



“Choice International Limited
Q4 & FY25 Earnings Conference Call”
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MODERATOR: **MRS. AASHVI SHAH – AdFACTORS PR: INVESTOR RELATIONS**

Moderator: Ladies and gentlemen, good day and welcome to the Q4 & FY25 Earnings Conference Call of Choice International Limited. 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 the star, then zero on your touch-tone phone.

I now hand over the conference to Mrs. Aashvi Shah from Adfactors PR, Investor Relations. Thank you and over to you, ma'am.

Aashvi Shah: Thank you, Steve. Good evening, everyone. On behalf of Choice International, I would like to welcome you all to the maiden Earnings conference call for Q4 & FY25. Today, on this call, we have with us from the management, Mr. Arun Poddar, Group CEO, Mr. Ajay Kejriwal, Executive Director, and Mr. Ayush Sharma, Head of IR. We will begin the call with the brief opening remarks from the management followed by a Q&A session.

Please note that certain statements made during this call may be forward-looking in nature. Such forward-looking statements are subject to certain risks and uncertainties that could cause the actual results or our projections to differ materially from those statements. Choice International will not be in any way responsible for any actions taken based on such statements and undertakes no obligation to publicly update these forward-looking statements.

I would like to now hand over the call to Mr. Arun Poddar for his opening remarks. Thank you and over to you, sir.

Arun Poddar: Good evening, everyone. Thank you for joining us today for our first ever earnings conference call. We are glad to interact with each one of you today. As we step into the new financial year, we are seeing increasing signs of resilience and momentum in the Indian economy. Despite global uncertainties, domestic fundamentals remain strong backed by steady GDP growth, robust credit demand and a growing appetite of investment. The stock market too, reflects the optimism with investor confidence supported by policy reforms, rising consumption and the digital innovation.

At Choice International, we believe this is an opportune time to build on our strength and continue creating value across all our verticals. Since this is our first interaction with many of you, I would like to begin with a brief introduction to our company, our business model and the key verticals that define our operations.

Choice International Limited is a leading financial service company with over a decade of experience in delivering technology-driven financial services. We have built a diversified financial service ecosystem that caters to a broad spectrum of 13 lakh plus clients across India, ranging from retail investors to institutional clients with a strong presence in Tier 2 and Tier 3 cities. Our business is structured in three verticals, each focused on creating value through specialized offerings. Let me first highlight each of these verticals:

Broking and Distribution: The vertical contribute around 62% of our total revenue and it caters to equity broking, wealth management and the insurance distribution. Our major growth driver for this vertical has been our stockbroking business. In FY25, we have a total of 10 lakh plus Demat accounts, serving more than 2,41,000 active clients and with a total client asset of Rs. 41,000 Cr, a growth of 16% YoY basis. Under Wealth Product Distribution, we have an AUM of Rs. 5,500 Cr plus, a growth of 793% on YoY basis.

We offer a comprehensive suite of products under this business. A major milestone in this year for the business was in-principle approval from SEBI to sponsor and establish a mutual fund. This approval allowed us to set up an asset management company and a trustee company, expanding our financial services portfolio. By entering the mutual fund industry, we aim to empower investors with tailored investment products and create value through disciplined and transparent fund management.

Another major step we have taken this year is the acquisition of Arete Capital Service, a wealth management firm with an AUM of Rs. 4,400 Cr plus. This strategic acquisition significantly improves Choice Broking's wealth business division, increasing its total AUM nearly 5-fold.

The last leg of our broking and distribution is our insurance distribution arm, where our extensive network helps us cater to both retail and SME segments. Our offerings include insurance products like life insurance, health and motor.

In Q4 FY25, we have sold 52,000 plus insurance policies, generating a premium of Rs. 93 Cr. We have 40 plus partnerships with all the leading broking companies. Our POSP model is working really well for us, enabling us to expand our reach pan India. In FY25, we have 7,300 POSP registered, driving significant growth in our distribution network. We are highly optimistic about the growth potential of all the businesses within our broking and distribution arm and are actively taking the right step to scale each one of them.

Moving to our second business: NBFC. The business operates through our subsidiary Choice Finserv with a focused approach towards retail lending tailored for MSME and individuals in semi-urban and rural markets. Our portfolios span MSME business loan, vehicle loan, and solar financing, supported by tech enabled credit assessment framework and a dedicated in-house collection team for effective risk management.

As on FY25, our total loan book stands Rs. 768 Cr with a retail loan book of Rs. 629 Cr. Our CRAR for the year stands 38.62% with a 0.83% of NNPA. Our robust underwriting process is furthered partnership with all the major banks and financial institutions, ensuring a well-diversified liability portfolio. Additionally, our proprietary app Choice Money is enabling customers to access our offerings with greater ease and efficiency.

A key highlight for the vertical this year has been the acquisition of the retail lending business of Sureworth and the Paisabuddy through a slump sale transaction. This strategic move has significantly boosted our AUM and further strengthened our position in the lending landscape. With the strong support from the government for the MSME sector, we remain highly optimistic

about the growth of our lending business. Our focus is on bridging the credit gap and addressing the key challenges faced by the MSME who enables their sustainable growth.

Our third and the final segment is the advisory business, which contributes 26% of our total revenue. This segment comprises of two key verticals, government advisory and the investment banking. Through our subsidiary Choice Consultancy, we offer end-to-end consulting and advisory service to the government infrastructure project.

Leveraging deep domain expertise, we support large scale initiatives across 10 states. Our robust order book, currently at Rs. 500 Cr plus, is a strong testament of our execution capability and the sectoral knowledge. We have been instrumental in delivering projects at the grassroots level, with notable work under the flagship initiatives such as Jal Jeevan Mission. With increased government focus and capital allocation for our infrastructure development, we are very well positioned to become a preferred partner for public sector projects across the country.

With the other vertical under this segment is investment banking, where we have played a very key role in advising a range of corporate business, corporate client and successfully executed several IPO mandate. Till now, we have concluded 6 IPO transactions successfully and 22 are ongoing mandate with a tentative fundraising pipeline of Rs. 6,450 Cr plus.

The growth of our business vertical is led by the strong foundation provided by our Choice Business Associates, who serve as a trusted partner in delivering the services across India. In FY25, I am proud to share that our CBA network has grown to over 53,000 partners, creating a Pan-India presence and reinforcing our commitment to inclusive financial access.

Technology has always been our core for the growth strategy. Backed by a strong in-house tech team, we have successfully developed and launched platforms like Choice FinX, Choice Money and Choice Connect. These platforms are continuously upgraded with the new features, ensuring a seamless and intuitive experience of our customers and the partners. Today, our footprint spans a robust network of 192 branches and 49 project offices, supported by a dedicated team of in-house tech experts, serving a diverse and growing client base.

We remain committed to empowering India's aspiration by democratizing access to financial products and delivering the joy of earning through innovation, inclusion and the customer-first solution. With the deep industry expertise and the forward-looking approach, we aim to be a catalyst for growth, prosperity and positive change. Despite recent challenges, we remain in our commitment to delivering long-term value of our client, shareholder and society, guided by the principle of integrity, fairness and innovation.

Now, I would like to now hand over to Ayush Sharma, our Head of Investor Relations, who will take us through the financial performance for the quarter and the year end. Thank you.

Ayush Sharma:

Thank you very much, Arun sir. While Arun sir has given a detailed understanding on each of our business verticals, I would like to take you all through the financial performance for the quarter and the year ended FY25. Choice reported a revenue of Rs. 255 Cr for Q4 FY25, a growth of 18% YoY basis. EBITDA for Q4 FY25 stood at Rs. 98.30 Cr, growth of 42% YoY

with EBITDA margins of 38.54%. PAT for the quarter stood at Rs. 53.5 Cr, a growth of 36% YoY with PAT margins of 20.98%. This has resulted in increased margin by 277 basis points.

On a full year basis, we reported a total revenue of Rs. 921.70 Cr, growth of 21% on YoY basis. EBITDA for FY25 stood at Rs. 295.90 Cr, growth of 30% on a YoY basis. EBITDA margins stood at 32.10%. Similarly, PAT for FY25 stood at Rs. 162.70 Cr, a growth of 24% on YoY basis with PAT margins of 17.65%.

On the segmental front, the broking and distribution business clocked in a total revenue of Rs. 551.20 Cr, a significant growth of 21% on a YoY basis. PBT for this vertical stood at Rs. 134.50 Cr. The NBFC business clocked in a total revenue of Rs. 114.80 Cr with PBT of Rs. 7.4 Cr. GNPA and NNPA stood at 2.49% and 0.83%, respectively, in this particular business vertical. Lastly, the advisory business had a total revenue of Rs. 250.30 Cr with PBT of Rs. 79.80 Cr. Our total debt on the book stands at Rs. 677.20 Cr as on FY25. Cash and cash equivalents for FY25 stands at Rs. 138.8 Cr.

With this, I would like to open the floor for questions.

Moderator: The first question is from the line of Aayush Sharma from Alder Capital.

Aayush Sharma: Congrats on a decent set of results. I just had a couple of questions. Firstly, on physical expansion, on branches, what is the exact outlook? Secondly, how is the growth of the wealth business evolving? Finally, how will the use of technology contribute to your growth? These are my questions.

Ayush Sharma: Thank you, Aayush, for the wishes. When we started the year, we were at 115 number of branch offices. On the closing, we are at 192 branch offices. We have significantly expanded. For the upcoming financial year, we are planning to expand our branch network further by another 100 branches. On a longer term basis, if we have to take a five-year plan, we are planning to have our own branch office at almost all districts, which are roughly around 800 districts across India.

There is a major reason, we are largely focusing on the branch network, because even today in the financial services space, across semi-urban geographies or Tier 3 and below geographies, whenever we talk about any financial services, the customer mindset is that they require a physical space. This we have seen across various other industries also, be it ad tech, be it the Lenskart, who started online and eventually opened a store on the ground to service to this particular customer segment. The similar thing is there for the financial services space also.

We are largely bullish on the new entrants in the financial services space, which are going to come from Tier 3 and below geographies only and we will be readily available on the ground with our physical branch network for these set of customers. What was the, another question?

Aayush Sharma: Yes, it was on your wealth business and how is the business side of it? How is it working?

Ayush Sharma: Okay. On the Wealth business, we are largely focusing on the retail customers as well as the HNI and institutional clients. We had built a distribution of retail, mutual fund and wealth products with our own team. With the acquisition of Arete Capital, we have onboarded the HNI

and institutional clients also, because the Arete's forte was on the institutional space. So we are planning to grow on both the business models. As far as the technology is concerned, technology works as an enabler.

I would like to proudly say that our technology is no less than any other competitor in the industry. In some spaces we are even better than the competition. However, at the same time, business model largely remains on the physical presence, which is supported by the technology for the faster execution and seamless client servicing. So, that's our view on the tech part.

Moderator: Thank you. The next question is from the line of Raman KV from Sequent Investments. Please go ahead with your question.

Raman KV: So, first, with respect to the advisory services, we have approximately Rs. 500 Cr order book. Can you give how much of that, is from Jal Jeevan Mission and other order book of roads and highways and what is the execution timeline like?

Ayush Sharma: Okay. When it comes to the advisory order book, the tentative average timeline for execution of one project ranges from 24 to 36 months' time. It depends what kind of services we are providing. If it is a DPR, it is completed average within 9 to 10 months' time. If it is a combination of DPR and PMC both, the average goes to 24 to 36 months' time.

We are largely focused on the mission projects of the government. If you will see our history, when we started our advisory business, roughly around 2014-2015, the larger focus of the government was on the road and highway projects and so was the focus of our company as well. We designed and supervised more than 3000 kilometers road in the initial 2-3 years. In the second tenure of the NDA government after 2019, the focus shifted to the Jal Jeevan Mission and that was a mission project of the central government and so was our company's focus on to the water pipeline and designing and supervision kind of projects.

We are working in sync with the government's vision so that we are able to execute projects fast, smooth, and as per the timeline. As far as today's order book is concerned, I would say roughly around 60% to 65% comes from water related projects and remaining 35% to 40% comes from other projects.

Raman KV: Okay, got it. So, with respect to NBFC, the book has grown by 53% like the net worth. I just want to understand what was the reason for this huge QoQ growth in the books of the NBFC business?

Ayush Sharma: Okay. In Q3 FY25, we had acquired a retail lending business of Paisabuddy Finance Private Limited, a Jaipur based NBFC and a distribution business of Sureworth Financial Services Private Limited, another distribution company based out of Jaipur under a slump sale transaction. So, this transition has led to a significant jump into the AUM of the NBFC.

Raman Kv: Okay. Can I get the interest yield with respect to the NBFC business?

Ayush Sharma: Okay, on a consolidated book level the yield amounts to roughly around 20.5% to 21%.

Raman KV: Okay, and sir what is the guidance with respect to the NBFC business as well as the distribution of mutual funds business for the FY26?

Ayush Sharma: Our focus in the NBFC is largely on to the MSME customers in the semi-urban and rural geographies. The largest product which we do in the NBFC space is LAP, loan against properties, where the ticket size ranges from Rs. 6 lakh to Rs.8 lakh per customer. However, as we grow in size, our focus will go to prime borrowers also where the ticket size will come to somewhere around Rs. 12 lakh to Rs. 15 lakh and a slight decline in the average interest rate will also be there.

However, at the same time the distribution costs and the credit cost is also lower for that particular customer segment. So, you can expect a growth of somewhere around 25% to 30% CAGR in the NBFC business over the couple of years. At the same time, in the NBFC, our one major focus is on to the co-lending business where we are entering into partnerships with the various banks and larger NBFCs to provide lending as a service and where we are onboarding the customer and it will be booked under the 80-20, 90-10 kind of ratios. So, that's more on to the NBFC business.

On the wealth space, as I had mentioned we are focusing on both retail as well as the institutional HNI customers. Our focus on the retail space is to leverage our existing branch infrastructures where we are going to utilize our existing team at the branches to distribute the mutual fund products, and other wealth-related products. On the central level, we have a dedicated team for the HNI and institutional clients. So, that's how we are planning to grow the wealth-related business.

Raman KV: Okay. So, I have just one last question with respect to the NBFC. You mentioned that majority of the loans are LAP i.e. loan against properties. What percent of the AUM is LAP?

Ayush Sharma: Out of around Rs. 768 Cr roughly around Rs. 430 Cr is LAP. Around Rs. 125 Cr is commercial, used commercial vehicle. The rest is solar and other loans.

Raman KV: Okay. Thank you, sir.

Moderator: Thank you. The next question is from the line of Shubham Poruhit from SBI Securities. Please go ahead.

Shubham Poruhit: Congratulations sir on a good set of results especially in this challenging environment. So, my first question is with respect to how we are placed against competitors like Angel One and Motilal Oswal. Could you highlight what is our mode compared to these competitors?

Ayush Sharma: There is a difference of approach how we are taking the business model. We largely focus on the physical infrastructure. We largely focus on the customers who are into semi urban. Of course, digital and physical distribution have different set of challenges and different set of benefits. So, I would say that, we have been consistently growing over the last 6 years. Of course, with a high rate of CAGR, we have been growing roughly around 55% to 60% kind of number in the revenues and roughly around 70% in PAT. But at the same time, in the broking business we are expecting to grow at 30% to 35% kind of CAGR over the next couple of years. The

largest difference between the competitors and us, is that we prioritize the handholding of customers across their whole financial services journey, be it investments, be it the loans, be it stock market trading, etc. So, that's the kind of guidance we can give you on this question.

Shubham Poruhit: Okay. Thank you, sir. One last question, as we have seen in the recent past, the company has done a lot of acquisitions. Are we planning for more acquisitions going forward? If so, how are we planning to fund this?

Ayush Sharma: Of course, we have done a couple of acquisitions over the recent years and we intend to continue the same. There is no doubt about it. As far as the funding for the acquisitions are concerned, we have enough internal accruals to support that.

Moderator: The next question is from the line of Nayan Gala from Ertiga Wealth. Please go ahead.

Nayan Gala: Thanks for the opportunity. Can you please throw some light on the advisory business? Since this is an unrelated business, it would be great if you could give some idea as to how does this business model work? How many projects in the pipeline and overall guidance for this vertical?

Ayush Sharma: Okay. I will give you a brief rework on advisory. There are two sub-segments within the advisory business, Nayan. One is the government advisory and second is the investment banking. When it comes to government advisory, we do a couple of services for the government infrastructure projects as well as financial services projects for the government.

In infrastructure, we do prepare detailed project reports. So, think of a road and highway being constructed. There is a design required to be prepared, the complete document, what will be the route, what will be the material used, what will be the cost to construct, what will be the benefit of that particular project, socio-economic impact, etc. All these information is consolidated into the Detailed Project Report, which is called as DPR. We do prepare the detailed project report, we do conduct the feasibility study and once the construction starts, we do the supervision. As you have rightly said, this is a kind of a different business than the other group businesses. However, at the same time, this diversification support us in the challenging or turbulent times as the markets have performed not very well over the last couple of months.

However, at the same time, we have seen a surge in the government advisory business, where we were able to execute government projects and get the revenue. This is very well visible in our numbers and this balances the market macroeconomic scenarios. So, that is why we are into this particular business.

Nayan Gala: Thanks, got it. Secondly, can you give some guidance on your insurance business and how are we planning to grow?

Ayush Sharma: Okay, on the insurance business part, we do both retail as well as corporate. In retail, we do largely the life, health and motor and in corporate, we do liability insurance, group mediclaim, institutional products like credit shield, etc. We have seen a very good growth over the last couple of years in the insurance business and we are very bullish that we will be able to achieve more from both the segments as we grow on the distribution space across the broking business.

We will be able to do more cross-sell for the retail customers and for the institutional depth, we have a dedicated team here in Bombay as well as a couple of other branches also in the larger metros who are dedicatedly working with insurance companies to design the customized products for the need of large corporates. So, that is the plan to grow in the insurance business.

Moderator: Thank you. The next question is from the line of Swaraj Pathrey, an individual investor. Please go ahead.

Swaraj Pathrey: Sir, I wanted to ask about the advisory services business. How currently our main focus is on the broking business. Are we planning to increase the share of our advisory services business? Are we going to increase the percentage revenue from this business? About the NBFC business, are we going to increase the book?

Ayush Sharma: If I have understood correctly, Swaraj, you are asking about the contribution of each business vertical. Is that right?

Swaraj Pathrey: Yes. I just wanted to ask which part of the business we will be focusing more on?

Ayush Sharma: Okay. So, Swaraj, we are equally focusing on all business verticals. It is not that we are focused on any specific business vertical or any specific business is not of focus to us. However, at the same time, as the largest contribution to the total revenues comes from broking and distribution, we expect this to continue for the medium term.

However, at the same time, we expect that insurance distribution, as it has been growing rapidly over the couple of years, we see that in the foreseeable future, insurance will be a separate segment. There will be total four segments, broking and distribution, excluding insurance, insurance distribution, NBFC and advisory. So, that is how we are looking to grow at all our segments.

Swaraj Pathrey: Okay. Thank you so much.

Moderator: We will move on to the next question. It is from the line of Hina Parekh from Finvest First Advisors. Please go ahead.

Hina Parekh: Hello. Thank you for the opportunity, Sir. I just had a couple of questions. I will go with the first one. What are the next steps following the in-principle approval from the SEBI to launch Mutual Fund and when do we expect to begin the operation? What kind of products will you initially focus on?

Ayush Sharma: Okay. We had received the in-principle approval, I think in the month of December and we have submitted the application for the final approval. Usually, it takes 6 months time for SEBI to give the final approval after the in-principle approval. As soon as we get the final approval, we will begin with the operations. To begin with, we will be coming up with the ETF and that is going to be the first product followed by the other products.

Hina Parekh: Okay. Thank you so much. On the NBFC business side, what is the geographical split for the NBFC business? And which are the other areas that we are planning to target?

Ayush Sharma: Currently, our NBFC operations are spread across Rajasthan, Gujarat, MP, Delhi NCR and some parts of Maharashtra. In Maharashtra, we are into MMR, Mumbai Metropolitan Region. These are the focused geographies where we have been operating and these are going to remain as focused geographies in the medium term.

Of course, we are expanding our NBFC operations. So, let us take an example; if we are operating out of town A; we choose a town B which is in the proximity of 50 kilometers from our existing branch and then we expand to that town B. This is the way we are approaching for our branch expansion in the NBFC business.

Hina Parekh: Okay. I understood. And one last question. Can you elaborate on our customer retention strategies considering the volatility in the market?

Ayush Sharma: On the customer retention part, there is a dedicated team. We work on both the models. One is physical and second is the digital. As majority of our customers use the mobile app called Choice FinX to trade. There is a dedicated team in the digital team also which keep on sending the notifications, nudges, advantages to the customers of using the Choice FinX app. They work on retention part.

Secondly, we have a central team which works with the branch team to ensure the customer retention. These are done by the way of provision of the quality services, through which we put our efforts to retain the customers.

Hina Parekh: Okay. Thank you so much, sir. All the very best for the coming financial year.

Ayush Sharma: Thank you.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Arun Poddar for closing comments.

Arun Poddar: It has been great connecting with all of you as we close another strong financial year, one filled with the progress and the promises. At Choice International, our commitment to empowering communities through responsible, impactful and the financial solution, we are optimistic about the opportunities ahead, especially in the financial services space and look forward to staying in touch as your time permits.

Thank you for being part of this journey and wishing each of you continued success in the year ahead. Thank you.

Moderator: Thank you. On behalf of Choice International Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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