



October 28, 2022

<b>To,</b> <b>The Manager,</b> <b>Listing Department,</b> <b>BSE Limited,</b> <b>Phiroze Jeejeebhoy Tower, Dalal Street,</b> <b>Mumbai 400 001</b> <b>Tel No.: 22721233</b> <b>Fax No.: 22723719/22723121/22722037/</b> <b>BSE Scrip Code: 540776</b>	<b>To,</b> <b>The Manager,</b> <b>Listing Department,</b> <b>The National Stock Exchange of India Ltd.,</b> <b>Exchange Plaza, 5 Floor, Plot C/1, G Block,</b> <b>Bandra - Kurla Complex, Bandra (E),</b> <b>Mumbai 400 051</b> <b>Tel No.: 2659 8235 Fax No.: 26598237</b> <b>NSE Symbol: 5PAISA</b>
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Dear Sir/Madam,

**Sub.: Transcript of Earnings Conference Call on Unaudited Financial Results (Standalone and Consolidated) for the quarter and half year ended September 30, 2022:**

In continuation of our letter dated October 17, 2022 and pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of Earnings Call held on Thursday, October 20, 2022 for discussing financial and operational performance of the Company for the quarter and half year ended September 30, 2022 has been made available on the website of the Company at [https://storage.googleapis.com/5paise-prod-storage/files/investor\\_relations/2022-10/5paise%20Capital%20Ltd%20Q2FY23%20Earnings%20call%20Transcript%20%282%29.pdf](https://storage.googleapis.com/5paise-prod-storage/files/investor_relations/2022-10/5paise%20Capital%20Ltd%20Q2FY23%20Earnings%20call%20Transcript%20%282%29.pdf)

You are requested to kindly take the same on record and oblige.

Thanking You,  
Yours faithfully,

**For 5paise Capital Limited**

**Namita Godbole**  
**Company Secretary**  
**Email ID: [csteam@5paise.com](mailto:csteam@5paise.com)**



**5Paisa Capital Limited  
Q2FY23 Earnings Conference Call**

Event Date / Time : 20/10/2022, 14:00 Hrs.  
Event Duration : 25 mins 13 secs

**CORPORATE PARTICIPANTS:**

**Mr. Prakash Gagdani**

CEO and Whole Time Director of 5Paisa Capital Limited

**Mr. Gourav Munjal**

Chief Financial Officer of 5Paisa Capital Limited

## **Moderator**

Good afternoon, Ladies and Gentlemen. Welcome to 5Paisa Capital Limited Q2 FY23 earnings conference call. We have with us today the management on the call. As a reminder, all participants will be in listen only mode, and there will be an opportunity for you to ask questions, after the presentation concludes, should you need assistance during the conference call, please signal an operator by pressing \* and 0 on your touch tone telephone. 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.

## **Prakash Gagdani**

Thank you. Very good afternoon, everyone. Myself, Prakash Gagdani, I'm the CEO and Whole-Time Director of 5Paisa Capital Limited. I welcome you all for the Q2 FY23 investor call along with my colleague, our CFO, Mr. Gourav Munjal. Friends, Q2 FY23 has been a milestone quarter for our industry. This quarter, we have hit 100 million Demat accounts as a country. I feel this is a very important and a solid start and it is a matter of time, investment in capital markets will be a preferred investment destination for every household in the country. For 5Paisa Capital Limited also, it has been a milestone quarter, as we've not just crossed 3 million customer mark, but also achieved our highest quarterly profit.

Speaking of business, one of our focus was always to improve the quality of our customer acquisition, along with reduction of customer acquisition costs i.e. CAC. We are happy to say that we have succeeded in this and our CAC which was around Rs.895 for last quarter has now come down to Rs.574 which is a 36% improvement as compared to the previous quarter. Our efforts in identifying the right source mix, improving entire onboarding journey, improving the Do-It-Yourself customer journey along with straight through processing cases has helped us reduce all these costs which are associated with account opening.

We continue our effort on the same, but we now feel that our cost of acquisition will stabilize and be in the range of around Rs.500 to Rs.600 in the coming quarters. Further, in Q2FY23, our broking income improved by 3% Q-o-Q. However, our total income was down by around 4.5% Q-o-Q. The drop was majorly due to the reduction in our margin funding book, which was directly associated with the overall market sentiment in the first half of the quarter. Our overall turnover has gone up to Rs.1.69 trillion, our ADTO, which is a 25% growth Q-o-Q. We've not just seen improvement in our ADTO, but also in market share of derivative segments. Along with our broking business our cross-sell business has also seen improvement. We have seen in our subscription product; the user base has grown by 6% Q-o-Q. Our mutual fund AUM improved by around 14% Q-o-Q.

Our mutual fund SIP improved by 71% Q-o-Q. With all our efforts focused on revenue, improving cost efficiency and product development, we have succeeded in achieving the highest quarterly profit of Rs. 10.75 crore, which is 45% growth Q-o-Q and 672% growth Y-o-Y. Talking about our product, we focused a lot on enhancing features in our mobile app and our web platform, which will benefit traders. I'm delighted to share that we have launched a dedicated trading terminal for our derivative traders, we call it as FNO360. This platform is built with the philosophy of providing the data and tools which shall help derivative traders with better decision making for their day-to-day trading.

Investors will also be able to trade user order, positions on the same platform. There are various features in this platform that we've launched, which will benefit derivative traders. In addition to that, many new features like Margin Plus to the product, One-tap rollover, Quick reverse all these features were launched in this quarter. This has helped to improve our mobile app rating from 4.2 to 4.3. Lastly, we will improve our journey on improving our product, our efforts on reduction in cost, and, at the end, improve the entire trading experience for our customers. We are confident that this all will help us to accelerate our revenue and profitability in coming quarters. I open the call for questions. I'll be more than happy to address them.

#### **Moderator**

Sure, sir, thank you. The first question comes from Deepak from Haitong Securities, please go ahead.

#### **Deepak**

Thank you for the opportunity. Sir my question is regarding the impact of the recent regulation on funds, we are paying back to the customers on first Friday of every month or quarter. So, what has been the impact of this on your margin book and second, on your online income.

#### **Prakash Gagdani**

Quarterly payout was always there, because they were doing it on a rolling basis for customers, so that has not changed. What has changed this time is that on one particular day, you know, the funds are paid out. Now typically if you see the funds which have gone out on 7th of October, partly by people who are actively trading. So, the amount of said funds are already back where customers are trading, and I don't see a very material impact of that on our revenue.

So as far as the margin funding book is concerned, obviously that is not impacted, because those are the customers who are already into debit and are using our funding facility. So, there was no impact on that side of the business. So overall, on the business front, I don't see there's an impact.

Operationally, the process was absolutely smooth. And we could complete the entire exercise in the given time by the regulator.

**Deepak**

Just a follow up on this. So, post 7th October, let's say how much percent of your money, I mean, that has been paid out to customers have been recovered till date or else in the next four or five days. Any, percentage you can give?

**Prakash Gagdani**

I'm sorry, but it would be difficult for me to share that information. But I can say that good amount of that money has come back.

**Deepak**

Okay. And my second question is, regarding your cost of acquisition, we have recorded a very excellent, I mean, very sharp degrowth in cost of acquisition, but it's mainly because of the cut in marketing and business promotion. So, in terms of sourcing, have we changed any sourcing? I mean, can you give us a kind of sourcing mix, I mean, in a ballpark figure between referrals, your promotion, performance marketing and organic search, that will be really helpful.

**Prakash Gagdani**

What we've done is, as you rightly said, we've been working on improving our quality of acquisition and the mix of the acquisition, it will be difficult to actually give you a percentage for each of the source, but I can see that large part of our acquisition today, almost 65 to 70% of our acquisition, is organic and also through reference. So our objective was to improve the percentage going ahead, and most of our acquisition should come from organic or through the word of mouth. So, we are right now in the process of that, but broadly 65-70% of our acquisition today is either organic or through word-of-mouth referrals from our existing customers.

**Deepak**

Okay, thanks. Last question from my side. So, in terms of the accounting of subscription fee, how do we account it. I mean, do we defer it over the year and account it on a monthly or quarterly basis or else on upfront basis?

**Gourav Munjal-**

So we follow IND-AS in this regards which is revenue recognition. So, if that plan is a monthly basis, then we have it the same month, but if the plan is supposed for one year, then we defer that revenue for further 11 months, and it is based on the IND- AS, as prescribed by ICAI.

**Deepak**

But, on marketing side and in marketing, and business promotion expense, we account it as and when the client is acquired in the same month, right?

**Gourav Munjal**

Yes, there is no deferment in this when the client has been acquired the same has been booked in the same month.

**Deepak**

Okay. Thank you. Thank you so much.

**Moderator**

Thank you. The next question comes from Deepak Poddar from Sapphire Capital. Please go ahead.

**Deepak Poddar**

Thank you very much, sir, for the opportunity. So, I just want you to understand what would be our figure for active clients? I mean, gross clients figure I got in the presentation of 3.19 million, right? What would be the number for active clients?

**Prakash Gagdani**

So active clients, if you're talking about the customers who have traded in last one year, which is typically the one that industry says is somewhere in the range of 1.5 to 1.6 million.

**Deepak Poddar**

Okay. So that has been declining, right? I mean, towards FY22 that number was around 1.8.

**Prakash Gagdani**

Yes, typically, what happens is that if you look at the acquisition that we have done in the last two years, and the acquisition that we have been doing in last two to three years there's a difference in terms of numbers. So typically, what happens is when your acquisition run rate changes, that has an impact on the active customer over a period. And that is what we see as a decline.

**Deepak Poddar**

Okay. So, is that the somewhere the reason, because of which our customer growth on the gross front is not translating into your revenue growth on a QoQ basis, right? Last two quarters, our revenue has been declining 5% a quarter.

**Prakash Gagdani**

I don't think so. Because if you look at the revenues are largely to do with the overall market sentiments and the way market is doing. So. May, June, July, some part of August was anyways bad for the industry. Even if you look at the retail turn-over at an exchange level in cash segment. So that also fell down to almost Rs. 18,000-20,000 from Rs. 30,000-35,000 crore that we were doing some time back. So overall, it was more of market sentiment. Now, when again market started going up, we are seeing volumes coming back.

So, more than acquisition, it was more of the market sentiment. If you look at our revenue, even despite all, the revenues, in terms of brokerage revenue has improved in this quarter. It was only that one of the markets, our average funding book reduced, and that is the reason there was an impact on revenue and it dropped by 4.5%. I don't see that as a reduction in the active client which would have an impact on our overall revenue.

**Deepak Poddar**

Understood. Fair enough. And how do we see the growth in terms of on a Q-o-Q basis?

**Prakash Gagdani**

See it won't be right for me to give a forward-looking statement in terms of revenue, but obviously, looking at active customer that you see may not be a right barometer for performance, because what is important is how many of those customers are actually giving. So, that is where I'm pretty optimistic that the kind of quality of customers that we are acquiring, we should be in a position to improve our revenue as well as profitability. But of course, you know, we all understand that stock market is a cyclical business, and a large part of our revenue come from brokerage and brokerage

is dependent on how the overall market function, so if we know the market or the NIFTY goes down by 10% -15%, retail activity tends to slow down and that's an impact on revenues. So in a cyclical kind of businesses, it's difficult to predict that how the quarters are going to be, but the kind of effort that we're taking and I'm confident that it will be in the right direction which will help us improve our revenues and profitability.

**Deepak Poddar**

Yeah, sure, I understood that's it from my side, all the best. Thank you.

**Moderator**

Thank you. The next question comes from Sumit Jankar, from Motilal Oswal, please go ahead.

**Sumit Jankar**

Thank you for providing me the opportunity. So, the ADTO has increased Q-o-Q. So, can you provide me the numbers for cash or market share, derivative market share and brokerage split between cash and derivatives, ratio of cash vs derivative.

**Prakash Gagdani**

The derivative market share is improved, now it is around 3.14%. Cash market has more or less been stable around 2.8%. So that's share part. Obviously, on the revenue side derivatives contribute, I won't have the exact number right now but, broadly I know that derivative contribution in this quarter as a part of total brokerage has gone up. I can share that number later with you.

**Sumit Jankar**

Okay, one more question. Customer acquisition cost has reduced in this quarter. Do you think that the payback period will also reduce, moving forward?

**Prakash Gagdani**

Yes, absolutely. The whole objective of reducing the cost is to improve the payback period. One is in range around 8 to 10 months' kind of a payback period we're looking at-- we are definitely looking at an improvement by two to three month, where we were earlier.

**Sumit Jankar**

Thank you.

**Moderator**

Thank you, ladies and gentlemen, we have a question from Karthikeyan Vk, from Suyash advisors, please go ahead.

**Karthikeyan VK**

Sir, good afternoon. last quarter when we spoke, you talked about acquiring higher quality customers, and that led to an increase in cost this quarter, there's been an impressive reduction in the acquisition cost. Should we assume that these numbers will sustain? Or would you change, has there been a change in the way you acquire your customers? How should one think about that on a sequential basis?

**Prakash Gagdani**

So, the last quarter we were always in the range of around 760 -770 rupees acquisition cost. Last quarter there was an increase because of certain changes that we were doing but we had said that we will reduce it, which we have done. As I also said in my opening remark that it will fairly be in this range. Now from here on, we don't see much reduction in the cost, but we will be in the range of around 500-600 rupees acquisition cost. So that objective of reducing the cost more or less is now achieved.

**Karthikeyan VK**

Okay, and the run rate that you have in terms of new customer addition, should that be maintained, or do you believe that this approach will give you a higher number, some thoughts on that as well.

**Prakash Gagdani**

So, you know it is difficult to comment on the exact acquisition number, but our plan is to spend on improving our brand and also organic and word of mouth, which are typically the sources of acquisition where you can get a higher number at the same and also get the quality. So, our objective would always be to improve our acquisition Q-o-Q, but not at the cost of sacrificing some quality. So, till the time we are able to the maintain that CAC that is a payback that we're looking forward, we will definitely be interested in acquiring more customers and I see that it will happen where the acquisition also improve at the same time quality will improve.

**Karthikeyan VK**

Interesting, one last thing, you know, you talked about some tech investments that was you know, expensed and therefore, from this quarter onwards due to that, there has to be a reduction in that and therefore that will also lead to an improvement in profitability. How much of that is the number sir?

**Prakash Gagdani**

So, I had said last time that all the tech investment that we were doing in Q3 and Q4 is now almost done. So, now it is more of a steady state. So, whatever that improvement was had come in last quarter now our tech cost is more or less stable. So you won't see much of an increase in the cost that was the point. But this quarter it is the same as here.

**Karthikeyan VK**

Sir, so in terms of your opex, what we see now is a reasonable reflection of the run rate, plus inflation, of course?

**Prakash Gagdani**

Yes.

**Kartik K**

Thank you so much.

**Moderator**

Thank you. We have a follow up question from Deepak from Haitong Securities. Please go ahead.

**Deepak**

Thank you for the follow up. Sir my question regarding subscription plan, what is the contribution of the subscription fee that we generated in Q2 to total operating revenue?

**Prakash Gagdani**

Subscription income is approximately Rs.4.8 crore rupees, which covers in cross-sell.

**Deepak**

And for H1?

**Prakash Gagdani**

So, approximately Rs.10-15 lakh growth is there. But otherwise, it is in the same range. So, for the H1 you can say that it's Rs. 9.5 crore.

**Deepak**

Rs.9.5 crore. And out of our total plan what is the percentage of plans who are under subscription plan.

**Prakash Gagdani**

See subscription plan typically are taken by traders because that's where they get the real benefit of this plan. So broadly around, you know, around 38000 to 40,000 customers take our subscription plans.

**Deepak**

Okay. And last question on this, of the total operating revenue for let's say for H1, what will be the contribution of the subscription customers? Any ballpark figure If you have.

**Prakash Gagdani**

So, as Gourav mentioned, we are in the range of around Rs. 9.5- Rs.10 crore kind of revenue for H1. And the total revenue is around Rs.164 crores so that broadly 7 percent, that's the contribution.

**Deepak**

So, that that was a subscription fee. I mean, what I'm going to ask is this 40,000 customers, how much contribution from these customers is towards your brokering revenue?

**Prakash Gagdani**

I won't have that information right now.

**Deepak**

Okay. Thank you so much.

**Moderator**

Thank you all, that will be the last question for the day. Now I hand over the floor to the management for closing comments.

**Prakash Gagdani**

Thank you very much, everyone for joining the call. I hope we were able to answer your questions if there are any questions that you have, you can write it to us at [ir@5paisa.com](mailto:ir@5paisa.com) and we will be more than happy to answer your questions. Thank you very much and wishing you and your family a very happy Diwali and prosperous new year in advance. Hope you all have a great Diwali and great New Year, thank you.

**Moderator**

Thank you, sir. Ladies and gentlemen this concludes the 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 evening.

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