quarter? Yes, these are my first questions.

Narayan Gangadhar: Okay. So, let me take the first one, and I'll hand it over to Vineet to give you the fine details, okay. So, see, for your first question was around the activation for the new Super-App. Now, as a whole, we are building this platform for new customers for a longer period of time. We're looking at customers with an overall life time value of more than 5 to 10 years. And what we are building is currently, we from our overall wealth management portfolio of which equity trading is one part of it, we are targeting a net activation rate of around 50%. Now we don't really go and build to that number, but that's where we naturally believe that our acquired clients will end up in over a period of time. So, as you rightly mentioned, today, our activation ratio is, for example, around 38 or it's actually a little over 40%. But if you look at that very number over a sliding window of the past 3 years, it has only increased. It was somewhere around 20% or 25% a few years ago. And over the last few years, it has steadily gone up. Now this has happened because we are introducing newer and newer capabilities, newer and newer products, and we are introducing newer and newer features for our new customers that are coming on to our platform. So, I believe that when the full Super App is launched and when we have the wide range of products, including mutual funds, bonds, fixed income products, all of those available on the platform, I believe we should be at an activation rate of more than 50% or more, okay. Now that's the answer to your first question. Now to your next point, I'll let Vineet answer it, but let me just give you the strategic view here. See, we are currently in an investment phase. The market is grossly underpenetrated. By most counts, even today, we are only looking at a 4% to 5% penetration in India. And we very firmly believe that this number is going to grow another 10x within the next decade, and we want to be in the pole position when that happens. So, over the last 18 months, we had begun this journey of investing in our tech and product platforms. And I see this journey, this investment phase continuing for the next 2 or 3 quarters. And post that, we'll kind of hit a steady state, if you will, at least from a personal investment point of view, right? So, the overall mix of our expense is largely driven by our future ambitions and where we want to get to within the next in the next couple of years. Now with that, I will hand it over to Vineet, who can answer the questions around the ESOPs that you had and the split of marketing expense, at least at a high level. Yes, Vineet?

Vineet Agrawal: Yes, Narayan. So, we do not disclose the customer acquisition cost as a business practice. But I can tell you one thing is that our payback metrics remain intact within 2 quarters, as I mentioned in the speech. So, the overall metrics remain strong. Generally, in the first quarter, due to IPL and other factors, there is a slight increase in the customer acquisition cost, which normalizes for the future quarters. Now coming to your question about the employee costs, yes, the variable pay is provisioned quarter-on-quarter. So, the entire budgeted variable pay for the year is spread across the entire year in the financials, and it has an element of variable pay provision.

Sahej Mittal: Sir, so does the Rs. 90 crore run rate for staff cost sound good on a quarterly basis for the balance financial year '23?

Vineet Agrawal: I'll not be able to give you a guidance on that because we have some plans of new hires as well, but it's going to be in this ballpark.

Sahej Mittal: And sir, what were the tech cost, tech spends which go into our OpEx for this quarter?

Vineet Agrawal: As a matter of policy, again, we do not disclose the tech spend, but it's generally in the ballpark of about 15% to 18% of the total net cost that we incur.

Moderator: The next question is from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain: Congratulations on a decent set of numbers, given the tough market conditions that we had seen in Q1. A few questions from my end. Firstly, could you give some numbers around the number of contracts traded on the derivatives side for us in Q1 of this year and sequentially also, what kind of growth you would have seen?

Narayan Gangadhar: Mr. Jain, can you just repeat your question one more time? You want to know the number of contracts on the derivative side?

Prayesh Jain: Yes, number of contracts traded.

Narayan Gangadhar: Number of contracts traded. I don't know if we can divulge that information. Let me hand it over to our team. Vineet, does anyone who has that data?

Vineet Agrawal: In the F&O segment, we had about 153 million orders executed on our platform for the quarter. This was about 6 million higher than the previous quarter at 147 million.

Prayesh Jain: I'll possibly take that offline as well. Secondly, Narayan or Dineshbhai, this question is for both of you guys. We have seen, like June was a decent ADTO growth in terms of derivatives, where we had seen a retail ADTO growth of around 1.6% for the industry. But we also know that there were 5 Thursdays in that generally, so higher expiry volume. So, how do you see the volume traction from here on, especially considering that the regulator has been talking about restricting the F&O activity of retail traders? So, what kind of regulations do you think that they can bring across? Or any impact on because of this that could come on the volumes going ahead?

Narayan Gangadhar: So, first of all, we had 22 trading days, right, in June. And as you rightly said, this was an odd month where we had those 5 Thursdays. And obviously, that means there's a lot of expiry happening. And clearly, that shows in the volume. But I think if you look at the number, Mr. Jain, you'll see that month-over-month, the ADTO has risen by about 9.2%. And year-over-year, the number has grown by about 118%. I'm talking about Angel's numbers, right? Now clearly, relative to the industry, we have grown faster. I think the data speaks for itself, right? If you look at how fast the rate at which we are growing and the rate at which the market is growing, we are accelerating that. Now that said, I think in terms of future outlook, right, currently, as of this point, we don't see any tailwinds in the market that lead us to believe that there is going to be a further significant down spike coming at a macro level. And obviously, we can't predict the future. But when we look at what our product strategy is, which is things which we can control is what are we doing to drive client engagement? What are we doing to improve our activation ratio? What are we doing to improve our F&O participation? I don't see any change or any deceleration of those plans. And as far as the SEBI and regulations are concerned, yes, we do expect more regulatory headwinds coming. But in the last 3, 4 months, a lot of these regulatory, the framework for the regulatory game plan has been set already for the year because half the year is already over. I mean the calendar year, not the fiscal year. So, even if there are changes further out, we think that our product strategy and our business strategy doesn't change because our customers are coming with the same motivation of trading and building wealth. And obviously, derivatives is one part of it. Cash is another part of it. F&O is another part of it. Commodity is another part of it. And then you have mutual funds, bonds and other areas in which we want to offer those products and services to our clients. So, we are looking at a very holistic view which goes beyond the micro dips and turns. And if you look at our earnings presentation which we have prepared, we had shared and Dineshbhai has also mentioned this many times, we have given data for the last 15 years about dips that we see in the market and correlation in Angel's volume. And oftentimes, we see like a quick rebound. Now that's really what the historical precedent is. Now that said, nobody has a crystal ball to look at what the future is going to look like. But we do know our product strategy stays the same, get Spark launched, build the Super App out with mutual funds and then expand into other wealth management products. That is not going to change. So, hopefully that answers your question.

Prayesh Jain: Narayan, just to explain that point further, what are the aspects of the F&O trading, which regulator can really bring for some and controls that can restrict the trading activity? Or what are the thoughts that the regulator is having right now with regards to controlling this?

Narayan Gangadhar: So, I'll actually refer this question to our team. They can give you a more fine print answer on what specifically the policies have been. But in general, right, there are tighter regulations around margins, which we need to comply with. And that is actually for the betterment of the whole industry. I actually believe these regulations, they're actually good for the customer because in some sense, they introduce guardrails to ensure that the business practices are streamlined and there's nothing that goes out of fact, like what you are seeing in the U.S. markets today, right? So, these are built for protection. That said, specifically, I don't see anything that has been introduced targeted at F&O, but maybe Bhavin and Ketan, who are on the call, if you guys recollect anything maybe you can add?

Bhavin Parekh: So, good morning, everyone. Regulators have been actually looking at it in terms of they were a little uncomfortable on the F&O side, the volume growth vis-a-vis the cash market growth. But predominantly, we don't see anything major coming in because there are enough controls at the time of on boarding a customer into F&O segment, which takes care of the interest of the customers as well. And predominantly, today, as an organization in the industry, most of the people don't offer F&O upfront. There are financial documents that have been required to be given by the customers to activate an F&O segment. So, as a whole, we don't see any major regulations coming around this particular aspect. But yes, it would be left on to the regulators. There are no such major talks which is happening at the industry level right now.

Narayan Gangadhar: And we haven't seen anything in the last 6 months or so, Bhavin, about this?

Bhavin Parekh: Nothing Narayan. See, there was a couple of meetings at the NSE level but there were top brokers who have been called for it. And they had this discussion, but nothing concrete has come out of it.

Prayesh Jain: Just one more point, Narayan, like on the marketing spend again. So, you mentioned that you'll have spent more on customer acquisition in this quarter, but that kind of not coincide with the incremental acquisition that you would have done, the cost of acquisition per customer would have gone up. And simultaneously if I look at your ARPU that has been coming off, and I think that in this quarter has declined sharply. You outlined the reasons for the same, that generally in a tough market, the first-time customers will not be trading so actively. But rather in this quarter with this kind of an environment, wouldn't you want to spend lesser on customer acquisition and more depend on organic channels rather than spending? Or how is your thought process with regards to future trajectory in terms of spending on customer acquisition, whether you would want to spend on through some more focusing on quality customers. What is your thought process there?

Narayan Gangadhar: So, first of all, that's a great question, Mr. Jain. So, see, basically, you actually nailed it right on the head, right. In the last 4 months, we have been taking a very targeted approach to marketing, where we spend our marketing dollars. And as we already said at the start of the call, obviously, being the IPL season and everything else, generally, the cost of the clicks are higher at this time of the year than they ever are. Now there's also a macro pressure and the prices are getting jacked up largely because the acquisition funnel is coming under pressure because when you look at venture-backed players who are also pumping in money to acquire market share, even they have come under pressure because the venture funding is getting squeezed out. So, obviously, at this time, only companies which have a very clear playbook of acquiring customers and curating them should continue to spend. So, Angel is very much in that boat. We have built our acquisition strategy over a period of almost at least 8 to 10 quarters. We have 8 to 10 quarters of precedent on how to acquire these guys, how to acquire our customers digitally, how to curate them through the journey and then how to realize revenue from them. So, that playbook is still the same. But your observation is absolutely correct. Is that over the next 3 months, I actually see our marketing spends are going to be slightly curtailed because we believe that at this point, it doesn't justify more investment on that front, especially when our organic efforts are kicking in. We already have a very healthy organic growth. So, we want to continue investing in that. And then when the Super App is ready, we want to go out with a bang and scale out the message for the audience. So, that's how we are looking at it.

Prayesh Jain: My last question is on the MTF book. We've seen that your MTF book has remained stable, but your average ticket size has increased substantially. In fact, Q-on-Q, if I look it's more than doubled. And also, the share of large ticket customers is increasing. So, anything to be worried about there? Or how are you looking at the MTF book from here on?

Narayan Gangadhar: Let me have Vineet answer that. At a macro level, when you look at how we look at the MTF business, overall, the controls that have been put in place, overall the risk rules that we have put in place to manage risk associated with that, none of those have thrown off any red flags. But let me hand it over to Vineet who can maybe give a little bit more nuanced answer there.

Vineet Agrawal: You're absolutely right, Narayan. The fundamentals remain strong. The underlying securities are intact, and our robust risk management systems take care of the mark-to-market requirements. So, we don't see any kind of concern there.

Prayesh Jain: Do you share the overall size of the holdings of customers in the Demat account that you have?

Vineet Agrawal: No, we don't disclose that.

Moderator: The next question is from the line of Prachi from Bay Capital. Please go ahead.

Prachi: My question was actually related to your app downloads, which is around 25 million. And when I look at your client base, that is around 10 million client base. So, just wanted to understand the journey from an app download, what you actually classify the app download, would it have repeat customers who've deleted every download of the app? And the conversion rate to actually then becoming clients, what is the conversion rate? Has it improved? And what is Angel doing to improve that? If you could just talk a little bit on that.

Narayan Gangadhar: Yes. So, see, as in any kind of a digital activation system, we have a full funnel for optimizing the lead all the way from the time the lead comes into the system until the time the install actually takes place, right? And this entire funnel has obviously a lot of gaps. And some of these gaps are not just in the control of the product or the tech or even the business teams. There are factors that are beyond our control. For example, the targeting that Google gives is often not correct, right? And then sometimes what happens is that the person, as you rightly said, there's a repeat install case that happens. And many times, people download the app but don't actually end up converting. So, at a macro picture, we try to optimize the entire funnel because the end goal that we want is from the time the lead is generated till the time the install happens, that is only one half of the problem. The second half of the problem is when the install happens from there, we want to get the person to complete their KYC. So, our systems optimized for this macro pipeline, and individually, we don't have much leverage over how we can control a specific instance of either driving an installed ratio up or driving a lead closer up, right? We try to manage the funnel rather than the individual aspects of it. So, if Prabhakar is online, I would like him to just add a few things here and maybe give a little bit more color to this topic.

Prabhakar Tiwari: Yes. Thanks, Narayan. And I mean, absolutely, we are in a tech and product business now. And the funnel is in our control since the client, people fill up the lead form. But beyond that, in terms of click, like, impressions, views and all, we rely a lot on digital platforms. However, what works in our favor is that we are a continuous learning machine. We have a lot of models which are available in terms of click scoring and funnel optimization. We do a lot of incrementality tests for individual sources. And also, as Narayan pointed out earlier that we are a multisource business. So, our acquisition is not just on paid, which is on the kind of, in a way saying mercy of Google or Meta, but we also have our internal channels in terms of DRA, referral, organic, even sub-broker channel. So, this allows us to have a very well diversified approach to customer acquisition and thanks to all the data science projects which we take up, we are able to kind of improve the things on a continuous basis.

Moderator: The next question is from the line of Aejas Lakhani from Unifi Capital. Please go ahead.

Aejas Lakhani: Firstly, team congratulations on good numbers in this rather difficult time period. So, my first question is to Narayan, Bhavin and Dinesh Bhai, if you would like to sort of chip in here. So, you mentioned, Bhavin, about the fact that the regulator has sat to the top brokers at NSE and discussed some of the queries. But just 2 things here. I'm trying to still corroborate. So, you mentioned that incoming clients, you take financial documents and the controls embedded are better. And you also mentioned in the opening remarks that most of these new cohort of clients are from Tier-2, Tier-3 towns. So, their income levels to the financial documents they have and the regulatory conversation that you mentioned, isn't this bothering the regulator that the guys who are coming from Tier-2, Tier-3 towns are essentially trading. And I'm actually just seeking to understand more about how the regulator is thinking because the ADTO piece is really large today. Or let me reverse this and ask you that how is the client cohort today different than what it was in the earlier regime because of which the regulator may not do anything brash on regulations here? I hope I've been able to articulate my thoughts regarding my question.

Narayan Gangadhar: Yes. There are 2, 3 questions mixed in your questions. Why don't I first hand it over to Bhavin, let him answer the questions around controls of the F&O. Then I'll give some perspective on the broader picture. So, Bhavin, go ahead.

Bhavin Parekh: Yes. So, Mr. Lakhani, basically, when I mentioned about the NSE meeting, it was just about NSE was trying to understand how the on-boarding is happening at the digital side of the broking system. And anyway, there are very well laid down regulations by SEBI and exchanges that what documents are required. These are not new. These documents are required since almost 2 decades now since the time F&O has started. And predominantly, those are like bank statements or your IT returns and your Demat holding. What we want to ascertain is, yes, there is some financial strength when the customer is trading in derivatives. And so, they were just trying to understand this. There were no red flags or some major insights that they were trying to draw. All that they were asking was whether all customers are by default given this particular segments, which practically all industry players said, it is only a particular percentage of the overall customers coming into the fold is opting for this segment. I hope that gives you an understanding of what was the meeting all about.

Narayan Gangadhar: Yes. So, let me give you the broader perspective, okay? See, the first thing is that as digital player, there is a consolidation happening in the industry. The top 5 players are today make up about 70% to 75% of the entire business. Growth is happening in that concentrated space. So, we are obviously one of the largest players in that category. So, clearly, there will always be more scrutiny on Angel. And we should welcome that, and we are welcoming that. So, let me first start by acknowledging that. That is happening as a consequence of our growth. Now as more and more people come online, the regulators' main concern is to try and ensure that the right controls and the right rules are being enforced by every major corporation, whether it is us or any of the other large brokers. So, for them with scale, this is the first time we are testing the fidelity of the system. So, when they come to us or when they visit our competitors, what they are trying to do, is they're trying to assess the readiness of our system which is what Bhavin just talked about, is that we have a well-developed system, which has been built over the last 2 decades to ensure that there is proper curation of these clients. Now, it is wrong actually to assume that the regulator doesn't want people to invest in F&O, that is idiotic, right? Ultimately regulator is not here to guide which instrument to pick and which not to pick. The regulator is simply interested to ensure that you have a platform company, are you ensuring that all the rules, all the regulations, all the knobs are in place. And I think that is the gist and summary of what they are trying to accomplish. And I'm very happy to report that even though at the recent NSE visits, we had a very productive discussion, we walked them through our books, we showed them here is the tools we have, here is the automation we have built and here is the process we follow. And as time goes by, we'll continue to innovate on them and so will the regulator. So, I think it will be overall net-net good for everybody.

Moderator: The next question is from the line of Ashwani Agarwal from Edelweiss Mutual Fund. Please go ahead.

Ashwani Agarwalla: With the current capacity, how many clients can we onboard? Currently, we have about roughly 1 crore clients. So, how many more we can onboard and with the CapEx for the next 1 year?

Narayan Gangadhar: Yes. Hi, Mr. Ashwani. So, the answer is we can onboard as many as we get. See, we have built the system for scale. And from a regulatory standpoint, from a back-end standpoint, we are definitely ready for scale. Now from a front end and system standpoint, we have been built for handling a peak, which is 2x to 3x the traffic that we can handle. I want to just have Mr. Jyoti, who is our CTO, just address this point on how we are thinking about scaling the system. Jyoti, can you please share your perspective here?

Jyotiswarup Raiturkar: As Narayan confirmed, right, basically, our system is scalable. That means, let's say, we can support x users by y machines to support 2x users. We just need to add some few more machines, the same code works. So, essentially, it's like a horizontally scalable system. We just need to keep adding machines as the new users coming in.

Ashwani Agarwalla: My last question is you must be keeping a track of the profitability of your clients. So, as compared to January or March, how many of your clients are still making profits on their investments?

Narayan Gangadhar: So, this is a data that we don't share. But I can tell you that see, as a platform company, our goal is to provide the best experience to the client. And holistically, it's actually also breaching kind of privacy laws if we kind of look further deeper into who's making money, who is not and all that, right? That said, at a macro level, we try to give them the right kind of data to help them make the call. And the way we do it Mr. Ashwani is that as a platform company, my goal is to make sure that I give you a product that is always working. We have, for example, as Jyoti mentioned, we have the highest SLA today in the industry. There is not a single stockbroker in India who has the SLA of Angel. We are operating at 99.95 which is the highest possible SLA you can ever operate and sometimes we even operate at 99.99 which is extreme, which is the app never goes down. This is one of the main reasons that we are able to attract so many clients and the NPS is as high as it is, right? Now this is something that we control. That's our promise to the investor. Secondly, our promise is to get them all the data that they need to make the call. Now that said, whether the person gets profitable on the first trade or the tenth trade or the fourth trade, that really is something that's a very nuanced topic, something which is not within the purview of a platform business. So, we don't look at it that way.

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

Nidhesh Jain: Two questions. One is the ARPU continues to decline for us. I think on a quarter-on-quarter basis, it continues to decline at 5%, 6%. And in case the customer acquisition also slows down, then probably our broking revenue will start to see moderation. So, why this ARPU continues to decline despite a bit of slowdown in the incremental customer acquisition? That is first question. Secondly, I think our app rating has also marginally reduced in this quarter versus what it was last quarter. So, any insights on that, why that has happened? These are the 2 questions, sir.

Narayan Gangadhar: Yes. So, I'll take the first one. See with the case of ARPU now, there are 2 parameters that are at play, right? First is there are newer and newer customers entering the market. 90% of everybody who is joining the market is a first-time trader, okay? And this ratio was not 90% up until 3 years or 4 years back. Broking suddenly has become a commodity play. It has become a commodity mass market product because there is no other vehicle available today in India to actually grow your wealth. You're not going to go to the bank. They're only giving 3% or 4%. You have to enter equities to build wealth over a long period of time. So, because of this, clearly, when somebody joins, there is a higher barrier to entry and there is a higher friction to get them to trade, to get them to understand the system and such. So, I think this is the first part of it. The second part of it is see the costs, even though individually, the cost per lead and all is kind of trending up, if you look at a micro view, at a macro view, these costs are actually going down relative to the number of people we are bringing on board. So, if I look at the next 2 years, 3 years out, right, this cost of acquisition at some point is going to start plateauing up. It is not going to keep increasing because we are going to hit that scale beyond which network effects are going to kick in. So, with the overall ARPU and other interesting trend we are seeing is that as the customer ages through the system and this is very, very important. As somebody spends the first year, the second year, interestingly, they spend the same amount of money or more, actually, in the second year than the first year, which means now if you take a long-term lifetime value of, let's say, 5 years, you are looking at a client that is extremely lucrative for us to acquire. And our business today, as Dinesh has, I think, always mentioned this in earlier calls, is that we aim to breakeven within 6 months. And maybe there are some periods where the 6 months become 7 months, but it doesn't change the overall acquisition strategy or the revenue strategy. I want Devender, who is on our call, he is our Head of Revenue, to give a few perspectives here as well. Devender.

Devender Kumar: Yes. So, I think rightly mentioned by Narayan that there is a mix of new clients and existing clients. The motto that we have been going on is we want to acquire market share and grow very robustly. And as we expand our marketplace, the newer client base that we are able to approach, obviously, they're not going to come at the same ARPU as old clients. It's obviously a little less. And the motto that we keep in check basically is that whether we are acquiring this client at the same profitability level. As mentioned by Narayan, that we have kept our 6-month breakeven point intact by looking at the right kind of clients and right kind of revenue in the right way. And that's what has been the motto. And if I look at from an overall point of view, again, Narayan rightly mentioned it that now when we look at the first year behavior of a client and second year behavior and third year and so on, we have been seeing a very incremental trend in terms of the way they behave and the way they experience our services and generate revenues for us has been very stable and it is actually on an incremental trend which actually proves that there is a long-term value that you are actually looking at. Though we today look at the first year, 6 months breakeven. But now the overall horizon of a client is actually expanding, which might stretch beyond 5 years to 10 years as well. And that's what I think the long-term value of a client signifies it. And we are building for scale, which basically means as we go to newer pockets of India, obviously, the ARPU at an overall level, what we need to make sure is that we are doing it at the same profitability level as we have done in the past. And that's where I think we have found really good success, and we have continued to do the same thing with the same motto.

Narayan Gangadhar: And your next question was around the apps, the app store rating, right. So, let me address that also. See, this month, when we build our systems, right, we have systems that we build in-house, which depend on external systems like, for example, for Aadhaar authentication, that's not something that we build, right? It's something built by external agencies, right? So, this quarter, we had a couple of cases where some of the external systems were down. And because of this, the client experience during that window of 2 hours, 3 hours was very subpar. Obviously, because of that, it has a direct impact on the rating as customers feel that they are not able to fulfill what they are out to fulfill. The second part of it is that we are innovating very fast. And one of my deeply held beliefs is that when you move fast, you have to be willing to understand that you might break a few things also. And this is the price of innovation, is that you work, you iterate fast, you launch a lot of features. And sometimes in that speed, you end up making a few mistakes and then you course-correct those mistakes because we are innovating and adding so many features, there have been cases this past quarter where we have actually missed the ball. And the good news is we have corrected very quickly, and we get back on the horse. So, I expect this to continue till the product keeps innovating and changing, right? And this is, as Mark Zuckerberg, the Founder of Facebook, he says this, right, keep moving fast and break things, right? In that spirit, we are not saying we should break it, but there will be minor blips along the way, and this is one of those.

Moderator: The next question is from the line of Ravin from ICICI Securities. Please go ahead.

Ravin: So, my question is related to one of the questions you answered in the past. So, basically, exchange was related to the F&O on-boarding. So, one thing with NSE meeting was called was because we wanted only to see that whether the checks and balances are kept in place. But what will be the actual checks and balances where a customer has been rejected to enter into or is not on-boarded on our derivative platform?

Narayan Gangadhar: Bhavin, can you answer this question? Anything you want to share here?

Bhavin Parekh: See, basically, there are very well rules which have been laid down on boarding a customer, what documents are required and how it has to be there. So, practically, whatever exchange and SEBI have prescribed over a period of time, there are various other innovations that we have actually created internally also to ensure that the right set of customers actually get on-boarded.

Dr Pravin Bathe: So, one of the things what actually regulators do is also they get into a consultative approach, okay? And this is what actually they have been doing over the past years or so, if you actually see they have been coming out with various consultation papers as well as they have been consulting the market intermediaries, participants, etc., so that they can accordingly come out with appropriate regulations wherever required also. So, this also meeting what Bhavin mentioned was on the similar lines. And there is nothing which has come out of it, and that's what we are also saying that wherever we are actually finding gaps, etc., those are getting plugged from the regulatory end as well as from the intermediaries side as well.

Ravin: And are there any benchmarks, suppose if a person who wants to enter a derivative profile or a derivative platform, does he has to keep a minimum networth or minimum bank balance? Can you just quantify the benchmark over here that a client having only like Rs. 500 to Rs. 1,000 in his account is really not allowed to enter on the derivative platform. Is there any benchmark related to this?

Dr Pravin Bathe: So, regulator has not specified anything around this, okay? However, we do have our processes in place to ensure that only the right set of clients actually carry out such activities or so.

Ravin: So, sir, in future, if option volumes are increasing day by day and majority of the small ticketed items, I assume to be an option buyer, right, while option sellers will be definitely requiring the amount of margin. So, in that case scenario, when regulator comes up with any benchmark that a new customer who has been filing returns in the excess of about Rs. 2 lakh or Rs. 2.5 lakh is only allowed to be on-boarded. Where do you see in our profile of clients these volumes to go?

Bhavin Parekh: See, Ravin, this I think, is very farfetched

Ketan Shah: I would say that it's really not right to preempting what regulators actions will come. What is important is that what is the process that we have and what are the controls that we have to onboard the customers. Ultimately, the objective is that the customers should not lose their money blindly. And for that, do we have enough controls? And regulators have already spelled out a process around it, which the entire industry is following. And similar is the case with us. So, right now, it's not correct to preempt.

Narayan Gangadhar: So, that's a very good point, Ketan. And just to add to that, as we mentioned, as Ketan mentioned, see, today, if you look at the mother, if you look at the foundation of all these common controls, right, they are all rooted in the technology stack, which is built by the Government of India, whether it is Aadhaar, UPI and all that. Like ultimately, when we get to Sahamati layer, where there will be a lot of data sharing, where Indians and customers will be empowered to share their data transparently across platforms, absolutely, there will be new regulations that will come, which will actually work in the interest of the customer. But that future is still a few years out. And I believe that by the time we get to that future, the trading volume that you're seeing here is going to grow by another 20x, 30x. So, the systems will evolve, and our eyes are on what that future is. Today, we only have the Aadhaar stack. And that's why there is not much data that is at a macro level, easily available to share. But if you look at what's coming in the future by Government of India, right, I mean what Mr. Modi has outlined, our Prime Minister, right, there's a lot of interesting features coming in the future, which will change the way we do business. And I think it will be only pro-business and pro customer. So, it will work for everybody's favor. So, we're looking forward to that.

Moderator: The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: Sir, on your expenses side, if you help us understand how much is sort of a fixed cost and how much is related to the amount of business that we are doing. So, that is question #1.

Narayan Gangadhar: Yes. Vineet, could you please, take this?

Vineet Agrawal: Sarvesh, if you see our P&L, the finance cost, the fees and commission expense, these are all 100% variable. And the employee cost is also partially variable because a lot of it is linked to the performance. The sales and marketing cost is variable. So, a large part of our cost is variable and it depends on what the volumes are or how the market, the turnover or the number of orders happen.

Sarvesh Gupta: So, what percentage of other expenses and employee expense broadly would be fixed?

Vineet Agrawal: We can easily moderate our expenses by about 30%, 35% without doing much share efforts.

Sarvesh Gupta: Understood. And earlier, since we have been in the investment phase, and so is there a timeline to it? Or this is for the next foreseeable future? Do we see that continuing because of variety of additions that we are doing across the place?

Narayan Gangadhar: Yes. So, this is a broad question, right? I mean what is our objective? Our objective is get to the #1 position in broking and eventually in wealth management. And my immediate objective is I want to grow faster than the competition. It's as simple as that. We want to grow faster than the industry. We want to grow faster than the competition. Now to fuel that, we need innovation in product and tech, mainly product and tech, okay? Because it's largely a tech a tech and product triangulation that along with better operating procedures with risks and ops that ultimately drives and creates that value for over a sustained period of time, right? So, what from where we stand right now. We believe this is a very, very important phase. The next 18 to 24 months are very important to continue investing and building that pole position. So, that's why I said early on in the call, the next quarter 1 or 2 quarters, we will be in this space. And at that point, I believe we would have built enough of a foundation to continue to scale this business to the next level because we don't want to slow down. We are a growth company. We are not a mature Procter & Gamble type company.

Sarvesh Gupta: And as you scale up across various things, are you finding any asset classes compared to, let's say, 2, 3 quarters back, is our new positive or rather more positive on any other asset class. Also, apart from the equities where we feel that very likely we will be able to prepone this out of the revenue pool that we can get from that particular asset class? And why is that if at all that?

Narayan Gangadhar: Yes. It's a great question. So, the 2 obvious places where money is shifting is clearly equities, but also mutual funds and ETFs, to some degree, right? So, clearly, those are 2 areas where I believe in India, the ETF exposure today is one of the highest, it's at an all-time high. And what customers really want is they want to manage and balance their risk. So, clearly, mutual funds give them the diversification and such. So, as a platform company, we have to be ready with those products. And this is where, if you look at where we are focused on, we want to build the platform, give that equity experience first because that's extremely important. And then going to further accelerate and bring that same value add on mutual fund journeys and ETFs. Now there is a couple of other interesting areas which are emerging. See, fixed deposits is the granddaddy of all investments in India. It has the most number of investments today are all in FDs, and there is no clear FD product today on the market and our customers are asking us for it. So, we have to start putting our heads together and figure out what's a good, aggregated product to build here, fixed income product because clearly, there is a customer appetite for that. So, if you look at where we are headed, mutual funds is next, ETFs are one, and then a fixed income category, which includes fixed deposits as well as bonds and sovereign gold bonds. So, I look at these 3 categories also, which are shaping up.

Sarvesh Gupta: In mutual funds, is there any revenue model that we can envisage in this era of direct mutual funds and people likely to buying everything directly from the AMC? So, as an intermediary, any revenue model that we can envisage there?

Narayan Gangadhar: See, to be honest, the industry is struggling with this as well, right? The only revenue model that at least has some merit is building adjacencies around it. You get the customer in. They are on the direct mutual fund platform, very much like what some of the venture-backed companies are doing. They're not making any money. But then eventually, the hope is that you get them hooked and then you give them that experience when it comes to either equity products or IPOs or whatnot. On the back end, at least there is no white space that we can take out to innovate at least not what we see at this point. But we do see this as a great tool for overall wealth management of our customers over a long period of time. See, one very important thing that has changed is if you look at customers that we are acquiring today now, these customers are going to be with us for the next 20, 25 years. So, there are going to be people, a large set who are going to be in their 30s, in their 40s who want to invest in products which are not equities produced and this is where we need to be ready. And this question, actually, I also would like Dinesh to give his perspective on this. Dineshbhai, do you want to give your perspective on this as well?

Dinesh Thakkar: Sure, sure. See, what is important, like if you look at like digital space, opportunities are really dynamic and are really expanding at a very high rate. And if you look at this new generation, they want to buy everything, they want to be served on a digital platform. So, what is important for a company like Angel, we have to look out for places where we can acquire customers and we are confident enough once we acquire a customer and get them used to our platform, they will buy one other product, and we'll be able to get some good lifetime revenue from the customer. So, it would not be right to really pinpoint on which product they will buy and will make revenue or will make profit. But we are confident that once a customer who is on-boarded on our platform and the kind of platform that we are building, customer journeys that we are building, this customer will buy one or the other product in his lifetime. So, if you look at digital model, what is important? Customer acquisition cost to lifetime value. We believe that lifetime value, currently what we are looking at is nothing to what we can really achieve in this space. So, overall, we would like to go into an area where we are able to acquire a customer at a very reasonable price. And keeping in mind their lifetime value of a customer, what we're getting currently would only increase from here. So, overall, we are very positive about like being into digital space and being into kind of like platform company. So, beyond broking, I see lots of kind of an area where we can generate revenue and extend this lifetime value of customer.

Moderator: The next question is from the line of Hiten Jain from Invesco. Please go ahead.

Hiten Jain: I have 1 question. So, I appreciate the point that you made that because we keep adding customers where the lifetime value gets realized later on over the course of the year as and when the mix increases in favor of higher vintage clients, that is the time where ARPU will show better outcomes. But I was just analyzing this quarter. So, this quarter after long we have seen a slowdown in total clients. So, over the last few quarters, sequentially, total clients were growing at between 20% to 30%. This quarter, it's grown at 13%. But despite that, we have not seen any improvement in ARPU. So, ideally, this is a quarter where your mix has increased in favor of higher vintage clients. So, we should have seen some better outcomes on ARPU? Or the other way to look at it is that despite adding 13% sequential clients, 13% growth sequentially in clients and 8% in active clients, our net revenue is flat sequentially. So, what is your assessment of this? On the face of it, it looks weak.

Narayan Gangadhar: Yes. See, it's weak. So, weak is a statement which has to be taken in context of the broader market also, right? If you look at how the indices have performed and the customer sentiment and not just across investing. If you look at just customer sentiment today in India, right, it is currently at, I wouldn't say it was depressed, but it is cautionary. There are lots of sectors where people are deferring investments. People who wanted to buy homes are currently waiting. Loan volumes are down. So, this is not a micro trend which is only specific to retail or client investing. It is happening across the country. Now that said, what we are seeing is that in such trends, right, there is a period of wait and watch. So, these customers who are coming on board, definitely they are getting active, which you have already seen in our numbers, right? The numbers speak for themselves. So, the activation is happening. And what is also happening in parallel is that there is a lot of traffic just to understand what kind of products are available in the market. And today, if you look in the equity space, whether it is cash, whether it is derivatives, whether it is equity, whether it is mutual funds, pretty much there is a bearish sentiment on all of them. So, clearly, when new customers are coming to the market, if the appetite was to invest, let's say, Rs. 1,000, the guy will only invest Rs. 500. So, this ARPU thing that you're seeing, especially in this particular quarter, if you just take a like what is it like a magnifying glass view, right, I believe this quarter has been and the next quarter likely will be a little bit of an exception where you are seeing both the macro trend working against the industry and also you're seeing the effect of a business which is compounding and more clients are coming on board. So, we should not be quick to judge which is what. Longer term, as we mentioned, the fundamentals of our business are still valid because we are still breaking even from that same customer even with the reduced ARPU in under 6 months. So, it tells you that overall, at a macro level, things are evening out. Now when you look forward from here from another 3, 4 months out, right, I believe this trend will continue, right? Because till there is some clarity on what the future situation will look like. But for us, the focus is very clear: Continue to acquire customers, continue to curate them and continue to activate them the right way. So, we are not changing our game plan, which is what I mentioned earlier.

Dinesh Thakkar: Let me add over here, Dinesh here. Hiten, when you're looking at our ARPU and all that, so today, currently, we are getting revenue from our broking stream. So, what I was referring to was that digital space is evolving. So, there are regulations getting formed, apps are being made to improve customer journey for other services and all that. So, when we talk about extending lifetime value, it is not going to happen in a day or 2, it will require lots of regulation to be framed as we are making Super App, journeys to be built in that. So, overall, when we acquired a customer, we are looking at next 5, 10 years. So, we'll not look at month-on-month drop or increase because that is a primary function of a market as currently our revenue comes from broking services. But when we talk about extending lifetime value, we are talking about introducing many more services. For that we require a better regulation. As Narayan said, that we are looking forward at lots of regulation formed on that layer of Sahamati account aggregator and all that. Once we get more data, once our app stabilizes in terms of different journeys, we can expect a higher lifetime value from vintage customers.

Moderator: The next question is from the line of Chintan Patel from Satco Capital Markets Limited. Please go ahead.

Chintan Patel: So, what would be yield differential between normal clients or flat fee clients and associated partner clients?

Narayan Gangadhar: Sorry, what is the yield differential. Can you please explain that? I didn't think I got it.

Dinesh Thakkar: Ketan can really answer this. So, like we are into flat broking plan. I think Ketan will be the right person to answer it.

Narayan Gangadhar: Yes. Ketan, please take it.

Ketan Shah: So, we have a flat broking plan for direct clients as well as AP, right? So, the rate of brokerage is same for all the customers, whether he comes through AP or whether he comes through a direct channel. So, as such there is no difference in terms of yield.

Moderator: The next question is from the line of Franklin Moraes from Equentis Wealth Advisory. Please go ahead.

Franklin Moraes: So, I wanted to know your thoughts on the account aggregator framework. Currently, it's in the nascent stages and predominantly banks are participating in that. But from your interactions with regulators, when can broking entities be a part of this account aggregator framework? And how is it likely to change the landscape?

Narayan Gangadhar: Yes. So, currently, obviously, as you rightly said, very early days. In fact, the product itself, if you look at their APIs, it's a fully electronic product, right? And it's in a very nascent stages, right? But that said, the banks have just started to embrace it. Now what is in it for us is that for us, what this gives us, is this gives us a very good 360 view into the fidelity of the clients we are acquiring. Based on the information and whether it is information that we get from their banks or from their assets, which are held in other sources, right, this account aggregation framework can help us introduce better products to the client. And today, we obviously don't have that much line of sight because the data simply is not available. Let's take a small example. Let's say, we want to offer a unique pledge product, okay? And let's say we want to offer a unique pledge on collateral against some of your other assets. Today, there is no line of sight we have on any of that stuff. Do you simply know what securities you have, whether you want to square it or not. That's a very myopic view. Because if you as a person, you may have multiple assets in different places. You may have an asset in your fixed deposit. You may have an asset in your stock account. So, if we get a 360 view, we can come up with a much more better holistic product to add more value to the clients and improve that value proposition. So, from where we sit, we see this as a huge, huge advantage. Secondly, we see that this data is going to get commoditized. So, very simply, the data is not going to be a differentiator going forward. It will only be the experience. So, this is extremely important because if you look at venture-backed companies, the idea there is, you get customers in, you get their data and then you can kind of scale out. But that with Sahamati coming on board or whatever Paytm Money or whoever else has put so much capital or any of the other VCs for acquiring customers, that kind of value add dissipates overnight. And we believe that is good for the industry because that will drive innovation in areas where it should be, like customer experience, it will drive innovation in newer products, it will drive innovation and better risk management, which is where the product differentiation should be rather than simply throwing money and acquiring customers. So, this is a huge area for us. And clearly, there is more here. I want also Dinesh to add his perspective because he's also been championing this for quite some time. So, Dinesh, please go ahead.

Dinesh Thakkar: Sure. See, with Sahamati layer, especially this the account aggregator has been like a very interesting thing for us since many years, and we have been tracking it. And fortunately, like now SEBI has also started uploading data of customers. So, it is a matter of time that we will get more information on customers. I'm seeing this as a big game changer. If you look at like U.K. market, what happened after they introduced something similar like PSD1, PSD2, now they are talking about PSD3, which opened up lots of markets like prime APIs and all that. So, we are investing heavily on technology, keeping in mind that when all the things happen, we must be ready with some good solutions and very like engaging solutions for people who are not expert in financial services. So, if you look at our investment, which goes on AI, ML, data scientists and all that, they are very hungry about right information, right data source and all that. So, we believe once this kind of like an account aggregator where information of customer comes in place, we would become a very big player in terms of TAT, in terms of providing prime APIs to our like business associates and gaining more market share in terms of people like who want to have a proper financial planning from us. So, like we talk about wealthtech and all that, all that opportunity opens up once we get authenticated right data. So, we are very kind of an optimist and we are looking forward to see that SEBI regulated entities also are given access to information of customers.

Franklin Moraes: Next question is, when you talk of active client base, what is the definition of getting qualified as an active client?

Narayan Gangadhar: Devender, maybe you give them the actual technical definition.

Devender Kumar: So, internally, we have multiple metrics, but I think at an industry level, NSE comes out with the metrics of people who have at least put one trade in last 12 months. And that's how I think NSE has been, yes. So, we are also doing the same way. So, we're also doing on the same way, people who have done at least one trade in last 12 months.

Franklin Moraes: So, monthly, I mean, on a monthly basis, the number would be far lower, at least for the last 3, 4 months. Would that assessment be right?

Devender Kumar: Yes. It will be similar to what industry experience is in terms of month and 12 month relations.

Franklin Moraes: And my last question is on the average revenue, we have been giving qualitative assessment in terms of how the average revenue has been declining. And what are the reasons for the same. But could you throw some numbers or like from your assessment, by when can we see this average revenue per client moving up north of 650?

Narayan Gangadhar: Yes. So, we don't give any forward-looking guidance on any of this stuff. But I'll have Devender give you a little bit of insight into how the revenue team is looking at the big vectors that influence the number. Yes, Devender, please take it.

Devender Kumar: Yes. So, when you look at ARPU of a client, obviously, one angle is the activation, how you are bringing up the activations that many people contribute, start looking at using your services, which will start contributing to revenue. And the second angle is the retention that we spoke about, which is a long-term value of a client of how they behave 3 months down the line, 6 months down the line and so on and so forth. I think there's a middle factor of monetization as well, where we look at particularly, which are the additional services that they are using, which will start contributing into revenue of a client. So, as an ARPU today, when we look at, I think Dinesh Bhai mentioned this thing, that we look at only broking services as a main churner of revenue for us. But as we go ahead, the multiple services that we are going to launch through our Super App will result in, we obviously already started tracking metrics like product per customer that they are using, obviously, the size, ticket size of the customer that we look into. So, if you look at from a wholesome point of view, there are multiple levers through which you can build the ARPU of the client, which we are monitoring. And obviously, this has been continuously going up, as shown by various kinds of numbers. But as an overall industry trend, if you really look at where we stand as a penetration of India. And we are kind of expanding the market into pockets which are unserved in nature, Tier-3, Tier-4, Tier-5 cities, where the ticket size are lower. If I look at it from a long-term point of view, I see that the ARPU of a client will go up with the introduction of multiple services over a period of time where you actually serve them with the full spectrum of financial services. But in the short run, we are obviously penetrating very, very strongly. So, these 2 factors will actually counteract and we will see that the ARPU is pretty stable at some point of time when the penetration has been achieved. And till that point of time, I think the major point to look into is whether we are able to acquire these clients with the right kind of profitability. Because we do really want to know really, reach the zenith of India, where we are the highest penetrated in India, and which would mean that we will acquire a lot of Tier-3, Tier-4, Tier-5 clients and get them into financial services, which is getting served through the digital platform that we are building across. So, you have to look at it from 2 pronged way. And at a long term, you can look at very stable view. I think the larger view that you would look into is how is the scale going up and how the multiple services that are coming in, which will answer it.

Franklin Moraes: Thank you, Devender.

Moderator: The next question is from the line of Samyak Shah from Dinero Wealth. Please go ahead.

Samyak Shah: So, my question is regarding the share of top 5 digital brokers. As it is seen in the presentation, it has fallen to 69% compared to the last fiscal which was at 73%. So, any particular reason or your view on that?

Narayan Gangadhar: So, if you look at the top 5 players as an aggregate over the last 3 years, 4 years, the trend is that it's growing faster than what you see in other siloed broking environments, like bank based broking. So, maybe one quarter here or there, the numbers might be off. But at a macro level, the writing is already on the wall. When you look at the number of clients we are acquiring digitally and if you look at us and you look at some of our other competitors, I think it's fair to say that these 3 or 4 brokers will have the giant share of new customer acquisition over the coming months. And I also should add that if you look at Angel's own performance, in last month, we had about 34% of all these clients incrementally that were added on the exchange. 34% of them came to Angel. So, our numbers are also growing phenomenally there, right? So, overall, I look at that trend continuing. And even if there is a few corrections here and there, I don't see that as a long-term trend at all.

Moderator: The next question is from the line of Jignesh from GMO. Please go ahead.

Jignesh: So, activation rate has declined close to 130 bps Q-o-Q. I believe partly because of moderating the new client addition. In current environment, with more you can say in moderation in the new client addition. Directionally, the activation rate will further decline, you can say, and go back to the earlier level? Or what is the view you are having?

Narayan Gangadhar: No, I don't see it declining to the previous levels. Given that the sentiment in the market is also bearish at this point, as I mentioned, newer customers coming to the market. See, newer customers today, the biggest challenge today is educating the new customer. It's not about the trading volume or any of those things. Those things will continue to grow only. The big issue here for every company right now, tech companies, fintech companies, the #1 challenge is newer customers are coming online, how do we educate them. And the product has become very, very complex. Now if you look at any fintech product and not just broking, even outside broking, they are very complex to use. And with new buyers, how do you educate these guys? How do you get them and build awareness? This is one of the main reasons why you are seeing like a dip in activation and things like that, along with the fact that the market sentiment is quite bearish. So, what I look at is that my objective is to look at how does this activation ratio move when clients have been in the system for 1 year, been in the system for 2 years, been in the system for 3 years because that is what we need to control. So, when you are joining the system just because of the sheer volume, the activation might be low, that is okay. But when you're in the system for a long period of time, that number needs to improve. So, overall, I don't see the number dipping. I think it would come back to its original numbers. And in the sense, it will continue to get better. But there will be a few quarters blip here and there, where still new customers are calibrating the market, which is something that is expected in this kind of an environment.

Jignesh: My second question is if you take about new client addition, growth is moderating, and we are now on the sizeable base of the total active client and the total client. Assuming the 3- to 5-year client of the life of the client, so 2 years down line our active client and the client start, you can say moderating or that might be start declining also considering that new client addition may not be strong enough to support the attrition level.

Narayan Gangadhar: Correct. So, the good thing is that as long as the top of the funnel grows at a fast rate, even if there is a corresponding slip on the other side, meta-meta the business will continue to stay healthy. See, because if you look at what we are optimizing for, we are here to build this business over a longer period of time. So, the if you ask what my attention is on, I am only interested in expanding the top of the funnel. This is what my team, myself, Prabhakar Tiwari, who's our Chief Growth Officer, right, I mean this is what we focus on. We focus on expanding that funnel, getting more people to the platform and growing it up, right? Now there is another interesting trend, is that with a 10 million client base, obviously, the number of people who have never traded is also going up. So, good thing is that we have acquired these customers. They are on our platform. So, now you're looking at a latent customer base whose KYC we have done, but we have to incite them to trade. So, this opens up a great opportunity to look even within our own customer base to generate new business for us. So, what I'm trying to say here is that if you look at the big picture, we have more than one knob in our control to actually adjust this number. So, it's not just as simple as top of the funnel has shrunk. It's a little bit more nuanced than that.

Moderator: The next question is from the line of Prateek from Nippon India Mutual Fund. Please go ahead.

Prateek Poddar: Just wanted to check with you if you could give us a timeline for the rollout of Super App on the Android platform. And then also the wealth management products over it, right? If you can, would the wealth management products, would follow the same strategy first on the iOS platform and the web based and then followed by Android?

Narayan Gangadhar: Right. Yes. Thank you, Prateek. Great question. See, our plan is, as we discussed in the last earnings call, this quarter, we will be finishing the iOS deployment. We are far ahead of schedule there. We want to start the Android deployment this quarter. My sense is it will take 1 quarter because there's about 8-point-something million clients. It's going to be one of India's largest migrations. And also, Prateek, one thing of interest here, is unlike other competitors, we have not built 2 applications. We just built one actual Super App, which will be upgraded in place. So, it is the first time that such a migration is being attempted in India, right? So, now what I am seeing is that we start somewhere in the next month, 1 month, 1.5 months for Android. And then I expect it to go for another quarter with the full migration being done. Ankit is our Chief Product Officer. Ankit, do you want to add anything here?

Ankit Rastogi: That well covers, Narayan.

Narayan Gangadhar: Yes, great. So, from our side, that's what we have. And in terms of broad product strategy, I think also the same playbook that we are building for the web app, for the mobile app, the same template of deployment we are going to take it to web products also, to other, to mutual fund products also. Mutual fund products, I expect it to be in the Super App in probably a quarter's time.

Prateek Poddar: You mean on the iOS version?

Narayan Gangadhar: Yes, in the iOS, yes. So, that will be the first….

Prateek Poddar: And then you roll out to Android, right?

Narayan Gangadhar: Yes. And also, that will be the very first time you will see 2 different journeys in one app. This will be the first actual Super App, one of the very first ones in India. You'll see 2 journeys, equity journey and mutual fund journey from the same application in iOS, and that will be a very big milestone for our business, actually, and also for the industry also.

Prateek Poddar: And given that you are now on-boarding or getting the mutual fund journey on the Super App, your client base on the funnel will increase, right? That's a fair understanding.

Narayan Gangadhar: Absolutely, yes. It will increase, and that is going to be another area of focus. One other gentleman had asked this question earlier for our acquisition strategy. See, we have to grow the funnel. And by growing the funnel, we have so far been growing on the back of our equity product, and we have had a phenomenal success. Now imagine once the wealth management product is ready, then we are going to double down. Then our reach grows dramatically because we can attract more customers to the platform. So, this is why we are in serious investment phase at this point, like it's a very good growth point for our company.

Moderator: Ladies and gentlemen, this was the last question for today. I would now like to hand the conference over to Mr. Dinesh Thakkar for closing comments.

Dinesh Thakkar: Thank you, everyone, for joining us today on this earnings call.

Unlike developed economies, where equity penetration is high, India's growth opportunity remains insulated due to high under penetration. Growth in Demat accounts reflects rising equity adoption of India. The rise of retail investors is witnessed from their growing participation over the last couple of years. They have demonstrated tremendous strength as they withstand market volatility, coupled with aggressive FII selling. As the fundraising activity resumes and more companies get listed, investing opportunity will only expand for investors. All this gives me confidence that India's capital markets are well poised to catapult into a next phase of growth.

Angel is well poised to benefit from these growth opportunities. We rank amongst top 10 players, both retail and institutional combined, in daily F&O turnover in the country. This is a testimony to our best-in-class technologically advanced product and the superior business model that we have built. The resilience of our business is demonstrated from our Q1 FY '23 operational and financial performance. This will only improve going forward, supported by better market conditions. Angel will be the torchbearer of demat proliferation in the country as a new age India gradually understands the benefit of superior return profile of equity over the other low-risk assets.

We will spare no effort in helping investors achieve their goals while also improving their overall investment journey. We have successfully demonstrated the security of our digital strategy and plan to augment the same as we move forward to attain our goal of market leadership. I am certain this goal is not too far away.

I wish to thank you all for your continued support and confidence in Angel One. For further queries, please do reach out to Hitul Gutka – our Head IR or SGA, our Investor Relations advisors. I wish you all a good day ahead. Stay safe, stay strong. Thank you.

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