

06.11.2023

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

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

Dear Sir/Madam,

Sub : Transcript of Analyst/ Institutional Investor Meetings

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, we are enclosing herewith the transcript of the Analyst/Institutional Investors conference call held on Wednesday, 01st November 2023 at 04.00 P.M.

Please also note the weblink and path for audio recording of the Analyst/Institutional Investors conference call at <https://www.geojit.com/investor-relations> - Investor Presentation - Analyst Call.

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

**Liju K Johnson
Company Secretary**



“Geojit Financial Services Limited
Q2 FY’24 Earnings Conference Call”
November 01, 2023



**MANAGEMENT: MR. C J GEORGE – MANAGING DIRECTOR – GEOJIT
FINANCIAL SERVICES LIMITED
MR. SATISH MENON – EXECUTIVE DIRECTOR –
GEOJIT FINANCIAL SERVICES LIMITED
MR. JONES GEORGE – EXECUTIVE DIRECTOR –
GEOJIT FINANCIAL SERVICES LIMITED
MR. A. BALAKRISHNAN – EXECUTIVE DIRECTOR –
GEOJIT FINANCIAL SERVICES LIMITED
MS. MINI NAIR – CHIEF FINANCIAL OFFICER – GEOJIT
FINANCIAL SERVICES LIMITED
MR. LIJU K. JOHNSON -- COMPANY SECRETARY –
GEOJIT FINANCIAL SERVICES LIMITE**

Moderator: Ladies and gentlemen, good day, and welcome to Geojit Financial Services Q2 FY '24 Earnings Conference Call. We have with us on the call today, Mr. C.J. George, Managing Director; Mr. A. Balakrishnan, Executive Director; Mr. Satish Menon, Executive Director; Mr. Jones George, Executive Director; Ms. Mini Nair, Chief Financial Officer; and Mr. Liju K. Johnson, Company Secretary.

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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Satish Menon from Geojit Financial Services. Thank you, and over to you, sir.

Satish Menon: Thank you very much, and good evening for joining this half yearly call of Geojit. I will take you through the broad numbers of the quarter 2 and the half year. All these numbers are already provided in our shareholders presentation, which is uploaded to the exchange's website as well as Geojit's site. Post these broad numbers, we can open up for Q&A.

To start with, the total income for quarter 2 FY '24 was INR145.51 crores, which is a 25% growth from the previous quarter and 30% growth from the same quarter last year. The profit after tax for quarter 2 FY '24 is INR37.48 crores, which is 70% up from the previous quarter and 58% up from the same quarter last year. In terms of half year, the total income is at INR261.48 crores, which is a 22% growth and profit after tax of INR59.56 crores, which is a 30% growth.

I will come to the split of income now. In terms of split up income, brokerage, equity and equity related for quarter 2 FY '24, the total income is INR92.60 crores, which is 33% up from the last quarter and 23% up from the same quarter last year. For the full year, equity and equity related is INR162.01 crores, a 12% growth.

Financial product income, which includes mutual fund, insurance and others, primarily coming from mutual fund, financial product income for quarter 2 FY '24 is INR31.19 crores, which is 42% growth from the June quarter and 34% growth from the same quarter last year. For the first 6 months, financial product income is INR53.22 crores, which is a growth of 26%. Software income is at INR2.35 crores for the quarter 2 and total operational income of INR143.94 crores, a 31% growth from the June quarter and 28% growth from the quarter last year.

In terms of expenses, expenses for quarter 2 FY '24 was INR97.19 crores, which is an increase of 12% from the June quarter and 20% from the same quarter last year. And for the half year, INR184.03 crores, which is a 19% growth from last year. In terms of the equity brokerage business, the cash average daily trading turnover for quarter 2 FY '24 was for INR485 crores. The derivatives, the ADTO was INR7368 crores. The cash yield stands at 0.187 percentage. The cash brokerage constitute around 80% of the total brokerage income, and futures and options are balance 20%. The margin funding book stands at INR353 crores, and the mutual fund AUM

of Geojit clients stands at INR10,227 crores as of September 30. This is the broad numbers. Operator, now if there are questions, we can start. We can open for Q&A.

Moderator: We take the first question from the line of Shaleen Seth from Seers Fund Management Private Limited.

Shaleen Seth: Congratulations, the numbers are really great. So my first question is regarding the cash yield. We have finally seen cash yield going up to about 19 bps from 16 bps correspondingly. Is it because of some product mix? Or we are charging a little more in terms of brokerage?

Satish Menon: Shaleen, this is primarily because of the product mix. So as you understand, the cash yield consists of the delivery business as well as the day trading business. So there has been no increase in the rate overall. So the percentage of delivery business has gone up in the last quarter. So that is why you are seeing an increase in the total yield.

Shaleen Seth: Correct sir. Sir, my second question is regarding the insurance income. We've seen a very good Q2 insurance, sir. This is a one-off? Or we can expect this trend to go on?

Satish Menon: So in terms of insurance income, Shaleen, there has been an increase in the premium collected in the quarter 2 of this financial year. But the increase in insurance income primarily is coming from IRDA's new rules for commission payout where the insurance commission has been made more open and more liberal.

Shaleen Seth: Okay. So you mean to say it from the same kind of business, we might be able to get some more income?

Satish Menon: Absolutely correct.

Shaleen Seth: Can I ask another question? I have one last question.

Satish Menon: I would leave to the operator. I think you can ask, Shaleen.

Shaleen Seth: Sir, the MTF book also, we are just hoping to get a target on that, like the network is about 800. So where can you go in terms of our target for the MTF book?

Satish Menon: We have not kept a target for the MTF book, Shaleen. So as per the rule, we can go to 5x the net worth plus 0.5 net worth, so 5.5x. So that is the rule. There is enough free space there. We will cross when the bridge comes.

Moderator: We take the next question from the line of Mr. Varun Bang from a Bryanston Investment.

Varun Bang: Congratulations on good set of numbers. First question is on branch addition strategy. So we've been talking about adding a few number of branches on a yearly basis, especially in Tier 2 and Tier 3 cities. However, there is hardly any increase in the last 1 year. So have we changed our strategy here? And incrementally, how do you look at branch economics?

Satish Menon: MD, would you like to answer this?

CJ George: I can take this question. Interesting question. This is like, you know, we opened close to 30 branches last year. And then this year, we have not opened any branches. But this year, we are seeing some more activities that are specific to these branches, to your question, I must tell you that, all these branches that we opened last year were in Tier 3 cities. So we plan to continue with our strategy with a deep penetration strategy in our natural markets.

Varun Bang: Okay. And internally, how do you see economics at the branch level?

CJ George: See these branches that are small that have been opened last year, it's just only a handful of numbers that have become profitable. But I can tell you, we are using these branches for SIPs, insurance, mutual fund distribution predominantly. And that will take some time. We have the view that it takes 2 years' time for these branches to make profits or to reach breakeven points. And these are very low-cost kind of infrastructure, only 3 people per branch. So our strategy is to basically penetrate further into the deeper side of the country where we develop a deeper relationship with our customers.

Varun Bang: Okay. And secondly, why we have hit new record in terms of total income? Our profitability is still below historical line. I think Q3 FY '22 was the last peak in terms of total income. While -- I mean, where we have reported almost INR60 crores of operating profit. So while our total income is up by 11-odd percent from that point, our operating profit is still down by 5%. So what is taking toll on the profitability? I mean, the operating profit margin also is far below the previous high of 47%, 48%. So ideally, the profitability should have been hit new high. So what are the broader reasons for the same?

CJ George: You are right. Some of the expenses -- also I must tell you that we have increased headcount compared to the quarter 2 of FY '22 as you are asking the question on that particular year. So the number of head count we have, and all these small branches where we made it operational last year, these branches are not profitable. So these are mostly salespeople we added all across. So that is one of the reasons.

The other reason is also because the, when we got higher insurance income, earlier the foreign trips, etcetera, were organized where we were not taking the cost. Now we are providing for -- we continue with the same kind of strategy for insurance distribution business. So the increase in some cost has gone up because of that also. So generally, we can say this is coming from a largely employee cost increase.

Varun Bang: And any reasons why we not announced interim dividend? Because I think in, let's say, whenever in the past, you hit record income, you've announced dividend? So any...

CJ George: We have significantly increased the MTF book. So MTF book is something that we are very keen because our customers ask for this facility, And if we don't provide, we lose them for lending book as well as brokerage book. So we think with cash in the system, we are able to increase the margin trading book. We are actually borrowing also. So we are very keen that this business grows. Whereas, I must tell you that dividend policy has not been significantly revised. Only thing is that time when we were not using cash, we were much more liberal. That may not

be possible in the current year, because we are cash in our hands, we invest at a higher return for our shareholders.

Moderator: We take the next question from the line of Mr. Chandran MR, an Individual Investor.

Chandran MR: Yes. Congratulations, sir. You have seen some really good numbers coming this quarter. And I see that we have brought about some new trading platform called FLIP, right? I just wanted to know how this particular application compares with its competitors? Like what do we have as an additional feature or as something that would be competitive with regard to -- on a competitive basis?

Satish Menon: Can I request Jones to answer?

Jones George: Yes, I can take this. Thank you very much for Mr. Chandran for bringing this up. So over the last few years, what we have seen in the in our industry, it's not just the brokerage rates that affect trading behavior, but also the entire user experience and features available on the platform. So we had in the year '22, we had started a road map, to work on a road map to revamp all of our digital assets.

Basis, which now FLIP has been released. We have -- when compared to the broking community or our competitors, we had significant number of features that's not available with our competitors like some portfolio insights, multi-leg option orders, options greeks and a few others. This is also the first mini revamps that will soon be released over the coming months.

Chandran MR: Okay, okay. So that will be my first question. And I have another one more, if I may. So like you said, that the user experience is an important aspect. And also I'm happy to go through the presentation where you have mentioned that 82% of your volume are from online trading, right? So is there any particularly major investment that is planned to improve the IT infrastructure that we have?

Jones George: ABK, do you want to take that?

A. Balakrishnan: Yes thank you. Fundamentally, this is an addendum to what Jones said, it is on continuous improvement. All our applications are under on the annual for revamping and redesigning, and we will be adding more features for the convenience of users and youngsters. Therefore, this -- we continue to invest in IT and the modernizing our application and infrastructure.

Moderator: We take the next question from the line of Mr. Rathish Nair, an individual investor.

Rathish Nair: Sir, ~~my~~ I have a couple of questions, and my first question pertains to the margin funding. So whether the margin fund amount has been entirely accumulated from the internal source? Or is there any external funding involved? With that, sir, could you provide the details regarding the amount and the borrowing rate at the end of -- in the last quarter that you have taken?

Satish Menon: Okay. I would request our CFO, Ms. Mini Nair, to answer this.

Mini Nair: So this margin funding book is growing. So this year actually grown beyond INR100 crores on a quarter-to-quarter basis. So we are actually funding using our internal sources, plus we have taken loans from banks. Because internal sources, there are restrictions we can take, as per the regulation only 50% of the liquid network. And then we have taken loan upwards of INR130 crores. So overall, the margin funding book is as far as our ED said, [ADC] is around INR 353 crores.

And you were asking about the rate -- borrowing rate. So it's around 7.4%, but the rate is going up. On a quarterly basis, we are seeing the interest rates going up. So we are actually under that pressure, yes. But at present, it is 7.4%.

Rathish Nair: Yes, good numbers coming from internal sources. I have a couple of questions also. Like what is the current cash available in the group, ma'am?

Mini Nair: The current cash available is -- at the group is INR700 crores. But as I said in the last time also, around more than 30% -- 35% to 40% of this cash is used for MTF internal funding and also for the client funding. So the rest of the money, we use for working capital. So when we have money to use for the business growth.

Rathish Nair: Great. I just want to ask about the PMS. So what is the PMS AUM? And could you share the income during the quarter?

Satish Menon: Okay. I'll will take this question. PMS AUM end of September quarter was INR667 crores, which is compared to INR424 crores of September last year. And in terms of income from PMS for quarter 2, it was INR3.76 crores for quarter 2. That is an 85% growth from same period last year. 6 months income for PMS in this half year is INR6.88 crores.

Moderator: We'll take the next question from the line of from Praveen from Ananya Research.

Praveen: Sir, if you can throw some light on the operating margin, like if I go back from 2023, we had a very healthy margin of 40%, 45%. And as you have mentioned, there are headcount we added, due to which the margins might have been dropped. Do we foresee in the near future, again, the operating margin going back to 40%, 45% plus? Number one.

Number two question is the other income, which has been coming if go back, the TTM level we are roughly around INR15-odd crores we could see. Is this number you're going to expect? And can you throw some more light on the same?

Satish Menon: The first question, would MD like to take?

CJ George: This question is from the operating margin?

Satish Menon: The same question in terms of margin percentage.

CJ George: See, this question was indirectly addressed earlier. There was a comparison with ~~FY '22~~. Second quarter FY '22 ~~was historical, marginally~~, it was better than this quarter. So when it comes to

operating margin, I told you that this is mostly coming from the increase in cost, I can tell you broking business growth is increasingly giving this margin growth if we look at the growth from the current level. So it all depends on how the capital market activity is going to be. So that's going to be the critical aspect for us when this particular action is concerned.

So now I can tell you it is very closely linked to the market activity when it comes to –once the service cost is covered, then it all depends on the market activity. So this is what I can, at the moment, say about the operating margin.

Praveen: And other income, if we can...

Satish Menon: I will answer the other operating income. So I presume your question is on the INR17.8 crores, which is shown as other operating income. Am I right?

Praveen: Yes, sir.

Satish Menon: Out of this other operating income, what I said some time back, PMS constitutes INR3.76 crores, balances the interest income, treasury income, interest on loan from our subsidiary, Geojit Credits. So most of them are again related to equity markets. So like you saw in the quarter 2, if the markets are good -- and just adding on to what MD was trying to say. If the equity markets are good, I don't see any reason why this other operational income should also be affected.

CJ George: I'd step in and add one thing. At this was the first quarter where we saw the highest income fund interest, the lending and base income, that's at INR25 crores in this quarter. It includes the MTF and all other internal uses for our clients what our working capital uses.

Moderator: We take the next follow-up question from the line of Varun Bang.

Varun Bang: Any key changes that you would like -- that you would have made in our strategy in the last few quarters? Any important changes that you would like to highlight?

CJ George: No, I can only add here that -- we had started a small wealth management business, which has started growing. So that business, we are building on. And apart from that, the baskets, the equity baskets that we provide to our customers in the broking segment, we are seeing a good traction in that also. But this is something that we started a couple of years ago, but we are seeing significant traction in that. This is what -- I wanted to update you.

Varun Bang: Okay. And what is the broader road map for the next 3 to 5 years? What are our priorities and key focus areas across various segments?

CJ George: So generally, our focus has been how to create wealth for our customers. So it will not be merely transaction-based revenue. Transaction revenue is very important. It will be advised-based transaction revenue that we will be focusing on. Or even if you look at the yield on the broking side, the yield is something that we are able to protect only, because the customers find value in the advice that we give to our clients. So we want to build out that until larger, broader strategy in terms of customer service. We will continue to do that. That's it. Thank you.

Varun Bang: Okay. If someone is looking at Geojit, let's say, from 8 to 10 years perspective, what message would you give to such shareholder? And what parameters would you suggest such shareholder to focus on while evaluating its performance?

CJ George: So I can only tell you one thing. We cannot predict on numbers. But in our purpose of existence, we have a very clear written down purpose of existence, that is how to help our clients create long-term wealth. So whatever we do, we think we can do a lot around that. We will continue to add products and services that can build long-term wealth for our customers.

So strategies could be short term, long term. But our long-term approach and philosophy will not change, that is how to create wealth for the customers. And that is the focus area. Depending on short-term developments, medium-term developments that could be a focus areas. But this larger focus and purpose is something that we don't want to compromise. I hope I answered your question.

Varun Bang: Yes. And ~~what you~~ what would you suggest that shareholder to focus on periodic basis whenever is valuating quarterly or yearly performance?

CJ George: So basically, you need to -- shareholders can look at the fee-based non-broking income, how it is behaving. So compared to 5 years ago, today, non-broking income has significantly grown. So that is an area, after that, the assets under management. So basically, this income is largely derived from that. So these are the 2 probably parameters, which the shareholders could focus on.

Moderator: Thank you, sir. As there are no further questions, I would now like to hand the conference over to Mr. C.J. George for closing comments.

CJ George: Thank you very much. Thank you for the questions and very insightful points that came from our shareholders. We'll be very happy to address all the questions once again after our annual results. And thank you once again for joining this conference. Thank you very much.

Moderator: Thank you. On behalf of Geojit Financial Services, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.