To,

Listing Department
National Stock Exchange of India Limited
Exchange Plaza, C-1, G Block,
Bandra Kurla Complex,
Bandra (East), Mumbai - 400 051.

Symbol: ANGELONE

Department of Corporate Service
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001.

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 January 04, 2022 intimating of the earnings call with analysts and investors to be hosted by the Company on January 18, 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)

PATEL NAHEED REHAN

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

Date: January 21, 2022

“Angel One Limited Q3 FY2022 Earnings Conference Call”

January 18, 2022

MANAGEMENT:	**MR. DINESH THAKKAR – CHAIRMAN AND MANAGING DIRECTOR, ANGEL ONE LIMITED** **MR. NARAYAN GANGADHAR – CHIEF EXECUTIVE OFFICER, ANGEL ONE LIMITED** **MR. VINEET AGRAWAL – CHIEF FINANCIAL OFFICER, ANGEL ONE LIMITED** **MR. HITUL GUTKA – INVESTOR RELATIONS HEAD, ANGEL ONE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Angel One Limited Q3 FY2022 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 the date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict.

I would now hand the conference over to Mr. Dinesh Thakkar. Thank you and over to you, sir.

Dinesh Thakkar: Good morning, everybody. On behalf of Angel One Limited, I would like to extend best wishes to everyone for the New Year. I welcome all of you to our Q3 FY2022 earnings call. I am joined by Narayan Gangadhar, Chief Executive Officer; Vineet Agrawal, Chief Financial Officer; Hitul Gutka, IR Head, SGA, our Investor Relation Advisors.

India is currently witnessing a third wave of COVID-19 pandemic and I hope that all of you and your loved ones are safe and in good health. We have published a detailed investor presentation and issued a press release to stock exchanges. I hope you had a chance to look at it. I will comment on recent development and then Narayan and Vineet will walk you through operational and financial performance for the quarter.

I strongly believe the economy will continue to witness strong growth as we move forward and the various initiative taken by the government, ensure that India is on a track to become a $5 trillion economy. All established organizations such as IMF, World Bank, ADB, rating agencies, etc., continue to voice their confidence in India's growth potential, with a typical forecast of 8% to 10% GDP growth for the current year. The current low interest rate regime, coupled with strong GDP growth gives us confidence that India will see sustained retail participation in equities. With the listing of new-age, large size consumer-focused businesses, we are witnessing increasing participation in capital markets, especially from the retail segment. This momentum progressively reflects a deeper understanding and maturity of today's young investors, who largely reside in smaller towns and cities.

Q3 FY2022 have been a busy quarter, as we witnessed many marquee issues hitting the market. Angel has done well in this market for the second consecutive quarter, which is reflected in the growing distribution income for us. There are several key drivers as India opened 10 million new demat accounts in Q3 FY2022, the highest the country has added in any quarter in the past, thus taking the total demat count to approximately 81 million as of December 2021. We are confident that the country will be able to sustain this growth in demat accounts going forward as well, as more Indians diversify their saving.

Let me now give you our perspective on commonly asked questions, cyclicity and volatility in the markets. There is a perception that capital markets are risky, and that retail investors have been volatile participants, as they exit when market correct. Our experience and data from stock exchanges, however, suggests to the contrary. Over the last 15 years, India has witnessed four major cycles. During each of the cycles, the headline indices, NIFTY 50 and NIFTY Midcap 150 have delivered negative returns ranging between minus 9% to minus 36% for NIFTY 50 and minus 3% to minus 49% for NIFTY Midcap 150. Despite this, India's demat account base grew at approximately 15% CAGR over this same period. In each of those years of negative returns, the industry did not experience a contraction in total trade volume on NSE during any of those cycles. On the contrary, total trade volumes grew between 2% to 27% in each of the cycles. This clearly signifies that investors have kept participating in capital markets, despite volatility and market corrections.

Furthermore, we have built greater resilience and predictability in our business by catapulting our business model to a completely digital platform and by simplifying the price structures from turnover-based to order-based. These adjustments have drastically reduced the volatility in our business. This is evidenced from the fact that our average daily order have grown in over 80% of cases, when either the NIFTY 50, NIFTY Midcap, or NIFTY Bank have fallen by 5% or more over the last 33 months. This has been the case since April 2019, when we turned into fully digital player.

This transformation has also led to a spectacular growth in our client base, driven by our Flat Fee plan, which evidences the success of our continuously refining our acquisition engine, with an emphasis on digital marketing, along with a strong focus on improving our activation engine as well. This is visible from the robust revenue growth over the last 11 quarters, primarily driven by our Flat Fee business. The advantage of such a digital model is its scalability with a reduced payback metric, where cost is already incurred, and operating leverage benefit follows thereafter. Our Q3 FY2022 financial performance is testimony to this.

We strongly believe that as we keep augmenting our technological capabilities and introduce best-in-class features to consistently improve client experience, we are better positioned to garner a larger share of this growing and under-penetrated market. We will continue to scale up our artificial intelligence, machine learning, data science skill, and deploy it in our Super App.

I am happy to share with you that our Board has approved a distribution of 35% of this quarter's consolidated post tax profit as in third interim dividend to shareholders. The record date has already been communicated to shareholders via our regular stock action notification.

With this, I now request Narayan, our CEO, to brief you on the operational aspect of the businesses.

Narayan Gangadhar: Thank you, Dinesh. Good morning, everybody. Thank you for joining us on the call today. Our industry continues to witness its strong growth momentum, even on a larger scale and despite market value. Lead indicators remain robust, as we continue to comfortably connect Indians to financial markets, and have a strong belief that the country is going to witness sustained participation for long periods of time. Players equipped with superior tech capabilities to facilitate best client experience will eventually be leaders with market share. I would like to emphasize here that Angel is on the path to achieve this position.

Let me first begin by giving you a flavor of developments on technology and products, which we have taken to increase the reliability and optimize experience, which will eventually improve the overall client experience. With focus on increasing reliability, we have invested in ruggedization of backend systems, improved error handling capabilities on apps, scaled up and fine-tuned the hardware and have undertaken complete rewrite of few systems. All of this has led to improved availability and reduction in contact ratio.

On the data science side, we took initiatives to improve client activation and client acquisition. We have developed a new machine learning model-based forecasting to improve the top of funnel quality, which has resulted in higher lead conversion for our clients. We have also built a propensity model to improve client activation, the result of which is evident from an uptick in our client activation to 39% in Q3 FY '22 from 37% in Q1 FY '22.

On the product side, we predominantly focused on two vital aspects, KYC journey and In-App journey. We upgraded the KYC journey to offer our clients a seamless experience by improving optical character recognition and introducing new stylus signature options for account opening. Angel has pioneered real time process of identifying bank account details, during onboarding, by using a mobile number, an industry first initiative. This has led to higher conversion rate for us. We've also upgraded the in-app journey by letting go of the obsolete and cumbersome hamburger menu and replaced it with a far simpler Discover tab in the app. This eased navigation to different sections of the app with minimal clicks. We have witnessed multifold jump in clients accessing mutual funds, IPO, ARQ, GTT, options simplified etc., now. All these developments on tech and product side have led to a step up in our net promoter score and Google Play Store rating.

Now, let me update you about where we are on the development of our new app. We have built the new native mobile app on clean architecture principles, with the aim of leveraging cross platform technologies wherever suitable. Here our emphasis is on deep personalization, which will take client experience to the next level. This new app is in beta and is expected to be launched over the next few months. All these finer details had commensurate impact on the larger picture of Q3 FY '22 and it has been an exemplary quarter on all operational parameters for Angel.

We closed the quarter at our historical best in terms of client acquisition, which stood at 1.3 million, thus expanding our client base to 7.8 million as of December 2021, representing sequential growth of 4.7% and 19.4%, respectively. With this, we now account for 9.7% of India's demat accounts. This is the third consecutive quarter, where we have acquired more than 1.2 million clients. In the current financial year, we have acquired over 3.8 million clients, as compared to 4.1 million in March 2021. We continue to aggressively acquire more clients from Tier II, Tier III cities and beyond, which form 90% of our acquisitions in Q3 FY2022.

Continued momentum in our acquisition rate with focus on non-urban areas demonstrates the success of our digital marketing strategy, processes, and robust product and tech suite. Our conscious efforts to acquire the young generation, so that we can partner with them during their lifetime as they are future wealth creators. The median age of clients acquired over the last few quarters is at approximately 29 years.

Our best in the industry Flat Fee tariff structure is a key driver of growth, which has attracted more than 90% of our clients signing up for it. This has resulted in 5.8x growth in our overall client base over Q1 FY2020 to Q3 FY2022. Strong growth in our client base has led to an expanding pool of active clients on NSE, which has steadily grown quarter-over-quarter to more than 3 million as of December 2021, translating into 6.5x increase over December 2019. Our active client ratio has also steadily improved to 39% in December 2021, as compared to approximately 30% in December 2019.

Improvement in our active client base is also reflected in our growing average daily turnover and the number of orders our clients are executing on our platform. Our average daily turnover increased by 20% sequentially to INR 6.9 trillion in Q3 FY2022, with December 2021 being at over INR 7 trillion.

Our number of orders, a key metric, which we have started recently publishing, also has been growing quarter-over-quarter to 180 million in Q3 FY2022, representing a growth of over 18% sequentially.

Our number of orders have grown by 6.8x over Q1 FY2020 to Q3 FY2022 as compared to 6x growth in our client base over the same period. This represents a higher engagement of our clients. Overall, equity turnover market share continues to remain strong at over 20% for Q3 FY2022. I am elated to convey that Angel's share in commodity segment was at our historical best of over 38% in December 2021.

The innovations and continued efforts to simplify client journey and upscale their experience is the foundation for continuously achieving such a robust operational performance. I firmly believe that our razor-sharp focus on technology will eventually facilitate us to attain our long-term goal of market leadership.

We are not only creating a difference for our clients through improvements in various journeys, but also continuously pushing up the standards of disclosures for benefits of all stakeholders. Step-by-step, we will be creating new benchmarks, disclosing important business parameters with the aim of making the business more transparent and achieve the highest governance standards. All these efforts separate us from our peers and strengthen our resolve to tap into the massive growth opportunity that is unfolding in the Indian capital market.

With this, I now request Vineet Agrawal, our CFO to brief view on the financial performance of our company. 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 explained by Dineshbhai and Narayan, Angel continued to deliver an extremely strong performance on all operating parameters for yet another quarter, which also translated into strong financial results.

The outcome of Q3 FY2022 reflects our inherent strength in this ever competitive industry. Some of the key drivers of our performance in Q3 FY2022 are strong client addition of over 1.3 million, 600,000 additions to our NSE active client base, robust 20% sequential growth in our average daily turnover to INR 6.9 trillion, strong 18% sequential growth in number of orders, which aggregated to over 180 million, a fledging client funding book, which clocked a sequential growth of approximately 7.7% to average at about INR 16.4 billion.

We closed the quarter with our highest ever-gross revenue of INR 6.1 billion, registering a 12.8% sequential growth, which is further split as follows. Gross broking revenue accounted for approximately 68% of our total gross revenues, with the quarter-on-quarter growth of 15.3%. Interest income which includes interest on our client funding book, and interest earned from deposits accounted for approximately 16%, growing at 10% quarter-on-quarter. Depository income contributed approximately 6%, a growth of 2.9% quarter-on-quarter. Income from distribution of third-party products was approximately 2% higher.

This time, we have further bifurcated our operating income to share with you the quantum of ancillary transaction income that we generate. This accounts for approximately 6% of our gross revenues, and has grown by 13.7% quarter-on-quarter. This is a net income linked to the turnover of our clients on the exchanges. The rest of the other operating income contributed approximately 2%.

The share of the F&O segment in our gross broking revenue increased further to approximately 74%, whilst the contribution of the cash segment was 22%. Share of the commodity and currency segments was 3% and 1%, respectively.

During the quarter, a greater push for MTF drove the average client-funding book higher by 7.7% sequentially to approximately INR 16.4 billion on a higher base. This coupled with a healthy increase in deposits led to a 10% sequential growth in our interest income. Since we have multiplied our client base over the last two years, the net broking revenue from clients who are less than two years on our platform continues to remain high at 75% in Q3 FY2022. The net broking revenue under the Flat Fee plan continues to witness very strong momentum, growing to a significant 83% of our overall net broking revenue.

Let me draw your attention to the average revenue per client we have been generating on a quarterly basis. Over the last 11 quarters, since we became a full-fledged digital player, we witnessed a 5.8x and a 51x growth in our overall client base and net booking income from our Flat Fee clients respectively, which has more than offset an approximately 0.3x reduction in our quarterly ARPC. The share of the net total income from our Flat Fee clients to the consolidated total income grew six-fold to 81% in Q3 FY2022 from 14% in Q1 FY2020, when we first introduced our flat pricing plan.

ARPC has also been partially impacted due to the high share of new-to-market clients, who generally would be low income accretive initially, but stabilize and pickup in activity over time. Corresponding to this, our consistent efforts to refine our acquisition engines, leading to higher client acquisition quarter-over-quarter has led to a more than proportionate reduction in cost of acquisition as we focus on acquiring more clients from Tier II, Tier III and beyond cities, and new-to-market clients we have experienced a corresponding drop in client acquisition cost as well for these pockets.

As a result, we continue to maintain superior and profitable business model with a customer acquisition cost payback period being within two quarters. The overwhelming growth in direct clients under the Flat Fee plan and a more than proportionate reduction in the customer acquisition cost has shown significant improvements in our operating profit margin to 50.7% in Q3 FY2022 from 12.3% in Q1 FY2020.

As highlighted earlier in previous quarters, we continue to add digital talent to our business, which has led to an approximately 12.6% sequential growth in our employee cost, excluding ESOP cost. Augmentation of human capital in technology, product development and digital revenue functions were the mainstay of this increase. Other expenses for the quarter rose to approximately INR 1.4 billion, representing sequential growth of 4.4%. This was due to incremental spend in acquiring clients, technology, depository charges and CSR.

Consolidated operating profit and operating profit margin for the quarter stood at approximately INR 2.3 billion and 50.7% respectively. Consolidated profit after tax from continuing operations increased by approximately 22.6% sequentially to INR 1.65 billion, once again the highest ever for any quarter-to-date. Consolidated earnings per share grew to a robust INR 19.9 per equity share on quarterly basis.

Our 9M FY2022 performance is as follows. Our gross revenues stood at be INR 16.2 billion, representing a growth of 84% year-on-year. Our operating profit stood at INR 5.8 billion, representing a growth of 103% year-on-year. Our operating profit margin expanded by 152 basis points to 49.1% over the same period of last year, whilst consolidated profit after tax from continuing operations grew by 114% year-on-year to INR 4.2 billion. Consolidated earnings per share grew by 96% year-on-year to INR 51 per equity share.

On the balance sheet side, the cash and cash equivalent increase to INR 45 billion, largely due to the increase in the clients' funds. The period ending client-funding book was at INR 15.1 billion, whereas borrowing stood at INR 12.2 billion. Some enhancements in tech capabilities led to a marginal increase in our fixed assets to INR 1.4 billion as of December 2021, from INR 1.2 billion as on March 2021. Robust profitability along with efficient capital utilization led to a significant improvement in annualized average return on equity to 43.7%.

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

Question and Answers

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-answer session. Anyone who wishes to ask a question may press star and one on the dash-tone telephone. If you wish to remove yourself from the questions you may press star and two. Participants are requested to use handset while asking your question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain: Yes. Hi, sir. Good morning, and very Happy New Year to everyone. Congratulations on a great set of numbers. I must appreciate the disclosures in the presentation. Really helped us understand the business more now. My first question is on the cost front, where we have seen the cost-to-income ratio coming in around 49% or there about. Do you think that this is a more sustainable way going ahead? My second question is on the new app, the Super App that you are talking about. When you talk about customization, what is it that you're exactly talking about? And lastly, my question is on the fact that the activation rate, which we are now inching closer to 39% with this new onboarding journey, and the new changes in the app, do you see this activation rate going higher to and reaching somewhere around 45%, 50% going ahead? That would be some of my questions.

Dinesh Thakkar: Thank you, Mr. Jain and New Year to you too. I will answer the first one and new app customization, I will ask Narayan to answer and even on onboarding we will have joined kind of discussion. So, on cost-to-income, currently, we are at 49%. So, we feel that this is maintainable, and we can sustain with this, because in digital model, what happens, that whatever cost we take in terms of technology and acquiring customer are upfront. So, there are lots of operating levers, which plays in later on. But as we want to increase our market share, and we have an aspiration to be leader in this industry, we would be spending more on technology and on acquiring customer. But having said that, we are very confident that we will be able to maintain this margin, but we would not be tempted to expand the margin, we would rather focus on increasing our market share.

And on new app commission and features of that, and whether it will help us increase activation, I will ask Narayan to answer this.

Narayan Gangadhar: Yes. Thank you, Dinesh. So, as we launch our new mobile app, our journey is very tailored to providing a wholesome customizable experience for all our clients. And as a part of that strategy, we are going to be building out a new onboarding kit that lets the customers customize and tailor their journeys to their investment philosophies and their style. And we have created a different, whole set of journey, based on investment personas. Whether somebody is a novice, whether somebody is a investor, whether somebody is a professional trader, and based on these guided journeys by introducing data science, we will be able to drive up our activation on a sustainable basis going forward. That is one of our main initiatives as we launch our next gen super app to improve activation.

The second thing that we see is that there is a lot of hand holding that is required before the user makes their very first investment. And often times, many brokers they struggle with this, because it comes down to what kind of content do you surface to the investor? What kind of learnings and what kind of educational experiences do you offer them, that lets them figure out how they go about the business of buying.

So, what we are doing is, we are building a wholesome model that emphasize more on letting the user make their first investment. And that is another major initiative that is getting rolled out on the product side, as well as on the business side, that will help us get to even higher levels of activation on a ongoing basis. So those are the two main initiatives that touch both onboarding as well as activating leading up to their first trade.

Prayesh Jain: So, sir a follow-up on the expenses that you are talking about in terms of technology. Are you capitalizing that or it's completely routed to the P&L?

Narayan Gangadhar: Sorry, I didn't hear your question.

Dinesh Thakkar: Yes, I understood that. I would ask Vineet to answer that.

Vineet Agrawal: Sure. So, Prayesh, whatever cost that we need to capitalise based on the accounting standards, we do that. The rest of the cost is expensed out. So, anything which is new to development or enhances the life of the asset is capitalized and the rest are all is expensed out.

Prayesh Jain: Could you just give us some ballpark number as to what are the technology spends and what portion of that is capitalized in the nine months?

Vineet Agrawal: So, technology spend for the nine months is about INR 100 odd crores in terms of the CapEx just looking. So, the CapEx for the nine months is now INR 6 crores.

Prayesh Jain: Out of the INR 100 crores, only INR 6 crores are being capitalized, right? INR 94 crores?

Vineet Agrawal: INR 100 crores is the OpEx.

Prayesh Jain: Okay.

Vineet Agrawal: And about INR 6 crores is the CapEx.

Prayesh Jain: Okay. All right. That's helpful. Thank you, sir.

Moderator: Thank you. Before we take the next question, a reminder to the participants to please limit your question to two per participant. You may rejoin the question queue if you have a follow up. The next question is from the line of Nilesh Shah from Envision Capital. Please go ahead.

Nilesh Shah: Congratulations, Dineshji, Narayan and Vineet for the excellent performance and for the disclosures. Honestly, this is helping us improve our understanding of the business. My question is, I have two questions. One is our market sharing in commodities has spiked up quite significantly. What would you attribute this to and how sustainable is this? Number one. Number two, on the Super App, and I'm assuming that we are probably going into the broader market opportunity of wealth management, wealth tech and things of that kind. Any sense in terms of this size of the opportunity there? I mean, on the broking side, we understand that obviously, the number of demat accounts is essentially a good perspective in terms of the size of the opportunity and how much it can scale up? Any sense in terms of quantifiable numbers, in terms of how big that opportunity could be for us over the medium to long-term and what are the timelines on the launch of this Super App?

Dinesh Thakkar: Okay. So, let me just answer this market share on commodity and broader opportunity. And timelines and everything, I will ask Narayan to take it over.

See, in terms of market share in commodity from day one, when Commodity Exchange was launched, we had that leadership position. So, people who are in the commodity market, they are very kind of familiar with our services, because commodity market ranges into two parts. So, not all the digital brokers are able to give like that kind of service for both the shift. This is what I assume. That's the reason we had very higher market share from initial days. So, trust that has been built in this community, this thing, participants has continued in this digital era. So, what we are seeing is that, continuously we are seeing that increase in market share in commodity, even when we were phygital, continued in the digital era. So, I think it is more of trust people have on our services and uptime that we give on both the shift. So, we are very confident that this kind of market share is sustainable.

Second, on Super App. You are right that the purpose of Super App, one was to have a deeper penetration in broking business itself, because if we look at, although we have covered 98% of pin code, but every pin code if you look at penetration, it is really very low. I think penetration over there is going to increase. But that requires features which are very simple to understand for people who are first time in the market, for people who don't understand English as a language. So, they want app which is simple to use, vernacular language, content which they can understand.

So, what we are trying to build with Super App is, one, size of the app should be such that it is usable across country through any person who is having low bandwidth or any kind of like smartphone. Second thing is that, how to monetize this customer base that we have, and how to sell more products to the same customers that we are acquiring, it's a big opportunity. It is very difficult to put in number right now, because as we are talking about selling mutual funds, selling insurance, providing lending product to customers, it's a big opportunity. It almost leads to a kind of like challenger bank and neo-bank.

So, it is too early for us to really comment on that, that how big is that opportunity, but we'll take it as we see that opportunity starting from mutual fund, insurance and lending. So it's very difficult to put the number for any digital player for that thing, because we are looking at huge kind of customer base coming to digital platform for different, different financial services, not just broking. So, our aim is to first of all create a super app, where we are able to create a very personalized journey, where a person who wants whatever service, we are able to download only that part of component. So that app does not become heavy and experience of customer is very good in terms of buying other products on our app.

So, to talk about what kind of an app we are building, features and all that, I'll ask Narayan to get into this conversation and brief you on that.

Nilesh Shah: Great, thank you so much.

Narayan Gangadhar: Yes, so, as Dineshbhai mentioned, regarding the concept of the Super App and the timeline, see, first of all, let me start by saying that the customers who are foraying into mutual funds or other financial products, they already are in our customer base today. So, every customer that we are acquiring today, they are looking for a comprehensive set of solutions, which goes beyond broking.

Now, broking is our bread and butter and that is going to be our prime focus for the next foreseeable -- for at least next 12 to 14 months. But I think it is important to understand that, that latent customer base is already with us. Now, in terms of how we are thinking about going about building out these experiences in our Super App, as we have discussed in the past, we want to launch our Spark Super App. It is probably going to go out, we are looking at between -- in the next three to four months. And post that we want to launch a series of experiences which touch mutual fund, which touch insurance, which touch buying sovereign gold bonds and all these other aspects of wealth management, which we are going to enroll it and bundle it inside the app itself.

And the big differentiator here, and the way we are going about it, is that we are building a joint unified journey, which helps the customer understand and take a look at the comprehensive view of their assets, unlike if you look -- unlike many of our competitors, who look at a siloed way of, who give you a siloed view into asset. We are taking a more holistic, comprehensive view into asset management because that is what is going to drive maximum return on investment for the end customer.

Nilesh Shah: Great. Thank you so much and good luck with these plans. Thank you.

Narayan Gangadhar: Thank you.

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

Nidhesh Jain: Thanks for the opportunity. I had two to three questions. First is, sir, how should we think about ARPU going forward? Understandably, we have seen some decline because of sharp increase in customer addition and the share of Flat Fee going up, but in coming quarters, how should we think about ARPU? That is first question. Second is sir, what percentage of customers that we are acquiring is coming from new to investing or new to demat account or -- and what are the customers which are -- which we are attracting from other brokers? And third sir, just one observation, some of the global brokers also disclosed cohort level ARPU data. Brokers in U.S, like Robinhood and XP are disclosing cohort level data in terms of ARPU, I understand that no one in India discloses that, but if we can disclose that, that would be very useful, sir. These are the three points.

Dinesh Thakkar: Okay. Nidhesh Jain, in terms of ARPU, already, we have put in our presentation what ARPU we are getting from customer. I hope you have gone through that presentation.

Nidhesh Jain: Yes, sir. I was asking, how should we think about ARPU going forward? It will continue…

Dinesh Thakkar: Yes. I mentioned that but in terms of disclosure, we have started disclosing our ARPU data, so that you get a better understanding about what's the reason ARPU is declining and what are the benefits to that.

Now let me put this in a proper perspective. See, we went digital in April 2019. So that is quarter one of '20. That is where our ARPU was around INR 761. Currently, as we speak in third quarter, our ARPU is INR 528. But if you look at pockets that we have entered, these are the pockets where physical broker or a bank-based broker was unable to get into. So, we saw a huge growth in customer base, almost 5.8x growth in customer base.

So, reason for that is when we go to a newer pocket, ARPU is lesser, but if we look at cost of service, cost of acquisition is also far lower. And if you look at that presentation that we have given, our total EBDAT margin, which used to be like around in the range of 12% to 15%, jumped to 50%. So that means what is important in this market in India market, it is not about getting concerned about ARPU, is about how to service a customer who comes with a small amount of investment of say, like INR 25,000, INR 30,000, or even INR 10,000.

For that matter, when we'll go into mutual fund and other distribution, kind of like products, we want to serve a population who comes with like a monthly plan of INR 100, INR 200. So, ARPU may drop off from here. But what is important is that, whether our like business margins will drop, whether cost-to-revenue would be around in the range of 50%. That is what we look at. We look at opportunity, which has a higher growth, which has a margin of around 50% and we don't mind going to an area where ARPU is low.

So, that is where digital models are. If you're talking about 10x opportunity, it is going to come from pocket where initial kind of like participation from customer may be very low. But what we have to look at, we don't like look at other digital players, just acquire a customer, then think about monetization. I understand, we can monetize that customer base far more in a better way, in an effective way in future, but what is important today, today also there are existing pocket where you can have a margin of 50% from day one. So, our focus is totally on acquiring a customer who can give us a good profitability, give us a good revenue and future seem to be great with that audience.

If you look at our customer age, it has dropped from 33, 32 to around 29. We're acquiring customer more of the age of around 18, 19, 20, just getting their first job, getting their first pocket money, putting in the market. So, what I look at is that, I'm not focused too much on ARPU declining. I'm looking at, which are the pockets where we can get triple digit growth. So that is where our focus would be and continues to be over there.

Now, looking at the devices or maybe journeys that we can create, which can have machine learning, artificial algorithms built in our systems, it is very easy to serve customer for even wealth management at a very fractional cost. So important for us is to disrupt all kind of in this market, and try to give best experience to people who have not started their journey in our equity market, just getting concerned that how to start the journey. They always think that equity is very risky kind of an asset, but we know it is volatile. There are ways to manage it. That requires lots of ML/AI to be built in our products. That is what we are building in our new app.

So, we are very confident that we will be able to grow at this kind of rate, but we are not concerned too much on ARPU. It's very difficult to say at where we would say that, below this ARPU, we would not like to go, but we would like to see where are the business opportunities, where are the margins? Where are the profitability? We would like to go and capture that. So, what is important for you all to focus is that, in a new customer base, are we getting growth? In new customer base, is there a decent margin? In new customer base, does the lifetime value increase? That is most important.

Nidhesh Jain: Sure, sir. Understood. Understood. And sir, in terms of data point, what percentage of customers are new to industry?

Dinesh Thakkar: Yes. Vineet, the non-KRI customers, if you can give some data?

Vineet Agrawal: Yes. About 80% of the clients that we acquired in Q3 are new to the market.

Nidhesh Jain: Sure, sir. Thank you, sir.

Moderator: Thank you. The next question is from the line of Sahej Mittal from HDFC Securities. Please go ahead.

Sahej Mittal: Hi. Good morning, everyone. Congratulations on a great set of number. So, I had a couple of questions. Sir, firstly, my question is around active customers. So, if you could give us some split in terms of the customers which we acquired, given that we have now closed 3Q FY '22 sir. If you could give us a split of active customers in terms of the customers acquired pre 3Q FY '21 and the customers acquired 3Q or post 3Q FY '21 to understand what is the activation rate of the customers acquired in the last one year? Because what it seems is that with the kind of customer addition, the gross customer addition we are seeing the active clients have not grown at a very rapid pace. So, is it that the newer customers are less active or the older customers are dropping off? What is the case?

The second one was around the annuity fees and our revenue. So, I mean, what is the percentage or the amount of annuity fees, the INR 20 per month fees, which we charge from our customers, constitute in our revenues, because what I understand is that we are offering some free period for the first 6 months or 12 months and once this period ends, then a INR 20 per month on a 2.8 million active client base would translate into somewhere around INR 60 crores of revenue. So, if you throw some color on that?

And the third one was around ancillary transactions revenues. So, I understand that you make some spread on the transaction charges, but my back of the envelope calculation suggests that this number seems to be very high. So, if you could explain that number as well?

Dinesh Thakkar: Okay. First I will talk about active customer base, then annuity plan and ancillary revenue, Vineet will take it over. See, active customer base, as we have moved digital, I don't see any kind of trend deteriorating or their revenue is decreasing, because we have given a chart of revenue that we get from customer who are two years and less and between two to five years. So, two years and less are all digital customers, acquired digitally. So, if you look at that customer base, that has been growing, and in terms of they being active also, we have seen they are equally active, in fact, a bit more active than our physical era.

So, overall, what happens like in terms of percentage wise, you may not see a very dramatic improvement because customers that we are acquiring are often similar kind. So, if we are seeing 39% of the customer becoming active, so they will remain so for maybe a quarter or so till the time we improvise on our journey. But it is better than industry average, which is around 32% to 33%. So, we look at, when we acquire a customer, whether they become active as they were active, say, like in last few quarters. So, answer is we have bettered that, in fact.

And second, we look at in terms of their revenue for first year, second year, or every month, are we getting equivalent to what we were getting one or two years back? So let me briefly tell you that we don't see any kind of deterioration when we talk about breakeven point of any customer. So, we give you a hint that breakeven point has remained same, like it used to be like four to five months. Today also, when we acquire a customer, breakeven is in the region of four to five months. So, it has not deteriorated. So, everything in terms of customer quality, revenue from them, and margins that we get have remained the same, or in fact, it has bettered a bit.

And on your annuity and ancillary revenue, I would ask Vineet to comment on that.

Vineet Agrawal: Sure. On the annuity part, right now I don't have the data of the breakup. I'll share with you separately, maybe. And on the ancillary income, see what happens is, most of our -- all our clients are retail. So, their turnover is quite low as compared to the aggregate turnover on which we pay the turnover charges to the exchanges. That's the difference between what we charge and what we pay onwards to the exchange.

Sahej Mittal: Yes. So, I get that but the pass-through which we make here, the pass-through is -- so we charge some INR 345 per crore, and what we need to pay is at INR 320 per crore, but the differential somehow does not seem to add up. I mean if you could…

Vineet Agrawal: I mean, I don't have that entire spreadsheet right now in front of me, but I can help you with that later on.

Sahej Mittal: Sure. Just a data keeping question. The net broking revenue, my calculation presents that the net broking revenue are at INR 271 crores whereas the number disclosed in the investor presentation was INR 275 crores, if you could just clarify what the exact number?

Vineet Agrawal: Net broking revenue. Just one second. Can I come back to you on this as well? I will just check.

Hitul Gutka: Hi, Sahej. This is Hitul here. So, some part of the fees and commission includes the payout been done for the IPO and the other distribution business that we have. So, this is the pure broking fees and commission that we have reduced from the gross broking revenue.

Sahej Mittal: Got it. Right. Okay. That's very helpful. Thanks and all the best.

Dinesh Thakkar: Thank you. Thank you very much.

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

Sarvesh Gupta: Good morning, sir. And thanks a lot for taking my question. The first question is, if I look at your gross revenue mix, it is still, despite all the growth in that clientele and addition of features, it's still we have I think, not more than 4%, 5% flowing in from your distribution and other income. So, what's the plan for the overall, in terms of the mix, maybe in the next three years? We are still very much a equity-oriented sort of revenue profile that we have got. So that is one. How do you see this mix changing over the next three years?

Second is, I think the activation rate has gone up from 35% odd to 45% in this quarter, any particular reason behind the same? And lastly, your employee expenses have gone up by I think 16%, 17%, while your employee number headcount has been the same. So, has there been any one-off or large bonuses or anything announced in this quarter, which has led to the same or is it because of any other reasons?

Dinesh Thakkar: Okay. So, your first question was on activation you're saying right?

Sarvesh Gupta: Sir, on the gross revenue mix…

Dinesh Thakkar: Yes.

Sarvesh Gupta: Still looks like 90% of the income is equity…

Dinesh Thakkar: Yes. Let me start with that. See, primarily, we believe that we are recognized as an equity service provider, stock broking, it may be anything related to stocks, future, option, all exchange traded considered like asset. So, we want to be a leader over there. I would say, that is our prime goal. Second, because we have acquired almost like more than like 7 million customers or close to 8 million customers, we would like to get revenue from other asset classes.

But jumping this into without full preparation is not going to make sense, is not going to make leader in that segment. That's the reason we decided to go for Super App. But when we plan to go for a Super App, it takes time to build and build all the journeys for different, different asset classes. But first, to have an architect of an app, which can incorporate all asset classes takes time. That's the reason we announced that we are going for a Super App. That means, we would completely change our architecture what we have to a new app, where new, new journeys can be included and lots of customization can be done. That's the reason we have postponed this selling third party products aggressively for next financial year.

As Narayan explained, that we would be launching this new Super App by March, April, that is around first quarter of next financial year. And by June, July, we will start incorporating journey for different, different asset classes. So, there on you will see that revenue from different, different asset classes will increase.

Second, and today we believe that equity itself is under-penetrated. And we need to be conscious about having a leadership position over there. So, most of our resources currently is going into stabilizing, building lots of journey for existing customer that we are acquiring for that equity journey. But going forward, next financial year, when we launch our new Super App, you will see that app would be having multiple journeys to acquire customer, to serve customer for different asset classes.

Now coming on your second question about activation. Yes, it has improved. Reason, as I said, that we are trying to invest heavily on improving our journey for app, and creating a better onboarding journey, on education program, we have streaked our content and lots of things, which creates like more engagement with new customers that we acquire. As Vineet shared, that we have 80% of customers who are new to market. So, we are conscious about that.

When a customer is onboarded on our app, day zero and day one is very important. And life of a customer to become active is just 15 days. Beyond that, almost you've lost a customer. So, I don't agree with lots of digital players, who say we are acquiring customer and we will monetize later. My experience of past 30 years is, when a customer is acquired, if you're unable to engage and create first transaction with that customer in the first 15 days, that customer is almost lost. So, we have improvised on lots of journeys, lots of content. Hence, you're seeing a better activation ratio of new customers that we are acquiring.

Second, on employee cost, as we had discussed that we are recruiting lots of tech and product talent, which are costly. So, there is like a -- we are like reducing our dependency on call center, contact centers and all that. So, there is a shift from low-end people to very high-end people. So, number may look same, but if you look at growth in people who we have deployed from technology, product, there also we are trying to get senior most people, keeping in mind, that we are getting into an area where actually we need a global talent. So that's the reason you will see for few quarters, there would be an increase in technology cost and product cost. That is a conscious decision for us to see that we launch best of app and best of service.

Narayan, you would like to comment on this technology part?

Narayan Gangadhar: Yes. So, as Dineshbhai mentioned, first I want to actually point out that our activation, just to add to what Dinesh said, that one of the main reasons it has gone up is because we have continued to build out data science based models that help us structure our customers into groups of cohorts. And this cohort-based approach has dramatically improved our quality of acquisition of clients and also has improved activation of the client within the first 15 days. Because as Dinesh mentioned, that 15-day period is a very critical period and even within that 15-day, the first 24 hours to 72 hours are even more critical. So, we have built sophisticated models that help us connect with the customers and guide them towards making their first investment within that period.

Now, as far as the technology and the technology broader strategy is concerned, see, because we are building a platform-based approach, we are one of the only technology FinTech companies today, which are -- which has taken a platform-based approach. So, a lot of our investment goes into building the right bedrock. And these systems that we are talking about, they will serve as a foundation for all our products, not just broking. And this shows up in the quality of talent that we have recruited. Both, when you look at on the technology side, starting from our CTO, all the way to the product side, all of this has shown up in various bits and steps, which overall has improved our product fidelity, it has improved consistency of our experience, and also it has improved the strength of our underlying technology stack, as is already evident by our rise in net promoter scores, and also, our overall Play Store rankings and things like that.

So, hopefully this gives you a good 360 degree perspective on our technology, as well as our -- the activation question you asked earlier.

Sarvesh Gupta: Sure. Just one thing which could not get answered is, over the next three years what could be the possible mix, or at least an aspiration in terms of the revenue mix from other asset classes?

Dinesh Thakkar: See, Mr. Gupta, it is very difficult to say like what kind of market share we'll get in different, different opportunities. If you take mutual fund, it is mostly direct mutual fund, which will get more popular, SIP and all that. So, it is very difficult to predict what kind of contribution it will add to revenue. To be indirect kind of contribution where our call is that when we acquire a customer for say mutual fund and guide them in terms of right approach, SIP and direct, we would be able to sell different products like insurance, lending product and equity-related product like ETFs and all that., where we'd be able to earn something.

So, too early to say about what kind of jump we'll see. But I would say, it is reasonable to say that whatever opportunity other players are talking about in FinTech area, we would be having a decent market share in that.

Sarvesh Gupta: Do you see at least like equity, any reasonably sized vertical, which you will be chasing? Because, for example, we have a significant market share in commodity, but in terms of revenue, it's hardly anything. So out of the new asset classes that we are chasing, do we see a potential to create or at least chase a vertical which is somewhat similar to equity or at least reasonably placed in comparison to equity?

Dinesh Thakkar: If you look at our revenue mix that we started lending business, I think it contributes decent to our revenue. If you look at commodity business, there are cycles, like now see, it is not commodity revenues have dropped, but equity revenues have jumped to a level where commodity seems to be insignificant. Commodity, if you look at last three, four years, it used to contribute around 15% or something. So, if you look at commodity revenue has not dropped, but equity has really jumped to a level where commodity appears like 7%, 8%.

So, my point is that see, that's the reason we feel that equity is growing at a rate where we cannot really lose our eye on market share in equity business. But going forward, when we are talking about a business model for next 10, 15 years, we are conscious that we should be getting revenue from different, different asset classes. Being a FinTech company, we believe that we should be helping people in terms of their all-financial, personal finance decision.

So, it would be reasonable to say that going forward, maybe if I take -- talk about next five, seven years, there'd be a reasonable revenue flow from selling mutual fund, insurance, lending product and all that. See, we are using lots of kind of like in technology we are using lots of kind of like machine learning and artificial intelligence, so that we are able to capture profile of a customer. We are able to capture their behaviors and through machine learning guide them what they should be taking decision on.

Say, for example, lending. I'm sure that many of our people who have taken housing loan, they don't even take care about that what is their credit score, at what rate different banks or different NBFCs would make lending available at a cheaper price? But if we have some kind of like artificial intelligence build in, who is capturing all the data of the market, we can gain big market share when it comes to personal finance. So, we believe that when it comes to revenue from other asset classes, we would be having a decent market share, because we are investing -- upfront investment in that product is quite heavy. It takes a year or so to see the results.

So, what I'm confident about is that, when it comes to creating revenue from third-party product, we'll be having a decent market share. But it is too early to say right now, because in digital model, what is happening, lots of things are becoming free. So, we don't know exactly how much revenue will come from mutual fund, insurance and lending businesses. But I think give us few quarters, three or four quarters, once we launch our Super App, we'll come to know in terms of what trajectory we are moving towards.

Sarvesh Gupta: Understood, sir. Congratulations again on a good quarter and all the best.

Dinesh Thakkar: Thank you.

Moderator: Thank you. Before we take the next question, a reminder to the participants, if you have a question, please press '*' then '1'. Also, would like to remind participants to please limit your questions to two per participant. You may rejoin the question queue if you have a follow up. The next question is from the line of Prateek Poddar from Nippon India Mutual Fund. Please go ahead.

Prateek Poddar: Yes. Hi Sir, I have couple of questions. Just to begin with, I got a bit confused, is it fair to say that when you launch the Super App, the journey towards being a super app will be in phases? In the sense, I think what you mentioned was, that you would start with broking as a module and then introduce various modules, or this would be in one go, the entire modules will be up and running? That's the question number one.

Second question was, if you can just clarify whether we need to report to SEBI anything on machine learning and AI activity which we do and which we are saying that we do, right? So, is there a regulation where we have to disclose this to SEBI?

And lastly, what does discoverability mean? You talked about discoverability in your PPT, I didn't understand. I mean, if you can help me understand what's the meaning of this discoverability? Yes, three questions.

Narayan Gangadhar: Yes. Dinesh, I can take the first one.

Dinesh Thakkar: Yes. Take the first one.

Narayan Gangadhar: So yes, basically see the -- when you look at discoverability – let's start with the modules, right. See, the most super apps which are being built, what we have learnt is, that usually there is no one size fits all and there is no one answer for any overall app journey. So, most people who start launching a super app and where there are very few examples today in the industry, I don't think there is any app today in India, which even qualifies as a super app. What has happened is, people have tried to put two, three journeys together and called it a super app.

Prateek Poddar: Correct.

Narayan Gangadhar: And see, what we have decided is rather than doing that, let us build the underlying backend systems in a way that they can scale to multiple journeys, that is step one. And step two, we start by building the first set of UI modules, UI as in user interface module, which let us identify the common features, like profile, your data type, age of your customer, and which helps us learn the customer and know about their investment preferences, and use that to offer the first journey, which is around broking.

Now, as we learn from that experience, on that same foundation, we will continue to roll out mutual funds, insurance, gold bonds, like bond products, also lending potentially in the future. So, all of those will come in phases. The issue with mixing all of them from day one is that we don't have the chance to kind of iterate and evolve with the customers' journey as we launch subsequently better and better products and capabilities. So that's the main thesis behind launching it in phases.

Prateek Poddar: Sorry, just a follow up.

Narayan Gangadhar: Yes.

Prateek Poddar: Why are we reinventing the wheel? Because with the current app itself you would have a lot of insights about customer personas and the way they trade, etc., right?

Narayan Gangadhar: Yes.

Prateek Poddar: So, why is that you need this new app to again reinvent the wheel?

Narayan Gangadhar: Yes. Excellent question, actually. See, one of the main reasons -- there are two main reasons. One is that as we have -- our customer mix has changed quite a bit within the last two to three years. If you look at first time entrants to the market, these new first-time entrants of today, they're very different than the first-time entrants of three years ago, because today, they have a lot more data and there is a proliferation of services and experiences that today's customer is already used to. So, if we go with the app and the flow that we built in 2018, 2019, those experiences are already dated. So, this is one of the first reasons we need to do a recalibration and build out a new set of experiences, which is more in line with what customers want today. So that's the main fundamental reason.

Second thing is, over the last two, three years, what has happened is the state of technology has changed dramatically. In fact, the last four years, you can say that there's been like a quantum improvement in everything from machine learning to user interfaces. So, we feel that the time is now right to actually bring these new experiences to the market and we want a platform for the next four to five years. This is why we have taken -- that's why I've taken the step of actually building this Super App strategy and launching and rolling this out in phases. That's how we are looking at the whole experience.

Now, your other question, regarding there is any SEBI regulation and stuff. I'm not personally aware of any such thing because our ML use cases are not directly in the trading area, they're more in the matter of personalization and guiding the user. But I would…

Dinesh Thakkar: I will answer that. So, when you're -- Narayan, when you are saying on the product side, let me answer to Prateek rightly.

Narayan Gangadhar: Yes.

Dinesh Thakkar: See, when you read in some Twitter handle or this thing, news report. There is no reporting of AI/ML. SEBI -- this AI/ML reporting has to be done to SEBI, okay. So, when it comes to like, the research-based AI/ML, because this research-based license is given by SEBI, so that has to be reported. But when it comes to using AI/ML for profiling and all that, that reporting has to be done to NSE, which NSE has not made it compulsory. So that statement was wrong, because that is only for research-based advisory AI/ML fund manager is using or anybody's using to advise a customer. But when it comes to using AI/ML for product, the way we are planning to use in Super App and all that, that reporting is not done to SEBI, it is done to NSE and NSE right now does not have a format to report AI/ML. So sorry, whoever told this, but actually it was a wrong statement.

Prateek Poddar: It was really helpful. Yes, and last question on discoverability, Dineshbhai, what does that mean? I mean you disclosed it in your PPT, I mean, I don't understand how do you define discoverability?

Narayan Gangadhar: Yes, so discoverability. See, discoverability is a new concept in -- which goes hand-in-hand with the Super App. See, discoverability is hitting on two dimensions. Discoverability of new features. So let me give you an idea, right. So basically, see what happens is when you build an app, there is only 5% to 10% of the app features, they make up for 90% of user time.

Prateek Poddar: Absolutely right.

Narayan Gangadhar: It means 90% of the users are only using 5% to 10% of the features. So now, the question becomes, how do you actually surface out the remainder right when the customer actually needs it? So there has to be a good understanding of the intent and a good understanding of data streams that we have to analyze, to see how do we actually surface the right context and the right flow, which the customer can use to solve a problem. That's one aspect of discoverability.

And the second aspect of discoverability is that the common set of 5% to 10% of features, like if you take our app, there are only four journeys that actually matter to the customer. Everything else is basically -- it's just bells and whistles, but these four core journeys are so critical that their nuances are very different from one customer to another. So, when we say discoverability in the product sense, what it means is discovering not only the core aspects, but also the non-core qualifiers that actually help your app, deliver delight, and deliver value to the customer. And if you use the app, you'll see many examples of this. When you place trade, when you look at your report, when you try to set MTF limits. So, it's kind of spread out in various core dimensions.

Prateek Poddar: So, just to take this forward, when you say 1,000% increase in discoverability on the MF platform or on that MF tab, right, is it that the engagement of the customer visiting that tab much more frequently related to what he was?

Narayan Gangadhar: Yes.

Prateek Poddar: Which means he is trying to understand?

Narayan Gangadhar: Yes, that's right. That's right, because that tells us that there is a proactive intent and that's why we can integrate it into our journey better. So, the next time you go to place an order, we know what the intent was in the previous time, so we can kind of guide you better. That's the whole idea.

Prateek Poddar: And just trying my luck. Sorry, last question, you talked about phase wise implementation of modules. When do you foresee the app, the new app or the new platform which you build, to have a decent amount of modules built into it? Is it like a year journey from starting next quarter or next financial quarter? Is that the way to think about it?

Narayan Gangadhar: Yes. That's the right way to think about it. Starting next quarter when we launch it, say around April or March-April timeframe, from that point on we have a regular release train of features and capabilities, which we will launch over the subsequent year. So, you would say -- I would say the full strength of the app, probably about 8 to 10 months from now.

Prateek Poddar: From quarter one FY '23, right?

Narayan Gangadhar: Yes.

Prateek Poddar: Okay. Fantastic. Thanks and all the best.

Narayan Gangadhar: Thank you.

Moderator: Thank you. The next question is from the line of Kartik Sahni from Myriad Asset Management. Please go ahead.

Kartik Sahni: Thank you. Kudos for your numbers, sir. I just wanted to understand the current mix of F&O is around 74% in your gross broking. So where do you expect this to be say in the next 12 months? What's your target? Do you expect this to be the major contributor or do you see this as only bull market effect? And secondly, I would want to understand your long-term target for your cost-to-income? Thank you.

Dinesh Thakkar: Yes. First of all, in terms of mix, because if you see India market, we are seeing lots of new investors coming in and they get attracted towards -- in F&O also, towards Options. So, we believe that this market is going to grow, has tremendous potential. So, percentage of this thing -- revenue from this option would be -- will remain high till the time we are seeing this under penetration and these new investors coming into our market. But having said that, there are many market cycles, we have seen many time an equity market is not doing well, commodity is doing well. So, this percentage fluctuates.

So, commodity we have seen that today, current rate is around 7% to 8%. But when equities are low, commodity market revenue, in terms of contribution share goes to around 15%, 16%. So that fluctuation would be there. But overall, we feel that this F&O contribution to revenue would be really high for some time to go, till that time we reach market penetration of around 10%, today, which is around 5% to 5.5%.

And on long-term cost-to-income ratio, as I said that in digital model, what happens, whatever cost we have taken is upfronted. So, if we start spending less on acquisition, as well as on technology, this is going to expand. But currently, our focus is, as I said, includes lots of new journeys in our new app. So, lots of spend will go in technology, plus we want to increase market share, in total, like revenues, so we have to acquire more customers. So, most of the spend is going which is upfronted. And so, we are confident for few years till the time we reach saturation position in India, our cost-to-income we'll try to maintain at 50%. We are not tempted to expand it.

So, currently focus would be how to increase market share, plus, and how to increase wallet share of same customer that we have acquired. So progressively, we'll see margin improving, but for next three to four years, our focus is on becoming leader and gaining market share in each of the asset classes that we are selling.

Kartik Sahni: Okay. Thank you so much, sir. All the best.

Dinesh Thakkar: Thank you.

Moderator: Thank you. The next question is from the line of Kunal Shah from Carnelian. Please go ahead.

Kunal Shah: Hi. Thank you for the opportunity. Congratulations on fantastic set of numbers. Two parts to the questions, sir. If you could help understand two aspects, one is, you are having a very impressive client addition, as you rightly mentioned by tapping customers, which are new to the markets and more from Tier II, Tier III cities, right? So, if you could help understand how are we reaching these customers? What kind of approach we are using? You said digital onboarding is one of the ways to ensure this, right? But if you could help understand how are we reaching these guys right? That is the first one.

And the second is, what kind of marketing expenditure are we kind of spending? If you could help with some numbers, right, to reach out those new customers or tap these new customers? That would be really helpful, sir.

Dinesh Thakkar: Yes. As I said that India is total market where there's a very low-ticket size. So, the way to reach out this customer is only digital, i.e. through social media and through all digital platforms. That requires lots of innovation. So, our product and tech team, plus marketing team works a lot on innovating different kinds of journeys and different kinds of creative material, which can attract people, not only creative material, but how to really be creative in terms of language, in terms of simplicity of whatever is shown to them. So, it is kind of a big process that we follow to acquire customer. Gone are the days that we can put an ad in TV, or ad in paper and we get a customer, or we get customer to branch office.

So digital journey, we have to be innovative, we have to be researching lots of new platforms. So, like initially, we started with Google, Twitter, and LinkedIn and all that, but currently, we are experimenting lots of things so that we are able to get -- gain additional market. Plus, second thing is that we are working on content, creating new content, trying to educate people on this asset class, that helps us to get us lots of customers. Because there is an organic traffic, which gets in because of word of mouth and people who are using our service, they refer lots of customer. So, it's a mix of lots of engines, which are working together to give us this impressive growth.

But second, in terms of cost of marketing expenditure, we don't disclose how much we are expending, we are putting in marketing. But as always, we discussed that, our cost of acquisitions-to-revenue that we get from customers, or breakeven is around four to five months. So, we are looking at pockets where we are able to get this kind of breakeven from customer and try to expand maximum. So, we don't have fixed limit, how much we're going to spend, we are ready to spend as long as we are able to maintain this cost-to-revenue ratio.

Narayan, you would like to add anything on this? On digital acquisition and something?

Narayan Gangadhar: Yes. So, as Dinesh mentioned, the way we tune the top of the funnel, right from acquisition, all the way through activation, and then all the way to cultivation, all the three steps are largely driven by a series of technology-based initiatives. As Dinesh, I think at the start of the meeting already mentioned, about trading propensity. Similarly, there is a dormancy model analysis, there is a MTF propensity, there is a F&O propensity, all of these are built with the idea of not only accelerating the revenue conversion, but also built with the idea of driving the engagement to the next level.

And this model that we have built, they are built with a holistic lens in mind, across analytics, across data sourcing, and also data preparation. So, there is a lot of processes, and lots of systemic journeys, which go into delivering any particular acquisition experience, or even a cultivation experience in our funnel optimization phase, right from the time we acquire the customer, all the way to getting them to trade.

And as Dinesh mentioned earlier, those days are gone, where we can just put up a TV ad and just kind of cultivate a cohort or customer. That doesn't work anymore. That works in small pockets. So, what we have also actively done is, we have grown our organic strategy quite a bit. So, in our organic strategies, we are one of the few online brokers today that has best-in-class video content and best-in-class trade content. Like if you go to YouTube, we are one of the best rated in terms of not only content creation, but also content consumption experiences, which is very much in line with what customers want. We are also actively pursuing a social strategy, where our influencers, they kind of use our platform to drive even greater reach across our clients.

So, all these journeys not only drive up our organic traffic, in addition to our research reports and all that, but they also build a very powerful client base, which we know we can monetize very systematically over a long period of time. So that is just -- that is I wanted to add that to round up on Dinesh's answer which he gave earlier. So, hopefully that answers your question.

Kunal Shah: Yes. To a great extent. Just one follow up on this. So basically, there is no physical engagement at a Tier II or Tier III level of any sort, say, probably a DSA helping us acquire the customer and then we taking -- onboarding completely digital and then cultivation of that activation and cultivation of that client, right? It's completely digital in that sense. So, to understand when we are onboarding new customers.

Narayan Gangadhar: Yes. The onboarding journeys, it's completely digital. We have a B2B business also, where there are many clients who contract also go through the same digital journey. So, our journey is digital, but our touch points also are digital, except that in some cases, we also have a strong presence, where we use the physical channels as appropriate.

Kunal Shah: Okay. Fair enough. Thank you.

Moderator: Thank you. The next question is from the line of Nishant Shah from Point72 Asset Management. Please go ahead.

Nishant Shah: Yes. Hi, sir. Thanks for the opportunity. I'm a little new to the company. So, a little bit of a basic question, perhaps from my end. Could you talk about the -- say, the vintage, Or what I'm trying to understand is how does the revenue per client kind of move over time? You've acquired say a new customer, a Tier II customer, who's probably a new customer trading in the market for the first time, how have these customers over say, the last year, year and a half scaled up in terms of their revenue? Are these -- what I'm trying to essentially understand is, are these guys trying to just dabble in the markets, probably get burned, and then they go off, maybe do a few transactions a month, and that's about it? Or is it like do you see a more sustainable trend where the transactions for these customers kind of keep sustaining? That's one thing that I'm trying to understand, if you could shed some light over there in terms of the stickiness of these customers over time? Yes.

Dinesh Thakkar: See, Nishant, we have moved to this model, digital model from April 2019. Prior to that, we used to track customer lifecycle and what we realized that customers that we acquired in any point in time are able to give us revenue five years and beyond. So, we always take like lifetime value of five years what we get from that cohort, from that set of customers that we acquire. And for digital model, we don't have -- we haven't completed five years. So, I can just talk about period that we have completed around two and half years.

So, if I map revenue of customer that we get from a digital model to that physical model and compare it month-on-month, what we are seeing that revenue that we get from digital customer and Tier II and new customer, revenue is bit lesser than what we used to get that reflects in our declining ARPU, but growth in the segment is quite tremendous, quite huge. It is in like in triple digit, unlike in physical market, where it was 15% 16%.

And second, when I map revenue per month. So, month-on-month, what we are seeing drop in revenue is not as high as it used to be in physical. One, physical, because client is mapped to dealers, if dealer attrite so that set of customer goes away. In digital, when we acquire a customer, stickiness is higher. So, our trend when we compare for two and half year, it is showing a better growth from the base of what we start from the first month.

So, we are expecting that at least lifetime revenue of this customer also would be five years and higher. But when we make our business model, what we make is five years revenue and what's the cost to serve that customer. So, looking at five-year model of this digital customer, we are seeing that margin in this cohort is far more higher than what used to be, but ARPUs are a bit lower.

So overall life of a customer is five years and beyond, it is not that they just trade for few months, and then they just walk out. That's the reason we share data of market volatility and number of trades that increases on exchanges. Similar pattern we see with our customer also, when market is volatile, it is not that they go away totally. They may take a pause for a few days or a month even, but again, they start trading or investing with us. And at least for five years, we're able to see trend of a customer, what we saw in that previous era continues. That is, for two and a half year is showing very encouraging kind of numbers, which are far better if I compare month-on-month kind of revenue that we get from new customers.

Nishant Shah: Perfect, sir. Understood. Second follow-up question, see the last couple of years have been relatively more of a one way kind of bull run for the equities. So how do you -- how should we think about the cyclicality of this revenue stream of broking and like this from a more medium-term perspective, how are you thinking about diversifying 70% of our revenue in the broking thing comes from F&O. I assume that inherently will be a lot more cyclical. And if we see a deep enough corrections probably some of the revenue starts to go off. So, what I'm trying to think about is, do you have any medium-term projections, so when you build out a super app, how much of the revenue will become more secular in nature, and how much of it will still be a little more secular?

Dinesh Thakkar: Okay. So this is a very common concern and perception that industry has, that's the reason this time we have added one slide on cyclicity and volatility of the market. I would request you to go through that. But briefly to tell you about that, see, perception is that when market goes down, retail participation shy away from market. But if you look at, I'm talking about my experience, I've been talking about my experiences since last few quarters, but this time we tried to put data in our presentation. If you look at data, whenever market has dropped, I'm talking about last 15 years, say by 5% to even 50%, Lehman Brothers crisis and all that, you see the number of trade that happen on NSE has in fact increased. So, decline was only when there was a SEBI regulation on contract size of F&O, which was increased. But overall, when you see market when it declines or when there is cyclicity, number of trade on exchanges have grown.

So, this perception that when market goes down, revenue of a broker will drop or they will suffer, there is no data which suggest that. In fact, I would request you to go through that data and we have given Angel's data also. Like when a market has dropped, how number of trade dropped or increased within our customer base. So, we are not agreeable to that, that when market is cyclical or volatile, our businesses are going to be impacted in a major way.

Having said that, we are seeing a big opportunity in third-party product, in product where we can get annuity income and all that, but it will take its own time for us to really build a very sustainable model in those asset classes and give a prediction of what revenue we will get from this kind of annuity products or product where stability is high. But I believe, till the time in India under penetration is there, we will see sustained growth in revenue from broking business of coming from stock market as well as commodity.

Nishant Shah: Fair, sir. Just one last bit of clarification that I need. Like I'm referring to your Slide 14, where you've given this data, and apologies, I should have checked that before. What I here want to understand in a little bit more nuance is like in your own history, whenever like market has gone through those periods of volatility or deep correction and you've not actually seen declines in trades, has that been more broad-based? Like even these relatively new customers or say customers which you have newly acquired, do they also continue to trade or is it more of the professional or slightly more seasoned investors who continue to trade offsetting some of the volume of these new customers who go off? Just this little bit of nuances if you can throw some color on it.

Dinesh Thakkar: Excellent question. Yes, excellent question. See, as I said that, if we look at NSE's data, there can be decline in volume. Previously we were charging as per volume. So, we also used to face some decline of revenue declined by 10%, 15% or 20%. But now, if you look at orders, number of orders have not declined. So, now we have completely changed our model to Flat Fee base. So, that means we charge as per order. So, what happens when market declines, a customer who is taking exposure of INR 2 lakhs may take just INR 1 lakh, 50% lesser but revenue that customer will give will remain same. So, our revenue depends on number of order and number of trades done on exchange now. So, with change in model that has happened, digital brokers will not see that kind of volatility in revenue as a traditional broker will see.

Nishant Shah: Understood. Understood. Perfect. Thank you. That's it from me.

Dinesh Thakkar: Thank you.

Moderator: Thank you. We take the next question from the line of Akshay Ashok from Dalal & Broacha. Please go ahead. Mr. Akshay Ashok, you may please go ahead with your question. Members of the management, please allow me a minute, while I check the connection for the current. Mr. Akshay Ashok, you may please go ahead with your question, sir.

Akshay Ashok: Hello?

Dinesh Thakkar: Hello.

Akshay Ashok: Yes. Hi, sir. Congratulations on a good set of numbers. Initiated coverage on stock of your company exactly a year back and great to see company go from strength to strength.

Dinesh Thakkar: Thank you.

Akshay Ashok: Now get so much interest from the investor community. Yes, I had just one question, sir. So, this market share in incremental demat accounts you used to give the data. This time, did you give that data because I didn't see it, because in Q2 FY '22, it had dropped to 15.3% from 16.6%. So, what is the market share in incremental demat account for Q3?

Dinesh Thakkar: See, this quarter we have not given…

Akshay Ashok: Data and investor contribution.

Dinesh Thakkar: Yes.

Akshay Ashok: Because market share is…

Dinesh Thakkar: It has got distorted as lots of people who are coming to this market they're more interested in selling lots of other product. So, if you look at few players who are acquiring customer, not just to serve equity market, but maybe they have different plans. So, it was not giving a right picture in terms of where we stand.

Akshay Ashok: Okay. Okay.

Dinesh Thakkar: So, it was not like we had to give numbers. So we included new slides which can help you to better understand this business, but lots of players who are coming to sell third-party product and all that, they are acquiring customer without even knowing what they're going to sell, but they are right now more focused on acquiring customers. So, that may not be right metric to really compare now.

Akshay Ashok: Okay. And commodity, I think the person from Envision also asked, because it has always been your market share has been 25.5%, 25.6%, 27.7%, even last quarter, it has suddenly risen to 36.4% in Q3. So, you told that it's because you guys have been in commodities for a long time, but how suddenly from -- always it has been 25%, 26%, 27% and suddenly the jump has been to 36.4%.

Dinesh Thakkar: See, this has been part mystery for us also, not that we have done anything different than what we have made improvement on equity journey and commodity journey. But what happens like when we see the number, backward we will do some working that what must have happened. It is not that I can say with some concrete evidence that this has happened. So, what we feel that being into digital like previously, this market was ruled by physical, as well as digital -- like physical people, but when it has lots of participants have become digital, they would search for a broker where they had a comfort in commodity segment and plus that broker was digital. So, we can just find out one answer. Otherwise changes that we have done in terms of journey and commodity and as well as in equity market is almost same.

Akshay Ashok: Okay. Okay, sir. Congratulations.

Dinesh Thakkar: Thank you.

Akshay Ashok: Thank you.

Moderator: Thank you very much. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Dinesh Thakkar for closing comments. Over to you, sir.

Dinesh Thakkar: Thank you, everyone, for joining us today on this earning call. India's FinTech industry is at the cusp of strong growth. Organization that have pivoted to digital model are bound to have a superior growth trajectory, as they take the lead to explore new pockets and cultivate them to become future growth drivers. Our strategy will be to focus on technology and product development, and thus ensuring that Angel cements its position as a leader in this digital space, not only in client acquisition, but also by growing profitability. Our strong tech and product team is rich in global and retail consumer related experience, which we will leverage as we move towards catering to a larger magnitude of clients in time to come.

For further queries, please do reach out to Hitul Gutka, our Head IR and SGA, our Investor Relation Advisor. 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 all for joining. You may now disconnect your lines.