



5paise Capital Limited
Q1FY25 Earnings Conference Call

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CORPORATE PARTICIPANTS:

Mr. Gourav Munjal
Whole-Time Director & CFO

Mr. Ameya Agnihotri
Additional Whole-Time Director & CTO

Mr. Mehul Jain
Product Head

Q&A PARTICIPANTS:

- 1. Aliya Sarnobat** : MOSL
- 2. Sumit Jankar** : Individual Investor
- 3. Vidur Dayal** : Individual Investor

Moderator

Good afternoon, ladies, and gentlemen. I'm Sowmya, moderator for the conference call. Welcome to 5Paise Capital Limited Q1 FY '25 Earnings Conference Call. We have with us today, Mr. Gourav Munjal, Whole-Time Director and CFO; Mr. Ameya Agnihotri, Additional Whole-Time Director and CTO; and Mr. Mehul Jain, Product Head from 5Paise 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 touch tone 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.

Gourav Munjal

Hello, everyone. Good afternoon, and welcome to our Q1, FY '25 earnings call. On this call, I am joined with Mr. Ameya Agnihotri, Whole-Time Director and CTO; and Mr. Mehul Jain, our Product Head. Q1 FY '25 has been an excellent quarter for the investors as well as the broking industry. During this quarter, both indices, Nifty and Sensex has touched all time high and generated good return for the investors. Also, overall industry saw a significant addition of more than 11 million Demat accounts. The total Demat accounts of this country stood at INR 16.22 crore.

In Q1 FY'25, we also acquired 2.34 lakh customers, reflecting a 116% growth y-on-y and our total customer base has reached to 44.7 lakhs. This small drop in acquisition is a result of our conscious goal that we took from the last from one to two months to improve the quality of customers, which we are acquiring.

During the quarter, our ADTO, which stands for Average-Daily-Turn-Over, grew to 3.67 trillion a growth of 27% YoY, our client funding book stood at INR 271 crore, a growth of 20% y-on-y and our mutual fund AUM reached INR 1,124 crore, a 90% growth YoY.

Coming to our financial performance, in Q1 FY'25, our broking revenue has gone to INR 40 crore, a growth of 11% YoY. Allied income is INR 29.7 crore, a growth of 27% YoY and overall, our total revenue stood at INR 102 crore, which is a growth of 21% YoY. Our employee benefit expense of INR 13.6 crore includes the impact of annual increment of employees, RSU ESOP of cost and proportionate of annual variable performances incentives.

In this quarter, this also includes a one time positive impact of INR 8.66 Crore with respect to unvested ESOP and RSU costs as per Indian Accounting Standard 102. With focused approach on quality customer acquisition, product improvement and cost optimization, we are happy to report that we have achieved our lifetime highest ever PAT of INR 20.1 crore, which is a growth of 248% QoQ and 39% YoY, along with PAT margins of 20%.

At last, I want to assure investors that we will continue to work towards product development, investment in technology, customer experience, cost optimization and we are confident that the same will accelerate our revenue and profitability in coming quarters.

Mr. Ameya Agnihotri, our CTO, will now take you through our technology and product key initiatives, and after that, we will be happy to answer your all questions. Ameya, over to you.

Ameya Agnihotri

Hi, everyone. I am Ameya Agnihotri, CTO and Whole-Time Director of 5Paisa Capital Limited. When it comes to products, our primary focus is development to prioritize digital innovation and maintain a technology first approach. We continue to make significant advances in our technology and product. Our mobile app now offers enhanced features for option traders, including straddle chains, bulk order placement from the option chain and seamless execution of custom option strategies.

In our FnO 360 product, which is our dedicated platform for derivatives, users can access basket strategy, advised by our technical research team with defined parameters like max profit, max loss and breakeven points and execute them in single clicks. We have also introduced a new feature for our web platform users, scan and pay via QR code for quick and easy fund transfers using our UPI app. It's designed to make adding funds faster and more convenient than ever.

In our pursuit to provide best in class product experience to our users, we have made significant progress there as well. We are happy to report that our revamped mobile app for both iOS and Android, which will be live and available to our users by end of Q2 FY'25. Trade Station 2.0, our revamped web platform previously in beta is now accessible to all users, offering enhanced user interface and a smoother experience for high end traders.

We will continue our pursuit of technical excellence and modernize application and infrastructure in coming quarters. With summary of our performance as explained by Gourav and me, I open the floor for further discussion. Please feel free to ask questions if you have any. Operator, you may proceed.

Question & Answer

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. We will wait for a moment while the question queue assembles. I repeat, ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad.

Our first question comes from, Vidur Dayal an Individual Investor. Please go ahead. Please go ahead with your question, sir. There is no response from the line.

Our next question comes from Aliya Sarnobat from MOSL. Please go ahead.

Aliya Sarnobat

I wanted to know what is the market share of cash and F&O?

Gourav Munjal

Our market share stand between 2% - 2.5% for both, cash segment as well as F&O segment.

Aliya Sarnobat

Thank you so much.

Moderator

Thank you. 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. I repeat, ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. Our next question comes from Sumit Jankar an Individual Investor. Please go ahead.

Sumit Jankar

Thank you for providing the opportunity. My question is related to lending, some players are entering into the lending business. So going forward for next 5 to 10 years, how do you see this business growing for in terms of our broking -- along with the broking business for cross selling income -- in terms of cross selling income?

Gourav Munjal

So yes, it is an important aspect for cross selling. But right now, 5Paisa is fully concentrating on the broking business. As of now, there is no plan to do any lending business, and that's our stand as of now.

Sumit Jankar

Ok, thank you sir.

Moderator

Thank you, sir. Our next question comes from Vidur Dayal an Individual Investor. Please go ahead.

Vidur Dayal

Hello?

Moderator

Please go ahead with your question, sir.

Vidur Dayal

Can you hear me?

Moderator

Yes, sir. We can hear you.

Vidur Dayal

My first question is could you help us understand the circumstances around the departure of Narayan Gangadhar? And is he still part of the IFL Group? Second question is that the ESOP reversal that has happened, is this linked to the ESOPs that were given to Narayan Gangadhar? And the third question I had was that in one of the conference calls, you had said that we're looking to double our market share from 3.3%. Then the following quarter, our market share, I think, dipped to 2.5%. So are we still aiming at that 6%, 7% sort of market share?

And the final question is that all this regulatory action around high frequency traders and options trading and curbing of all this, We haven't really been able to grow the company very well in the last 4 years when the market has exploded, right? So in case there are curbs, do we have any strategies for diversification of our revenue? Because if the market itself starts to slow down in terms of customer acquisitions, then how are we going to play this market? Thank you.

Gourav Munjal

Okay. So, Mr. Narayan Gangadhar is still a part of IFL Group, and we have disclosed it in our exchange filing also. And, yes, the major portion in this quarter, reversal effect of RSU, is related to Mr. Narayan Gangadhar sir and some other employees also.

Regarding the regulatory changes, yes, actually, we have 16 crore Demat accounts in the industry, and it is going up 30% annually. So regulators are bound to take these kinds of steps. But we have seen in the past that whatever the changes have happened, it has not impacted much on volumes, rather it has grown up. If you see peak margin, then segregation of client security, then up streaming of clients funds and then quarterly payout. And now we have another regulations that may come. But we have seen in every step, the volume has grown up.

Coming to the regulation side, which is anticipated that now there will be a INR 20 lakh minimum value required for option selling to enter into an option contract and there will be a few expiries. We feel that yes, it can impact our volumes but we need to see at what extent it is going to impact.

And lastly yes, we had the 3% - 3.5% of market share earlier and over the last one year it has fallen to 2% - 2.5%. We are continuing to work towards 6% market share and for that we understand that only the quality acquisition will work. We don't want to acquire customers just for the sake of the number. And we are really having the diversified strategy internally and the key metrics in terms of RPC, CAC, so that our ADTO market share will grow in future. I hope Vidur, I answered all the questions.

Vidur Dayal

Yes. Can you still hear me?

Gourav Munjal

Yes.

Vidur Dayal

Yeah just one final question for Ameya, that Narayan also spoke about how our product had not seen any investment for a long time. The iOS and the Android app didn't work in sync and were separately built up. The web application and the website also didn't work very well. So is there any update on the product? Do we think we have a robust product or we still think that we're lagging in terms of having a product, which we can target for the 6% - 7% market share that you're talking about? And, you know, I understand the answer that you're giving, but please understand that the company has been dropping market share for a while. So generic comments don't inspire confidence. And is there a search for a new CEO? When is the new CEO expected?

Ameya Agnihotri

Sure. So I will answer the technological questions. Yes, I will answer the tech related part. The CEO related part, Gourav will take up. So like Narayan had mentioned earlier, we did not have updated apps for iOS and Android. As articulated earlier, our mobile app for iOS and Android are ready and are

in sync. And by end of Q2 FY'25, they will both be available for all the retail users. And the effort has already been underway, and they are ready. So there is a good progress that we have made there. Apart from that, in terms of our web experience, Trade Station 2.0, which is our revamped web platform previously in beta, is now available for all the users. And that also is an enhanced user experience and smoother experience for high-end traders. So in terms of revamping and investing in our technology, particularly user experiences for mobile as well as for web, we have made significant progress.

Over to you, Gourav.

Gourav Munjal

Thank you. Second, regarding that, CEO, yes, the search is on and we will update the investors as soon as we get the clarification on that.

Vidur Dayal

Ok, thank you.

Moderator

Thank you, 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. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. There are no further questions. Now I hand over the floor to the management for closing comments.

Gourav Munjal

Yeah. Thank you for joining us on the call today. I hope we have been able to answer all your queries. If you require any assistance or have further queries, please feel free to get in touch and mail us at ir@5paisa.com.

Moderator

Thank you, 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.

Notes:

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