

Angel One

Operator: Ladies and gentlemen, good day and welcome to the Q2 FY27 earnings conference call hosted by Angel One Ltd. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as of the date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participants' lines will be in listen-only mode, and there will be an opportunity to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Hitul Gutka from Angel One Ltd. Thank you, and over to you, Mr. Gutka.

Hitul Gutka: Good morning, and welcome, everyone. Thank you for joining us today to discuss Angel One's Q2 FY27 financial and business performance. The recording of today's earnings call and transcript will be uploaded on our website under the investor relations section. The financial results, investor presentation, press release, and data book have also been uploaded on the website.

We would like to inform you that Mr. Dinesh Thakkar, Chairman and Managing Director of Angel One, is unable to join today's call. Angel One will be represented today by Mr. Amrish Khenghe, Group CEO; Vineet Agrawal, Group CFO; along with the senior management team of Angel One and SGA, our IR consultants. The leadership team will give us a brief overview of the operational and financial performance of the quarter gone by, followed by a Q&A session. Please note that there may be certain forward-looking statements during the call, which must be viewed in aggregate with the risks that the company faces. With this brief introduction, I now invite Mr. Amrish Khenghe for his opening remarks.

Amrish Khenghe – Group CEO: Thank you, Hitul. Good morning, everyone, and thank you for joining us today. This was not a typical quarter, but I am very proud of how our teams and partners handled it to deliver a very strong performance. As you know, there have been some regulatory changes that have impacted market volumes. However, as we have always maintained, regulatory changes are designed to make our market stronger, even if sometimes the refinements and the ecosystem's adjustment to them may take time. You saw a bit of that this quarter. However, the Indian capital markets and the economy continue to be strong, with GDP growing at 7.8% last quarter. That is no mean feat at this scale.

As I mentioned earlier, I am very proud that our users, partners, and teams adapted quickly. In September, average daily orders rebounded to 5.8 million, up nearly 12% from August. Despite the regulatory environment, our consolidated revenue and PAT grew 18.9% and 58.2% year-over-year, respectively. The standalone OPM was at 48.9%, which is above the range we have been guiding you on. This is a proof point of our strategy and execution and, of course, of the strength of the capital markets ecosystem in India.

The road ahead is also becoming clearer, with SEBI's circular yesterday evening on updates to closing auction session cash. This will bring greater clarity to traders, and we expect that to create some tailwind for us. 40 million Indians have chosen Angel One as their way into the markets. We welcomed nearly 1.5 million new clients this quarter, 11.6% more than in Q1, and we did this while

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keeping acquisition costs well under control. We also witnessed growth in our NSE active client base, leading to an expansion in our active client market share month-over-month in each month of this quarter.

Here is another interesting number that you would like to take away. Our average client funding book reached a lifetime high of Rs.74.5 billion, up about 40.5% from a year ago. Our overall equity retail market share based on option premium turnover stood at 19.7%. In derivatives, we held our position with a retail turnover share of 22.1% for the quarter, and it rose to 22.5% in September, even as our market share in the cash market moderated. In commodities, our turnover more than doubled over last year. Our share came down to 44% because of market expansion owing to more participants entering the market, which is a sign of how quickly the segment is growing. We are now one of the leading players in a much bigger market.

On investing, our SIP registrations grew nearly 12% over Q1. For many of our clients, mutual funds become the first engagement on the platform. Credit is where I am especially excited. Responsible credit is a tremendous opportunity for India, and the journey is just getting started. In September, we delivered our highest-ever credit distribution, taking our annualized run rate to Rs.33 billion. This is powered by continuous advances in our AI and ML capabilities. Our credit models run on a continuous data flywheel of learning, iteration, and refinement. This helps us sharpen risk assessment, making sure that we show loan offers to the appropriate cohorts and reduce risk for consumers as well as our lending partners. We upgraded our probability of default model and launched the early beta of our loan-against-securities offering. As we have always guided, we will scale this business with discipline and responsibility.

With a client base of this size, the opportunity in front of us is very large. Our wealth business is gaining depth as well, with Ionic Wealth AUM at Rs.160 billion, up 19.1% over Q1 FY27. The regulatory backdrop is also turning positive and supportive, with SEBI's board approving new portfolio manager regulations. A wider product shelf means platforms like ours can offer clients richer, more diversified portfolios. In asset management, our AUM stands at nearly Rs.6 billion, and we are evaluating a comprehensive play in this business, including bringing in a new leader to build and scale it. We will share more in future quarters.

Two developments give us new ways to serve our customers. First, we have received authorization to operate as a global access provider in the IFSC. With that, we are piloting US stocks on our platform. We are excited about providing a simple way for our users to access the largest market in the world. Second, IRDAI's September consultation paper proposes a reset of insurance commissions with the aim of lowering insurance costs, thus bringing the product within reach of many more Indians. It is still a proposal, but we believe a lower-cost, more transparent model is good for consumers and favors digital platforms like ours, which can reach clients at scale and add insurance to the financial relationships we are already building.

What ties this together is our technology capabilities and a platform built to be product-agnostic. We can go deeper across capital markets, wealth, credit, and other financial services. Each addition deepens the relationship, raises lifetime value, and unlocks operating leverage without a proportionate rise in cost. That compounds across customer economics, profitability, and enterprise value.

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Now, AI. For us, it is becoming a shared intelligence layer across the group, embedded in our business, products, and operations. For customers, it makes discovery, engagement, support, and personalization better. Inside the company, it is...

Amrish Khenghe – Group CEO: ...speeding up productivity, automation, and decision-making across functions. All of these operate within a strong governance and security framework, which is critical as we scale the AI-first operating model because security and trust are non-negotiable.

This quarter, we strengthened our cybersecurity stack with AI-driven vulnerability detection and automated remediation workflows, improving our resilience and reducing risk exposure.

To sum up, Q2 tested us, and the platform held up. We have a record funding book, nearly 40 million clients, recovering orders, standalone margins above the upper end of our range, and a credit business that is starting to scale further. India's financial journey is a long one. We are building Angel One to be with our clients every step of the way on this journey. Thank you, and I will now hand over to Vineet, our Group CFO.

Vineet – Group CFO: Thank you, AK. Good morning, everyone. Let me take you through our financial performance for the quarter and highlight a few underlying trends that I believe are particularly noteworthy.

We delivered a strong earnings performance in Q2, notwithstanding a relatively subdued capital markets environment. Consolidated gross revenues stood at Rs.14.3 billion, growing 18.9% year-over-year and remaining broadly stable sequentially, despite moderation in trading activity. What is particularly encouraging is the strength of our profitability. Consolidated operating profit grew 52% year-over-year to Rs.4.9 billion, while consolidated profit after tax increased 58% to Rs.4.35 billion.

The significant outperformance of earnings growth relative to revenue growth reflects the operating leverage and growing earnings capacity of our business. An important development has been the continued evolution of our revenue composition. Gross broking income now accounts for approximately 55% of total revenues, compared with nearly 60% a year ago. Interest income grew 34% year-over-year and 9% sequentially to Rs.5.1 billion, supported by the continued expansion of our client funding book. The average client funding book increased over 40% year-over-year to Rs.74.5 billion, while the closing book reached a record Rs.82.1 billion. Importantly, the number of funded clients increased by nearly 30% over the last year to 437,000, reflecting broader client adoption.

Distribution income also recorded healthy growth, supported by strong credit distribution and IPO activity. The increasing contribution from these businesses is progressively broadening our earnings base and enabling us to monetize our growing client franchise beyond transaction-led income.

Moving to profitability, consolidated operating margins stood at 45.1%, compared with 34.5% in the corresponding quarter last year, an expansion of over 1,000 basis points. At the standalone level, operating margins reached 48.9%, exceeding our guidance range of 42–45%. Importantly, after normalizing for seasonal IPL expenditure and ESOP-related reversals, consolidated operating

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margins remain stable at 43.8%, compared with 43.6% in the preceding quarter. This stability in underlying margins, despite softer trading activity and continued investment in growth, reinforces our confidence in the operating efficiency and scalability of our business.

While quarterly margins will naturally fluctuate depending on market activity, seasonality, and the timing of investment, we remain confident in our ability to sustain standalone operating margins of around 45% on an annual basis. This provides us with the flexibility to continue investing in future growth opportunities while maintaining a healthy balance between growth and profitability.

Coming to our balance sheet, net worth increased to Rs.67.1 billion, compared with Rs.58.3 billion a year ago. Borrowings stood at approximately Rs.75.5 billion, largely reflecting the expansion of our client funding portfolio. The underlying portfolio remains granular and well-collateralized. Approximately 84% of funded clients have exposures below Rs.100,000, while 82% of the closing book is less than 30 days old. Delinquencies remain negligible, reflecting the quality of the portfolio and our robust risk management practices.

As the funding business scales, we remain focused on maintaining adequate liquidity, optimizing funding costs, and ensuring prudent capital deployment. The board has also approved the second interim dividend for this financial year of Rs.1.4 per share, with October 22, 2026, as the record date.

Before I conclude, I would like to put our performance in a broader perspective. Over the last several quarters, we have been steadily strengthening the earnings capacity of our business through an expanding revenue base, deeper client monetization, and improved operating efficiency. An important characteristic of our financial model is that customer acquisition costs are largely incurred upfront, while existing customer cohorts continue to contribute revenues over time with relatively low incremental servicing costs. As customer relationships mature and product adoption deepens, this creates meaningful opportunities for incremental earnings and operating leverage.

What is particularly reassuring is that we are seeing the benefits of this model even during periods of relatively subdued trading activity. As market conditions become more supportive, we believe our broader earnings base and scalable operating infrastructure position us well to capture incremental opportunities and translate them efficiently into profitability. Our financial priorities remain clear: maintain healthy margins, strengthen return on capital, and ensure that our investments translate into sustainable long-term shareholder value. Overall, Q2 reinforces our confidence in the financial strength, scalability, and long-term earnings potential of Angel One. With that, we would be happy to take your questions. Thank you.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touch-tone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Swarnabh Mukherjee from 361 Capital. Please go ahead.

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Swarnabh Mukherjee – 361 Capital: Hi, sir. Thank you for the opportunity, and congratulations on a great performance in this difficult quarter. I have some questions.

Operator: Sir, your voice is breaking, Swarnabh sir.

Swarnabh Mukherjee – 361 Capital: Is this better now? Am I audible?

Operator: Yes, you are audible now. Please proceed.

Swarnabh Mukherjee – 361 Capital: Sir, I have three or four questions. First of all, congratulations on a great set of numbers in a difficult quarter. I wanted to start with the standalone margin guidance that you have provided of around 45% at an annual level. I wanted to understand whether you are providing this guidance including the IPL cost, because you are already at almost 49% this quarter at a standalone level. I wanted to understand the nuances of this.

My second query is on the client acquisition side. If I look at how demat accounts are being added in the industry, I think our gross client acquisition is running slower than the industry. I wanted to understand the thought process behind why we are not going aggressively in this area, how activation rates are trending after client acquisition, and when you acquire a new client nowadays, which segment are they broadly starting with, if you can give us some idea.

That is my question on client acquisition. I also have a couple of other questions regarding employee benefits expenditure, excluding the ESOP cost. That has been very benign this quarter. What has happened, and should we expect this to be the run rate, or is there any one-off in that number? If you could explain this. These are my questions. I will come back with some other smaller queries after this.

Amrish Khenghe – Group CEO: Thank you, Swarnabh, for the question. Let me pass on the first question to Vineet, and then I will take the next two.

Vineet – Group CFO: Thank you, Swarnabh. On your question about the margin guidance, this margin guidance of about 45% for the broking and distribution business on an annual basis subsumes all expenses, including the IPL. As I mentioned in the commentary, there could be some gyrations across quarters, but on an annual basis, we will endeavor to achieve a 45% operating margin.

Amrish Khenghe – Group CEO: Swarnabh, on your question about client acquisitions, as we said, our client acquisitions are 11% higher than in Q1. That said, we are always very mindful of how we acquire clients and of activation strength. Overall, the activation trend has been strong for us, and we are continuing to grow stronger on that front. As you know, activations can also vary seasonally, but adjusted for that, we are generally trending in a better direction. You are seeing that in our NSE active numbers as well. Over the last 3 months, we have actually improved our market share in NSE actives and reduced the difference between us and the next-largest player. Overall, it is a very strong performance on client acquisitions because we do not just look at KYCs and CDSL share; we look at clients getting activated and generating revenue for us. That is the position on client acquisition.

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On employee benefits, what has happened is that, for increasing productivity, we have brought most of the employees back to the office, and that has actually increased our productivity and overall morale in the team. That did result in some attrition, which we were expecting, and you are seeing some of that fully playing out in this quarter. Some of it was a one-time cost in the last quarter as that attrition occurred. Vineet, do you have anything more to add there?

Vineet – Group CFO: We will continue to maintain our guidance of about 1,100 crores of employee cost, including the cost of stock options, for this financial year, which is flat year-over-year.

Swarnabh Mukherjee – 361 Capital: Understood. This is very helpful. I will ask just 2 more small questions. One is on new SIP creation. What we saw in September for you was almost a 17-18% drop in that number.

Amrish Khenghe – Group CEO: Earlier, we were able to hear you, but we are not able to hear you on this question.

Swarnabh Mukherjee – 361 Capital: Can you hear me now? Is this better?

Operator: Yes, it is better. Please proceed.

Swarnabh Mukherjee – 361 Capital: I was asking about the new SIP registration number that you disclosed in the September release. The decline that we are seeing appears to be more than what we have seen for the industry. I wanted to understand what you are seeing or thinking there. Is this more of a direct-versus-regular phenomenon, and how should we read this? Also, regarding the cash paper that came yesterday, do you think this would help you? You mentioned that there are tailwinds, but is this in line with your expectations? Does this resolve the challenges that you think were there in terms of volume, and should you be able to recover to the earlier levels with this?

Amrish Khenghe – Group CEO: Swarnabh, these are all very good questions. On SIP registrations, things vary from month to month, so I would not read too much into it. SIP registration can sometimes be a bit optical because it counts many things; sometimes it counts edits, new registrations, and all of it. We do keep tracking SIP inflows and how active SIPs are trending. Therefore, I would not read too much into that number for September. Over a broader period, it probably provides a better metric.

On cash, I think the circular came last night. I am very thankful to the regulators because I think all the regulators in India are very progressive and continuously monitor both consumer protection and the strength of the ecosystem. This is a proof point of what we have always been saying: overall, regulators are looking at things and improving them, and this is a fantastic proof point of that.

I already see this. If you look at October, and I will come to cash, but if you look at October ADTOs for F&O, for example, overall industry October ADTO month-to-date compared with September is up about 39% for options, based on what I see up to October 14 for the overall industry. That does not mean a one-to-one increase in orders, but it does give you a sense of where things are already trending in October. We do think that cash provides, as I mentioned in my previous note, clarity, and the circular will create more tailwinds for us.

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Swarnabh Mukherjee – 361 Capital: Understood. This is very helpful. Thank you so much, and all the best for the rest of the year.

Operator: Thank you. The next question is from the line of Vivek from DSP Mutual Fund.

Operator: Please go ahead.

Vivek – DSP Mutual Fund: Congratulations on a solid performance. My questions are twofold. First, you classify your stocks into blue chip, good, and average. If you could provide how much of the portfolio is in each of these categories, that would be very useful because it would help us assess the portfolio when there is market volatility.

Second, interest rates have been rising. I wanted to know your flexibility in raising interest rates, or whether there is a band of interest rates within which you operate. How are the competitive dynamics for your MTF book? Thank you.

Management: On the first question, I will have Bhavin come in. I am assuming you are talking about our MTF book, correct, Vivek?

Vivek – DSP Mutual Fund: That is right, sir.

Management: Bhavin.

Bhavin: Hi, Vivek. As you know from our risk policy, we classify stocks into blue chip, good, and average, and there are individual limits for individual customers across these categories. Broadly, our book is good and blue chip, which together constitute almost upwards of 85%.

Management: Thank you, Bhavin. I will have Vineet take the next one.

Vineet: On your question about the rising cost of borrowing and the cost that we charge clients, for the time being, we are not looking at any increase in lending costs. It remains at 14.99%. The cost of borrowing has marginally increased because of the increase in the benchmark rate by RBI, but it is within our tolerance limit. It is fine; the NIMs have not really been impacted.

Management: The other thing to note here is that our book is growing in a very healthy way, so that continues to be a fairly healthy business for us. As we mentioned in the last quarter, it was at an all-time high.

Vivek – DSP Mutual Fund: Thank you, sir, and I wish you all the best.

Operator: Thank you. Our next question is from the line of Prayesh Jain from Motilal Oswal Financial Services. Please go ahead.

Prayesh Jain – Motilal Oswal Financial Services: Good morning, everyone, and congratulations on a good set of numbers. I have a few questions.

Firstly, if you look at your market share in terms of ADTO, while F&O has been holding up, commodities and cash have been falling. Especially with the growth in your margin trading funding book, I would have expected the opposite, because MTF also has higher churn. In that sense, what

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kind of course correction are we looking at here, and how should we think about the trajectory of market share improvement?

My second question is on your distribution business, where credit has seen volatile trends in your data. It went down and then recovered, and September has been a new high. Now that you have recalibrated your risk management practices, would you say that this will be more of a structural story, or will it still go through volatility? Can you give us some color in terms of the realizations that you are making here?

My third question is on the wealth management side, where you have reached a reasonably good-sized AUM. What is the size of revenue that you are generating? I have been asking this question for a few quarters now, but it is a reasonable-sized AUM. What percentage of AUM is actually earning fees for us? Is the entire AUM earning fees, or what unit economics can help us build this for the future?

My last question is about how you think about the revenue mix 3 years from today. Broking obviously declined this quarter to 54%, but we know it is because of cash, and if volumes return, broking will see a jump again. We are still quite dependent on broking. How do you see the business mix developing over the next 3–4 years? With these costs being incurred, should we think about the 45% margin moving to a 50% margin in 3 years?

Management: Prayesh, these are all great questions. Let me take them one by one.

On market share, as you noted, I think we have held up very well in F&O, and we discussed the September share of 22.5%. That has been on an upward trajectory, if anything.

On commodities, I discussed this in my initial comments: the market has expanded. Our ADTO has gone up more than 40%, but the market has expanded, which is actually a good thing. We always welcome market expansion. There is also a little bit of nuance regarding market share because it is an ADTO market share. Sometimes commodities that have higher ADTO may not have a higher number of orders. We are never chasing that kind of optics, even though we report it. We never try to manage those optics. We say that wherever consumers want to place orders and actually use the product, that is where we are going. There is a mix of factors there, but overall there is a significant market expansion story. ADTO has been increasing, and orders have been increasing there.

On cash, it is a segmented story, and that is what you very astutely pointed out: MTF is increasing while you are seeing cash share decline. Part of it is a tale of segments. There are various segments of customers within cash itself. When certain market conditions exist, you see one segment increasing while another declines. We may have a different set of customers there, and that is likely resulting in this. What you saw is that, as a percentage, our cash broking share has in fact increased. Some of it was because the F&O share declined, but overall we do not think there is any challenge there. We are continuously improving our product, and you will keep seeing more work on that front.

Let me take the revenue mix. For distribution and wealth, I am going to pass the wealth question to Shobhit. I will talk about distribution for a bit and then pass it to Saurabh.

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On the revenue mix, as you pointed out, this was an interesting quarter for F&O, but overall our F&O share has been on a downward trend, which is actually healthy because we are seeing a more diversified portfolio develop. Q2 was very encouraging in that sense because other areas held up. Interest income was higher, and that held up even as the F&O share declined. Overall, what is very interesting, and what we have discussed over the long term, is that beyond broking, you are going to see low double digits in the next 2–3 years. We are already starting to reach about 5% in distribution revenue. Over the next 2–3 years, you should expect, again in line with the same guidance, low double-digit revenue growth, and it will start contributing to and becoming accretive to our PAT.

On credit distribution overall, this was the best month ever for us, and I think we are seeing a lot of good momentum there. Saurabh can talk more about it.

Saurabh: Hi, Prayesh. On credit, it is a fair question, but as a distributor, there are a large number of factors that keep affecting the distribution side. Some of them are within our control, while some of them probably are not. Factors such as regulatory matters and lenders' risk appetite also affect the distribution business.

Having said that, I think we have done a very good set of things over the last 1–2 quarters, and we are seeing good results, whether in terms of our AI/ML models, platform stability, or deeper integration with partners. Things look very positive on the credit distribution side, and hopefully we will go on to create new highs over the next few quarters.

Management: Thank you, Saurabh. Shobhit, will you come in on the wealth management question?

Shobhit: Thank you. Prayesh, as we have always maintained, we are building the wealth management business with a very strong relationship-based focus, and the primary focus is to build annuity-based assets. That is also the way the assets are currently being built, primarily as annuity-based assets.

We have always maintained that margins will be in line with the industry. In that sense, we are on track to be in line with industry benchmarks. It is too early to give more specifics, but you can assume that margins will be in line with industry standards.

Prayesh Jain – Motilal Oswal Financial Services: Just one follow-up on the wealth side. When you say Rs.160 billion, or 16,000 crores, of AUM and you have also given the ARR breakup, is the entire Rs.160 billion earning fees today? Some of that AUM may simply have been transferred to you and classified as AUM. Even if I assume a 100-basis-point yield, that would imply Rs.160 crores of annual revenue, whereas we are talking about Rs.40 crores of revenue from that part of the business. That does not seem to add up on the distribution side. What part of the fees is actually being earned, or what part of the AUM is actually earning fees for us rather than simply sitting there as AUM?

Shobhit: We separately disclosed the assets under custody, which are assets that do not earn fees, and that is a very small number. Overall, however, industry margins, at least in the ultra-HNI segment, are not in the range that you mentioned. Margins at an industry level are closer to the 0.5% range. The way you should think about it is more in line with those industry benchmarks.

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Management: Understood, thank you. Prayesh, if I may also add, in a typical wealth management business, we acquire assets over the last 12 months, and they have been acquired at various points in time. If you apply the margin yield, or the industry yield, to the closing AUM, you will not get the desired number because the AUM is obviously not spread evenly across the year. That is one reason. We continue to track the AUM based on the yields generally prevalent in the market, and as we stated, the yields are around the levels of industry standards. At the end of 12 months for each asset acquired, we will be at that yield. We are tracking that very closely.

Prayesh Jain – Motilal Oswal Financial Services: You did not touch upon the margin question. Should we think of the standalone margin moving from 45% to 50% in 3 years?

Management: Prayesh, I think we will continue to maintain strong margins. We do not want to give you a prediction beyond a certain point, but you should assume strong margins. The only reason you are not seeing more specific guidance is that, as we see growth opportunities, we want to be able to invest in them, and we will always think about long-term growth. As we find those opportunities, we want to continue investing in them.

We can give 40–45% very comfortably; we have seen that very comfortably. At times, it will move toward 50%, but I do not want to provide specific guidance at this point because, as growth opportunities arise, we will continue investing in them. You are seeing the results: our operating margins continue to improve.

Prayesh Jain – Motilal Oswal Financial Services: Understood, and thank you so much for answering all the questions. Thank you.

Operator: Thank you. Before we take the next question, we would like to remind participants that you may press star and one to ask a question. The next question is from the line of Mohit Surana from HDFC AMC. Please go ahead. Since there is no response from Mohit, we will move to our next participant, Nidesh from Investec. Please go ahead.

Nidesh – Investec: Thank you for the opportunity. I have 2–3 questions. My first question is on cash brokerage. Are we charging any differential brokerage for MTF customers, or is it flat across all customers?

My second question is on mutual fund distribution. We have seen healthy growth there. What is the share of regular plans within mutual fund distribution?

My third question is whether you can quantify the drag on EBITDA margin because of the new businesses.

Management: On cash broking for MTF, we charge the same amount. We do not have differential broking for that.

On mutual fund distribution, regular plans account for about one-third of total distribution. What was your third question?

Nidesh – Investec: What is the drag on EBITDA margin because of the new businesses?

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Management: The burn is about 3.5–4%, as I mentioned in the previous call as well. It remains in that range.

Nidesh – Investec: It has increased, correct? Earlier it used to be around 2%. A few quarters ago, it used to be around 2%.

Management: When we started operations and the scale was low, about 6 quarters ago, it used to hover around 2.5–3%. Now it is about 3.5–4%.

Nidesh – Investec: Sure. I have one more question on the AP channel. What is happening there? Earlier, we had aspirations to scale other products through the AP channel as well. What is the progress on that?

Nidesh – Investec: How is the broking business in the AP channel doing in terms of your share, and are there any trends that you can share on the broking and non-broking businesses in the AP channel?

Management: I will have Nishant come in on that. He is the Chief Business Officer for the AP business.

Nishant – Chief Business Officer (AP Business): I am happy to report that we are seeing very strong growth trends in the assisted business. We are actually tracking ahead of the industry. If I were to refer to the relevant competitors, we are well ahead of them in terms of our growth for the first half of this year. The distribution products are also currently tracking at triple-digit growth, primarily because of the low base that we have. There is a very clear progression that we are seeing, and the metric we are tracking is the percentage of distribution revenue in overall revenue. That continues to be on a healthy trajectory.

Nidesh – Investec: Can you explain which products we are distributing through the channel apart from broking?

Management: We do everything being discussed here, which includes wealth products, mutual funds, insurance, lending, and some more products. Advisory as well.

Operator: Thank you. The next question is from the line of Mohit Surana from HDFC AMC. Please go ahead.

Mohit Surana – HDFC AMC: Hi, sir. I have a question on new client acquisitions. If we look at a 2-year period on the client acquisition side, we have added approximately 1.2 crore clients to the total user base. However, NSE active clients, or active clients, have actually declined by around 600,000, from 7.4 million to 6.8 million. One question is about the trend in terms of lower activation versus existing users. Where is the decline in activation rates having a greater impact between these 2 cohorts?

Second, how does the activation-rate mathematics feed into the LTV-to-CAC thresholds that you apply for new customer acquisition? Is that the reason for slowing down customer acquisition over the past few quarters? The follow-up is when we will feel confident about returning to the kind of acquisition rate that we had 1.5–2 years ago. Those would be my questions.

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Management: Thank you, Mohit. These are all good questions. Regarding NSE clients, I discussed this earlier. In fact, over the last few months, if you look at it, we have been increasing our share. Over time, we do expect our NSE actives to increase.

The industry has also experienced an interesting period over the last 2 years. When the stock market is performing well, more activity occurs, more people become active, and more people want to participate. The last 2 years have been an interesting period from that perspective because we have not seen the indices move significantly, and the stock market has delivered somewhat muted performance. Therefore, it is a very specific period to assess. You are seeing some of that effect here.

On the second question, regarding how we think about client acquisition, we have various channels across the board, including our AP channel, performance marketing, and organic channels. Across the board, we look to acquire customers. Wherever we find the right equation for us, we acquire them.

Because stock market performance has been somewhat muted, fewer people have been interested in it than in the past. There have also been structural changes in the industry because of the F&O regulations, which caused some of that interest to wane. However, I would not read too much into this as a specific attempt by us to adjust it. It is really based on where we find growth at the right price because we want to create long-term value for our shareholders.

As I mentioned in the previous question, we do not want to focus on CDSL share or simply on the number of KYCs, because that can sometimes become optical. You will see us create more value by creating more actives and activations. For example, in September, we were the second-largest contributor of active clients among all players in the industry. You will continue to see that growth, and wherever we find the right opportunity, we will continue to invest and acquire customers.

Mohit Surana – HDFC AMC: Understood. I have a follow-up on that. When you think about a customer cohort with particular characteristics, has the LTV of that customer cohort declined because of the structural changes in the industry over the last 2–3 years? I understand that CAC has many variables and its own drivers, but I wanted to understand how you are thinking about LTV for a particular customer cohort over time. Has your LTV declined, or has it remained the same?

Management: You are seeing a multitude of factors over the last 2 years. If we take all of that into account, you might arrive at a different set of calculations. Overall, as we add more products and as customers stay with us, I think we will have a fairly strong LTV. We do not want to provide different guidance on that front.

Mohit Surana – HDFC AMC: Understood. Thank you.

Operator: Thank you. The next question is from the line of Abhijit Sakhare from Kotak Securities. Please go ahead.

Abhijit Sakhare – Kotak Securities: Hi, sir. I have a question on acquisition cost. I wanted to understand, qualitatively or perhaps with some numbers, whether there has been any material change in the way...

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Management: Abhijit, sorry, you are not very clear. We can hear you, but it is not fully clear.

Abhijit Sakhare – Kotak Securities: One second. Hello?

Operator: Yes, sir. We can hear you now. Please proceed.

Abhijit Sakhare – Kotak Securities: I was asking about acquisition cost. Since your joining, perhaps over the last 1–1.5 years, have you implemented anything material in the way you acquire customers and in the cost-effectiveness of that process, in terms of throughput or anything else? I am looking for some sense of whether anything has changed there.

Management: We have been making that engine increasingly efficient. Across the board, I think the company is becoming more efficient, and you are seeing that in the way costs are trending.

On acquisition, Abhijit, we have made a number of changes and increased efficiency in performance marketing and various channels. We have also improved efficiency in the AP channel by focusing more strongly on activations and ensuring that we balance across channels. We always look at the marginal CAC of a new acquisition, rather than simply the collective cost of a broad channel. There is a lot happening there.

We have also made a number of product changes that have created incremental activations for us. Some of this will show up as the market returns to normal. As FPIs become interested and begin investing, and as the indices return to the mean, you will start seeing that effect more strongly. We can see this because we conduct A/B tests and are seeing a very clear incremental benefit from the work we are doing on that front. Arif and Nishant, do you have anything to add?

Arif: No, I think you have covered a lot of it. There are many tactical adjustments that keep happening quarter-to-quarter based on market scenarios. However, as Amrish mentioned, activation is the absolute P0 priority for us at this point in terms of finding the right balance of channels and the right product experiences.

Abhijit Sakhare – Kotak Securities: Thank you, Arif. Understood. My second question is to double-check whether, for the next financial year, you mentioned that you would be aiming for a 45% margin, or whether there is scope for improvement.

Management: There is always scope for improvement, but we would endeavor to achieve a 45% operating margin on an annual basis, and there could be some gyrations quarter-on-quarter. Businesses are unpredictable, so we can always aim for a higher margin.

One thing, Abhijit, that I want to mention is a trend you can see over the last 1.5–2 years for us. It is important, although everybody has said it and it is a cliché: we control the controllables. What we can control is our productivity and efficiency, and those are continuously improving. Therefore, as the market supports us, you could see a much higher OPM as well. However, since we cannot predict the future, you are seeing that kind of 45% guidance. We will continue to be efficient on costs and continue to increase productivity, so you could see the margin go higher as well.

Abhijit Sakhare – Kotak Securities: Understood. I have one last question. Given the plans to scale up the NBFC book as well, could you provide some thoughts on dividend payout ratios over the next 2

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years?

Management: Dividend distribution is guided by the capital requirement of the business. Given the current situation, we are in a good position to continue paying this dividend quarter-on-quarter while continuing to invest in the growth of newer businesses. I do not see that as a challenge.

Abhijit Sakhare – Kotak Securities: All right. Thank you very much.

Operator: Thank you. The next question is from the line of Madhukar from JP Morgan. Please go ahead.

Madhukar – JP Morgan: Good morning, and congratulations on a good set of numbers. I have 2 questions. First, you mentioned in your opening remarks that you are looking to open up international investing, especially US investing. I wanted to know the timeline for this and how you are doing it. Are you setting up your own operations, or are you largely tying up with a US-based broker to offer this product? Could you spend some time giving us a better understanding of this?

Management: I will give you some details, and then I will pass it on to Arif for more information. We are already in the pilot phase for US stocks. As with any product, we want to be absolutely sure that everything is working properly. We have already seen orders flow through, and this pilot is not internal; it is already available to a certain number of customers. We have a standard process of rolling it out as we identify and fix anything that arises. We are seeing very encouraging interest in it.

As I mentioned in my opening remarks, we have a GIFT license in the IFSC. That allows us to operate this business, but we also have partners outside India, which is required. Arif, do you want to provide more detail?

Arif: As mentioned, we are operating through GIFT City and are tied up with a US brokerage firm that partners with us. We also work with a number of other entities that provide us with the right data from the US markets in real time, among other services. That is what is happening on the partnership front.

Management: This is a fantastic opportunity because Indians are increasingly looking for global investing. As we diversify our business, the idea is to even out the fluctuations. If there are gyrations on one side, the other side acts as a ballast. You have seen some of that with our diversified portfolio, and this is another example. There is significant interest from Indian customers in the US stock market at this point.

Madhukar – JP Morgan: I also noticed that on the Jio app, I think it was Angel One that was offering a no-fee plan. Can you talk a little about that? Why are you making that offering, and what is your sense of the competitive intensity? In an adverse environment, would you still have the ability to raise prices, for example, if there were a crackdown on derivatives? How do you think about pricing for the cash segment?

Management: Those are 2 different questions, Madhukar.

Madhukar – JP Morgan: Understood.

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Management: Regarding the first one, as I understand it, you mentioned that you saw a banner on the Jio app. There is no special pricing on that offering. We offer a certain number of free orders to customers when they join, as we do for any customer. Therefore, there is no special pricing for Jio. It is simply one of our acquisition channels, like the others. There is nothing special happening there.

You merged the 2 questions, so I am a little confused about the second one. Could you please repeat it?

Madhukar – JP Morgan: The second question is about competitive intensity. Other large corporate houses are also launching their own brokerage operations, and their pricing is also very low. Do we see a risk to our ability to raise prices in the event of adverse developments, such as in the derivatives segment?

Management: First of all, Madhukar, that is another good strategic question. In F&O, as you can see, our share is very strong and increasing, if anything. We believe we have the right pricing at present. We are not looking to increase or decrease it at this time. It is working very well, so I do not see a problem.

Regarding F&O, the near-term outlook actually looks very good because of the SEBI circular that came out yesterday evening. You will see that create an upside. The long term is difficult to predict, which is why pricing is only one action, while you are also seeing us diversify the business. Across the board, you will see that ballast effect, with distribution, cash, and commodities. Therefore, you will see that diversification continue. At present, I do not see a challenge for us at all.

The other thing to note in this market is that there are players with different pricing structures across the board. Some charge less than us, while some charge more. The important thing to note is that this is a business involving trust and money. People definitely want to make sure that they are dealing with a trusted player because brokerage is a very small part of the investment they are making. While there is some price elasticity, we do not think it is a challenge for us in terms of what we charge customers. The future is difficult to predict, but I think we are in a good position here.

Madhukar – JP Morgan: Understood, sir. Thank you, and all the best.

Operator: Thank you. The next question is from the line of Deepanjan Ghosh from Goldman Sachs. Please go ahead.

Deepanjan Ghosh – Goldman Sachs: Good morning, everyone. I have a few questions. First, for you and the industry, MTF books have grown considerably over the past few quarters. Have you conducted any internal exercise to understand whether customers are in the green or in the red on average, given the extremely short holding tenor of the book that you have presented? Some qualitative color on that would be useful.

My second question is on Ultra HNI versus wealth-based AUM. When you look 5 years out in terms of scaling both propositions, I would presume that customer servicing intensity, product quality, and many other factors will be different across these 2 businesses. In terms of your understanding of scalability and the scope for profit pools arising in both businesses, which one do you think will

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have a larger share of the pie?

My third question is on brand spend. You have the ongoing IPL spend, which will continue for another 1-2 years. However, given that you have become a very large brand compared with where you were several years ago, and you have also become more diversified, do you think there is potential to reduce brand spend as a percentage of revenue as you scale and become larger? Is there potential to normalize or rationalize brand spend?

My last question is a data-keeping question. Could you provide the number of products per customer currently compared with 1-2 years ago?

Management: Your last question was not very clear. Could you repeat it, please?

Deepanjan Ghosh – Goldman Sachs: The last question was about products per customer. What would be the average number of products per customer today compared with 2 years ago?

Management: Let me take the brand spend question. We will go through these questions one by one. We do not share product-per-customer data at this time. We will consider sharing it in the future since you are interested in it.

On brand spend, thank you first of all for recognizing that we are a more well-known brand than we used to be. The IPL spend and all the work that the brand team is putting into it are helping, which is fantastic. You should expect that, over time, these spends will definitely decline as a percentage of revenue. Unless we see a new opportunity, I expect the percentage of revenue to come down because I do not see these spends increasing significantly from here, while our revenue will scale. Therefore, you will definitely see the percentage spend decline.

I will ask Shobhit to take the Ultra HNI question, and then I will address the MTF question.

Shobhit: On scaling up, we have always maintained that there are very strong tailwinds in this segment of the market. As we have seen the scaling up of asset management companies, mutual funds, PMSs, and AIFs, we have also seen globally that wealth management usually trails the growth of asset management companies. To that extent, there is a very strong tailwind, which is why the wealth management business is a very exciting area for us to continue building.

The right ingredients are a very strong focus on investment and research, which is what we bring as people with decades of experience. The second element we are building toward is a strong technology layer, which is also something we demonstrated through the release of the new AI campaign.

The focus continues to remain on both the Ultra HNI segment and the emerging HNI segment because that segment is also growing very quickly in India. However, it will be driven by a strong foundation of investment and research capabilities within the team.

We also bring a strong perspective on helping people diversify their portfolios globally. We offer them access through our GIFT City funds and multiple third-party offerings.

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From an overall perspective, the way we have structured our business is that, because we deal with HNI and Ultra HNI customers, we have multiple licenses. Different customers engage with us in different ways. From a mutual fund distribution license to an asset management license and an advisory license, we offer customer services across the entire spectrum of their investment needs.

That is the foundation on which the business should continue to build. It is clearly a very long-term story that we are pursuing. There are very strong tailwinds that should continue to power this growth.

Management: Thank you, Shobhit. I know we are at the scheduled time, but we will perhaps take a couple more questions.

On the MTF book, Deepanjan, the quality of the book is solid because our margins change depending on the script on which we are providing MTF. Therefore, there is little to no risk on that front because we have the ability to square off if margins fall below a certain point. I continue to see the book growing in a very healthy way. There is no challenge there; we are very happy with the quality.

Deepanjan Ghosh – Goldman Sachs: Thank you, and all the best.

Operator: Thank you. The next question is from the line of Sanket Godha from Avendus Spark. Please go ahead.

Sanket Godha – Avendus Spark: Thank you for the opportunity. I wanted to understand the current employee count because EBITDA margin also expanded in the current quarter due to a decrease in employee cost, which you mentioned in the waterfall was around 20 crores. I wanted to understand the current employee count and whether you think this count will decline further as productivity or efficiency improves.

Is that the reason you are confident in saying that normalized EBITDA margin, which is 43.6% today, will expand to around 45% by the end of the year? I wanted to understand the specific lever that will take normalized EBITDA margin from 43.6% to 45%.

Management: Sanket, first of all, the 45% margin we guide to is for the broking plus distribution business; it does not include the other businesses. The 43% includes the other businesses, so that is the difference.

The current employee count as of September 30 is approximately 3,050 employees. Yes, this has definitely declined, as Amrish mentioned, because there were some attritions in Q4 and Q1. We have slowed down backfills, and therefore we do not think this count will increase dramatically over the next few quarters. Consequently, we are confident of achieving our employee cost guidance of about 1,100 crores, which is flat compared with the previous year for this year.

Management: Sanket, one thing I wanted to add is that it is not just about the employee count, but also about the density of talent we have. Our approach is continuously to increase talent density. Similar to what we discussed regarding customer acquisition, wherever we see opportunities to acquire great talent, we will continue to do so because if that productivity works for us, it is beneficial. It is really about increasing talent density. The numbers that Vineet guided will remain at

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that level, but you should focus more on productivity and talent density.

Management: On the margin guidance, the dominant force for margin improvement is going to be revenue growth. Costs will definitely play a part, but the dominant driver will be growth in revenue.

Sanket Godha – Avendus Spark: Understood. Extending this point, normalized EBITDA margin was 43.6% in Q1 and 43.8% in Q2. How do you see this playing out for the full year FY28 on a consolidated basis, including all businesses? How do you expect it to play out in FY27, and what trajectory do you have in mind for FY28?

Management: On a consolidated basis, the near-term guidance is anywhere between 40% and 45%. As overall business growth improves, and as Amrish mentioned, we expect the other businesses to start contributing meaningfully to the top line over the next 2–3 years. We will see an improvement in margins. It is currently too early to provide a specific number, but our endeavor will be to maintain a healthy margin profile without compromising on the growth or investment opportunities that we will have.

Sanket Godha – Avendus Spark: Understood. I have 2 data-keeping questions. Distribution income was quite strong in the current quarter, at around 71 crores. How much was contributed by IPO primary activity, and how much came from the normal distribution income earned from other products?

Second, if you could break down net broking income between AP and direct, that would also be useful. Has there been any change, or is it broadly in line with the 75–25 split?

Management: We are not currently providing a breakdown of distribution income. Income is growing in a healthy manner, as you rightly said, at about 5% in this quarter. Once we reach a certain scale, we will start disclosing the details going forward.

On net broking income, it is in the same range of approximately 75–25 in favor of the direct business.

Sanket Godha – Avendus Spark: Understood. My simple point was that this growth in distribution income was phenomenal quarter-on-quarter. Was it actually contributed by IPO activity, or was it business as usual?

Management: It was both. We have mentioned that we saw a robust quarter in credit distribution as well as IPO activity. There were also some marquee IPOs, so we saw strong momentum in the IPO segment. That is where we stand.

Sanket Godha – Avendus Spark: Thank you for the answer. That is all from my side. Thank you.

Operator: Thank you. The next question is from the line of NR Devarachit from Tata Mutual Fund. Please go ahead.

NR Devarachit – Tata Mutual Fund: Good morning. I have one question regarding the broking business. We have seen a 10% quarter-on-quarter decline in...

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NR Devarachit – Tata Mutual Fund: ...trading volumes, but fee and commission revenue declined by only 5%. Was there an improvement in price realization or a segmental difference? Could you share the per-trade realization across the different segments?

Management: We do not share product realization across segments. Arif, would you like to comment on the relationship between orders and revenue?

Arif: If you look at it, segments such as commodities really took off. The company mentioned that commodities have been growing strongly for us, irrespective of the VTO and the way we generally look at it. That played one of the critical roles in overall realizations.

NR Devarachit – Tata Mutual Fund: Understood. That is all from my side.

Operator: Thank you. Ladies and gentlemen, due to the time constraint, that was the last question. I now hand over the conference to Mr. Ambeesh Kenge for the closing comments. Over to you, sir.

Ambeesh Kenge: Thank you, and thank you once again for joining us today. As always, it has been a pleasure engaging with you to discuss our results and progress. If you need any further information, please feel free to reach out to Hitul Gutka, our Head of Investor Relations, or to SGA, our investor relations advisors. Have a wonderful day. Thank you.

Operator: Thank you. On behalf of Angel One Ltd., that concludes this conference. Thank you for joining us, and you may now disconnect your line.

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