5paisa

May 02, 2024

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

Dear Sir/Madam,

Sub: Submission of Transcript of Earnings Conference Call on Audited Financial Results (Standalone & Consolidated) for the quarter and year ended March 31, 2024:

In continuation of our letter dated April 19, 2024 and pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing the transcript of Earnings Call held on Thursday, April 25, 2024 for discussing financial and operational performance of the Company for the quarter and year ended March 31, 2024.

Transcript has also been made available on the website of the Company at;

https://storage.googleapis.com/5paisa-prod-storage/files/investor_relations/2024-05/Transcription%20of%205%20Paisa%20Capital%20Limited%20Q4FY24%20Conference%20Call-track.pdf

You are requested to take the same on record.

Thanking You,

Yours faithfully,

For 5paisa Capital Limited

Namita Amod Godbole
Digitally signed by Namita Amod Godbole
Date: 2024.05.02 22:59:46 +05'30'

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Company Secretary & Compliance Officer
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5paisa Capital Limited
Q4 FY24 Earnings Conference Call

Event Date / Time : 25/04/2024, 14:00 Hrs.
Event Duration : 41 mins 51 secs

CORPORATE PARTICIPANTS:

Mr. Narayan Gangadhar
Managing Director and Chief Executive Officer

Mr. Gourav Munjal
Whole-Time Director and Chief Financial Officer

Q&A PARTICIPANTS:

1. **Rishikesh Oza** : Robo Capital
2. **Deepak Poddar** : Sapphire Capital
3. **Abhishek Saraf** : Individual Investor
4. **Paryesh Jain** : Motilal Oswal
5. **Sumit Jankar** : Individual Investor

Moderator

Good afternoon, ladies and gentlemen. I am Sowmya, moderator for the conference call. Welcome to 5paisa Capital Limited Q4 FY24 Earnings Conference Call. We have with us today Mr. Narayan Gangadhar, MD and CEO of 5paisa Capital Limited; and Mr. Gourav Munjal, Whole-Time Director and CFO of 5paisa Capital Limited.

As a reminder, all participants 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 * and then 0 on your touchtone telephone. Please note this conference is recorded. I would now like to hand over the floor to the management. Thank you, and over to you, sir.

Narayan Gangadhar

Hi everyone, good afternoon, and welcome to our Q4 2024 earnings call. On the call I have with me Mr. Gourav Munjal, our CFO. In this quarter, Q4 of FY24, we acquired 2.66 lakh customers, reflecting a 15% QoQ growth, and a 96% growth YoY, and our total customer base reached 42.3 lakhs. During the past quarter, our total average daily turnover grew to INR 3.82 trillion, 58% YoY growth. Our average client funding book stood at INR 358 crore, a growth of 13% QoQ, and our mutual fund AUM reached INR 941 crore, 18% QoQ growth. We are happy to report that we have achieved our lifetime highest revenue in Q4 2024 of INR 112.9 crores, a 13% growth QoQ and 24% growth YoY.

Our Q4 profitability is down mainly due to RSU and ESOP costs for talent. The costs associated with the RSUs, and ESOPs are amortized over the first two years per Indian accounting standards resulting in high upfront cost for talent acquisition. To capitalize on tailwinds from positive sentiments in the markets, we scaled our digital acquisition engine resulting in 1.75x QoQ growth in accounts. We scaled our digital engagement activities, implemented analytical models for cohort-level product targeting, and initiated various omnichannel engagement efforts.

We were able to increase the count of active trader accounts in Q4 by 19%, and by 38% over Q3 of FY24 and Q4 FY23 respectively. Our NSE active customer base increased 9% QoQ at the end of Q4 FY24. Our costs associated with the client acquisitions have been scaling down with the launch of our digital engine. We are able to recover the customer acquisition cost in the first year itself, and thereby we can attain better revenue multiples in the future, resulting in very strong lifetime value. Looking back at FY24, we have ended FY24 with our highest revenue of INR 395 crores and highest ever PAT of INR 54 crores.

Our employee costs have gone up by 51%, mainly due to onboarding of talent, and the finance costs have gone up by 39% YoY, mainly due to changes in exchange-related laws. We continue to make significant advances in our technology and product. In our core mobile app, we have introduced new features such as the advanced order forms. For the first time, now users can view charts, orders, positions and market depth on one single screen in our seamless mobile app. This innovative feature actually empowers traders to make faster decisions.

We launched TradeStation 2.0. This is our revamped web trading platform which offers enhanced user interface and a smoother experience for high end traders. We have also partnered with TradingView to introduce tradingview.5paisa.com or tv.5paisa.com, a new platform offering advanced charting capabilities and seamless trading functionality. Users can enjoy various features such as direct order placement from charts, real-time P&L tracking, placing orders directly from market depth, et cetera. With comprehensive charting, tv.5paisa.com becomes the go-to platform for chart-based traders providing cutting-edge trading experience.

Finally, we continue to make great progress in developing and building our API ecosystem. We launched our extreme API which is our revamped API platform that offers a dedicated landing platform along with integrated documentation, collaborative capabilities, and much better support for key and credential management. We are still in the growth phase and as we pivot the company to a technology-first company, we are going to be in this space for some time. Demat account penetration continues to remain under 5% and the market is growing very rapidly.

So, it's extremely important that we continue to scale our presence to establish a leadership position. Over the next year, we are going to be scaling our acquisitions and invest in building new products. We will be reinvesting our profits to scale our growth. While this will impact profitability in the short term, it will help us build a pipeline of sustainable revenue for the coming years. With this, I would like to open the meeting to any questions. Thank you very much.

Q&A

Moderator

Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing * and 1 again. Our first question is from the line of Rishikesh Oza from Robo capital. Please go ahead, sir.

Rishikesh Oza

Yeah, hi, thank you for the opportunity. My first question is with respect to our orders. If we see our orders have grown 39% YoY, but if you are to see the revenue growth, it has been lower at around 16%, 17%. So, can you please touch upon this? Why there is a difference between the order growth and the revenue growth?

Narayan Gangadhar

Usually, there is no 1:1 correlation between the number of orders and revenue, because orders are of various types, and often an ordered unit is lumped into higher-level units, like lots and such, which are used by high-end traders. Now, there is also other platforms through which we actually accept orders in our system. One of them is our API system. And orders which come from the API system have very different cost curves and very different modalities than orders that are coming from a mobile app. So that is really the explanation on why there is no 1:1 correlation between the orders and the revenue part.

Rishikesh Oza

Okay, just one more question. Do we have an internal goal for achieving around 20% ROE, and by which year? If you could indicate that also, please.

Narayan Gangadhar

See. Actually, first, let's step back. I mean, we need to understand that over the last two years, we, as a company, we really actively were not focused on large-scale acquisition, as a result of which we have fallen behind the market in terms of new accounts which are added to the -- which have been coming on board. So, because of this, what happens is that our overall unit economics and numbers, they are not as strong as we would have, as they would have been had we continued on that trajectory of growth. So, the very first priority for the company is not getting an ROE. It is actually only growth. We have to continue scaling the growth. We have extremely strong unit economics.

As I told you, we are breaking even well, within the first nine months or eight months itself, right? And I only expect that number to get better. So, my goal is, let's scale the business, let's get more customers onto our platforms. We have an excellent range of products, and of course, as the business builds up, to answer your question, over a longer time, I expect our ROE to be very much in line with what you see at other tech companies. So that's the best I can answer. Clearly, it's the number that you see today is not where it will be.

Rishikesh Oza

Okay. Thank you very much.

Moderator

Thank you, sir. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. Our next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead, sir.

Deepak Poddar

Hi. Thank you very much, sir, for this opportunity. Sir, just wanted to understand what's the quantum of this the ESOPs and RSU that you mentioned about that we have factored this quarter?

Narayan Gangadhar

Yeah. We have given information on this if you refer to the exchange filing, this was made about a month ago. In the month of February, we made this filing. So, it's about 5.27%. Right. Again, remember that this is a one-time hit now because it is 5.27%, the amortization of that is going to hit the P&L for the first for this coming financial year, and also some of it will spill over into next year. But again, these are one-time costs. And as we get deeper, I don't expect this to happen again.

Deepak Poddar

The 5.27%. I mean what is in rupees? Crores.

Gourav Munjal

No, no. 5.27% of our overall outstanding stocks specifically that ESOP is 5.27% related to this. This is Gourav Munjal speaking here.

Deepak Poddar

I mean 5.27% of your outstanding shares. That's what?

Narayan Gangadhar

Yes, yes.

Deepak Poddar

Okay. And I just wanted to know what was the rupees crores impact that you took in this Q4?

Narayan Gangadhar

It is mentioned in our investor presentation, that is a INR 9.86 crore, if you remember our investor presentation it’s INR 9.86 crores.

Deepak Poddar

INR 9.86 crores. Fair enough. And we expect this similar run rate to continue for each quarter for FY25, right?

Narayan Gangadhar

Yes. This is largely due to the way. Just to be clear, Deepak, this is largely due to the way the Indian accounting laws and GAAP laws are structured. You know, this is not the..

Deepak Poddar

Yeah, I know that. I mean, so INR 10 crores is the impact that will be there because of this ESOP per quarter.

Narayan Gangadhar

Yes.

Deepak Poddar

And this will get distinguished in FY25 itself or it will flow into FY26 as well?

Narayan Gangadhar

So, approximately 55% of the cost will be amortized in FY25. Remaining 30% cost will be amortized in next year, and then there is a small cost that will come in third year, okay.

Deepak Poddar

Okay. Okay. So, some bit of cost will also come in FY26 as well, I mean.

Narayan Gangadhar

Yes.

Deepak Poddar

Okay. Understood. Understood. And I mean anything in terms of growth? I mean, what is the growth that we might be looking at over next two, three years? I mean, you did mention that you are building new products and even you would reinvest your profit into investment, right?

Narayan Gangadhar

Yes, yes.

Deepak Poddar

So how do we relate it with growth?

Narayan Gangadhar

Yeah. So first of all, I think the impact on the costing is actually just an accounting entry. Just to be clear, there's no actual financial real net outflow, if you will.

Deepak Poddar

Correct.

Narayan Gangadhar

So now with that, let's go to the next point. See, as if you look at the history of the company, right? And I said this in the earlier quarter as well. See, we have been historically growing only at between 14%, 15% or even lesser than that in the last year and the year before. And that's largely because our focus was to really temper down on acquisitions and kind of mute that rate of growth. But from here on out, I expect that as a company, we are aiming to hit between 35-40% growth.

At least, we want to set the trajectory for that within the next two years. Now, we can't do that kind of growth overnight because in our business, the cost of acquisitions have to scale in-- It has to scale within reason of the revenue. So this is one of the main reasons why our goal next year is to show definitely more growth than what we have seen this year, and eventually get to that 30%, 35% point very quickly.

Deepak Poddar

Okay, so what you're trying to say FY25 growth will be higher than FY24. And whatever activities we are doing, we want to go to a trajectory of 30%, 35% kind of a growth or 35%, 40% kind of a growth in two years because of whatever you want…

Narayan Gangadhar

Yes, we want to get to that.

Deepak Poddar

Where we want to get to that kind of trajectory.

Gourav Munjal

That is our aspiration. But that broking is totally dependent upon that market situation.

Deepak Poddar

Absolutely.

Gourav Munjal

So we are assuming that market would be in our favor, to be honest.

Deepak Poddar

Fair enough. And just one last thing. You also did mention that our profitability might be impacted because of this investment and what you are building new products. And ESOP cost will also kind of will keep coming for next four to eight quarters. So, you're now 18%, I think, is your reported EBITDA margin. I'm trying to understand on the reported basis only, adjusted, we can calculate. So, this 18% is what, or you can expect because of this investment is 18% EBITDA margin can further reduce, basically?

Narayan Gangadhar

So, see, there's two things, right? One is it depends on how fast we want to grow the business. So, as I told you, right, in the last quarter, we mentioned an update that we are really very systematically building our new product pipeline. Now, as the product pipeline gradually comes to life, we are going to continue scaling our investment. So, if you look, every quarter, we have systematically increased the number of accounts we have acquired. So, we now want to get to that point where we can scale that further. And basis that I think we can assume that we will always operate within that same EBITDA margin, of course, but this time, including those costs, that is it. There's no silver lining here for that.

Deepak Poddar

Okay, so maybe, I mean, considering the investment and this other one-off cost, the current margin that we have seen in Q4, that is the range we might be looking at in coming quarter.

Narayan Gangadhar

Yes.

Deepak Poddar

Fair enough. That's very clear. I think that's it from my side, sir. All the very best to you. Thank you so much.

Narayan Gangadhar

Thank you, Deepak.

Moderator

Thank you, sir. Our next question comes from the line of Abhishek Saraf, an individual investor. Please go ahead, sir.

Abhishek Saraf

Am I audible?

Narayan Gangadhar

Yeah. Yes. You’re audible, Mr. Saraf.

Abhishek Saraf

Yeah. Thanks for taking my question, sir. So, I have just a few follow-on questions. So first, like you said, that you would want to reach the ROE level of the company industry peers. So given that we will be in growth trajectory, growth mode of 30%-plus in the next two years, and which will, I presume, come more on the back of higher acquisition rather than getting deeper into existing customers. So, do you think that we would be able to hit that kind of ROE?

If I say one listed peer pure play broker, they have like 30%-plus kind of ROEs. So, is it fair to say that kind of ROE would be reachable, like after two, three years? That is one question. And secondly, if you can also give us some understanding on how you were trying to invest in technology, what kind of investments you are looking? So that the bogey of the past few years is behind us and we are able to be in front of customers with other products that we have.

Narayan Gangadhar

Right. Excellent question. So, Mr. Saraf, actually, first, let's let me answer by saying Hello? Can you hear me Mr. Saraf?

Abhishek Saraf

Yes, I can hear you, sir. Yes.

Narayan Gangadhar

Yeah. So, see, let's actually look at the total number of clients we have. Okay, so we have only about a base of 42 lakhs. Okay. So even if were to take the most conservative approach, trying to squeeze and trying to get a sustainable business out of 42 lakhs is really not a winning proposition at all. So, the real problem is that our latent customer base is extremely, extremely low. Now, compare this relative to many of the brokers that you have just mentioned on this call, right? Almost all of them, many of them are even acquiring these kind of numbers within one quarter itself.

So that tells you that over the years the real issue is that we have really, we have not accelerated acquisitions as fast as we should have. And this is the main reason the base of the ROE is low. And honestly, the base of ROE is likely to be low even if we don't spend. Because at the end of the day, there isn't enough cash coming into the company in terms of recurring revenue to support that rate of growth. So, we have to -- Now, coming to your question, for the next year and the next two years, we have to slowly scale our acquisition pipeline. So, when I joined the company, we were hardly acquiring 30,000, 35,000 accounts a month.

And I think you guys know that it was documented, right? I mean, we were talking about it.. Today, we are clocking on an average of about 70,000 to 80,000. I want to get that to about 1.5 lakhs, 2 lakhs. Now, but that has to be done systematically because we are not in, as you know, our strategy is not rapid-fire acquisition like many other brokers. Because if you look at results from other brokers, you will clearly see that the RPC is on a decline, the ARPU is on a decline. So, we have to do it in a way that makes sense.

So, this is why we will not be able to, we will not actually be growing our customer base irresponsibly. So, with that context just coming back, what I see is over the next two years, in fact just one year, I would say right as we start building some of the baseline efforts, I think the ROI metric by default will start improving. But you will start seeing industry standard or better than industry standard numbers in a few years because we are spending extremely responsibly. None of, and that's very clearly evident from our other cost. You should look at some of the other costs also in our P&L because if you look, everything else is scaling pretty. It's scaling at a lower rate compared to our rate of growth. So that's something to keep in mind.

Abhishek Saraf

Just one other question related to this. So obviously we all know that the pool is very large and the big untapped pool of. But given the kind of tightening that can come through and across the board regulators have been tightening norms for most of the financial services players, be it on the forex derivatives you said, and given that a lot of retail F&O is not earning money, and with the latest thing that happened, if you know, is a US Hedge Fund which kind of had a great profits from the Indian market. So, it probably the counterparty could be, means it's a presumption could be a lot of retail.

And given that the Algos are getting finer by the day and it becomes really more difficult to get bringing profit to the P&L for retail. So how do you think this evolve means, obviously we have to have a certain pool of retail investors who should always be interested. So, what are your thoughts on these developments and how this can impact? Would it mean that the algos of the retail investors also have to become much more sharper now, and what all can be done from the brokers end to do that?

Narayan Gangadhar

So, thank you for asking this question. And actually, first, let me start by saying that what happened with Jane Street, I think that's what you're referring to. See the whole Jane Street situation and the Hedge Fund breakout that happened, it clearly shows that, it clearly shows only two things, that there is enough alpha in the market for people like that to create strategies and actually get liquidity out of it. Now, obviously, that is not our business and it's not something that we can comment on, but it shows that there is volatility and depth.

Now coming back to our business, you are spot on that the retail market is, it's going to grow, but not as, but perhaps the rate will be muted as we look at how the economy performs over the coming years. See our business, one of the main bets we are making is we are investing heavily, heavily in our digital acquisition businesses and also digital fulfilling businesses, which means the API business, the programming business and so on.
So, these are new verticals that we are going to build and that we have already actually built, but we are going to scale and invest more time in building those. And they serve, they don't serve the retail clients.

They actually serve only proper high-end traders. And this is really what 5paisa is known for. Our product is, you know, it's good for retail, but it's excellent mainly only for the trading community. And that's where we are focused on. You know, of course, we'll always win the retail, we'll always want to have a position in retail. We don't want to fall to the position we are in right now, but our goal is always going to be to build for the traders.

Abhishek Saraf

Okay, so if I got it right, it's more about defined traders rather than the retail investors who could be new to the market. Right?

Narayan Gangadhar

Yeah, because our brand is anyway, actually, it's one of the top 3 brands for traders only. If you do most surveys, that's the only -- that's one profile where we clearly are winning. Now, of course, we haven't really delivered enough features in the last year, which is why the traders are not so happy. But as we pick up our pace of innovation, I think we can easily cement that position.

Abhishek Saraf

Okay. Just one last one, if you can help me understand your thoughts. How do you think that on the regulatory front, obviously, the regulatory tightness of scrutiny the always hangs in financial services industry, but now we are seeing that generally, across all the vectors, the regulatory scrutiny has increased. So how would you place your business in that light, let's say, versus last year and today, how would the regulator disposition have been and where do you see it going forward?

Narayan Gangadhar

So, I see the regulatory pressures only, I think, first of all, it's good for the whole industry and I think it's going to impact everybody. I mean, not just us. Right? But it's going to impact in a positive way. Now, that said, a lot of the brokers, we have been doing business and a lot of them have not really invested that much in technology. So there are obviously gaps along the way which we are discovering. So, I expect that our, like, this is not just true for us, this is true for almost every broker. I expect penalties and all these things to go up while people get their act together and get systems in order and whatnot.

So, I expect that there will be some extra hit to profitability, but it's not very material. But there will be, just because of the cost of business is going to go up. For example, our infrastructure cost went up this quarter, because we had to build 2x redundancy. Now, this is a new change that came from the exchange. I expect that these kind of things will happen, but over time it will get absorbed in the cost of business. So, it's a good thing for the customer.

Abhishek Saraf

Okay. Got it, sir. Thanks a lot for your kind answers. Thank you.

Narayan Gangadhar

Thank you, Abhishek. Thank you.

Moderator

Thank you, sir. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. Our next question comes from the Prayesh Jain from Motilal Oswal. Please go ahead, sir.

Prayesh Jain

Hi. Good afternoon, everyone. Sir firstly on, you mentioned about your customer acquisition strategy, wherein you mentioned that you wouldn't go all out, but still could you give us, when you say that you will go from INR 70,000 to INR 1.5 lakhs, INR 2 lakhs, kind of a run rate, what would your strategy be? What kind of cohorts you would be looking at? Age cohorts, income cohorts? What is that you would be looking at? Is it more slightly age group of 30-plus or income profiling something if you can, what is your target base that you are looking at? That would be my first question.

Narayan Gangadhar

Yeah, so see, we actually, you know, we don't discuss that those, sorry, someone is on. There's a lot of background noise. Can you please mute? Yeah, so as I was saying now. So there is -- okay, so basically -- so there is a lot of background noise in your thing. Please redial and join the queue.

Prayesh Jain

You are asking me?

Narayan Gangadhar

Yeah.

Moderator

Yeah, it's from your line sir. Prayesh sir, it's from your line.

Prayesh Jain

All right. Thank you.

Moderator

Our next question comes from the line of Sumit Jankar an Individual Investor. Please go ahead, sir.

Sumit Jankar

Thank you for providing me the opportunity. So what is currently our cash and derivatives market share? What is mentioned in PBT I think it is cash market share, right?

Narayan Gangadhar

Sorry, can you repeat your question, sir? I could not understand your question.

Sumit Jankar

So my question is, what is our current cash and derivatives market share, and how much percentage of revenue both of them contribute and broking?

Narayan Gangadhar

So currently our cash and derivative market share stands between 2% and 3%. And this is largely reflective of the fact that our median acquisition over the last 3 years has been only under 3% of the market. So, the reason you see the -- so acquisition number usually tracks the market share number or the market share number usually tails the acquisition number. So, it's whichever way you see it.

And now your question about how we get the revenue split between the two. So, we don't really talk about those details, because those are very internal to our strategy and it's important for us to maintain that competitive intelligence on how we slice our revenue pie. Right? But I can say that it's a pretty healthy mix as of this point. And you know, the way, it's not that different than what you see in the market.

Sumit Jankar

Okay, so maximum must be in derivatives, right?

Narayan Gangadhar

Yeah, I mean, usually because the action is in derivatives, but also we have a good business on cash. It's not like that's not there, you know.

Sumit Jankar

Okay, one last question. I see market share little bit dropping QoQ. And you said that you will be increasing your acquisition rate from 70,000 to around 1.5 lakhs to 2 lakhs. So, will it also reflect in market share, what number you think is good for acquisition that market share also keeps growing and it provides good business?

Narayan Gangadhar

So generally, see, this is a function of how fast the market is growing and how fast we are growing. If we see that by acquiring, say, a lakh customer, if we see that the market, if we see that the quality of the customers is weak, then we are obviously not going to continue acquiring, because our goal is not really to just go after acquiring customers. We want to acquire quality customers. Now, that said, I think you can generally assume that if your acquisition rate is, let's say, 4% or 5%, then it will take you about 8 or 9 months for your market share to catch up to that number.

So, you may start in the first quarter, let's say. Let's say in today's month, your market share was, say, 4%, and you went on increasing that to 5% in the next month and the month after and so on. You've got to wait for about 9 months for the whole cycle to complete, and you will then start seeing your overall market share reflect that. So it's -- how it's generally goes in the industry, largely because customers take a quarter or two, settle down, and by the time the peak trade starts, that usually only is in the second or third quarter, because by then, the consumer has learned how to use your app and become more familiar and had time to define the strategy and things like that. So, it's just a question of that, function of time.

Sumit Jankar

Thank you for very detailed answers. Thank you, sir.

Moderator

Thank you, sir. We have a follow up question from Prayesh Jain from Motilal Oswal. Please go ahead, sir.

Prayesh Jain

Is my audio clear now?

Narayan Gangadhar

Now it is clear.

Prayesh Jain

Okay, perfect. So, my question was on, what is the kind of cohorts that you would be looking at to acquire customers? When you say that, you want to move from 75,000 kind of a run rate to more like 1.5 lakhs, 2 lakhs, what is the kind of cohort that you would be looking at, when you say quality customers? So, what is it that you are looking at?

Narayan Gangadhar

So, this is the same as the cohort base in the rest of the industry. We see that, for example, almost 40% of the business, sorry, almost 60% of the business comes from Tier 1. We say that almost 30-40%, the rest of it comes from Tier 2 and 3. So our acquisition strategy also will reflect the same thing. As far as cohorts are concerned, in India, there is not much data available on cohorts, because we don't have a fully integrated digital stack yet. There is no fully integrated digital identity stack. So, while we report on cohorts and such, the reality is that there is no validation of that.

So, you can assume that the cohorts will always be similar to what I'm seeing right now. I don't see that as changing very dramatically. But as I said, just please remember that our goal is we are a platform for traders. We are not in the business of acquiring numbers for the sake of numbers. I told the number largely, because I feel like we can go to that scale. But if we discover that while acquiring at that scale, if the RPC is low, then we are not going to do what the other brokers are doing. We are going to stop the acquisition and scale it back.

Prayesh Jain

When you say RPC is low, what is the kind of threshold that you would be looking at?

Narayan Gangadhar

Again, those are discussed. Those are decisions that we make, that I make them very dynamically. So, and this is very -- because it's internal data. We really don't really talk much about it. But just, you can assume that, if you look at, if you just, if you look at our revenue number and just divide it by the total number of customers, you can come up with some, you can get a rough approximation of what kind of data we are looking at.

Prayesh Jain

So, you know, generally, it is about the lifetime value of the customer rather than the first-year revenue. Right? So you have in fact, given us a chart in a scenario. So, how do you kind of judge the customer? You rightly mentioned that we don't have data stacks in India that can support your thesis on acquiring quality customers. How would you kind of gauge that a customer's lifetime value could be, say the current that you mentioned is 5x of FY20. The customer who's been in the system for 5 years is 5x of its customer acquisition cost. Right? Whether that kind of lifetime value the customer can generate for you, how do you kind of judge that?

Narayan Gangadhar

That, see, we have, first of all, we have back tested our data historically. And when we back test our data and when we look at the analysis, this number that we have reported in the earnings sheet, not in the earnings sheet, in the investor deck, that's actually representative of actual numbers. Okay. So that definitely tells you that our -- so the reason we put that slide there, is because I want the market to know that 5paisa customers are of the exact same quality as any of the other top brokers, because everybody else, I'm especially talking about the top 3.

If you look at the cohort system, if you look at the lifetime value for the three brokers who are ahead of us, the India's largest three, and you compare their LTV to my LTV, it is exactly the same. In fact, for some cohorts, my LTV goes up to 7x because we have some heavy, you know, because, as I said, we are a platform for traders. Now, to answer your question, how do I ensure it stays that way? See, that is only -- that can be done, that is done usually in two ways. One is that we monitor the early trading behavior of the customer. We see how that customer is performing, usually within the first 15 days we have a very good idea of how the person is trading, and within the first month of behavior is formed, so at least we know some sense.

Now, the customer is going to take about, say, a quarter or two to settle down, understand the app and whatnot, and wait for the strategy or whichever, whatever he wants to buy and sell. Now, that's not in our control, but the behaviors are understood early on. So that means based on that, we have a good sense of how the market performs. And usually because the market is so under penetrated, I think you can safely assume that this kind of a trading behavior that you see is likely only going to continue because this has been, this LTV number goes all the way back to 2016, 2017 as well. Although we have not put that data in here, there is a lot of historical back testing which validates this theory.

And the markets also stay the same. The trading behavior always is generally the same, even in up and down markets. So that also doesn't impact this too much. So, but the key takeaway point answer to your question is our LTVs are bang on in line and our customers are also bang on in line with the rest of the industry. And this is one of our greatest assets. Plus, we continue to acquire high quality customers. And plus as I have already told you, on a unit level, we are fully-fully profitable. So, yes, hopefully that answers your question.

Prayesh Jain

Got it. But, like, if I look at your business growth, the number of orders has been in a very narrow range in the last three quarters. And in that period, market has done really well. Right? Which basically gives me the trading activity is on the lower side at your end as compared to what the industry. So, what would be the reasons you would ascribe to?

Narayan Gangadhar

At the rate of acquisition? See that --

Prayesh Jain

No, I'm talking about orders.

Narayan Gangadhar

That's what I'm saying. Correct. I know. Just hear me out. Because if you look at the trade, the order, the number of orders doesn't just scale by the acquisition that we do in that quarter or that year. You need a basic latent pool of cohorts ready to go that are trading for you, 93% of every broker's new business. The new business only comprises 10% of the orders. Please remember that. Okay. So, the total number of new business. [Hindi Patch] So 85% is coming from old guys. Now, if you look at my rate of acquisition last year, it was hardly 1-- we dropped to an incremental market share of 1.4% when I joined the company. So clearly that drop is reflecting today and that drop reflects in the number of orders.

If you see the same data in another 8 months, you will see a completely different story. So, what I am trying to say is that because the latent base was so low, there is no way, even if I acquire 20 lakh customers a month, this is not going to go. This is not going to go up because as a percentage it is a much smaller pie. So, this is why we -- in our business, it's very critical to keep that sustainable rate of growth going. And that was one of the strategic mistakes we made in the prior years, which we are fixing this year. Now it takes one or -- it takes a year to fix that kind of a mistake, because we have to build the digital infrastructure. We have to scale it and whatnot. So, this is where we are at.

Prayesh Jain

Got it. Thank you so much.

Moderator

Thank you so much, sir. Ladies and gentlemen, if you have any questions please press * and 1 on your telephone keypad. I repeat, ladies and gentlemen, if you have any questions please press * and 1 on your telephone keypad. We will wait for a moment while the question queue assembles. There are no further questions. Now I hand over the floor to the management for closing comments.

Narayan Gangadhar

Thank you very much for attending this quarter's earning call. We are grateful for your participation. As we have discussed on this call, 5paisa's brand and 5paisa's penetration with the trading community continues to be good. We are planning to invest and scale in building new products for the trading community over the coming years. We are going to be reinvesting our profits to support growth. While this is likely to impact profitability in the short term, we are fully profitable, and we are fully at the right spot in terms of unit economics to support scale.

So, we are extremely bullish on scaling our acquisition channels, launching newer products and increasing our market penetration. And we are looking forward to this growth over the coming years. With this, I would like to close the meeting. Thank you very much for your participation.

Moderator

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

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