

31st May, 2017

To,
The Manager,
Listing Department,
National Stock Exchange of India Limited,
'Exchange Plaza', C-1, Block – G,
Bandra-Kurla Complex,
Bandra (E), Mumbai – 400 051
Ph. No. 022-26598100
Scrip Code : GEOJITFSL - EQ

To,
The Manager,
Listing Department,
Bombay Stock Exchange Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001.
Ph. No.022 22721233
Scrip Code : 532285

Dear Sir/Madam,

Sub: Transcript of Conference Call held on 27.05.2017.

In continuation to our letter dt. 24.05.2017, please find enclosed herewith the Transcript of the Conference Call conducted by the Company on 27.05.2017.

This is for your information and records.

Thanking you,
For **Geojit Financial Services Limited**



Liju K Johnson
Company Secretary





“Geojit Financial Services Limited
Earnings Conference Call”

May 27, 2017



ANALYST: **MR. AADESH MEHTA – ANALYST – AMBIT
CAPITAL**

MANAGEMENT: **MR. C J GEORGE - MANAGING DIRECTOR & CEO -
GEOJIT FINANCIAL SERVICES LIMITED**

**MR. SATISH MENON - EXECUTIVE DIRECTOR -
GEOJIT FINANCIAL SERVICES LIMITED**

**MR. JOE PETER - CHIEF FINANCIAL OFFICER -
GEOJIT FINANCIAL SERVICES LIMITED**

**MR. LIJU K JOHNSON - COMPANY SECRETARY -
GEOJIT FINANCIAL SERVICES LIMITED**

BALAKRISHNAN – MD - GEOJIT TECHNOLOGIES

Moderator: Ladies and gentlemen good day and welcome to Geojit Financial Services Limited Earnings Conference Call hosted by Ambit Capital. 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. I now hand the conference over to Mr. Aadesh Mehta from Ambit Capital. Thank you and over to you Sir!

Aadesh Mehta: Good morning everyone. On behalf of Ambit Capital, I would like to thank the Geojit Management for giving us this opportunity to do the call. The management is represented by Mr. George, Managing Director & CEO, Mr. Satish Menon - Executive Director, Mr. Joe Peter - Chief Financial Officer, and Mr. Liju K Johnson - Company Secretary. So over to your Sir!

Satish Menon: Good morning to all of you. This is Satish Menon here. This is our first analyst call in many years. So before I start with the figures for the last year, I will just touch-up on about the company details if people are not aware. The shareholder report is already updated in our website. If some of you have been able to see that, please pardon the repetition. The company was established in 1987. It has close to 30 years plus experience in the capital market, Rs. 32,000 crore assets under custody and management, 8,65,000 clients, and 511 offices. Presence in the Middle East through joint ventures, we have different companies in the Middle East. I will talk about it in detail later and the first company in India to start Internet trading and mobile trading. Close to 60% of our volumes are coming from Internet. We provide stock broking, equity currency, and future & options. We have business for distribution of mutual funds and insurance and we also have a software company. The parent company is Geojit Financial Services Limited, which is a listed company. It has three main subsidiaries. One is Geojit Credit, which is into NBFC, RBI registered NBFC.. Then we have QBG Geojit, which is a joint venture, which is in Oman where we have 51% stake and then there are other two small companies, which is primarily into distribution of insurance. In terms of joint ventures, we have two joint ventures Barjeel Geojit, which is a company established in UAE and Aloula Geojit, which is company established in Saudi Arabia. We have an associate company called BBK Geojit, which is a company established out at Kuwait. The subsidiary Geojit Investment Services has one step-down subsidiary called Geojit Technologies, which is 65% owned by Geojit and 35% owned by BNP Paribas and now it inlast board meeting, we have decided to merge it so instead of step-down subsidiary, it will become a direct subsidiary of the parent company. So this is as far as the company profile is concerned.

I will talk about the results for 4Q and the year. Consolidated Operational income in 4Q, was Rs 70.87crore, which is growth of 15% and for the year, it is Rs274 crore, which is a growth of 11% over the last year. Profit before tax is Rs 24.87crore and for the year it is Rs.91.45crore, which is a growth of 47%. In terms of sale of products equity and equity related, we did Rs57 crore compared to Rs53 crore in the October and November quarter and over the year, we did Rs221 crore in equity brokerage and related products, which is a growth of 11%. Financial product income, which comes primarily from distribution of mutual funds, we have an income of Rs23 crore for the full year compared to Rs16 crore of FY2016. Software income, we have an income of Rs20 crore compared to Rs19 crore of FY2016. The total operational income is Rs274 crore compared to Rs246 crore of FY2016, which is an 11% growth. I will come to the split-up of income, etc., when there are questions. In the beginning of last year, we had decided to go aggressive on building our mutual fund AUM and primarily through SIP collection. End of last year, we had a book of Rs19 crore. By the end of third quarter, which was December quarter, we had a book of Rs64 crore and end of March 2017, we have a book of close to Rs88 crore. Mutual fund folios with Geojit, which was last year at 2,42,000 has gone up to 3,41,000 an increase of around 1 lakh. In terms of Equity mutual fund AUM holding only for Geojit, the retail side we had end of last year close to Rs1,000-odd crore. It has gone up to Rs1,600 crore by the end of March 2017. Number of offices remains the same at 511 for the last 12 months. The number of clients beginning of the year was 8,23,000, end of the year, it is 8,66,000. We added 15,700 clients in the last quarter and around 52000 clients over the last year. Number of employees over year on year has remained more or less the same, a small reduction of people. We are 2,595 employees as of end of March 2017. The board yesterday recommended a dividend of 1.25 that is 125% of the face value. In terms of the broking yield, broking yield has slightly gone up from the December quarter. December quarter, we had reported 0.054. It has gone up to 0.057. Cash yields have remained stable at 0.153 over the year. This is what I had to say about the company. Aadesh do you want me to add something specific or should we open to question and answer?

Aadesh Mehta: Sir, yes you can open it for Q&A.

Satish Menon: We will open it for Q&A. I have also with me Mr. Balakrishnan, who is Head of Operation and Managing Director of Geojit Technologies apart from the people you introduced in the beginning.

Moderator: Thank you very much Sir. Ladies and gentleman, we will now begin with the question and answer session. We will take the first question from the line of Dhruvesh Sanghvi from Prospero Tree. Please go ahead.

Dhruvesh Sanghvi: Hi Sir. First congratulations on broadly successful strategy being implemented on the mutual fund distribution side and I think the fruits have probably started coming in. Some questions related to that is we keep saying about the mutual fund book to be 3500 crore probably around Rs4,000 crore in March end how much is yielding in terms of the trail income.

Satish Menon: In case of Geojit, we have a book of total MF AUM of 2180 crore of which the equity AUM is, Rs1,630 crore. of which Rs600-odd crore pertains to the new AUM. In terms of the other split when we talk about Rs4,000 crore of the mutual fund book, it includes JV books also. Rs2,018 crore is the Middle East JV is what we have in the countries outside India where the income is accrued in their books not in Geojit books. When we calculate Geojit books, we have to calculate on 1630 cr of equities and around Rs500 crore of debt. Of this 1630 of equities around Rs980-odd crore are the old trail AUM of equities. it means is it is an AUM collected before the start of last year. I forgot to mention in the beginning that from May this year, we have moved to a full trail model compared to last year where it was an upfront and trade. So that is why we are saying the bifurcation of books was Rs980 crore of equity AUM based on old books where the yields are around 0.5% whereas in the new AUM, we get a trail commission of 1.02 percentage after service tax.

Dhruvesh Sanghvi: One point how much sorry?

Satish Menon: Trail commission of 1.02% after service tax. Apart from this of course, we get 60% to 65% of our business comes from B15 cities, so in B15 cities SEBI had allowed the AMC's to share a higher percentage of the commission to distributors to help increase the penetration of mutual funds in India, we get around 150 basis point on the input value on the B15 collections also.

Dhruvesh Sanghvi: So there it turns out to be probably 2.5% then in that area?

Satish Menon: On the first year.

Dhruvesh Sanghvi: Only on the first year?

Satish Menon: . The B15 commission is received on the new input amount into MF whereas the trail commission is paid on the NAV every year.

Dhruvesh Sanghvi: Sir, broadly when we say that our income is Rs21 crore on their mutual fund distribution side and our average AUM for the year is around Rs3,000 to Rs3,500 crore?

Satish Menon: No, let me correct you here. So, when I say when in our shareholder presentation we had said our AUM is close to Rs4,000-odd crore of these Rs2,000 crore, I mentioned it is coming from the Middle East JV, which is not reflected in our mutual fund income. So when we compare mutual fund income to our books you have to calculate at a closing AUM of Rs.2,100 crore, of which is around Rs500-crore of debt and balance is the equity.

Dhruvesh Sanghvi: Fine, so 21 is based upon the Rs2,000 crore rather than?

Satish Menon: correct.

Dhruvesh Sanghvi: And in this Rs2,000 crore of JV how much is our share?

Satish Menon: So we hold different, different percentage in different companies. For Oman, we hold 51%. In the balance, it is approximately 30%. Majority of the business comes one JV in Dubai, so we can easily say it is around 30%. Before you go to the next question,

Dhruvesh Sanghvi: Fine, so incrementally can we say that whatever that we have we will easily be able to achieve upfront income or trail income of at least 1% on the equity mutual fund books?

Satish Menon: Combined or the new income?

Dhruvesh Sanghvi: No the new income, the incremental ones?

Satish Menon: The new trail income, the rate what most of the AMCs have promised us is between 1.25 and 1.5.

Dhruvesh Sanghvi: Fine, Sir is there any recent terms of like today the agreements are let us say 1 and 1.5 tomorrow this can radically change due to some regulatory aspect or at least the older things are not getting affected and the regulation says things about the new part only after that, so how does the regulatory risk pan out in this aspect?

Satish Menon: So what we understand is that SEBI. has mandated is that the total expense ratio should be within arange.

C J George: I am George here. I have a comment on this. Regulatory risk is something we will have to live with, so we do not want to comment on that. If the regulator decides that there is no commission going forward then we have a risk.

Dhruvesh Sanghvi: Fair enough. I will join back in the queue I think, but I have some more questions. I will joint back in the queue.

- Satish Menon:** Thank you.
- Moderator:** Thank you. We take the next question from the line of Nikunj Solanki from an Individual Investor. Please go ahead.
- Nikunj Solanki:** Good morning Sir. First of all, I would like to congratulate you for fantastic numbers you have put forward. For us also, it is the first time we are speaking with you as a person, individual investors. Sir, I have a few questions to you, multiple questions I would say. So I will go one by one. The first question is how has the SIP investments of retail evolved over the past two decades? The second question Sir what revenue comes from the Middle East JV? The third question is do you have any plans Sir to enter into the mutual fund business going forward? The fourth question a specific question Sir what is the current arrangement with BNP Paribas and what is your guidance on RoEs and growth going forward?
- Satish Menon:** Can you please repeat the first one.
- Nikunj Solanki:** Sir first one is how the SIP investments from retail haveevolved over the past two decades Sir?
- Satish Menon:** Past two decades.
- Nikunj Solanki:** Yes Sir.
- C J George:** George here. I will answer that question. There was background why we decided to go aggressive on SIP distribution. We are coming from largely a single product business in capital market that was stock broking and sometime ago around 2010, we had started the distributing SIPs. In 2015, we did a significant amount of analytics and then we found out that retail clients who are trading in derivatives and retail clients who are day trading in equities are losing money whereas 100% of the clients who were investing in SIPswere making money, so we had no doubt in our mind that if there is a business where clients are losing money that business will have long time sustainability problem, so what we have done is we thought in the best interest of a business that can grow aggressively, We must aggressively expand our SIP distribution business. So the end of last year that is end of April 2016, we had Rs19-crore book with SIPs and that was the beginning and post that aggressive SIP expansion in March 2017 we are at 88 crore..So in terms of the return from the SIPs, this is like the mutual fund returns it varies from 7% to 35% last 20 years, so that is what I can say about the last decade as far as the mutual fund industry is concerned.
- Satish Menon** Let me also give some couple of more points in terms of the growth of SIP business in this country. Today, we are Rs4,400 crore of SIP book for the country. A year back when

started it was Rs3,300 crore. A year before that it was around Rs2,200 crore, so SIP book for the industry itself is growing at an alarming pace and we expect this pace to continue primarily because people are getting more aware about the financial instruments and people are seeing a drop in the interest rate, FD,. So that growth, we feel can still continue over the next three to four years.

Satish Menon:

I am of the view that it can continue for long because the number of people who invest in capital market in this country is very small and there is no other asset class where people are looking at today for investment. So, this business as far as investors are concerned, particularly the mass affluent, I think this is going to be the growing business in the financial services and our business is in the segment of mass affluent that is our customer segment. So let me talk about the second question the revenues from the Middle East is close to 12% of our total revenue, which comes from stock broking, which is consolidated fully in our account and whatever mutual funds they do, which is done in their separate book, separate ARN. We consolidate 30% or 51% depending on the shareholding we have. So, the total revenue from the Middle East will be around 12% of the total income.

C J George:

And I will address the next question that is whether we are planning to start a mutual fund. See at the moment our plan is to aggressively grow our AUM and we have no plans at the moment about the mutual fund that depends on the decisions that we take in the future and the other question was with BNP Paribas. BNP Paribas is holding 33% stake in the company and they have gone on record to say that they are a long-term partner for Geojit and they want to continue on as a long-time investor and they have to NO plan to sell the stake. This is what they have gone on record. So, other than that there is no strategic arrangement with the BNP Paribas. We have a shareholder agreement and that shareholder agreement details are already announced to the markets.

Satish Menon:

And the last question of you on the guidance side...

C J George:

We as a policy do not want to give any guidance for next year but our plan is in the next four years to increase our equity MF AUM to Rs20,000 crore.

Nikunj Solanki:

Okay Sir.

Moderator:

Thank you. We take the next question from the line of Digant Haria from Antique Stock Broking. Please go ahead.

Digant Haria:

Hi, congratulations on the good performance. Sir, the questions are largely around the mutual fund business. When we say that we have around Rs89 crore of SIP book that Rs89 crore of inflow per month and that corresponds to almost a 2,20,000 kind of customers, Sir

these 2,20,000 customers are they more or less our existing broking customer whom you have cross hold or are they completely new to Geojit customers also in this pool?

Satish Menon: So, we have plucked the low-hanging fruits last year, though 70% of these clients are stock broking customers.

Digant Haria: Okay.

C J George: Still now we have only reached 15% of our total customer base. Out of 8.5 lakh plus clients, only 15% have mutual funds. So we still have penetration left there. Our target is to sell at least 3 to 4 SIPs per household of our existing customers.

Digant Haria: Right, Sir and we have around 331-owned branches, so all those 331 branches are active and now they help you in overall distribution of the financial products or there are still some training and realignments left?

Satish Menon: No, it is an ongoing process, but we are happy to say that all 330 have participated last year, so you understand that we are coming from a single product stock broking company and we thought that it may be difficult for a stock broker to get converted into a financial advisory thing, but the kind of returns our clients have got over the last five years that is 2010 to 2015 made us confident that we will be able to drive through to our people. So beginning of the last year, the top management travelled across all branches in India and met staff individually and we are very happy to say that our staff is also happy to convert themselves from a mere stock broking unit to a financial advisory kind of a thing. So, all the branches have participated. We have close to 170-odd franchises where the participation is as of now low of the book of Rs90-odd crore we have only 3-4% comes from the franchise, so that is the challenge we are facing but we are trying to take them along with us in this campaign what we are trying to do but yet majority of still 96% plus business is coming from branches only.

C J George: I have a point here to add, when we say all the branches have participated I must tell you this performance has actually come from around 500 employees pan-India, so that means we have great opportunity lying ahead for us. So, we are working around those other employees and converted them into kind of advisory business. So, we have great confidence in converting them. That is the opportunity that we are seeing. At the same time, all the branches have participated in this.

Digant Haria: Right Sir, thank you for this. Sir, my next question is when we say that over the next 3-4 years we are looking to build a mutual fund book, which will be say Rs20,000 crore to

Rs30,000 crore, would this be an SIP book because incrementally we are focusing more on SIP than less on those one time kind of products, right?

Satish Menon: We will definitely be looking at both SIP as well as lumpsum. You know when somebody have the lumpsum amount to invest, you know there is no question of selling an SIP to him but we do sell SIP when the market is volatile otherwise to such clients. SIP is for large number of mass affluent client. We sell Lump Sum or SIP depending on the customer segment, large number of the salaried class people who have monthly income, all those people we still strongly recommend SIPs, otherwise Lumpsum also we are significantly active.

Digant Haria: Right Sir, okay. Sir and in terms of, which mutual funds you distribute because we understand there are more than 600 or 700 schemes if we take all the 40 AMCs together, so what skills are we developing here in terms of, which mutual funds do we advise to our clients and second how are we planning the next two to three years in terms of trying to acquire customers who are not the capital customers of Geojit but who are totally new to Geojit in terms of mutual fund distribution?

Satish Menon: Okay, so we have research desk only purely for mutual fund, which comes out with their recommendation on the types of schemes we want to sell. There are actually 11 Thousand odd schemes in the market, but we sell only 100. We have a strict process, first we filter a mutual fund based a certain criteria of the AUM, etc., etc. then of course we have a portfolio-based approach, for example an aggressive portfolio, moderate portfolio, conservative portfolio; for all these portfolios, we have recommended two to three schemes and the message to the people is if a layman comes to invest through mutual funds to you, you are supposed to recommend only diversified funds.

So what we have seen the top 10 AMCs of the country, it comes to more than 90% of our total collection. We also have an advisory desk report, which comes out every month, which gives the list of recommendation for the month. So it is an independent unit, which is not reporting to the sales per se. So they come out with recommendation, every month there is a list of mutual fund, 10, 15, 20 mutual funds depending on the category you have and our people are recommending what is published by our advisory desk.

C J George: I have a point to add here, the advantage for us the way we see it is we have large number of mutual fund schemes as well as the returns from these schemes varies from 7% to 35% so there is a great opportunity in giving advise, so that is our advantage that we see in this business that is to give good advice and share advice to clients and there is an opportunity as well as a space for an advisory business because the deviation of the returns varies significantly from 7% to 35%.

- Satish Menon:** On acquisition of new clients we have a concrete plan to be rolled out for the next couple of years. It includes an increased spend in the marketing budget to what we have plus we have already tied up with AMCs for road shows. We are doing road shows across the country and an important point is we planned to hire 500 people exclusively for sales in this year. Last year from Rs19 crore to Rs 88crore we reached with the same number of people. Based on it for this year we intend to hire 500 people exclusively for sales of mutual funds. Of course, we have a marketing plan to be rolled out, which of course you will see over a period of year. The idea is to get new clients to the Geojit family primarily through SIPs.
- Digant Haria:** Right, got it Sir. Thank you and all the best. I will come back; I might have a question or two more. Thank you.
- Satish Menon:** Thank you.
- Moderator:** Thank you. We take the next question from the line of Dhaval Gada from Sundaram Mutual fund. Please go ahead.
- Dhaval Gada:** Hi Sir. Congratulations on good set of numbers. I had a couple of questions; one, Sir what would be the roll of Geojit credits now and sort of would you at some point even look to diversify yourself out of the capital markets related business and I am just sort of trying to understand may be three years to five years from now is there a sort of plan to do something else so that was the first question?
- C J George:** I am George here. At the moment, we have no plan to go beyond the capital market-related products. We plan to start a loan against mutual fund product online as well as offline and also aggressively expand our loan against share book, but even that business is at a lower level at the moment but that is the only business at the moment what we have planned. We have no plans to go beyond capital market at least this year. See at the same time I must tell you if there are opportunities that are very clear and that too, which are very advantageous for us in the regions where we are strong. We will look at it as and when it comes.
- Dhaval Gada:** Right fair point Sir. So overall these two businesses will still be done through Geojit credits, so is that correct?
- C J George:** Correct, loan against mutual funds is the product that we are going to start, you know we plan to probably offer digital solutions also when we sell along with mutual funds, if somebody wants that capability, we will try to provide that capability also and loan against share.

- Dhaval Gada:** Okay, Sir second question was regarding I missed the initial comment on Geojit technologies, so you were trying to do some restructuring there, if you could just highlight that again Sir please?
- C J George:** We have the MD of Geojit technologies Balakrishnan here, before that I'll tell you there is no restructuring happening in that company, 35% of that company is owned by BNP Paribas directly and BNP Paribas is our important client as well. What I said was it was a subsidiary of a step-down subsidiary now it has become a subsidiary of a parent company.
- Dhaval Gada:** Okay, so which this GISL, correct?
- C J George:** Earlier it was a subsidiary of GISL, now it has become a subsidiary of GFSL.
- Dhaval Gada:** Okay, so but then I think it held about 35% in GDPL, so that would lead to some change, because that parent I think they own 33%?
- C J George:** No, in the parent company BNP Paribas has 33% stake and in this company BNP Paribas has a direct stake of 35%, so in effect in Geojit technologies, BNP Paribas has more than 50% economic interest.
- Dhaval Gada:** Right, okay. So that would not lead to any sort of dilution or anything like that?
- C J George:** No, nothing like that.
- Dhaval Gada:** Okay fine.
- C J George:** It was a step-down subsidiary, now it is a subsidiary of a main company that is all.
- Dhaval Gada:** Fine Sir. Just one last thing, Sir on the SIP portfolio, so you highlighted that almost 70% of the SIP happens to the existing customer base, so I just wanted to know what would be apart from the equity trading platform and the mutual fund relationship, is there any possibility of exploring insurance relationships and other than, is there a sort of plan for that in the coming years. I am just trying to understand how much more can we mine from the existing customer bases apart from adding the customers?
- C J George:** I think there is a wrong communication perhaps; I do not know whether you got it correctly. When we said 70%, 70% of our last year business that is what came from the existing clients. Otherwise, only 15% of our existing clients have invested in SIPs at the moment.
- Dhaval Gada:** Okay, got it. Okay fine.

C J George: We do some insurance also. We have a tie-up with MetLife as well as ICICI Pru. It is a very small business but what we thought that we should not confuse our people by aggressively pushing two to three products to the same client at the same time. So there is a normal organic sale of insurance, which happens. The idea was to concentrate on a single product fully for the next couple of periods, post which when this product also works automatically like broking, we can concentrate on other products. These clients are actually loyal to us and we do not actually want to dilute the focus we have for one single product.

Satish Menon: And I must add one more point here. Now, we consider next 4, 5, 6 years as very important that is when we have a big variation in the returns from various mutual fund schemes. We are of the view that, that is the time we get to build AUM significantly. After sometime when that variation comes down I know because of the competition between mutual funds etc., etc. it can come down and so before this becomes a commodity and a commoditized product, strategically we want to increase the AUM during the next four, five years. So that is our main focus and we will not do anything to dilute that focus, but once we started selling SIPs to a family, we will have people going behind that family with the products like insurance.

I will just add like stock broking, you know stock broking is still a major source of revenue for us, but what we have seen over the years, we have shifted the volumes successfully to internet. So 60% of our volume, 30% on internet and 30% on mobile comes on a non-offline mode, so this is a kind of auto-pilot mode and we were able to concentrate on other products like mutual funds. The idea is to build up this book over a period of three, four years and this also becomes auto pilot. We will be able to shift some MF sales online over a period of time. Then we can concentrate on some other products. Having said that I told you that we still have some small dealings with ICICI Pru and MetLife, which is too smaller number to talk about as of today.

Dhaval Gada: Sure. Thank you and all the very best Sir. Thanks.

C J George: Thank you Dhaval, thank you.

Moderator: Thank you. We take the next question from the line of Shivam Gupta from CWC Advisors. Please go ahead.

Shivam Gupta: Hi, how are you? Thank you for accommodating my question. So the first thing that I need to understand that you have guided the call about even this hiring of new people to push this product and also doing the road show. So could you give some colour on these two expense items how we can expect the employ cost and the other expense portion?

- Satish Menon:** So 500-odd people over the next one year with an average salary of 20,000 rupees. So that will be the direct cost, so normally what we do is we spread out this hiring over the next 12 months. So we can find out the average cost, which will affect our P&L first, okay point number one. On the other side, we do not see any other expenses coming apart from the incentive payments to employees. Incentives what we share is actually close to 20% of the total income.
- Shivam Gupta:** Okay, fair enough. That helps Sir. So in that case, how do I look at this fact that in this quarter if I look at YoY that other expense items dropped significantly because the incentives would have come even in this quarter, right?
- Satish Menon:** Other expenses in this quarter.
- Shivam Gupta:** If you look at YoY on that number?
- Satish Menon:** You are looking at the consolidated, there are some subsidiary joint venture related expenditure particularly from the Saudi Arabian joint venture. So what had happened is we wanted to sell our stake in the Saudi Arabia venture. It was decided in the second quarter of last year, post which we had stopped consolidating, but end of last financial year, the last quarter when the deal did not go through we had to consolidate nine months of expenses in January, February and March of 2016, so that is why you see in JFM 2016 all expenses are higher comparatively because three quarters' expenses of Saudi Arabia got consolidated in JFM 2016.
- Shivam Gupta:** Got it, so basically this particular number is your base over which may be the incentives taken next year right?
- Satish Menon:** Yes, we will spend little more on marketing advertisement, etc.
- Shivam Gupta:** Got it and the other clarity if you could just help me understand on balance sheet this movement of the goodwill, so what exactly is the transaction that has affected the entry?
- C J Geoge:** You see in 2013 we had to make a provision in our subsidiary Geojit Credit on account of the default in the National SPOT Exchange at that time the networth of the Company became negative and the Parent Company invested in that Company to make the networth positive. So for that is investment for the differential amount the auditors at that time had suggested to include that amount as our goodwill, but currently we went through an auditor rotation KPMG was of the view that it is better to write off that goodwill amount that is what we have done.

- Shivam Gupta:** This is written off against the reserves is it?
- Satish Menon:** It is written off from the reserves, yes because the networth of that Company became negative so the auditor view was that we were paying premium for a negative networth company that premium should be actually treated as goodwill that is what treated as subset.
- Shivam Gupta:** Got it, my last question is around the SIP, so my question is slightly on the qualitative side that because I would say a vicious milestone set ahead so how do you read in terms of the workforce readiness in terms of their training and also in terms of their motivation to align themselves in this mission, where are we in that journey?
- Satish Menon:** We have the training talent internally as well as contracted with experienced trainers from outside, so that is an ongoing battle and particularly since this year we are planing to hire close to 500 people so we are investing resources as well as we are investing in technology for enabling our people through give advises to clients and the sell SIPs.
- Satish Menon:** Also as a Company we always followed a model of trying to push our employees to be educated in different fields even before we started this campaign., a portion of our employees salary, we give something called certification allowance where people get higher salary say Rs1,000 or Rs1,500 if they have passed certain certification from NISM, so even before last year, mutual fund examination was one of the certification criteria, this had made our brokerage employee acquire MF knowledge. They have gone through all mutual fund training and you get support from AMCs these day. AMCs are ready to train people free of cost throughout the year. I do not think that training is an issue in terms of logistics, but what we talked earlier was that whether it will be possible for us to change the mindset of our employee, but then we started in April 2016, but we have got the results what we saw is that, with the same number of employees or slightly lesser number of employees we were able to add Rs70 crore of book last year, so the mindset has changed, training is actually a commodity.
- Shivam Gupta:** Those are my questions. Thank you and all the very best.
- Moderator:** Thank you. We take the next question from the line of Harshal Gandhi from JHP Securities. Please go ahead.
- Harshal Gandhi:** Sir, what are the numbers of Demat accounts that are being actively traded and sir, how do you define an active?
- Satish Menon:** We do not define active in Demat. We define active in trading. For us Demat is more often ancillary service to the broking, so in terms of trading we had close to 160,000 clients who

traded at least once in the last 12 months that is in March 2016-2017. In terms of Demat we look at the number of clients we have holding, which is close to 3 lakh plus.

- Harshal Gandhi:** Sir, how much percent of brokerage income is coming from mobile trading?
- Satish Menon:** Volumes, I have already said it is 30% on Internet and 30% on mobile. So we have Mr. Balakrishnan here who is the MD of Geojit Technologies so that he can answer that question.
- Balakrishnan:** , Total income is 40% on non-offline of which in the financial year 2017, it was 21% on mobile and 19% on Internet.
- Harshal Gandhi:** Sir, what is the company's receivable days for FY2017?
- Joe Peter:** We have our receivables is only from the sundry debtors who trade in the stock exchange.
- Harshal Gandhi:** Yes sir.
- Joe Peter:** Rs134 crore is the total receivables.
- Satish Menon:** That is actually we have products like buy today and sell tomorrow and that product is also part of that, that is where get overdue interest.
- Harshal Gandhi:** Sir, I just wanted to know that within how many days this Rs134 crore can be received like?
- Satish Menon:** Maximum 6 to 7 days, I did not understand the question, but if you are asking about provisions we have a rule about if anything is pending for more than 3 months it is provided in the accounts, so all this 134 is below 90 days and in normal stock market debits, people who have bought yesterday or a week before and the normal stock market parlance within 7 days we sell these shares if the money is not received.
- Harshal Gandhi:** Sir, got it and Sir what are the company's plan to account a competition from 0 brokerage players in the industry?
- C J George:** It is a very interesting question. we take the survey among our clients. It is something that Satish did not mention in the beginning. Most of Geojit's clients are clients who are invested in the market. They are not traders and also I must tell you in our view we have done this analysis and we have found that these two segments clients have been losing money and when we found that, the first thing we did was we reduced employees incentive by 50% and for the income coming day trading as well as derivatives, so some of the clients who left Geojit also . In our analysis amongst some clients who move to zero brokerage or

low brokerage broking firms 99% of them were, day taders or derivative traders so our plan is basically to focus on our advisory service and help our clients to make money.

Harshal Gandhi: Sir, I will be back again with you.

Moderator: Thank you. We will take the next question from the line of Dhruvesh Sanghvi from Prospero Tree. Please go ahead.

Dhruvesh Sanghvi: Sir about the plan of 20,000 Crores AUM I think you said equity AUM?

Satish Menon: Yes, equity AUM.

Dhruvesh Sanghvi: By that means can we say that within the next 12 months this Rs90 crore should probably become Rs200 crore SIP per month, I mean is that the way we are planning or is it too ambitious?

Satish Menon: so we did Rs70crore net in 2016-2017 with the same or little bit lesser number of employees, in 11 months actually, we started this campaign in May. We did Rs70 crore in the last 11 months. Your figure is whether we can do Rs100 crore in the next 12 months? I do not want to give guidance from that, but if you do your mathematics to how to reach the 20K Crores in 2021 you will get an answer.

Dhruvesh Sanghvi: Sir, can we share what is it today because I think you are sharing the March 31, number in terms of Rs90 crore per month?

Satish Menon: In April it was Rs97 crore.

Dhruvesh Sanghvi: And in May because you have almost?

Satish Menon: May figures will come out only by June mid. When we say we do not say SIP Book, we says figure, which is published by CAMS, which is the RTA, which gives out these details and April figures were published by CAMS in mid of May where it gives SIP book plus STP books, we were at Rs97 crore compared to Rs88-odd crore in month of March.

Dhruvesh Sanghvi: Within this I mean I am just using the word Rs100 crore currently, so let say if it is Rs100 crore, how much is equity and how much is debt in terms of SIP?

Satish Menon: When talk about this figures it are only equities. So our idea is to bring this Rs20000 croreAUMon equities. We have not even calculated what will be on debt.

Dhruvesh Sanghvi: Sir, one parameter is that let us say and NSE and BSE are putting up too much efforts on direct selling plans any comments and views as to things change, have you envisage?

Satish Menon: NSE and BSE do not do direct.

C J George: I do not think you are right. NSE and BSE they have no plans to do direct. They have plans to provide platforms. They are aggressively building platforms for brokers to direct the business through NSE and BSE.

Satish Menon: So we use both of that.

C J George: And for your information NSE and BSE will never do direct because that will be against the interest of members.

Dhruvesh Sanghvi: Let's say if I am the user of the platform and if I am guiding the clients and directing the trades through BSE Star Mutual Fund, there is an option for me to choose whether I want to go direct plan or indirect plan and there are certain advisory based people who are using the direct model charging the client separately because the investment advisor regulation suggests not to mingle the two income under the same entity, so as a thought process because this direct selling mutual fund has now started being built up and certain companies on online platforms have started using this means, so does it really change the mindset of the consumer or really would care about that 1% going away from them due to the advise that you're giving versus they themselves buying a direct mutual fund?

Satish Menon: Now let us tell you that we also have an online financial planning platform that we just recently launched. So those people who are taking the financial planing advice they have an option to go direct and buy mutual funds also, but at the same time we can share with you our experience of having seen people going direct this are mostly financially well entrenched people, the people who are working in financial services, companies, banks, mutual funds, etc., but the advantage that what we are seeing is we also have a significant amount of customer surveys and what we have found out is as long as the variation in returns from mutual fund continues to be what it is like you know between 7% and 35%. There is a call for advisors like us who typically advice our client, at the same time our intention and the conviction is that we will invest the resources in technology for extending this financial planning surveys in a big way.

Dhruvesh Sanghvi: Sir, in terms of other because I think there is one head, which we think that portfolio management services income is this PMS completely managed internally by Geojit entity or is it outsourced in terms of the decision-making of what stocks to buy and if you can throw some light on that?

Satish Menon: It is a very small business. Our total AUM is close to Rs150-odd crore we have outsourced the advisory capability to Sundaram Mutual Fund.

Dhruvesh Sanghvi: So we are basically distributing Sundaram PMS?

Satish Menon: It is not Sundaram PMS, it is a PMS by Geojit Financial Services; the advisory is done by Sundaram Mutual Fund.

Dhruvesh Sanghvi: Sir is there any plan in terms of using the network of Geojit and bringing up such kind of additional products for the larger categories or we will not have catering those kinds of people?

Satish Menon: Let us tell you very clearly we are in the wealth management service for the mass affluent and that continues to be the focus, but at the same time for high networth client, we have a plan to expand our PMS business, but without diluting our focus on mutual fund distribution & stock broking activity.

Dhruvesh Sanghvi: Thanks and broadly it is very encouraging. I also read one of your interviews where you have said that House in terms of mutual fund SIP industry potentially is going 16,000 or something like that if I remember it right and hope that happens and congratulations for the numbers.

Satish Menon: Thank you.

Moderator: Thank you. We take the next question from the line of Digant Haria from Antique Stock Broking. Please go ahead.

Digant Haria: Just one data point, what is the current SIP back book that we have?

Satish Menon: Back book means?

Digant Haria: The entire accumulated book. You said that out of the Rs4,000 crore, Rs2,000 crore is the Middle East within the Rs2,000 crore is 500 debt, so 1500 is equity?

Satish Menon: Rs. 1630 is Equity MF AUM, of which 980 crore is the old AUM and 650 crore is the new Equity AUM

Digant Haria: That is what I was referring as back book, thank you Satish.

Moderator: Thank you. We will take the next question from the line of Shivam Gupta from CWC Advisors. Please go ahead.

- Shivam Gupta:** Thanks for the follow-up. Just two quick questions, one could you just help me with the traction of the software income, which has grown at 5%, is this the normalized growth rate for the business we would read that?
- Balakrishnan:** What we are doing is basically the significant portion of our income is actually from outsourcing within the application development for mobility and certain web application, so by and large we are doing in Europe and there was a big dip by Euro rate, otherwise our growth rate is in terms of productivity it was almost 20%.
- Shivam Gupta:** So that could have one-time difficulty, but you will again go back to that rate if I am not wrong?
- Satish Menon:** No, we are actually trying to increase the number of people doing the global sourcing programme.
- Shivam Gupta:** Okay, so it will take some time that is what you are saying?
- Satish Menon:** Yes, it will take some time.
- Shivam Gupta:** The second question was that the two things which have changed in terms of STP portion of the SIP book increases, how does it affect the profitability of doing that and also the stickiness of that?
- Satish Menon:** What increases I cannot understand the word?
- Shivam Gupta:** STP portion of the SIP book, let me again repeat my question, so if I look at the presentation the share of SPP in the total SIP book has increased and if I understand STP does give you numbers and when you would do sale over a period of time, so how does that portion when it rises it impacts the profitability of doing that business, is that more profitable than a regular SIP?
- Satish Menon:** No, actually speaking it does not change the profitability, that actually increases little bit because normally when we do STP we collect lumpsum from the client and put it in a debt fund, and then from there certain percentage every month goes to equity, so equity continues to get what your are getting, but what has come in the debt front, you get extra, otherwise you have to do an SIP from the bank account of the client to this equity mutual fund.
- Shivam Gupta:** So effectively you earn the debt till the time it take before it gets invested?
- Satish Menon:** Exactly.

Shivam Gupta: Got it and last question is that a few days back there was some report and you can correct me if I wrong, not wrong about brokerages being asked to remit back surplus in client account in 3 or 5 days, how does it impact the profitability on the brokerage side of the business?

Satish Menon: Actually speaking I do not think that will affect any of the top brokers because the top brokers are under scrutiny by SEBI and all those people continuously for the last 4 to 5 years and what we do is we do not use that money anyway, we have not been using that money, We do not net off debtors against creditors. And my feeling was most of the good top stock brokers will not be doing it.

Shivam Gupta: Thank you for accommodating my follow-up.

Moderator: Thank you. We take the next question from the line of Harshal Gandhi from JHP Securities. Please go ahead.

Harshal Gandhi: Sir, thank you for followup, just one question, Sir if discount being brokerage rate to retain existing clients?

Satish Menon: Yes. We do, depending on the volume commitment every quarter, then periodically we will check whether the commitment is met and if the commitment is not met then we revise the brokerage that to the rack rate, so there is discount happening. It is the negotiated deal. Our rack rate is 0.5% for delivery so we get 0.5% in South of India, but in the North of India we get only 0.3% so from there, there is a negotiation, so depending on the commitment we reduce the brokerage. we give a discounted brokerage and after 3 months we will go back and check and see whether the commitment is there, if the commitment is not there we go back and revise the brokerage to the old rate.

Harshal Gandhi: Sir, just to confirm, the answer which you have gave for the competition from 0 brokerage players, Sir it is like that the participants who go to 0 brokerage players are only for trading purpose and derivative purpose and customers which you have for the long term purpose is that right?

Satish Menon: I will give you statistics also. Normally in the market you will have 93% to 94% of the volume happening in F&O 6% to 7% have been on the cash market, whereas in terms of Geojit it is close to 70-30, 70% of the volume is F&O, 30% of the volume is cash market and in cash market also we have a good delivery percentage, so in terms of volumes it is much distinctly separated and what happens in the market primarily because from the start we are focusing on building long-term holdings for the clients. Our clients which comes from the South of India primarily are conservative because they prefer delivery business

and as a company we have been trying to promote delivery business like Mr. George said, that year and year and half that we have reduced our incentive for day trading and F&O and we concentrated only on delivery business, which also gives a signal to our people that as a company we do not want to aggressively promote business in the offline mode. In terms of revenue, 64% of our brokerage revenue comes in delivery business, so only 36% come from the nondelivery business, so that way we are very clear in which segment we want to be.

Harshal Gandhi: That was helpful. Thank you Sir.

Moderator: Thank you. We take the next question from the line of Nikunj Solanki an Individual Investor. Please go ahead.

Nikunj Solanki: Sir, two quick questions, one is I wanted to understand what is the average per customer size book of SIP and how much is the SIP customer base?

Satish Menon: So the average SIP are around 4100-4200, the average SIP size for customer would be close to 9000 and, average number of client should be around 1 lakh.

Nikunj Solanki: Thank you.

Moderator: Thank you. As there are no further questions from the participants, I now like to hand the conference over to Mr. Aadesh Mehta for Ambit Capital.

Aadesh Mehta: Thank you everyone for being on the call this weekend. Thank you for the management for giving an opportunity once again. Wish you all the best in your future endeavors.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Ambit Capital that concludes this conference. Thank you for joining us. You may now disconnect your lines.