July 18, 2022

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Dear Sir/Madam,

Sub: - Transcript of Earnings Conference Call

Please find attached herewith transcript of the earnings call held on Tuesday, July 12, 2022. The same is made available on the website of the Company i.e. www.5paisa.com.

Kindly take the same on record and oblige.

Thanking You,

Yours faithfully,

For **5paisa Capital Limited**

5paisa Capital Ltd.

Namita Godbole
Company Secretary
Email ID: csteam@5paisa.com

5 Paisa Capital Limited
Q1FY23 Earnings Conference Call

Event Date / Time	:	12/07/2022, 14:00 Hrs
Event Duration	:	45 mins 33 secs

CORPORATE PARTICIPANTS:

Mr. Prakarsh Gagdani
CEO and Whole time Director

Mr. Gourav Munjal
Chief Financial Officer

Moderator

Ladies and gentlemen. Good day and welcome to 5Paisa Capital Q1 FY23 earnings conference call. As a reminder, all participants' lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touch tone phone. Please note that this conference is being recorded. I would now like to hand over the floor to the management. Thank you and over to you.

Prakarsh Gagdani

Very good afternoon, everyone, myself Prakarsh Gagdani. I'm the CEO and Whole-time Director at 5Paisa Capital Limited. I am joined by my colleague, our CFO, Mr. Gourav Munjal. On behalf of Gourav, myself, and our management team, I welcome you all for the first investor conference for the first quarter of FY23. Friends, we entered this quarter and we saw that the retail participation in this quarter was subdued. You are aware that in this quarter the indices both Nifty, the Midcap, and also the Small cap corrected in the range of 15% to 20% from their peak. It had an impact on the retail participation, especially on the retail cash market. In this quarter, the retail cash market turnover on NSE almost fell down by 14% QOQ, which had an overall impact on the activity of clients on the cash segment and also on the turnover and revenue.

Well, let me take a few things from our results. First, our customer acquisition. In this quarter, we have acquired around 2.28 lakh customers, which takes our total customer base to almost 29.6 lakhs. Although compared to our previous quarter, our numbers are low. But it was a conscious call that we took from last two quarters to improve the quality of customer, as I had mentioned in last calls as well. So, from the Q3 of last year, we acquired around 4.05 lakh customers, Q4 of last financial year, we acquired around 3.59 lakh customers, and in this quarter, we acquired around 2.28 lakh customers. Now, this was a part of our conscious initiative to improve the quality of customers, especially when the overall market participation is subdued.

Second is on the cost side. So, with improving the customer quality, it also had an impact on the reduction of cost, though our customer acquisition cost increased from 768 Rs in the last quarter to 895 Rs. Now, this was broadly because the OPEX and the HR cost was fixed and because the acquisition was down, it had a marginal impact on the increase in the cost. The second part was on the marketing spend. Now, because we were looking at improving the quality in some of the paid category of the customers, the account acquisition cost was higher, which had an overall impact on the overall acquisition cost. Now, I would like to also assure that we are working towards reducing the customer acquisition cost which was in the last quarter, and we know there is also further scope of reducing that. We are taking effort and we feel that the increase in the customer acquisition cost is a temporary blip.

Coming to the business side, our total income dropped by 5% QOQ. That is broadly because of the fall in the exchange turnover and the muted retail participation which we saw. But having said that, we've been able to maintain our market share. Our cash market share stands at around 3%, which has been same for last two quarters. On the derivative segment, we have seen a marginal improvement in our market share. From 3, we are now at 3.14% market share. Despite a bad market, our margin funding book was almost the same as against Rs.322 crores for the previous quarter. We closed last quarter at Rs.316 crores. Our overall efforts on optimizing cost have seen a drop of the cost by 10% QOQ basis and which had a positive impact on our PBT. So, our PBT went up by 68% and we've closed the last quarter with the highest, you know, PBT and also PAT. We also improved on our margins, so PAT margins improved from 5% to 9% in this quarter.

Talking about our product and technology, in the past, we have informed that after our fundraise, we were investing in building infrastructure, investing in technology, hiring a tech and digital department people. I would like to appraise that we have almost completed our investment and now incrementally, there will be less impact on the fixed cost in the product and infrastructure and on technology. But with this investment, we've got some rich dividend. Our straight through processing acquisition, it means that a customer opening an account through and through has improved and touched 85%.

So, today, 85% of our customers are on-boarded digitally without any intervention and are completing their account opening journey in one single book. Our further improvement in technology product will see substantial improvement both in terms of customer experience and also a reduction in cost in coming quarters. At last, we will continue our focus on our growth, which is quality of customer acquisition, increasing in revenues, optimization in cost and ultimately increase in profits. With this, I conclude my opening remarks and I open the floor for further question and answers.

Moderator

Thank you, sir. First question comes from Karthikeyan VK from Suyash Advisors. Please go ahead.

Karthikeyan VK

Yeah. Hi, good afternoon. Thanks for the opportunity. We talk about quality of customers, can you give us some parameters on which you assess the quality of customers and therefore, how much of that is currently reflected in the numbers?

Prakarsh Gagdani

Sure, so when we see quality of customer, typically the parameters that we see is the margin that a customer is getting in and what is our payback period. So, overall, we maintain our payback period in the range of 8 to 10 months, but we dissect that into various sources through which we are acquiring account. So, wherever we see that the payback period, you know, is getting more than the acceptable limit, we take an action in terms of the acquisition from that source. So, that's how we define the quality of customer and wherever we see that the quality is not good, we change the source of the acquisition.

Karthikeyan VK

And when you say that your costs are higher because you have to pay for these acquisitions, were these migrating some other client. Can you give some additional color on that aspect as well?

Prakarsh Gagdani

So, what I meant was that, you know, typically when the marketing costs, why this has gone up, because there were some good quality sources through which we acquire customer, especially the paid media. You know, we do digital marketing on Google and on social media. Now, these are the channels where the quality of the customers is good, but then they come at a higher cost than our normal acquisition or even organic acquisition. So, that's why because some share increase of the paid the overall cost has gone up.

Karthikeyan VK

And therefore, the outlook for your CAC should be, you know, say at least 895? Would it come down a bit? How should one think about it? Would you continue to invest in acquiring quality customers and therefore the CAC should be high or is there a trajectory for that, that you can indicate?

Prakarsh Gagdani

So, definitely we will continue to thrive for acquiring good quality customers, but I see that the acquisition cost will come down over next two to three quarters because obviously on the HR and OPEX costs, we're taking steps to improve and bring down from Rs.250 which is right now to Rs 196, which was there earlier and even reduce it further. Even on the organic side, we are doing a lot of activities on the brand on Search Engine Optimization and also a partnership, so that from there, we get good quality customers, and the acquisition cost is lower. So, there are various steps that we are taking, which I'm confident that will bring down the acquisition costs, at the same time maintaining a good quality of customer.

Karthikeyan VK

And would you want to indicate a run rate for customer acquisition in terms of numbers or is that not possible?

Prakarsh Gagdani

It will be difficult right now for me to put a number, but obviously, the focus is on quality, so we know if we get a good quality customer, with even double the run rate, we will definitely chase that.

Karthikeyan VK

Okay. Thanks for answering my questions.

Prakarsh Gagdani

Thank you.

Moderator

Thank you, sir. Next question comes from Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar

Thank you very much, sir, for the opportunity. Am I audible?

Prakarsh Gagdani

Yeah, absolutely. Please go ahead Deepak.

Deepak Poddar

Sir, just wanted to understand now this quality of customer that you mentioned. So, we have been maintaining the QOQ we are looking at 15%- 20% customer growth, right? So, now how likely is this number to change as we go forward.

Prakarsh Gagdani

As I was mentioning this earlier also, see the focus is definitely on quality, we have acquired 2,28,000 customers. If your question is if that number will fall down from here, the answer is no. You know, we have taken action, we understand where the entire trajectory is moving. So, I don't see a downward trend from here, but on the upside, it will be difficult for me to give a number. But obviously, the effort is to move quality and quantity both in the right direction. But to say that what kind of number that we can look in terms of growth would be difficult to put a percentage or a number there.

Deepak Poddar

Down fall means, there'll be no degrowth on QOQ basis in terms of your total client level, right. That's what you're saying.

Prakarsh Gagdani

Yeah, they're saying that they won't be degrowth. But whether we will be able to, you know, improve the number in terms of QOQ acquisition growth is something that I can't comment on this right now.

Deepak Poddar

Okay, but it would be fair to assume that this number should come down, right. I mean, I don't want any range or sort, but directionally I guess 15%-20% quarter on quarter customer growth directionally should come down.

Prakarsh Gagdani

Yes, maybe for temporary for a quarter or so, yes.

Deepak Poddar

Okay. And we still maintain that our revenue should grow at a faster rate as compared to cost thereby improving our profitability.

Prakarsh Gagdani

Yes.

Deepak Poddar

Okay. And the cost income ratio, if I see that excluding your variable cost in terms of client acquisition costs, it has increased QOQ, right. This is a base effect, right? Some 55% to 57%, if I include only the employee cost and other fixed costs.

Prakarsh Gagdani

Yes, it has improved. So, you know, as I mentioned earlier also because we had invested in hiring talent in the product and technology and also, we were upgrading our infrastructure and our investment in software and allied cost, so that is the reason you see temporary increase in the fixed cost to income ratio. And obviously, that increase also an attribution of 5% revenue dip that we have seen quarter to quarter. So, the cost has increased a bit, but revenue has gone down. That's the reason you see a percentage, you know, increase in cost to income, fixed cost to income.

Deepak Poddar

I understood. And how do we see that ratio next 3 to 4 quarters?

Prakarsh Gagdani

See we are working on, you know, reducing the fixed cost to income ratio and our efforts are towards the reduction of this percentage and you know, we're working on it. So, I look forward to reduction in the fixed cost to the income ratio over the next two to three quarters.

Deepak Poddar

Reduction, I mean, some quantum anything that even quantify, for example from 55%, are we targeting 45% or what range you're targeting.

Prakarsh Gagdani

So, our ultimately target is to have a 50% fixed cost, 25% PBT ratio, and 25% variable and we are taking every step towards maintaining this ratio.

Deepak Poddar

Okay. I got it. I think that's it from my side. Thank you very much.

Prakarsh Gagdani

Yes, thank you.

Moderator

Thank you, sir. We are having questions from Sahej Mittal from HDFC Securities, please go ahead.

Sahej Mittal

Hi sir. Good afternoon. Thanks for taking my question. Sir, so my first question here is on our commentary around our conscious strategy to slow down our customer acquisition internally. So, I mean, is this a conscious strategy or is this because what we see is that the industry in itself is seeing a slowdown in the customer acquisition run rate and active client market share has been pretty much stable over the past few months. So, is this a company's strategy or this is being, you know, this is coming on the back of slowdown in the industry itself. The second one was around the sharp decline in the other expenses. So, what has led to this kind of steep improvement in other expenses, so these are my first two questions.

Prakarsh Gagdani

So, I would not say that we have slowed down on our customer acquisition. One, we are conscious of the fact that we have to acquire, and this has been our stand always that we believe in quality acquisition and even in the past, wherever we saw that, you know, our payback periods are not matching, the quality of the customer is not good, we have retracted and corrected and moved ahead. Because at the end of the day, you acquire customers who are serious customers to trade.

Now, almost like 1.5-2 million customers get acquired in the industry every month, but how much of that number is getting translated into turnover, because if you see the biggest participation of retail typically happens in the cash segment. Now, cash segment turnover consistently for last few months is coming down, whereas the turnover on the derivative side is going up.

What it means that there are people who are traders, and these traders are consistently trading and participating the market, but not every customer who is coming to the cash segment is trading. So, wherever we see that the quality of a customer is not genuine, we retry. So, it's not slowing down of acquisition, or we want to be aggressive in acquisition, but not on our fictitious number. So, that is what our stand is.

So, wherever we see that, we take a beat, then we correct that, and we move ahead and then we try and improve the acquisition and that's what we will continue. You're right that in some sense because the overall market participation and attraction toward capital market is a bit muted may have some impact on the acquisition, but not 100% impact of that. Yeah, now moving to your second question, Mr. Gourav will answer that.

Gourav Munjal

So, there are some costs which is associated and directly connected with the customer acquisition, like, CDSL cost, NSDL cost which comes under the professional expense. As you can see that our customer acquisition falls from 3.59 lakh to 2.28 lakh and hence, we can see the impact of approximately Rs.1.5 crore in our professional expense, which is a part of other expense. Second, we have optimized some of the costs related to the IT cost and we can see it approximately Rs.1.2 crore fall in IT cost which is a part of other expense and that's a total bifurcation of Rs.3 crores.

Sahej Mittal

So this decline or improvement in the IT cost, this is on a sustainable basis, or do we expect a rebound in this line?

Prakarsh Gagdani

No, I think it would be on a sustainable basis. There may be a 5% to 10% increase over a period of a year, but broadly you can assume that this is on a sustainable basis, and you know the kind of optimization that we had to do, we are in the process of doing, so I don't see a cost jumping again up very soon.

Sahej Mittal

Right. And sir, one thing on our channels require customer, so, you just broadly told us that paid media and social media are the channels where you are focusing, so mean, what is the payback period for the customer required through these channels?

Prakarsh Gagdani

See, we don't acquire just from the paid media. So, we acquire from multiple sources which includes organic referrals, then we have our digital tie-ups that we have done, the FinTech tie-ups and also the paid media. So, it's a combination of that. All put together, the payback period is in the range of around 8 to 10 months.

Sahej Mittal

So, which channels gives us the best direct period?

Prakarsh Gagdani

Organic obviously is the best channel.

Sahej Mittal

Right. Obviously, I mean, other than organic because in organic, the customer acquisition cost is the lowest, but I need apart from organic, which channel gives us the best payback period and what is that?

Prakarsh Gagdani

Unfortunately, I won't be able to share the data of the channel wise acquisition and the payback period.

Sahej Mittal

Right I mean, if you could just, I mean, name which channel is helping or would we be focusing on to get a better quality customer which is helping us improve our revenue for customers.

Prakarsh Gagdani

Every channel has got its advantages and the strengths, so be it our digital partnerships or our organic or our paid and referrals, all the channels have good quality customers, but every channel has multiple layers, multiple people referring multiple sources through which we get our organic traffic. So, there are various channels here. So, broadly, all of them are good, but wherever we see that in a particular channel if one particular sub-source is not good, we take action. So, it will be difficult for me to say that okay, fine, organic is better or paid is better. In paid, X is better than Y, that is something it will be difficult for me to share.

Sahej Mittal

Right and for the staff cost, could we expect a 10% growth on a year over year, I mean, is this the right way to look at it for FY23?

Prakarsh Gagdani

Broadly, it would be in the range of around 5%to 10%, so even if I take the cost increase through operators in the coming year, but yeah, it will be broadly in the range of 5% to 10%.

Sahej Mittal

Right and sir, last question was around, I mean, which customers are we targeting at, in the investors or the traders because for us, obviously traders are much more revenue creators.

Prakarsh Gagdani

See as far as our acquisition is concerned, we target both investors and traders. We have different products for investors, we have different products for traders. You know, for investors, we are focusing on purchasing through baskets and pushing them towards going for mutual fund SIPs or going for ETFs. So there are different products for them. For traders, we have host of products, we have a developer API. We are in the process of building an entire derivative-based terminal, which will provide the information to customers for the trader what they want.

Even on we've done so many partnerships with the FinTech players who provide either research or some advisory or algos for traders, so there are various products and services for both the category of customers, and we are targeting both of them. So, it's not very specific.

Sahej Mittal

So, out of 100 customers, if we acquire 100 customers, what could be a mix of traders, investors?

Prakarsh Gagdani

Typically, traders are almost in the range of around 20% to 25% and broadly the balance is towards investing.

Sahej Mittal

Right, and there's just one-line item in our investor presentation in the revenue breakup other operating income, what do we include here?

Gourav Munjal

So, other operating income is majorly pertaining to interest of fixed deposits that we have kept in exchange as a margin.

Sahej Mittal

Got it and the major investments which we have done in Tech and Infra, so that has gone as a part of Opex or CapEx just to understand?

Prakarsh Gagdani

Broadly, the spends have gone into Opex and some percentage has also gone into CapEx, but broadly mostly it is into Opex.

Sahej Mittal

Could you quantify the Opex number pertaining to the investments which we have done on a quarterly run rate basis?

Gourav Munjal

So basically, CapEx and Opex is defined by the IndAS. We go as per the accounting standard issued by ICAI and in this quarter approximately Rs. 2 crore we have done in a CapEx and Rs.12.2 crore is in revenue expenditure which is a part of other expenses.

Sahej Mittal

Got it. Thanks for answering all of my questions in detail.

Moderator

Thank you, sir. Next question comes from Sumit Jankar from Motilal Oswal, please go ahead.

Sumit Jankar

Thank you for providing me this opportunity. I want to know the market share for cash, commodity, and derivatives.

Prakarsh Gagdani

As I said, our cash market share is stable in cash segment at 3% and derivative segment is at 3.14%.

Sumit Jankar

Okay. So, another question is regarding the turnover. You mentioned that the cash turnover in the market is consistently reducing and in turn, the derivatives turnover is increasing. So, you can say that the clients are moving towards the riskier instruments. So, are they able to sustain? What is your take on this?

Prakarsh Gagdani

One, there is an impact on the upfront margin and the peak margin that was implemented in phased manner. So, after 100% implementation, typically the trading volumes have moved from cash segment to derivative segment, especially in the options part of it. So, people who are trading in cash segments, now, they have moved to derivative segment and that's why you see that the cash market turnover is gone down and the predominant turnover of that is delivery volume, and the trading volume has now moved to the derivative side.

Now, on the derivative definitely people are trading and there is an increased participation of retail in the derivative segment. I have not seen that how many people make loss, or they are making profits, but I think there is a consistent phenomenon of a percentage of people whom we acquire, over a period of time they shift to derivative segment and that they trade. Now that trend is continuing. We are not seeing a decline or a very huge surge in the percentage of people who are trading in derivatives. So, that's a natural phenomenon and I think that is here to stay.

Sumit Jankar

Okay, understood. Thank you.

Moderator

Thank you, sir. Next question comes from Mr. Amit from Robo Capital. Please go ahead.

Amit Mehendale

Thanks for the opportunity. My question was regarding the earlier discussion on PBT ratio of 25%. So, when do we expect to hit that number? Is it fair to say that we get there in say 2-3 quarters from here?

Prakarsh Gagdani

Thank you, Amit, for that question. So, as we said, our effort is towards for moving from a 12% PBT margin to 25% PBT margin. It will be difficult that when we are going to achieve that in the next quarter or maybe two quarters from now, but we are on that path and I'm sure in the next foreseeable future, we will be achieving our set target for ourselves. But it can take 2 quarters, it can also take 3 to 4 quarters. But we are very clear that the path is towards improving profitability, improving our margins.

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Amit Mehendale

Okay. So, the other point was, which is related to again the PBT issues. What is the total cost of acquiring a customer for this quarter, for example, which including all costs which is, the advertisement costs, the cost of people who are talking to customers to open their accounts, all costs put together, what would be a total number?

Prakarsh Gagdani

So for this quarter, we have mentioned in the presentation the cost including everything is Rs 895 for one customer. It was around Rs 768 for last quarter, so there is an increase of around Rs 130-140**.**

Amit Mehendale

I was looking at the total number, so should I multiply that with the customer to get the total?

Prakarsh Gagdani

Absolutely.

Amit Mehendale

Okay, great. Thanks. Thanks a lot.

Prakarsh Gagdani

Thank you. Thank you very much.

Moderator

Thank you, sir. We are having a question from Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta

Good afternoon, sir. First question is, what is your move for the digital customers where pricing is on a per trade basis and I'm hoping that your mix is somewhat similar to the industry, given how high percentage of derivative are. So, what will be your number of trades per trading day, how has that sort of been in this quarter versus the previous quarter?

Prakarsh Gagdani

Yes, pricing is on a per order basis, yeah.

Sarvesh Gupta

Yeah.

Prakarsh Gagdani

So, right now, we don't share that information. So, I won't be able to give out that number.

Sarvesh Gupta

What is the percentage decline QOQ?

Prakarsh Gagdani

So, as I said, see our brokerage income is down by around 4%. So, broadly, because the brokerage income is directly related to the number of orders, there's a 4% decline and you can safely assume it's a 4% decline in the number of orders that we process.

Sarvesh Gupta

Understood and because we had a market decline, so that is understandable that you would have seen some normalization, but at the same time, as being a very small FinTech market share, do you think that in spite of the markets slump, we could have sort of increased the revenues because of higher number of customers or is that not playing out as we want.

Prakarsh Gagdani

See, if you look at our acquisition for the last two quarters, our acquisition was lesser as compared to the Q3 of last year. So if, hypothetically, we can say that we could have increased the count efficiently, but what we have done is that we have seen that despite the number of acquisitions being down from 4 lakhs to 2.2 lakh, but it is not impacting much on the revenue side of it. So, it very clearly means that we are focusing on acquiring good quality customer which translates into revenue and that is something that we are continuously working towards that how do we increase the revenue with a good quality acquisition and also increase the market share.

So, right now, because of the market sentiment, you see cash market turnover being down, but the market share being maintained, but on the derivative side, we've actually improved. So, if you see in quarter on quarter, the derivative turnover for exchange has gone up by broadly from 9.8% to 10%. Whereas our turnover has gone up by more than 11%, 11.5% percent, thereby increasing our market share from just 3% to 3.14%. So, if you actually see from a trading perspective, we've done better than the market.

Sarvesh Gupta

Okay, sir I'm guessing that the number of orders per active client would have decreased by far more than 4%, right.

Prakarsh Gagdani

I won't be able to comment because it's a hypothetical assumption, I said that I won't be able to give the number of orders processed.

Sarvesh Gupta

Okay. Can you give the QOQ decrease in that, like percentage wise?

Prakarsh Gagdani

It's 4%.

Sarvesh Gupta

No, number of orders per active client.

Prakarsh Gagdani

I don't have it handy, but we can do it later.

Sarvesh Gupta

Understood. Coming on to your expenses side, so, I could not fully understand the initial commentary on your technologies and etc. So, you are alluding that now going forward, there may not be very high increase in that, but we have already seen a significant increase at least in the Ad and marketing expense. So, how are you seeing costs going forward? I mean, is this the current base, like Rs 73-74 crores. Is this going to be the base going forward or it will further reduce because there was earlier spending cycle on technology infrastructure, etc.

Prakarsh Gagdani

Sure. So, see broadly if I divide the cost, broadly I will divide into two which is your fixed cost and your variable cost. Now, variable costs will directly be correlated to the acquisition that we do. So, obviously, that will keep fluctuating and we do improvise on reducing the customer acquisition cost, so that will have a separate impact. On the fixed cost, I think it's safe to assume that the expenditures that we do on the fixed cost from now on onwards incrementally will not go up because, as I said earlier also that we were investing in hiring talent in the product department and in technology department.

We were also upgrading our infrastructure. So, we invested in creating a data center and upgrading that, so that required an investment into technology, both on the Opex and the CapEx part, so that is more or less done. So, on the fixed cost side, we will not see much increase from here on, it will stabilize, but yes, variable cost is something that will obviously keep moving according to the acquisition that we do.

Sarvesh Gupta

How much will be the fixed cost approximately?

Prakarsh Gagdani

So, if you multiply Rs.895 into 2,28,000 customers, that's something variable costs. Rest everything is fixed cost.

Sarvesh Gupta

Okay. This quarter when we saw higher tax despite much lower Ad and marketing expense, what exactly explains that, or its just because the number of customers which were acquired were too low or something else happened?

Prakarsh Gagdani

So, I explained that in the earlier part of my call, so basically if you again divide this customer acquisition cost into, HR and Opex increased from Rs.196 to Rs.250. So, broadly because, my number of people who are there in that department and also the other Opex cost is a fixed cost. So, because the acquisition has gone down, this is showing to be going up and on the marketing side, obviously, there are some good sources of paid channel, which comes at a higher cost and that had an impact on the marketing costs going up, but having said that, we are working on optimizing on both and we are confident that this acquisition cost was one-time blip of going up and it will again come down in the subsequent quarters.

Sarvesh Gupta

Understood and my final question is on your strategy, wherein you said that we want to grow into higher quality customer, but from a higher quality customer, from their perspective, you know, what will attract them to you versus, you know, there are so many other established players in both digital and non-digital space. So, what exactly are we doing to differentiate ourselves to be able to attract those customers?

Prakarsh Gagdani

See one is that obviously, when we say high quality customer, it doesn't mean that we are looking at people who are very, very high-end traders and we are getting into niche segment. I didn't mean that. Quality means that if I'm spending X amount of money to acquire a customer, how fast I am recovering the entire cost, so if the recovery period is more, then we call it as a bad quality and if recovery period is less in our standards, then we say that the quality is good. Having said that, what do we do to differentiate, see, we are a product company and 100% of our turnover comes digitally.

Of that, almost 80% comes through mobile. So, the experience that we provide to our customers, both who are investors and also who are traders actually is the differentiating factor. For example, just a few days back, we launched a new version of our app. There are various features that we've added for traders for their simplicity. So, a better experience of the product will be actually the differentiating factor for our customers.

Sarvesh Gupta

Understood. Thank you, sir and all the best.

Moderator

Thank you, sir. We are having a question from Madhukar Ladha from Elara Capital. Please go ahead.

Madhukar Ladha

Hi, thank you for taking my question. I guess, most of my questions have been answered. I just wanted to know one thing, maybe I've missed it out. What is your actual ADTO cash and derivatives ADTO for Q1 and Q4? Can you give me those two numbers?

Prakarsh Gagdani

Yeah. So, for cash, it was around Rs.950 crores, which is for this Q1 it is around Rs. 800 crores. For derivatives, we were at around Rs.1.2 lakh crore ADTO. For this quarter, we are at around Rs 1.3 lakh crore ADTO.

Madhukar Ladha

Got it, that's it from my side. All the best.

Prakarsh Gagdani

Thank you. Moderator, we can take the last question and then we can close the call.

Moderator

Thank you, sir. The last question for today comes from Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain

When you said that you are looking at quality of customer acquisition, you mentioned margin they bring was one of the parameters. What is the level you are looking at?

Prakarsh Gagdani

So, as I was saying, see obviously customers come with anywhere in the range of broadly around 15,000 to 20,000 kind of a margin. So, we don't look the quality of customer in that way. As I said that the quality of customer we look in terms of how fast the payback period is. So, I might come with Rupees One lakh margin, but I might just put one trade of Rupees One lakh and then stop trading. Though, the customer profile is good, but the payback period is not good. So, when we look at quality, it is typically from the payback period and not from the margin perspective.

Prayesh Jain

Could you give a breakup between F&O and Cash?

Prakarsh Gagdani

So, broadly it is, 60% of our revenues today come from derivatives and around 40% from cash which includes both intraday and delivery.

Prayesh Jain

Yes, I was asking, the 60:40 mix that you spoke about in Q1, was it, how different to that in say Q1 of last year.

Prakarsh Gagdani

It was broadly around 55:45, which is now moved to around 60:62. So, that small percentage movement here.

Prayesh Jain

Another question is on your cross sell and your cross-sell opportunities, that revenue also has come off in this quarter. But I understand insurance sales would have come down, but why should it drop by such a large number

Prakarsh Gagdani

See, our cross-sale revenue is a combination of all the income which leads to our subscription income, our mutual funds, the digital gold insurance. So, because of the market scenario, there has been a reduction in all and obviously one of our biggest products in cross-sale is our subscription income. And again, that is tied directly to market. So, that's the reason you see that from Rs.5.93 crore, it is now around Rs.5.1 crore. So, there is a Rs.70-75 lakh drop there.

Prayesh Jain

Okay, so you expect this to bounce back with markets after, right?

Prakarsh Gagdani

Absolutely, yeah.

Prayesh Jain

Thank you and all the best.

Prakarsh Gagdani

Thank you very much.

Moderator

Thank you, sir. I would now like to handle the floor to the Management for the closing comments.

Prakarsh Gagdani

Thank you very much everyone for joining the call. I hope I was able to answer your questions. If you have any other questions, you can reach out to us at ir@5paisa.com and our team would be more than happy to answer. Thank you very much and have a great day ahead.

Moderator

Thank you, sir. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant day.

Note:

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