



January 17, 2022

<b>The Manager, Listing Department, BSE Limited, Phiroze Jeejeebhoy Tower, Dalal Street, Mumbai 400 001 Tel No.: 22721233 Fax No.: 22723719/22723121/22722037/ BSE Scrip Code: 540776</b>	<b>The Manager, Listing Department, The National Stock Exchange of India Ltd., Exchange Plaza, 5 Floor, Plot C/1, G Block, Bandra - Kurla Complex, Bandra (E), Mumbai 400 051 Tel No.: 2659 8235 Fax No.: 26598237 NSE Symbol: 5PAISA</b>
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Dear Sir/Madam,

**Sub: - Earnings Conference Call**

Please find attached herewith transcript of the earnings call held on Tuesday, January 11, 2022.  
The same is made available on the website of the Company i.e. [www.5paise.com](http://www.5paise.com).

Kindly take the same on record and oblige.

Thanking You,  
Yours faithfully,

For **5paise Capital Limited**

**Namita Godbole  
Company Secretary**

Email ID: [csteam@5paise.com](mailto:csteam@5paise.com)

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**5paise Capital Limited**

**Corporate Identity Number: L67190MH2007PLC289249**

Corporate Office / Regd. Office: 5paise Capital Limited, Sun Infotech Park, Road No. 16V,  
Plot No. B-23, Wagle Estate, Thane Industrial Area, Thane – 400604. Tel:+91 22 41035000  
E-mail: [csteam@5paise.com](mailto:csteam@5paise.com) • Website: [www.5paise.com](http://www.5paise.com)

## Transcript

### 5Paisa Capital Limited Q3FY22 Earnings Conference Call

**Event Date / Time** : 11<sup>th</sup> January 2022, 14:00 Hrs IST

**Event Duration** : 47 min 00 sec

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#### CORPORATE PARTICIPANTS:

**Mr. Prakarsh Gagdani,**

Whole-Time Director and Chief Executive Officer

**Mr. Gourav Munjal,**

Whole-Time Director and Chief Financial Officer

#### Moderator

Ladies and gentlemen, good day and welcome to the 5Paisa Capital Limited Q3FY22 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 \* and then 0 on your touch tone telephone. Please note this conference is being recorded. I now hand over the conference to the management. Thank you and over to you sir.

#### Prakarsh Gagdani

A very good afternoon, everyone. Myself, Prakarsh Gagdani, CEO and Director of 5Paisa along with my colleague, Gourav Munjal. We welcome you all for this conference call. On behalf of the entire team of 5Paisa, I wish you all a very very happy and prosperous New Year. In last few days, we are seeing the third wave of Corona hitting our country, especially Mumbai, and I'm sure that most of us are ourselves down with COVID or some of our loved ones are. I hope and pray for your family. Hope all of them are safe and healthy and I also pray that we all come out of this fast and very soon.

Friends, 2021 has been a milestone year for us in many ways. One, we crossed 2 million customer mark in the month of October. We took almost five years to cross the first 1 million customers, but just one year to double that number to reach 2 million mark. I'm confident that

will reduce our doubling period even further going ahead. Second, our mobile app which is our main product which attracts maximum turnover and revenue, crossed a milestone of 10 million downloads with the improved rating of 4.24. We also concluded a fundraise in the first quarter of this financial year, by raising 250 Crore from marquee investors and this capital raise was for our future growth.

With such a strong year gone by, we enter 2022 with high optimism. Talking about numbers, after our fundraise in my previous calls, I clearly said that our focus will be on acquiring new customers, more and more customers, and this has to be followed up with revenue growth. I'm happy to say that consistently for five quarters, our quarterly run rate of customer acquisition is consistently improving. Even in this quarter, we acquired 4.05 lakh customers, which was 18% higher than previous quarter. Even on the revenue front, our growth has been in tandem with our acquisition growth. This quarter we are reporting a 17% sequential growth in our top line and 62% sequential growth year on year. Our margin funding book has also grown in line with our broking activity, by showing a 24% rise and hitting an all-time high of Rs. 360 crore of funding book. Friends, our consistent growth for previous quarters gives me a confident that 2022 will also be a much better year for us. I would now like to take questions from you. Thank you.

## **Moderator**

Ladies and gentlemen, if you have any questions, please press \* and 1 on your telephone keypad. So our first question from Rishikesh Oza from Robo Capital. Please go ahead, sir.

## **Rishikesh Oza**

Thank you. Very good afternoon Sir. Sir my first question is, if you could just provide a breakup of the allied broking revenues?

## **Prakarsh Gagdani**

Sure. Sir, allied broking revenue was around Rs.30.9 crore and the maximum revenue is coming from margin funding interest income. Gourav, can you give the exact numbers? So, before that, let me just give you that typically it consists of margin funding income, it consists of DP transaction income and DP AMC income. There are three income put together is our allied broking income. Gourav, can you give numbers

## **Gourav Munjal**

Yes. So, our client funding book has gone up from Rs. 293 crore to Rs.361 crore. So, in the allied broking income, out of Rs.30 crore approximately Rs.20 crore income is related to the client funding book. There is approximately Rs.4 crore related to the DP charges and Rs.4 crore another is the DP AMC, and rest is others, Rs.2 to 3 crores. So, this is the major bifurcation of Rs.30 crores.

## **Rishikesh Oza**

Okay, that was helpful. And sir, my second question is, what if revenues can be done in the cross sales in FY23.

## **Prakarsh Gagdani**

Okay. Okay. So, see cross-sales consists of all the products that we sell. A subscription is the largest contributor to the revenue, and we are seeing a very good growth in our subscription product and that product is picking up. But it is difficult to put in terms of numbers that you know, so for example, for current quarter it is almost, our cross-sales income is Rs. 4.9 crore. But for the full year of FY 23, it is difficult to put down the numbers but I can tell you that subscription, followed by mutual funds and gold, these are the few products that will be our main core product that we will be selling. And these are the products that will be contributing to our revenue.

## **Rishikesh Oza**

Okay, okay. No problems. That is all. Thank you.

## **Moderator**

Thank you, sir. Our next question from Bhuvnesh Garg from SBI Capital Markets. Please go ahead, sir.

## **Bhuvnesh Garg**

Yeah. Hi sir. Thank you for the opportunity. This is Bhuvnesh from Investec Capital. So, actually I have a couple of questions. Firstly sir, I would like to know what would be our customer acquisition costs? And what would be our payback period? And what is the quantum of customer demat assets. These are my questions.

## **Prakarsh Gagdani**

Sir customer acquisition, we've acquired around 4.05 lakh customers this year, and our broad customer acquisition cost is around 769 rupees for this quarter. The payback time is consistent between 8 to 10 months

and the Demat assets, we would be around Rs. 4,500 crores.

## **Bhuvnesh Garg**

Ok. Thank you.

## **Moderator**

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

## **Prayesh Jain**

Yeah, hi, this is Prayesh Jain from Motilal Oswal. Just wanted to check on a couple of things. Firstly, the customers that we have acquired are, first time possibly has seen some kind of a market correction, in the month of November and December, wherein too in the end of the November, the volatility increased and December there was some correction in the market. So, what are the key important trends that you would have witnessed in the customer behavior changes with regard to the trading mechanism in this period? And my second question is on the margin funding book, which you have increased on a sequential basis. Whereas, if I understand correctly, the cash volumes in the industry were quite weak. So, do we mean that the cash volume for us have also, have increased against the trend of the market and we have been able to support that NPA book, support the volumes for NPA book?

## **Prakarsh Gagdani**

So, I think I can give both the answers together. In last few months, if you see, after the peak margin reporting got implemented, the overall cash market volume has been consistent, and it went down. So broadly today, a majority of the cash market volume, as compared to what it was earlier, now it is majority is delivery driven. So, though the markets were down for last one or one two months and it was sideways and because most of the customers that we are acquiring, they're new and then they are coming for the first time, so they are entering the market and buying deliveries.

So that has not impacted much in terms of the people buying deliveries. What has impacted is the people who are trading intraday, in cash segment. So that has impacted, but that has been

compensated by the growth in the derivative turnover. So, despite market being sideways or down, the derivatives turnover has compensated for that. So, if you see our turnover from last quarter, which was at around Rs,80,000 crore ADTO, we're now at an average of Rs.98,000 crore ADTO. So, consistently that turnover and the participation, both from customer perspective and the number of trades, the customers are putting in derivatives segment, that has gone up. So, a combination of these two has not impacted the revenue for this quarter.

Now, on the second part, because most of the people today are trading in delivery on the cash segment, there is definitely a need for margin funding. And that's why our margin funding book is also has gone up. Now, obviously, margin funding book is also very directly correlated to the market activity. So, if there are sudden spurts or sudden spike in terms of our market, or if there's a downturn in the market, then it may have an impact on the book. But what it looks like that consistently if we are increasing the customer base, and the customer base broadly trades in delivery, then the funding book will also increase in line with that and will not have much impact.

## **Prayesh Jain**

And any behavioral aspects of the traders, the intraday traders that you would have witnessed in the, in a downturn or the range bound market, which would be possibly different from what would have been the trend say two months before.

## **Prakarsh Gagdani**

See, in such a short span of time, it is difficult to see a trend and so if you ask me in terms of last two, three months, if there's a trend change, I won't say any trend change, but broadly, if you see that in last, you know four or five quarters what has happened or maybe eight quarters, consistently the trading activity which was whatever, if you may call it a speculative activity, intraday trading or short term trading has moved completely towards derivative and completely towards options and there are large section of customers who are now trading in options.

So that is a change, which has happened over a period of time. When the markets are sideways, the activity increases why because then obviously in derivatives, you can take a sideways view or you can take a bullish or bearish view, any kind of view you can take and you can trade even in weekly options. So, because of weekly options and more knowledge about options, and more customers coming towards derivatives, so that volume has shifted. But this is happening and is only increasing quarter by quarter. So, there is no change in last two months except for the fact that more number of customers are now coming into derivatives and trading.

## **Prayesh Jain**

Okay, okay. That's helpful. Thank you, if I have more questions, I'll come back. Thank you.

## **Moderator**

Thank you, sir. The next question from Jeetu Punjabi from EM Capital Advisors, please go-ahead Sir.

## **Jeetu Panjabi**

Yeah, thank you so much, and Happy New Year to the team. So, one question is we've seen you focus on customer acquisition and wrapping up the customer book over the last 3-4 quarters. The question is, is the next 4 quarters, whether over the next year, year and a half, is that trend going to continue? Is that focus going to continue? And how and do you have a number in terms of the number of customers you hope to acquire over the next 12 months?

## **Prakarsh Gagdani**

So, Jeetu, obviously, I've said in my previous calls also, and I'm reiterating again, that as an organization, our focus is only on two things that one we acquire customers and we improve our run rate on acquisition of customer, we acquire good quality customers, not just for the sake of acquiring it, and then in the end the measurement of good quality is the translation of the acquisition growth in the revenue growth. So, we are not deviating from that focus and that will continue, we will keep investing money in branding activity in customer acquisition in our product and technology.

So, that is sacrosanct, that will remain, and that will continue for the foreseeable future and the result of that should be the growth in terms of our customer acquisition and growth in terms of revenue. Having said that, I have not put down a number, because any number can be a conservative number, and can also be a very optimistic number. If tomorrow market looks suddenly falls 20- 30%. So, but in a normal business as usual, I see that the trend will continue for next 4 quarters at least.

## **Jeetu Panjabi**

Okay, second linked question is from a product suite perspective, are there new products you plan to add to the portfolio over the next three four-quarters? And what do you think of the missing products in your portfolio, which are very obvious that we should be having, as the management thinks about it?

## **Prakarsh Gagdani**

So, if you see our product suite, we already have a wide range of product suite. I think even now, in all the comparative competitive brokers, we have the widest product offering from mutual funds to derivative products to US stocks, gold, loans, everything. So, I don't see a new product addition. By the way, we just launched one product some time back. I don't know whether I've taken that in my previous call or no, but we launched a product called as 5Piasa Wealth. That was I think September end or October first week is what where we launched that. So, what we also, what we realized is when markets peak, a lot of people would now be needing advice, or a professional advice, where they can park the money and the decisions are taken by experts and a portfolio is managed.

We've started a product called as 5Paisa Wealth, it's a discretionary portfolio management service, a Portfolio Advisory Service where we have tied up with Renaissance, which is run by Pankaj Murarka and Abacus, which is run by Sunil Singhania and obviously, they don't need any introduction. So they run the portfolio. It is in the first quarter, so we are seeing a good traction, though the ticket size is two and a half lakh for an investment, minimum investment. So, it's a niche product, but we are seeing a good uptick.

So that's something that we felt was not there, we had small cases, which is basically on a lower side of entry ticket wherein you can enter as low as 1000, 2000, 5000 rupees, but we did not have a product in somewhere in the mid-segment. So we launched that. But apart from that right now, we don't see new product addition, but we are working on improving the concentration of revenues that we are getting, that we are having from our existing products.

## **Jeetu Panjabi**

Okay, and one final question, you know, Nitin Kamath from Zerodha was very public about saying that investor reaction and a lot of other stuff can go pretty awry and market volumes can go pretty awry if there's a correction. Do you kind of, one, agree with him and two, think that you could grow the business enough to go through that dip and come up, bigger and larger even on a 12 to 18 month horizon?

## **Prakarsh Gagdani**

See, there is, this is an obvious fact that stock markets are cyclical. We have had a consistent bull run for last two years and obviously, it's not something which will be perpetual or it will be always here to stay, there will be sideways market, there will be downturns in the market, and because it's cyclical business and suddenly you can see a 20, 30, 40% kind of a revenue drop or a drop in the customer activity and it is not just the first time it is going to happen, it has happened in past as well. Obviously that is something that no one knows and it's a hypothetical situation, so it is, I can't plan for that. Or the way we do it, is that we keep our costs in control. We always work on reducing our acquisition cost.



We don't, we see to it that we don't have a large fixed cost, which in case of downturn comes back to bite us. So there are a few things that we do. Second way of insulating yourself to a certain extent, is obviously cross sales and getting more products, which is, which gives you annuity revenue. So we are focusing on you know, stock SIP, we're focusing on mutual fund SIP, which are typically low revenue businesses, but they are at least consistent annuity business. So these are some things that we do. But yeah, obviously there will always be a possibility of markets going down and revenues shrinking and the customer activity also shrinking.

## **Jeetu Panjabi**

Thank you very much. Good wishes.

## **Prakarsh Gagdani**

Thank you.

## **Moderator**

Our next question from Deepak Podar from Sapphire Capital, please go ahead, sir.

## **Deepak Poddar**

Thank you very much, sir, for the opportunity. Sir just wanted to understand, like out of 2.37 million customer mark, how many of them would be active? And similarly, for the newly acquired customer of 4 lakhs in the last quarter?

## **Prakarsh Gagdani**

Yeah, so typically, from the 2.37 million customers, almost 1.4 -1.45 million customers are active. So that's broadly 55-60% kind of a number. So typically that is the number that we get in the first, not in the first 30 days, but with 45 to 90 days, typically, 60-65% of our customers become active and they continue to trade with us. That number is in live.

## **Deepak Poddar**

So 4 lakhs, and so about 2.4 lakh might be the active customer out of that 4 lakh acquired.

## **Prakarsh Gagdani**

Yeah.

## **Deepak Poddar**

Okay. And in the past as well, we have been talking about maybe a 20% kind of a sequential growth in our customer base, whereas the revenue is likely to follow the customer acquisition trend. So is that what you expect likely to continue for maybe next first four to six quarters?

## **Prakarsh Gagdani**

Yes, I have, you know, I've always said that our acquisition and revenue. I mean, there is no point in having an acquisition which does not complement revenue. So, you know, our revenues and our acquisition will always be in tandem. And we know that's something that will definitely continue, in foreseeable future.

## **Deepak Poddar**

In foreseeable future. Okay, fair enough, that's it from my side. Thanks.

## **Prakarsh Gagdani**

Thank you.

## **Moderator**

Thank you, Sir. The next question from Karthikeyan VK from Suyash Advisors, please go ahead.

## **Karthikeyan VK**

Sir, good afternoon. Congratulations on the strong customer acquisition. A couple of things. One, I missed the breakup of revenue. So the other operating income comprises what exactly?

## **Gourav Munjal**

Other operating income is mainly related to interest on FD.

## **Karthikeyan VK**

That's ok. The second thing is I'm assuming that the fixed cost income ratio that you have shown of 50%, that is excluding customer acquisition cost. So can you explain why that has gone up? You know?

## **Gourav Munjal**

So, it is not, has gone up much, it is a 59 to 60% Basically, that we are spending on Tech development. and some IT cost is kind of fixed. So that has gone up a little bit.

## **Karthikeyan VK**

It's gone up from 46% in the first quarter to 60, you know, on a rising income base, therefore, I was asking this question.

## **Gourav Munjal**

Yeah, so sir, in the last quarter of presentation, Prakarsh sir told to the investors that there will be increase in IT costs for one or two quarters. So, it has increased for one or two quarters and then it be stable. So 46 to 59% is a reflection of that.

## **Karthikeyan VK**

Fair. Thank you so much. Thank you.

## **Moderator**

Thank you Sir. The next question from Prateek Saini from Myriad Asset Management. Please go ahead sir.

## **Pratik Saini**

Hello. Hi Sir. So the cost to income which is currently around 60%, what's your target say for the next 3 years?

## **Gourav Munjal**

So, definitely we should, we are trying to reduce it. So, our target, I can't tell the exact percentage, but yes, over the period of time, we can expect approximately 50% in coming quarters.

## **Pratik Saini**

Okay, thank you.

## **Moderator**

Thank you, Sir. Next question from Vijay Karpe from Bryanston Investments, Please, go ahead, Sir.

## **Vijay Karpe**

Thank you for the opportunity, and happy new year to the entire team of 5Paisa. I have 2 questions. So, the first question is how is the wealth product that we have recently launched different from a PMS product and what are the legalities over there, because for PMS, we require a minimum 50 lakh investment and here I think so, we require 2.5 for one of the product and 5 lakhs for the other product.

## **Prakarsh Gagdani**

Yeah, so this product that we have, it's a discretionary portfolio, so basically, it's not a PMS where the fund manager, we know, he's been given the money and he is managing it, here it is more of an advisory. So, there's an advisory portfolio which is there for a customer and the decision to invest is depending on the customer. So that's the difference. And hence, we follow all the investment recognition rules, where we don't manage the funds as I said it is managed by professional, you know, fund managers. I said there are two with whom we have tied up. One is Abacus and second is Renaissance, they are the ones who manage this fund, but the decision of investing, rebalancing and you know selling, lies with the customer and it happens with the consent of the customer.

## **Vijay Karpe**

Okay, okay. And also, we talked about the MPS income for us being 20 crores. So, I was just doing my back of the envelope calculation. So, if I take the average of the two quarters of the

MPS book and use a 15% interest rate, it works out to 11 Crores, so, your number is 20 crores mine number is 11 crores. So, what am I missing?

### **Prakarsh Gagdani**

What is the interest rate that you have taken?

### **Vijay Karpe**

15%.

### **Prakarsh Gagdani**

No. So, at the customer level we charge interest .06% per day. So on an annualized basis, it comes to around 21.9%.

### **Vijay Karpe**

21.9%, okay.

### **Gourav Munjal**

Also, while taking the average weight, we give the monthly average, but if we go at a ground level and if we calculate for every day, the average may be a slightly different. So, there is a small variation can be due to that otherwise, it is more or less same.

### **Vijay Karpe**

Okay. And also I missed the payback period, how much was it, for the new customers?

### **Prakarsh Gagdani**

Eight to 10 months.

### **Vijay Karpe**

Eight to 10 months. Okay, I got it. thank you so much.

### **Prakarsh Gagdani**

Thank you.

## **Moderator**

Thank you, Sir. The next question from Jenish Karia from Elara Capital. Please go ahead, sir.

## **Jenish Karia**

Oh yeah, thank you for the opportunity. I just had one question. Can you just help me with the cash market ADTOs for this quarter and last quarter?

## **Prakarsh Gagdani**

Cash market ADTO is consistently in the range of Rs.1000-1200 crores for both the last quarter as well as this quarter.

## **Jenish Karia**

Okay, fine. That helps.

## **Moderator**

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

## **Prayesh Jain**

Hi, thank you for the follow up again. Firstly, just on the previous question, you said Rs.1000-1200 crore of cash ADTO. How much of that would be delivery?

## **Prakarsh Gagdani**

Almost today, 40 to 50% of the turnover is delivery, anywhere within ranges in the market. But yeah, that's the broad range.

## **Prayesh Jain**

40 to 50%. Okay. Got it. And secondly, the point acquisition, you mentioned about activation rate of around 55-60% right?

## **Prakarsh Gagdani**

Yeah, around 60%.

## **Prayesh Jain**

So my question is, why would the other 40% actually come on the app or download the app? Or am I missing something?

## **Prakarsh Gagdani**

That's a good question. I mean, that's something that even, you know, a lot of us also figure out that people open Demat account and one of the reasons can be that we don't charge for opening an account. So sometimes people open account and they do not trade for a while. Some people then they come out after maybe three months, six months later. But there is no definite answer that why people will open account and don't trade. But typically we have seen historically, that you know, there is always some percentage of customers who do not end up trading.

One can be, one of the, we can also be that people might open one more extra account in just case of, you know, having a redundancy because today opening a Demat account is very easy, it's app based, just downloading an app and opening and it takes no more than 5-10 minutes. So maybe as a redundancy plan, people might be opening two Demat accounts and keeping one in standby. But that's just an hypothesis. We do a lot of activities to nudge customers to trade, but then you still get some customers who do not.

## **Prayesh Jain**

Okay, thanks for that. Also, is there any analysis that you would have on your, on the trades that the customer place? How much of the trades are based on the recommendation provided by 5Paisa?

## **Prakarsh Gagdani**

See, we are not much into the recommendation, we don't provide that. As a part of our subscription, we give long term advisory calls, but broadly, we don't, we are not a research house in first place. We don't give intraday calls and derivative calls. So, largely customers do on their own.

## **Prayesh Jain**

Okay, do you plan to add anything in terms of the research side?

## **Prakarsh Gagdani**

No, not in the near future, at least.

## **Prayesh Jain**

Alright, thank you so much.

## **Prakarsh Gagdani**

Thank you.

## **Moderator**

Thank you, Sir. The next question from Ms. Kajal Gandhi from ICICI Direct. Please go ahead, ma'am.

## **Kajal Gandhi**

Hello hi, good afternoon Sir. Most of the questions were answered. I just wanted to know what is the impact of these margin and various regulations, which have now kicked off fully, and also that in-the-money options are also now delivery, there also retail investors are getting stuck. Is there any runaway we are seeing, any impact on volumes we're seeing?

## **Prakarsh Gagdani**

See, one, the first part is definitely there is an impact on the cash market turnover after we know this peak margin reporting has been there. So, if you keep our last, you know, for last four, five quarters, the cash market turnover, retail I'm talking about retail, has broadly been the same. Somewhere in the range of Rs.30 Crore, Rs 33 Crore to Rs 40,000 on a best month, you get a Rs.40,000 Crore turnover, and on the worst month you get around Rs 25-28,000 crore turnover, but that's something which is consistent. So, there is despite being the you know, the bull market sustaining for two years, the volumes have not gone. So, typically the impact of the peak margin reporting has definitely come on the cash segment. The impact of that, as I said earlier also, that it is now it is more delivery driven.



Second, the trading has shifted to derivatives and hence, you see the derivative volumes going off the roof. So, there is an impact, but on the revenue side, the impact has been insulated by the rise in derivative, but on the cash there is definitely impact. Now, the second point is very interesting, because it has happened, we know in the previous expiry and we have also returned to exchanges, seeking clarification because that is something which is extremely dangerous. Now, as a broker, earlier we used to, you know, also square off the positions in the, especially in the stock option. We used to square off the position a week before, we used to communicate to customers saying that, just one week left for the expiry. So, we'll square off. Now customers resisted a lot and there were a lot of complaints we got, that how can you square off a week before. So, we came to not squaring off and let people do it. But then Hindalco happened.

So, we have written to, you know, exchanges seeking clarification that you know, in the last few minutes, if there are things changes and the options go from out of the money to in the money, and the funniest part is none of the, none of the customers understand this. So, I might pay just 2000-3000 rupees to buy a lot, in any stock option, but if it comes to a delivery, it might, you know, be lakh and then unnecessary and most of the people do short, so, they might end up in auction.

So right now, there is no solution, but yes, it is not a good trend. Typically, you know, there should be an option given to customer whether they want compulsory delivery or no. But as a broker, we have now taken option where we are just releasing a product version, where we are giving, asking customers to choose whether they want to take delivery or no. And if they choose not to, then we will square up a bit in time and not wait till the last minute. But yeah, this is an unfortunate incident which happened

## **Kajal Gandhi**

Okay. What are the views on the margin funding books? In case, the book expands further, what are your borrowing costs and what is the margin that you make?

## **Prakarsh Gagdani**

So, typically, you know, we raise anywhere around 9.5%, 10.5% from all the external parties, wherever you know we get funds from financial institutions, banks, but broadly 10% to 10.5% would be our cost and we charge as I said 0.06% per day. So annualised it comes to around 21.9% So, difference is our earning, but typically our outstandings are not for full year. So customers keep a debit for 30 days-45 days, not much.

## **Kajal Gandhi**

Okay. And last question is about the acquisition. So, what are the, whether we have seen change in acquisition pattern or acquisition sources over a period, because now we are seeing a lot of competition across?

## **Vijay Karpe**

Yeah, that's a very good question, because in this competition, everything when you go out and do you know, marketing and paid marketing, everything becomes too costly, because everything is competitive. So, we changed, you know, our strategy sometime way back at Q3 of last year, where we said that, there is no point in going out and spending money just to acquire a customer. Right, left and center, you spend money, without revenue insight.

So, we changed our strategy, we consolidated our avenues from where we were acquiring customers, we started focusing internally. And if you see today, almost 65 to 70% of our acquisition, either is happening through organically, or through referrals. So I think, if more people use it and spread a word, I think that is the best acquisition that we can get. Obviously, that may have some limitation in terms of, you know, the number, but then at least you are rest assured of the quality of customer. So that's the strategy that we follow. And we continue to do so.

## **Kajal Gandhi**

Thank you, sir. Thank you.

## **Moderator**

Thank you, Sir. We have a follow up question from Deepak Poddar from Sapphire Capital. Please go ahead, Sir.

## **Deepak Poddar**

Thank you very much sir. So just a quick clarification. You said the cost we can target about 50% in coming quarter.

## **Prakarsh Gagdani**

Oh, no, I don't think so. Gourav mentioned in the coming quarter, but over two to three quarters, we'll get down that cost. You're talking about fixed income cost, right?

## **Deepak Poddar**

Yeah, so yeah, fixed income.

## **Prakarsh Gagdani**

Yeah. So not in the next quarter. But yeah, in two or three quarters, that percentage we'll bring down to around 50%.

## **Deepak Poddar**

50%. So, this includes your marketing and employee costs as well.

## **Prakarsh Gagdani**

So, this doesn't include the cost associated with acquisition.

## **Deepak Poddar**

Yeah, variable cost is not included.

## **Prakarsh Gagdani**

Yeah, variable costs is not included.

## **Deepak Poddar**

Thank you.

## **Prakarsh Gagdani**

Thank you.

## **Moderator**

Thank you, Sir. Sir, we have a follow up question from Prayesh Jain from Motilal Oswal. Please go-ahead Sir.

## **Prayesh Jain**

Yeah, hi. Just wanted to understand this. So, from a cost angle, you are saying that we will move to something like 50%. So does that mean your customer acquisition costs will be trending down further from the current level that you've achieved?

## **Gourav Munjal**

No. So see, this doesn't include customer acquisition costs. The whole idea is we want to achieve that we should be having a some fixed percentage of fixed cost, and in coming quarter, the income is expecting on a higher side. So definitely our fixed costs percentage should be on a reducing side. So, our first target is to get the 50% in coming quarters and then later, we can think about a much better ratio, but the whole idea is to maintain a cost with a fixed percentage. So the overall costing rise only if the client acquisition rises, otherwise it should be on the same level.

## **Prayesh Jain**

Okay, so if I understand correctly, it is you're mentioning that X of customer acquisition costs, whatever the cost we are, you will get 50%.

## **Prakarsh Gagdani**

Yes, that is for near future but typically in our kind of a digital business, your fixed cost to income ratio keeps going down over a period of time, because then, you know, it's more of an auto mode business that people trade on their own, and you don't incur recurring costs. But for, because we wanted to, you know, invest in technology and right now, after the fund raise, that the cost the percentage has gone up, it will come down, but this number is something that will keep floating downwards for some time.

## **Prayesh Jain**

And under customer acquisition costs, we've seen a consistent reduction there. And if I recollect correctly, you mentioned in the previous call, that we're very close to reaching the bottom of the customer acquisition cost. So, do you stick to that view? Or do you think that there is a possibility for an even increase given that the competition is increasing?

## **Prakarsh Gagdani**

No, I still see there is there is definitely a room for 10 to 15% reduction in the customer acquisition cost, that I still believe that we can still go further down. But in broking, as and when you scale your numbers, this is a number which will always be fluctuating. And rather should

come down, why because if the brand becomes bigger, and the more customers are being acquired organically, then obviously, even if you get revenues, the cost of acquisition will be down. So, rather than numbers, it might sometimes for a quarter, it can be a blip, that it might come up, because we keep experimenting, in terms of if there is new branding exercise or if there's a new channel that we are looking at acquiring, but broadly I feel that this is on a reducing trend.

## **Prayesh Jain**

Okay, okay. And another question was your customer costs includes only marketing or does it include advertising costs as well?

## **Prakarsh Gagdani**

So, it excludes the branding expenses, advertising expenses, that is not included in this because those are ad hoc one-time activities. So that is something that we don't include here. But everything else is there.

## **Prayesh Jain**

Okay. And last question from my side is on your cross-sell ratio. How many customers, or any colour that you can provide on what is the number of customers having multiple products or any statistic that is employed?

## **Prakarsh Gagdani**

Right now, it is very less. Our current penetration would be not more than 1.1 product per customer. So, we are working towards improving that. But right now it is very less, around 1.1.

## **Prayesh Jain**

Okay, so when you say that your breakeven is at around like 8 to 10 months, and your CAC is around 750 rupees. So, you're talking about a ARPU of somewhere around two thirds of that, so around 1200 rupees kind of ARPU.

## **Prakarsh Gagdani**

Yeah, not 1000. But yes.

## **Prayesh Jain**

That would be the primarily broking ARPU more than any major coming in from the.

### **Prakarsh Gagdani**

Yeah.

### **Prayesh Jain**

Okay, thank you so much.

### **Prakarsh Gagdani**

Thank you.

### **Moderator**

Thank you, Sir. We have a follow up question from Ms. Kajal Gandhi from ICICI Direct. Please go ahead, ma'am.

### **Kajal Gandhi**

One small thing sir, whether we have utilized all the funds from the fundraising that was done and also as you're mentioning that you have spent off late on technology, what will be the technology costs for the quarter or as a trend?

### **Gourav Munjal**

Hello. So out of Rs.30 crore, our software technology cost is approximately 35 to 40% of Other cost which is coming around Rs.12 crore for this quarter .

### **Kajal Gandhi**

Okay.

### **Prakarsh Gagdani**

Yeah. And answer to the first part, so obviously the entire fund is not utilized because, I mean, it is used as part of our working capital. But, you know, we had, we had a plan for investing that money into acquisition and technology and the new product line. So that is work in progress. But

for now that capital is deployed for improving, for increasing our margin funding book, and also working capital.

## **Kajal Gandhi**

Thank you. Thank you very much.

## **Moderator**

So our question comes from Ray Pohanda from BCP Securities. Please go ahead, sir.

## **Ray Pohanda**

Hi, thank you. Well, this is my first time dialing in and I just have a very brief question. Is it possible, if I missed certain parts of the call. Is this, is it prerecorded? Like can I hear it later?

## **Prakarsh Gagdani**

Yeah, this entire call is recorded. You can, you can read it later from our website, both the transcript and the recording.

## **Ray Pohanda**

Thank you.

## **Prakarsh Gagdani**

Thank you.

## **Moderator**

Thank you, Sir. Ladies and gentlemen, if you have any questions, please press \* and 1 on your telephone keypad. Ladies and gentlemen, if you have any questions, please press \* and 1 on your telephone keypad. As there are no further questions, I would now like to hand over the floor to the management for closing comments.

## **Prakarsh Gagdani**

Thank you. Thank you very much, everyone for joining the call. You can reach out to us at ir@5paisa in case you have further queries, we will be more than happy to answer. Thank you very much and have a good day.

## **Moderator**

Thank you, Sir. Ladies and gentlemen, with this we conclude our conference call for today. Thank you for your participation and for using Door Sabha's conference call service. You may all disconnect your lines now. Thank you and have a good evening, everyone.

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**Note:**

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