Master Trust

Operator: Good afternoon and welcome to the third day of the Arihant Bharat Connect Conference, September 2024. I would like to extend a warm welcome to all of you to the conference call of Master Trust Limited. Joining us today from the management team are Mr. Punit Singhania and Mr. Karan Thakur. Before I hand over the call to the management, let me briefly outline the flow of today's session. We will begin with a brief introduction and opening remarks from the management, following which we will move into the Q&A session. Participants who wish to ask questions may raise their hands using the platform feature or submit their questions in the chat box. We will first take questions from participants who have raised their hands and thereafter move on to the questions received through the chat box. If time permits towards the end, we will also address a few questions that we have received from clients who were unable to join the call today. Without taking much more time, I would like to hand over the call to the management for their opening remarks. Thank you very much, and over to you, sir.

Punit Singhania: Good afternoon, everyone. Can you hear me? Can someone confirm? Yes, okay. I will begin with a brief introduction. I am Punit Singhania. I am part of the promoter family of the Master Trust promoters. This company was promoted by two gentlemen, Mr. Ajit Singh Arora and Mr. R.K. Singhania. Mr. R.K. Singhania is my father. Mr. Ajit Singh Arora's son, Mr. Jashan Arora, is also part of the promoter family and is actively looking after the business today.

Master Trust was promoted way back in 1985, when we were a very small entity by the name of Arora Financial Consultants Private Limited. We have been in this business for 40 years and have grown from a very small corner shop to an organization with about 1,200 people today. 1985 is when the journey began.

In 1993-95, we essentially took the formal step towards financial intermediation with a merchant banking license. Membership of the NSE also came along the way during that period because, if you recall, the NSE was established in 1994. From 1993-95 until now, we have taken depository participant licenses with NSDL and CDSL. We have also taken memberships with MCX, BSE, NCDEX, Metropolitan Stock Exchange, and a couple of other exchanges that came along the way, which we later surrendered because the business was small there.

In 2004-05, we also took a PMS license. It is housed in a 100% subsidiary, and I will discuss the group structure in a while once I complete the journey and explain how it has been so far. Going forward, in 2010, we started algo trading on the NSE, which became mainstream by being offered to our clients from 2014 onwards.

In 2018, we took another step when we launched a Category III AIF. Along the way, from 2019-20 until now, the entire transformation of the business has been taking place through technology, making our financial intermediation services digital and technology-first.

As far as the business is concerned, we have four core lines of business. One is retail broking. The second is proprietary trading and derivatives. Then we have the NBFC, and the fourth business line is asset management, which is currently in PMS.

The group structure is as follows. Master Trust Limited is the holding company, which is listed on the NSE and BSE. It is an RBI-registered NBFC. Below that, there is a 100% subsidiary called Master

Report is AI-generated and may contain inaccuracies.

Capital Services Limited, where we have the merchant banking license. The broking activity is also housed in Master Capital Services Limited, and the proprietary trading business is also housed in Master Capital Services Limited, along with the distribution of financial products, including mutual funds, PMS, AIF, bonds, unlisted equity, and so on.

Master Capital Services Limited also has another step-down subsidiary, Master Portfolio Services Limited, where we have the PMS license that I was discussing.

In terms of the size of the business today, we have about 400,000 clients, of which roughly 25% are active clients, and about 30,000 clients trade with us on a monthly basis. That is on the broking side. The total assets of these clients with us, put together, are upwards of 50,000 crores, including depository assets, PMS assets, margin in broking, and so on.

Currently, on the broking side, we have about 0.25% market share in cash equities and about 1.5% in equity derivatives. Our average daily turnover on a strike basis—there are two ways to look at turnover in options—is about 3.5 lakh crores per day based on the Q1 average. One way is to consider turnover on a strike-price basis, and the other is to consider it on a premium basis.

Within Master Capital Services, we also have MTF. The MTF book size is currently about 150 crores. We also provide another form of funding to our retail clients, which is similar to MTF but is called T+5. That is another 50 crores. Therefore, there is a 200 crore MTF book.

In depository, we have about 48,000 crores of assets. On the distribution side, we have about 1,000 crores of fee-paying assets. We do not consider any non-fee-paying distribution assets, such as direct mutual funds or direct PMS, when accounting for our distribution AUM.

We do some institutional broking, but that is a very small part of the business. We have about 24 institutional clients, of which four or five are very active. In Master Portfolio Services Limited, we have an asset base of about 450 crores across approximately 200 clients. This is a long-only product that we are currently running. There is also an arbitrage product of about 70-80 crores, which is part of the 450 crore AUM that I mentioned.

Apart from that, the key point I would like to share with you today is that, as investors, you should consider us to be a business whose income streams are fairly distributed across two major lines of business. One is proprietary trading, and the other is retail broking.

Given the cyclical nature of the broking business, the proprietary business compensates for that cyclicality. If you look at our previous few quarters' results and compare them with other companies in the same space, you will realize that wherever there was only one standalone broking business, the financial numbers were declining significantly depending on market volumes.

In our case, there has been steady growth in profitability metrics and stability even during the worst of times, because the proprietary business compensates for volatility in the broking business. The broking business brings in operating leverage, which comes into effect when there is buoyancy in overall stock market volumes.

That is all from my side as an opening statement. Over to you, Karan and the Arihant team.

Report is AI-generated and may contain inaccuracies.

Operator: Thank you very much, sir. Should we move into the Q&A session?

Punit Singhania: Yes, please. We are happy to take questions.

Operator: Participants who wish to ask questions, please raise your hands. The first question is from Mr. Abhi Jain. Please unmute yourself and ask your question.

Abhi Jain: Good afternoon. I hope I am audible.

Punit Singhania: Yes, yes.

Abhi Jain: Mr. Singhania, thank you for this call. I think Master Trust has a long record of being listed, but we have not heard from you earlier. This is a good initiative, so thank you for that.

There was a discussion that you had also applied for an AMC license, but as per the last update, you were not going forward with it. What are your thoughts on that? I thought it was a logical step.

Punit Singhania: We have deferred it for a couple of years for a couple of reasons. One is that, if you recall, there was a recent change in regulation with respect to bank guarantees that were available to brokers. The RBI issued a circular stating that bank guarantees could no longer be made available to brokers at a 50% margin.

That was a source of leverage for us in terms of the capital required by the business. Under the new regulation, from March 31 next year, we will not be able to take a bank guarantee by providing a 50% margin. This effectively meant that the core business we currently have, which is the broking and proprietary trading business, would most likely fall short of capital if we were to proceed with the mutual fund business.

That is why we pulled back. We wanted this ship to be stable. That was one reason.

The second point was that, during the time when we received the in-principle approval and even now, we saw that there were about 15-20 in-principle approvals that had been granted or were about to be granted. When we were in the market and started building the team, we rolled out offers for the key positions required to actually go live. This included not only the investment management team, but also the chief compliance officer, chief investor relations officer, chief operating officer, all those CXO roles, and the positions one level below them.

What was happening was that we were rolling out offers and, within a month's time, most of these people were coming back with competitive offers from the incumbents. In most cases, they were receiving offers that were 50% higher than what we had offered.

We had initially offered these people, let us say, 25-30% more than the CTC they were previously receiving. However, the CTCs that we had offered were being exceeded by a further 30-35-40% or 50% when they received offers to join other AMCs that were in the same process or about to receive an in-principle approval.

When we looked at the numbers, we realized that this cost structure was going to grow much faster than we had budgeted. That was one factor.

Report is AI-generated and may contain inaccuracies.

The second factor was that, regarding this decision to defer, we received the in-principle approval sometime in December or January—December last year or January this year. The markets had already not done much for the previous 1.5 years or so. The last peak was in {? September 2021 ?}, and from then until January this year, not much had happened.

We also discussed the matter thoroughly internally. If this regime and this macro environment were to continue for another year or so, and if costs were to continue increasing as was clearly visible, the impact of the bank guarantees would require us to conserve as much capital as possible.

Taking everything together, it did not make sense for us to allocate capital to this business at this point in time. That is why we consciously decided not to pursue it for another couple of years and to wait it out.

As far as our eligibility is concerned, we remain eligible. However, the market dynamics do not currently support allocating capital to a business that will probably take much longer to become profitable than we had initially anticipated.

Abhi Jain: My follow-up question is that, obviously, the proprietary desk and the bank guarantees that the RBI has withdrawn were important. I want to understand this: an AMC is an annuity-like business. If you look at all the other AMCs that have received approval and entered the business, some of them are now approaching the IPO stage as well.

As a management team, is your decision to prioritize proprietary trading over an AMC in the short term? Is that the correct understanding?

Punit Singhania: It is not only the proprietary business. The broking business is also capital intensive, and both businesses require capital.

As far as the AMC business is concerned, you have to understand that the operating environment for an AMC has completely changed today. If you look at the way things were—

Management: The operating costs are such that you have to incur a cash burn of 25-30 crores a year for the next 3-4 years before you actually reach break-even.

The recent examples of IPOs that are coming up have a certain background in terms of their ability to raise AUM. Because of this, one is extremely profitable. The other is not profitable in the Indian mutual fund space, but it is making a lot of money from its offshore books, meaning the funds it manages for offshore clients.

Those dynamics do not apply to us. For us, the question was whether we wanted to continue funding a cash burn of 20-30-odd crores for the next 4-5 years into this business, or whether we should conserve capital now, start looking at where we can reallocate this capital, deploy whatever incremental cash flows are available, and then take the decision again in a couple of years' time. That period is not far away. We are not deferring it for 5-7 years or indefinitely.

We simply want to take a breather right now, given the competitive intensity from all angles, whether it is the number of AMCs entering the market, cost pressures, or issues relating to fund-raising capability.

Report is AI-generated and may contain inaccuracies.

To give an example without naming some of the AMCs that have emerged in the last 6 months and raised funds through several of these NFOs, if you look at their data, there is an AMC that came up about 6 months ago and has raised about 2,000 crores. Out of that, 1,500 crores is in liquid funds, where it is not earning even 5 bps annually. On another 500 crores, it is earning only about 10-10 bps as net AMC margin.

Therefore, what you are looking at is revenue of not more than 2 crores against a cost structure that is already 30 crores.

Given the way fund flows are taking place today, everything is being directed towards schemes that already have a track record of 5 years, 10 years, or 3 years, because retail money typically comes in after looking at 3-year, 5-year, 2-year, or 1-year returns. That amount of time is therefore required.

We had to re-strategize. We did not want to open the company and the business on all fronts and become vulnerable on all fronts. It remains a very attractive business, but the timing of entering it is primarily a capital allocation decision.

Abhi Jain: In terms of the digital broking and distribution business that you have, are you seeing any clouds on the horizon because of competition from digital platforms and competition from AI? I want to understand whether, 5 years from now, you see this remaining a very relevant and very strong business, given the world we live in.

Is it not somewhat precarious to rely on the broking business for the next 2-3 years, apart from proprietary trading, which can obviously be very volatile? I do not know how the proprietary trading book has performed, but I am thinking about the world we are in and the kind of business model we have.

Obviously, cost may have been an issue for the AMC, but if you had gone ahead and raised some equity, it would have helped you absorb the costs over the next 3-4 years. I want to understand this from a future perspective, rather than focusing only on the decision you are taking right now and relying on the current business you have.

Management: When you look at our business, it is phygital. However, if you look at it very closely, roughly 70% of our revenues are already digital. Only 30% comes from the branch model itself. That is not visible in the headline numbers, but we can obviously share the details as and when required. That is one point.

Second, regarding AI and everything else that is coming in, it is not that we are not adopting those technologies. As we speak and as we discuss this, we are already incorporating elements of these technologies into our digital platforms in a phased manner.

It is not that something can be implemented on day one, because every new technology has a particular use case for a particular business. As of now, one use case that we already have live is the reduction of operating costs by digitalizing, or rather automating, many of these middle-office and back-office activities.

To give you an example, in the last 2 years, we have not made a single replacement hire in our back-office and middle-office teams. It is a separate matter that if you ask the team to reduce the

Report is AI-generated and may contain inaccuracies.

workforce, they would not do that. The HODs would simply come back and say that their teams are fully occupied.

However, as we continue adopting these technologies, they are not making replacement hires, which tells us that the technology is working effectively.

On the sales side, we are currently in the beta phase of a couple of initiatives involving the rollout of AI technology, and those initiatives are already underway.

To give you an example of how it will be used, today we have about 30,000–35,000 customers who trade or transact on our different platforms each month. Our effective RM force, dealing team, and sales team together number no more than 400–500 people.

We are therefore using the technology that AI provides. Obviously, not all of it is AI; some of it is machine learning and some of it is automation. We are using these technologies to reach out to those 30,000 customers daily across different product lines.

One product line is equity, which they are already using. We also have stock lending, which we are encouraging them to use in different ways. We have MTF, which we are also encouraging them to use. We also have mutual funds and SIPs.

We are now building a retail algo platform, which will again be used to target customers within the same space. It will be launched around Diwali, when retail algos will be introduced.

We also have chart-based trading. Recently, if you look at it, there is a new technology-led broker called Sahi, whose only offering is beautiful charts through which customers can trade. It is solely a charting platform, with no other interface through which one can trade.

That technology is available with us. We only need to complete a few integration activities, after which we will roll it out.

We also have US investing, which we are already building within the same app, the same web app, and the same ecosystem.

For us, extending into different product segments and different revenue lines is an extension of technology because we already have the client, and we continue to add clients.

Competition is real, without a doubt. At the same time, the cross-sellability of the platform is also very real. That is where we can continue building our revenue streams over a period of time.

Abhi Jain: One final question, if I may. Does your PMS performance over the last 10 years give you the confidence that, if you had entered the mutual fund business, your schemes would be able to outperform?

Does your PMS track record give you that confidence? In today's environment, short-term outperformance clearly attracts a lot of AUM, as we are seeing with many newly registered mutual fund houses. I want to understand what your PMS history tells you. Do you have the hands-on capability to deliver if you enter the mutual fund business?

Report is AI-generated and may contain inaccuracies.

Management: The challenge here is that retail volumes must come in for a mutual fund to be successful, because retail investors can come from any part of the country, and you do not need to explain your investment strategy in detail.

PMS performance cannot be directly translated into the expected performance of a mutual fund because there is no way to showcase that performance to a retail client. Where does a retail client go? The client goes to Value Research, Moneycontrol, or various other platforms and then looks at the 1-year and 3-year returns before investing.

For us, there is no way to promote that performance on the public platforms where most of the traffic is. At best, we can showcase it on our own platform or to the distribution network of MFDs, IFAs, national distributors, and so on. Therefore, it does not translate directly.

The question is not about confidence in the ability of the team running the PMS to deliver. It is more a question of how the volumes will come in.

The reason we wanted to enter the mutual fund business and applied for in-principle approval was our PMS capability. However, the reason we have deferred it is the macro environment.

Abhi Jain: All right. Thank you for your time, Mr. {? Sidana ?}.

Operator: Thank you. The next question is from Mr. Pakshul Jain. Please unmute yourself and ask your question.

Pakshul Jain: First of all, I would like to apologize if this is not the right forum to ask this question.

Management: No, please go ahead.

Pakshul Jain: I had a question regarding Prime Industries. Perhaps you can skip it, or I do not know whether you can explain it to me. I want to understand what developments are taking place there. It is the same promoter group, so I thought I would ask you. That is the only reason.

Management: I would refrain from answering on that front because there is a separate management team. The promoter group is the same, but I would not be in the right position to answer.

Pakshul Jain: Thank you.

Operator: Thank you. A question has been asked in the chat box. Master Trust was the promoter of Prime Industries, and strategic investors subsequently came into Prime Industries. Are there any plans to bring in a strategic investor into Master Trust as well?

Management: There are no plans as such, but we are always open to opportunities as and when they arise.

Operator: Are you considering any strategic investors, as was the case with Prime Industries, which has the same promoter group? I believe that was a repetition of the previous question.

Management: We are open to any such opportunity that arises, but as of now there is no active discussion.

Report is AI-generated and may contain inaccuracies.

Operator: We have some questions received from clients who were unable to join the call. With the regulatory shift targeting index derivatives, including higher contract sizes, upfront margin requirements, and limits on weekly expiries, how is your retail active client base reacting? What percentage of your blended brokerage is derived from equity options versus cash on delivery, and what is your sensitivity to a 15-20% decline in exchange ADTV?

Management: I will answer the last two questions first. I have somewhat lost track of the first question. The impact of a 15-20% decline in ADTV has been clearly visible in the last 3 months, namely July, August, and September, because in August and September, derivatives volumes for the exchanges in general were down by about 25%. I am not talking about the aggregate level. This was because of the {? common action common clearing auction ?} session that was introduced, which affected options volumes.

We experienced this in the last quarter, and we also experienced a similar episode in April and May, when exchange volumes did not decline as much but there was an STT impact. STT had increased from April 1, 2026, on options trades and futures trades.

Before that, in 2025, lot sizes were increased by SEBI and weekly expiries were removed, among other changes. Across all these scenarios, there has been a regulatory burden, and we have also experienced a decline in volumes.

This has not really affected our broking volumes because of the multiple products and revenue lines within the broking business.

To give you an example, for this quarter, the brokerage number in F&O will be flat or down by 7-8% compared with Q1, which covers April, May, and June. However, this is compensated by a slight increase in MTF interest and overall float income.

The decline has not been significant. The view is that a 10-15-20% decline does not really affect us because we have other revenue drivers that continue to compensate for the overall revenue.

Operator: What was the first part of the question?

Analyst1: With the regulatory shift targeting index derivatives, how is your retail active client base reacting?

Management: We have not seen much impact because, as I mentioned, we have gone through all those phases of STT increases, lot-size changes, upfront margin requirements, and even the reduction in weekly expiries.

At this point, we have factored everything together, and even if you look at our numbers for the quarter that has gone by and the current quarter, you will not be disappointed. We will still report reasonable quarter-on-quarter and year-on-year growth in PAT and PBT terms.

There was another question regarding the percentage of brokerage coming from derivatives and delivery. Currently, roughly 50% comes from derivatives, 40% comes from cash equities, and another 10% comes from commodities.

Report is AI-generated and may contain inaccuracies.

Therefore, we are not dependent only on derivatives for our broking income. Quite honestly, of our total revenue, brokerage itself accounts for only 25%.

Even if there is a 15-20% decline in volumes at an aggregate level, which also flows through to a decline in our volumes and then to a decline in our brokerage, we would be looking at a revenue decline of approximately 5%.

However, at the PBT level, that would affect only 2.5% because a large portion of the gross brokerage comes through the authorized person and sub-broker model. Therefore, the entire impact does not affect us; only a portion of it does.

I do not see much happening. Honestly, over the last 2 years, we have seen everything. Fortunately, the regulator now seems to have taken a breather.

Analyst1: How has your CAC trended over the last 12-18 months across organic acquisition, the franchise and sub-broker channel, and the digital acquisition channel? What is the 3-year cohort retention rate and the average revenue per user among active retail traders?

Management: From a purely broking perspective, our ARPU is currently about 8,500. This includes only brokerage. I am not considering the float income we receive from other income streams, such as interest income, MTF interest income, or distribution income.

With respect to digital CAC, we do not currently track CAC in a meaningful way because much of our acquisition takes place through branches and it is a mix. We do not try to onboard clients in thousands, as most digital platforms do. We are looking for a much higher-quality client, so our acquisition numbers are not very high, and therefore we are not currently tracking CAC in a meaningful manner.

We do track CAC, but only for a very small subset of our digital marketing team. It is not worth mentioning because that universe is very small and represents only a very small portion of the overall universe.

However, as we launch M-Algo and chart-based trading as mainstream activities over the next 3-6 months, we will start tracking these metrics actively.

As a company, we do not want to compete with Groww and Angel, which are targeting the general retail client. We would like to focus on targeting and spend all the money we have for performance marketing on a very specific set of customers who are revenue-accretive.

The battle to acquire a customer by offering a simple user experience has already been won. Groww and Angel have established their position in the market, and their USP has been a good customer experience on the app.

What we are looking at is the next stream of growth, which will come from specialized products such as the algo platform that we are launching around Diwali and chart-based trading. That is where the real transactions are in terms of ARPU, and that is where the real ARPU lies.

That is when we will start sharing our CAC, LTV, and other such numbers.

Report is AI-generated and may contain inaccuracies.

Operator: Thank you. The next question is from Mr. Lokesh Manik. Please unmute yourself and ask your question.

Lokesh Manik: Good afternoon, Punit. I have one question. I want to understand the composition of profitability, or PBT, and the contribution from all the products, including broking, proprietary trading, MTF, PMS, and Category III AIF. Could you elaborate roughly on how much each contributes to your PBT?

Punit Singhania: Last year, FY25-26, broking and all other allied services contributed about 40% at the PBT level, while 60% came from proprietary trading.

Q1 was somewhat skewed towards proprietary trading, which contributed 70%, while broking and allied services contributed 30%.

PMS is a very small number. We generate PBT of roughly 1-1.5 crores per year from PMS because the scale of operations is very small. Therefore, in percentage terms, that number will be very small.

Broadly, the largest contributions are from broking and proprietary trading. A 60:40 mix is an ideal level that we have maintained over the last few years, and we would like to keep it that way.

Q1 was somewhat different because the extreme volatility in Q1 boosted the profitability of the proprietary business on a relative basis.

Lokesh Manik: Where exactly would you include MTF and float income?

Punit Singhania: I include MTF and float income in the broking business.

Lokesh Manik: In the broking business?

Punit Singhania: Yes. MTF is a client business and an agency business. The same applies to float income; it is also part of the agency business.

Lokesh Manik: Do you have any outlook for the MTF business in terms of scaling it up? We are now seeing, or at least hearing communication from, a payments fintech company talking about scaling up its MTF business after acquiring consumers on the payments side. They appear to be very bullish on the MTF business and have introduced a 9% rate of interest. How do you see the future here?

Punit Singhania: We see the MTF business as follows. Today, our MTF book is close to 160-170 crores. Another 40-50 crores is in the T+5 product, which is essentially MTF in a different, older form. Older brokers have taken time to migrate from T+5 to MTF as such.

That takes the total to approximately 220-225 crores. We believe we can add another 150-odd crores in MTF over the next 6-8 months. Again, this depends on how much we are able to raise.

As we speak, we are looking at an NCD issuance at a 10.5% coupon in mid-October. We are going to raise 75 crores, and this is being raised to fund the MTF book.

Once that 75 crores is utilized, we will look at another NCD raise. As far as the sourcing of funds is concerned, we have internal sources, but we also have to borrow. Most of the new-age companies

Report is AI-generated and may contain inaccuracies.

with large MTF books have borrowed heavily.

Today, I do not think borrowing is below 8.5-9% even for the best-rated paper. For bank-based broking companies, I think it is at least 8.5%. Therefore, anybody offering it at 9% is offering more of a teaser rate; it will have to move to 12-13%.

In the same way, Mirae offers a rate of 7% as an advertisement, but the moment you look at the fine print, it moves to 12%.

Lokesh Manik: Is there a possibility that they would increase it through higher brokerage income?

Punit Singhania: No, honestly, that is not possible. I will explain the economic rationale for why it is not possible, without going into their method of doing business.

Today, a retail client would either pay zero brokerage on delivery because the client has become accustomed to it, pay 20 rupees per order, or pay 0.1%, 0.2%, or 0.3%.

Let us say the client pays 0.30% on every delivery transaction. To take the yield from 9% purely from interest to 12% including brokerage, you would have to generate 3% from brokerage.

Lokesh Manik: Right.

Punit Singhania: That would mean 10 times churn in a year.

Lokesh Manik: Right.

Punit Singhania: That is not mathematically possible. The client would churn twice, three times, or four times. If you push the client to churn more frequently, then it is no longer an app-directed model. The only way to push customers in that manner is by calling them and telling them to churn repeatedly.

Therefore, the rates have to increase.

Lokesh Manik: Understood. That is all from my side. Thank you very much.

Punit Singhania: Thank you.

Operator: One question has been asked: What is your current average mutual fund asset under management, what share is equity-oriented, and what net distribution trail margin are you earning against direct-plan migration?

Punit Singhania: We have about 1,000 crores between equity and debt, and most of it—80-90%—is in equity. Even in the debt portion, there is hardly any liquid exposure.

On a gross basis, our current trail income is about 0.5-0.6% annually.

Operator: What is the revenue productivity per branch or sub-broker, and are there plans to rationalize physical overhead in favor of a pure-play app infrastructure?

Report is AI-generated and may contain inaccuracies.

Punit Singhania: We have rationalized significantly on the AP front. At the peak, we had about 1,400–1,500 APs. Today, we have about 500 APs.

This is not because all those 1,000 APs have shut down. Approximately 70–80% have been migrated to a referral-type setup, under which the overall cost overhead comes down and the sharing improves in our favor. Some have been removed because of low productivity.

As far as the branches are concerned, it is an ongoing process involving how we continue improving productivity on that side. However, increasingly, what we are seeing is that, as far as pure broking income is concerned, most of the improvement is coming from the digital platforms.

Even for clients acquired by branches, other than HNIs who require significant service at the branch level, these clients eventually trade online through our app platform. It is a continuous process, but we are seeing increasing migration to the digital platform, including among branch-acquired clients.

About half of the branches' revenues are coming from the digital platform. It is simply that the client is mapped to the branch, so the revenue is counted there. However, most of the transactions are self-directed by the client.

Operator: I think that was the last question. Any closing remarks, sir?

Punit Singhania: One point I would like to share is that, although we have deferred the capital allocation to the mutual fund business, we are currently establishing a new line of business, which is the clearing business.

We have already completed the soft launch of the clearing business. We will act as clearing members for FPIs, AIFs, and PMSs that trade in derivatives on the NSE because it is a clear extension of what we are currently doing.

There is also significant funding activity that can be undertaken for clearing customers, which translates into a good—

Management: A customer comes to you, provides the margin, wants you to clear through you, and at the same time wants funding as well. We already have an NBFC, Master Trust, and we already have NCD fund-raising capability through NCDs.

Therefore, a 15–16% interest rate is achievable at present, plus another 1–2% that we can earn from float and clearing income. This creates an 18–19% ROC model.

This is another line of business that we are establishing over the next few years. We have already gone live on a soft basis. The next 2 years are when we will scale it up.

This will further diversify our revenue streams away from the cyclicality of the broking business and from any regulatory overhang that may emerge in the future.

Operator: Thank you very much. On behalf of Arihant Capital, I would like to sincerely thank the management team, Mr. Punit Singhania and Mr. Karan, for taking the time to join us today and for sharing their valuable insights about the company.

Report is AI-generated and may contain inaccuracies.

If participants have any further queries, they may get in touch with the team at Arihant Capital, and we will be happy to assist them. Thank you very much, sir, and thank you, everyone, for joining us today. You may now disconnect your lines.

Management: Thank you. Thank you, everyone. Goodbye.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

Report is AI-generated and may contain inaccuracies.