

Anand Rathi Wealth

Operator: Ladies and gentlemen, good day and welcome to the Q2 and H1 FY27 earnings conference call of Anand Rathi Wealth Ltd. As a reminder, all participant lines 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 the operator by pressing star and then zero on your touchtone phone. I now hand the conference over to Mr. Firoze Aziz, Joint CEO of Anand Rathi Wealth Ltd. Thank you, and over to you, Mr. Firoze.

Firoze Aziz – Joint CEO: Thank you so much. Good afternoon, and thank you, everyone, for joining the earnings conference call for the quarter and half year ended September 30, 2026. Today, on this call, we have with us the CFO, Mr. Rajesh Sarboothra, and our Head of Relationship Investor Relations, Mr. Vishal Sangwi. Jugal Sir Mantri is on holiday in Europe, so we do not have him on the call today. This is the first quarterly call I am doing without him, so I miss him on this call.

I am very pleased to share that we have delivered another quarter of consistent and, fortunately, market-agnostic performance despite the challenging environment. This is our 20th quarterly result since we got listed in December 2021, and in every quarter since listing, with God's grace, PAT growth year-on-year has been greater than 20%.

Excluding the impact of non-business-related items, fair value gains, ESOP expenses, and related tax effects, after-tax PAT for the first half of FY27 grew by about 23% year-on-year to 238 crores, while revenue increased 17% year-on-year to 693 crores. Similarly, for Q2 FY27, we reported consolidated net profit of 122 crores, registering year-on-year growth of 22%. Total revenue during this period rose by about 16% to 357 crores.

In the first half of FY27, the company delivered 49% of the full-year revenue guidance, which stands at 1,415 crores. That is 49% of the revenue guidance. We have achieved 52% of the PAT guidance, with 48% remaining of the 460 crores guided.

Continuing our policy of rewarding shareholders, the Board of Directors has declared an interim dividend of 7 rupees per share, after the bonus, on the 16-odd crores shares that are outstanding. In the first 6 months, we achieved 52% of the PAT guidance of 460 crores. I think that has already been mentioned.

We achieved the highest net flow ever in the history of Anand Rathi Wealth over the last 20 years in the quarter that has just ended. We collected new money of 4,186 crores, which is up 39% from the corresponding number for the quarter ending September in FY26. That is 4,186 crores of net mobilization or new money. Thanks to our clients' trust, when clients realized that their portfolios could hold up during bad times, they shared more money with us.

Second, we recorded our highest-ever quarterly equity mutual fund net flow. Again, in the last 20 years, we had not been able to achieve this, and with your support and our clients' support, we achieved 2,867 crores, up 39%. It is easy to say, "Buy equities low and sell high," and clients have pragmatically bought more equity, which shows up in IRRs over long periods of time. Courage translates into IRRs, but not in the short term; it does so over a few years.

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I am very happy to note that, unlike the mutual fund industry, our clients did not deliver the best net mobilizations in the first half of the year. SIPs, of course, have been robust, while lumpsums have been low in that half year. In the last quarter, we had a 39% increase in equity mutual fund purchases.

Third, we recorded our highest-ever monthly client acquisition in September. This will not be apparent in the results because I am speaking about September. With God's grace, when clients see their portfolios doing relatively better—not the best, sadly—they start referring their friends who are troubled by what has happened in their portfolios with aggressive strategies.

In our flagship Private Wealth business, during the last 12 months we added 1,500 new client families on a net basis, bringing our total client families to 14,309. Client attrition in terms of AUM lost remains low, at 0.17% for Q2 FY27 and 0.26% for H1 FY27. Of course, these are figures to the second decimal place, but we would ideally want every client family that trusts us with their hard-earned life savings to be satisfied.

Regretted RM attrition continued to remain low. Two RMs whom we mathematically considered regretted attrition, of which one I might not want to classify mathematically—I cannot call that person a non-regret—I would say we had one regretted attrition in H1 FY27.

The Digital Wealth business, which is a B2B2C business, registered AUM growth of 14% year-on-year and reached 2,531 crores. The number of clients increased 15% to 7,584.

The OFA business, or Omni Financial Advisor business, which is a SaaS platform, has close to 6,898 subscribers, with platform assets of about 1.66 crores at the end of September 2026. It has to be remembered that these are just the platform assets that we report.

Also, last quarter we started operations in London, UK, and we have received the requisite regulatory approvals to commence operations in GIFT City, India. That is where I will stop and hand the microphone back to the moderator.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on the touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Praresh Jain from Motilal Oswal Financial Services Limited. Please go ahead.

Praresh Jain – Motilal Oswal Financial Services Limited: Hi. Good afternoon, everyone. I have a few questions. Firstly, a broader one. If I have to think about your top 100 customers, roughly, in your estimate, what would be the wallet share that Anand Rathi Wealth would have for them?

Firoze Aziz – Joint CEO: Firstly, my top 100 clients—I do not have to think about them because I think about them 24/7 and analyze them extensively. Coming back to that, this is where we have the Platinum segment. More than 1.5% of our clients fall into the Platinum segment.

What is the wallet share? It is very dispersed. Basically, we have this principle of home-growing our colleagues and home-growing our clients. We do not knock on the doors of people who have just

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had a business sale of 200 crores.

I would say that, for our Platinum clients, I can confidently say that 50–60% of the wallet would be with us. If I look at the trend for the same clients, which is what I think is important, it would be an upward trend for 95% of the families. For the top 100, I would say 60–70%, and there would be several with 100% of their wallet with us.

Praresh Jain – Motilal Oswal Financial Services Limited: Understood. But when you say the numerator, is the denominator the mutual fund net worth, or are you referring to the total net worth?

Firoze Aziz – Joint CEO: Wealth has only one definition. Unfortunately, the market defines it in different ways, but I am speaking about wealth. Wealth includes all assets, including physical assets that they do not live in. It is not just mutual funds and stocks. I count everything as wealth. Wealth is everything that one human being has which he does not consume or aspires to consume.

Praresh Jain – Motilal Oswal Financial Services Limited: Understood. The second question is more financial in nature. Including the ESOP costs, we have seen a very sharp increase in employee costs since we issued ESOPs in the fourth quarter. How should we view and model this for next year? We understand that ESOP expenses are highest in the first year and then follow a declining trajectory. Should we assume that the overall ESOP cost will decline next year and that overall employee costs will see much lower growth next year?

Firoze Aziz – Joint CEO: Yes, sir. Non-cash expenses, which is where ESOPs fall, include mark-to-market and other non-cash expenses. The difference between your profit before tax, which is 122 crores, and this 90 crores will reduce. To answer your question, will the ESOP cost reduce? Yes, dramatically.

Praresh Jain – Motilal Oswal Financial Services Limited: Understood. My final question is on the MLD business. Is there anything that worries you about this business? It has been growing well for us, with no doubt on that front, but is there any part of that business that worries you in any sense?

Firoze Aziz – Joint CEO: Praresh sir, whatever worries us, we start working on it long before it becomes an actual wolf knocking on our door. I said the same thing 4 years ago: it does not worry me because all the variables that were risks for me were identified much earlier.

Does it worry me? No. Does it require professional management to ensure that it does not become worrisome? The answer is yes. Is it scalable? The answer is a big yes.

Of course, people would still take that with a pinch of salt because they do not trust professionals who bring about changes in people. I do not know why, but I will speak plainly. No, it does not worry me, although I know most people would not believe that statement. They did not believe it 4 years ago, and they do not believe it today.

Praresh Jain – Motilal Oswal Financial Services Limited: So even in this falling market, would you have delivered a very healthy IRR on these products?

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Firoze Aziz – Joint CEO: Yes, sir, we would have. Some of them did not deliver the maximum IRR in the last quarter. Otherwise, we had 1,190 consecutive products from December 2020 until as late as May–June this year. That was the longest streak of wins that any product in the history of Anand Rathi Wealth, or in the history of India, would have had while delivering the expected returns.

That streak broke this year, and some products did not deliver the full 14–15%, but delivered 6–7%. None of them, in the history of Anand Rathi Wealth's issuances since December 2012, has ever lost money at maturity.

Praresh Jain – Motilal Oswal Financial Services Limited: Do you think this slowdown in growth will now be a challenge for the MLD business in the near term? Especially from a near-term perspective, do you see that as a risk for your future flows?

Firoze Aziz – Joint CEO: I can answer that in 2 ways. If I do not see growth of 20–25% over these 2 quarters, for example, if that is what you mean by the near term, I would have revised my guidance downward.

One thing you can expect from us as professionals is courage. We make mistakes, but we have generally been taught to own them. If I were worried, I would change the guidance. We are looking at a market share of 20–25%. Market share does not determine growth; market potential does. The total market is 1.66 lakh crores, and our current issuance is 3,000 crores. Even if the market drops to 50,000 crores, we still have a long way to go.

Management {? Feroze Azeez ?}: The guidance was also brought about by both my bosses, Mr. Rakesh Rawal and Rakhi ji, who told me to speak plainly and tell them. So, in the near term, am I worried about achieving 20–25% PAT growth? The answer is no. If there were even the slightest probability of that, I would have revised my PAT guidance downward from 460 crores. You can expect this from us in the future as well.

Now, coming to structured products, do such small cycles or larger cycles impact the structured product business in the long term? The answer is no. Why? Unlike other wealth management products, a structured product is highly agile.

Let us assume the following situation. I was speaking to a journalist a couple of days ago, and I said that the Nifty has stopped representing the broader Indian market because there is a lot of short build-up by FIIs in Nifty stocks, since some regulatory changes have opened up a degree of short-selling possibilities there.

If, tomorrow, the Nifty is not a great barometer for me to issue a structured product, can I do it on the Nifty, the broader Nifty, or the NSE 500 if futures were listed on it? There is a great deal of agility, which is the point I am making.

If a 30% target for 5 years is too much to ask for in the contemporary situation, can I make a product with 15%? The answer is yes.

Coming back to the long term, the agility of a structured product, which can embed any long-term derivative, makes it so flexible that, if interest rates are very high, I will start selling calls instead of buying puts. Basically, if volatility is low, the design changes. If volatility is high, you will make a

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low-vega product. If your rhos are high, then you will make a low-delta product.

This may sound like Greek and Latin, which it literally is; these are Greek alphabets. That is the agility a structured product has to become contemporary. A long-only mutual fund, unlike a structured product, has to remain long-only. The extent of the long position is also not calibratable in Category II equity mutual funds, for example. PMSs can, of course, be calibrated.

In a structured product, if my bullishness is low, I will take a lower target for the Nifty. That is the long-term indication. In the short term, do I worry about demand? No. I worry about when I will get my trains to 50%, for which I have given guidance.

Praresh Jain – Motilal Oswal Financial Services Limited: Thank you, that is helpful. If I have more questions, I will come back in the queue. Thank you.

Management {? Feroze Azeez ?}: Thank you, sir.

Operator: Thank you. The next question is from the line of Shrenik Mehta from IntoAlps. Please go ahead.

Shrenik Mehta – IntoAlps: Hi. First, congratulations on the great and very consistent set of numbers. You have HNI clients with 50 crores and above, and these are a large part of your overall revenue. I wanted to understand whether the yields you earn from this segment are similar to the yields from the 5–50 crore segment.

Management {? Feroze Azeez ?}: Absolutely. If they are not the same, they are marginally better. I have not checked, but we do not give any discount on fees. Economies of scale only increase the value-added services; they do not reduce the fee.

I can proudly say that we may be one of the few wealth management organizations that has never taken a direct cheque from a client, irrespective of whether the person offered us thousands of crores. So the answer is no. As you go up the pyramid in terms of my clients, that is why we home-grow them. Most of my largest clients have been with us for 15 years, and they would have started with 2 crores.

Shrenik Mehta – IntoAlps: Wonderful. Thank you so much.

Management {? Feroze Azeez ?}: Thank you, Mehta sir.

Operator: Thank you. The next question is from the line of Sukritde Patil from Isai Frontrade Private Limited. Please go ahead.

Sukritde Patil – Isai Frontrade Private Limited: Good afternoon to the team. I have 2 questions. My first question is about the forward guidance beyond the regular outlook. What are the top 2–3 execution priorities you are focusing on over the next few quarters to drive client acquisition, wallet share expansion, and AUM growth?

Alongside that, what do you see as the key risks from market volatility, constantly changing investor sentiment, or increasing competition? How are you preparing to manage those risks while strengthening the company's overall market share? That is my first question. I will ask my second

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question afterward. Thank you.

Management {? Feroze Azeez ?}: This is a question on practically everything I do, so I could go on and on. On a lighter note, I was saying that, but on a serious note, when you look at our principle, our foundation on which we build our business is not to do new things every quarter or every year. It is to do the same old thing in a better fashion, again and again.

What do I do for client acquisition? I conduct events for my clients, colleagues, and societies. These are very low-cost events. I go to their locations and gather 15 people. I have done 130 events. I do not know; ask Tejas.

I have an events department that does not conduct only those fancy events. It does conduct them, of course, but those are not the premise of my acquisition. If my client loves me, I will say, "Sir, please hold an event in your society." Then he will speak there. I may have to spend 20,000 rupees, and they actually refer clients to us there if they think I have added enough value to their lives.

If I have 14,000 families, 7,000 of my families have completed 3 to 3.5 years with us. There are perhaps 2,500 families that have completed 10 years—maybe 2,000—odd; do not hold me to that number. Those are the people who actually give me events. That is one way of acquiring clients.

Today, website leads have become a reasonable source. People reach out to us because of some awareness of our services. Over the next 3–4 years, I see cold calling as something we do not like doing because, as human beings, we do not like receiving random phone calls on a Sunday afternoon. We want to avoid that in the future.

References have always accounted for 50–70% of our clientele. We want to retain that and add website leads. People either have to approach us or be referred. That is the destination model in 3 years.

We conducted 165 events in this financial year. Vishal sir has worked it out in the meantime: we have done 165 events. These are small events, not events where you try to brand yourself as a larger organization and spend crores. That is not what we are trying to do.

That is the acquisition side. Regarding wallet penetration, we deliver Jensen's Alpha. Most people do not deliver Jensen's Alpha. If you deliver Jensen's Alpha to somebody, that will give you the wallet. In India, Jensen's Alpha is often mistaken for Alpha.

We operate on the assumption that my client is smart. That is why he is an HNI; he is among the 1% or slightly less than 1% of India. Do I have to convince him to give me money, or do I have to deliver value to earn his money? If you think logically, I do not have to convince him; I just have to deliver.

I need to deliver relative performance, not absolute returns, because absolute returns are not in my control. Mr. Trump is sitting there, right? Relative performance is within my influence, although not even fully within my control.

For example, when you select a mutual fund from 927 funds, you try to ensure that you beat the Nifty or the NSE 500 by 2–3% after earning my 1%. Then the client knows that the portfolio is accumulating small buffers.

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Our model portfolio on the equity mutual fund side, audited from June 1, 2013, has delivered 198% Alpha over the Nifty and about 100% Alpha over the NSE 500 across 13 years. Even if the market fell by 50%, the client would still have beaten the Nifty over those 13 years. That is what I am saying.

So how do you penetrate into someone's wallet? By managing finances like a treasury, not like a wealth manager.

Sukritde Patil – Isai Frontrade Private Limited: Great, thank you. May I ask my second question?

Management {? Feroze Azeez ?}: Yes, absolutely.

Sukritde Patil – Isai Frontrade Private Limited: My second question is to Mr. Bhutra. From an operational and financial management point of view, what are the key risks you are monitoring around cost structures, technology investments, and regulatory compliance for business scalability? What measures have been taken to ensure that cash continues to flow and margins are maintained at stable levels?

Management {? Feroze Azeez ?}: Rajesh Bhutra has to remain Rajesh Bhutra, and all of this will happen because Rajesh Bhutra has completed 25 years in this company. Rajesh sir, are you there? Please tell us 1 or 2 things, and then I will add my comments.

Rajesh Bhutra: Yes, sir. Hello, good afternoon, everyone.

Management {? Feroze Azeez ?}: Yes, sir. They are asking whether margins will be maintained.

Rajesh Bhutra: No, no. We have maintained all the margins. There are no treasury-related risks in our case. And—

Management {? Feroze Azeez ?}: Okay, thank you, Rajesh ji. Were you saying something? Yes, please go ahead, Rajesh sir.

Rajesh Bhutra: No, on the technology side, we have a strong technology team as well as strong systems. So there is no issue on the technology side for our business.

Management {? Feroze Azeez ?}: Thank you, Rajesh ji. To add to what Rajesh sir said, firstly, in terms of how we look at costs, we do not want operating leverage to lead to operational complacency. We want to reinvest in our business.

My target is 40%. I have to have my PBT above 40%, and I have to have my PAT above 30%. This is what my boss has told me, so we try to treat it as an unbreakable rule. How do we look at costs? We do not become flamboyant when things are good, and so on.

First, will our technology become more efficient? Will our costs increase? I do not think they will increase. Second, are we building our technology on a very different path from the industry? The answer is yes.

For example, we hired 4 IITians who are designing algorithms for my research activities. I am referring to the kind of work that takes place in a treasury, even more so. We will spend some money on technology, but whenever our PAT or PBT increases beyond a certain level, we would

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want to reinvest in strengthening many verticals.

That is what Rakesh sir says: in good times, when your PBT is going to increase beyond what you expected, 43%, 44%, or 45% is acceptable; it is of the same order of magnitude as 40%. If it becomes 48%, I do not want to impress shareholders by saying that I have operating efficiencies. I would bring it back down by investing in things that I believe would keep my business operating and consistently running 20 years from now.

Sukritde Patil – Isai Frontrade Private Limited: Thank you, sir. That was a little more narrow than my question—I'm sorry. It pretty much answers my question. Thank you, and best wishes.

Management {? Feroze Azeez ?}: Thank you, sir.

Operator: Thank you. The next question is from the line of Mohit Jain from Tara Capital Partners. Please go ahead.

Mohit Jain – Tara Capital Partners: [inaudible]

Operator: I am sorry to interrupt you, Mr. Jain. We are unable to hear you. Your voice is breaking. Can you please check?

Mohit Jain – Tara Capital Partners: [inaudible]

Operator: No, sir, we are unable to hear you.

Mohit Jain – Tara Capital Partners: Is it better?

Operator: Mr. Jain, we are unable to hear you. We request you to kindly check your connection and join the queue again. In the meantime, we will move to the next question, which is from the line of Milind Kulkarni from MLDL. Please go ahead.

Milind Kulkarni – MLDL: Good afternoon. How much were the non-cash charges in the quarter?

Management {? Feroze Azeez ?}: Sir, are you referring to non-cash charges and mark-to-market?

Milind Kulkarni – MLDL: Yes.

Management {? Feroze Azeez ?}: How much were the non-cash charges? I think 40 crores.

Rajesh Bhutra: Non-cash charges, Feroze ji, were 46 crores.

Management {? Feroze Azeez ?}: 46.

Milind Kulkarni – MLDL: 46. What was the figure in the corresponding quarter of last year?

Management {? Feroze Azeez ?}: Zero, sir.

Milind Kulkarni – MLDL: Last year—

Management {? Feroze Azeez ?}: Last year was zero.

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Milind Kulkarni – MLDL: The same quarter last year was zero.

Management {? Feroze Azeez ?}: Yes, sir.

Milind Kulkarni – MLDL: Okay. Thank you.

Management {? Feroze Azeez ?}: Thank you for the question, Milind sir.

Operator: Thank you. The next question is from the line of Nikhil Agarwal from Choice International. Please go ahead.

Nikhil Agarwal – Choice International: In July 2024, your subsidiary, Anand Rathi Wealth FZMC, received in-principle approval from FSRA. Could you please provide some insight into the revenue opportunity you are targeting through that?

Management {? Feroze Azeez ?}: If I understand correctly, you are referring to GIFT City, where we have received an approval, and asking what kind of revenues or revenue opportunity we expect. Is that correct, sir?

We are a very India-centric organization, so we will use that license, as well as its nature, to bring money to India. When we bring money to India, we will try to deliver our Indian resident proposition to an NRI.

Today, in our Indian resident proposition, we have mutual funds that we select mathematically, and then we design structured products. We would try to deliver the same proposition to an NRI in a more tax-efficient manner. That is the expectation.

As for the revenue that may be possible, I do not want to count my eggs today. But do I see very exciting times ahead if I can bring global capital into an already validated proposition? The answer is yes.

Will I do anything different? No. Will I do what I have done on a different platform for a larger universe and a larger canvas? Yes.

For example, if there is someone in London who wants to invest in India, I would use this platform to offer him my India proposition, which has had credibility for 13–14 years.

Nikhil Agarwal – Choice International: Are there any schemes planned for this year in that regard?

Management {? Feroze Azeez ?}: Yes. There are many advantages there. If you are asking whether I should plan revenue from this, you should use my 20–25% PAT growth or revenue guidance for this year as the reference. I have not provisioned anything for it. We have not provisioned anything.

We would like to see the proof of concept—what our clients initially object to—and then modify it. We conduct a great deal of trial and error before becoming confident enough to include anything in our revenue targets.

Nikhil Agarwal – Choice International: Understood. Thank you.

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Operator: Thank you. The next question is from the line of Sunil Shah from SRE PMS. Please go ahead.

Sunil Shah – SRE PMS: Hello, Firoz and everyone on the team. It is always wonderful to speak with you. My point was about GIFT City, and I think we have received some clarity there. Will this involve inward remittances or inward investments? Are we looking at doing something outside India and replicating our model to take money out of India through GIFT City as well, or will it be inward only, at least to start with? That is my first point.

Feroz: Yes, Sunil sir. Would you like me to answer the first question first?

Sunil Shah – SRE PMS: Yes, I suppose so.

Feroz: Since you paused, I assumed that was implied. In the short term and in the long term, our current thought process is to look only at inward flows.

India itself currently requires a great deal of research, and I can give you example after example of the kind of research that is changing our understanding of Indian capital markets. We were conducting a study on 213 derivative stocks, and there is still so much to understand. I feel embarrassed that I have worked in this market as a professional for 22 years and still have not understood some facets of the hypothesis I tested.

Coming back to the point, without beating around the bush, it will be inward, and even in the long term it will be inward. We want to miss some opportunities in order to maintain focus. Focus is underrated and opportunities are overrated—that is our belief.

An opportunity is available, but it comes at the cost of focus. We want to master India as much as possible, and I think we have only scratched the surface. If I told you about some of the hypotheses I have tested, which I am surely going to discuss in the media, it would surprise us to see how much more research India allows us to conduct.

So, yes, sir, it will be inward for now and inward in the long term as well.

Sunil Shah – SRE PMS: Great. I am very happy to know that. My second point is about the mutual fund license application. Have we done anything on those lines? Some media reports mentioned that we have applied for a mutual fund license. If so, what are the thoughts around that?

Feroz: Rajesh sir, how much preparation has been completed? Rajesh sir is preparing for it. Sunil sir—

Rajesh: Feroz bhai, we will submit the mutual fund license application by the end of this month. We are already prepared, or nearly prepared. We should be able to file it by around October 20.

Feroz: Okay. It is expected to be filed by the end of this month. Sunil sir, that is Rajesh ji's confidence. If Rajesh ji says that something will happen, no follow-up is required.

I am unaware of the details, but he is as prepared as one can be for filing by the end of this month. Whenever Rajesh ji speaks, I feel very happy and excited because he is one person who has been in this company longer than half of my product team has been alive.

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It gives me a great deal of pride because finance requires the maximum attention so that you do not inadvertently slip anywhere. Thank you, Rajesh ji, for using this platform to acknowledge his contribution in bringing us this far and taking us further.

Sunil Shah – SRE PMS: If I may ask a more detailed question, we like the company because we are very focused on what we do. We take care of client wealth and invest in mutual funds. Managing money and the distribution aspect are significantly different.

A mutual fund would require more of an investment mindset, and so on. I wanted to understand this aspect and whether it can be shared on this platform.

Feroz: It can definitely be shared, sir. Transparency is the least my shareholder can expect, especially Sunil sir, who has added value to us through every query over all 19–20 quarters.

Will we digress? The answer is no. Having an additional platform does not imply digression. What you do with the platform determines whether you have digressed.

If I used GIFT City to invest in Korea, that would imply digression. Whatever we do on the mutual fund platform, if someone else can do it better, we are not an egoistic platform that will try to do it ourselves. We will do something that is not me-too in any way.

If something can be delegated, it has to be delegated. That is our principle. Why do I need to build a long-only capability when I have the best people in the country? What we build will unfold for people to see, but it will certainly not be me-too.

Sunil Shah – SRE PMS: Fine. I look forward to that interesting opportunity as we move forward.

Feroz: Yes, and I do not want to reveal too much. I also do not want to reveal too much because I do not want any shareholder to extrapolate anything before the eggs are hatched. They say, “Do not count your chickens before they hatch.” That is why I am not expressing too much.

However, I am very happy and excited that the group has decided to establish an AMC within this company. My shareholders will get to participate in the IPO built here, which can also be executed on a mutual fund platform. I do not know whether I have articulated that well enough.

I was very excited to have this as a wholly owned subsidiary of ARWL, which is 60%, with 50–50% free float or even more.

Sunil Shah – SRE PMS: Thank you for this. All the best, and I look forward to many more quarters of growth from the company. Thanks, and all the best to each and every one.

Feroz: We will continue working for long-standing shareholders like yourself.

Operator: Thank you. The next question is from the line of Arun Gopal from {? Raytri ?}. Please go ahead.

Arun Gopal – {? Raytri ?}: Good evening, and congratulations to you and your team for consistently performing even in testing times. My question is about AUM. I hope I am clear.

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Feroz: Yes, Arun sir, I can hear you very clearly.

Arun Gopal – {? Raytri ?}: Our assets have crossed approximately {? 1.08 lakh crores ?}, which is a good milestone and represents 18% growth year-on-year. Could you break down how much of this growth was driven by new-money inflows versus mark-to-market gains from the equity market? What is the target for net inflows if market volatility increases in the coming quarter or half year?

Feroz: Arun sir, greetings. We have a target of 1.2 lakh crores for the year in terms of AUM. We have a target of generating net flows of 6,000–8,000 crores, with God's grace, for the remaining part of the year.

Mark-to-market has not contributed much so far in the last quarter. Since our mutual funds delivered outstanding excess returns, they helped us retain 2,000 crores more than the previous quarter-end figure, despite it being one of the worst quarters for the Nifty.

How much did the Nifty fall, sir? The Nifty fell by approximately 7–8% last quarter. One second, Vishal sir is checking. Despite that, we brought in 4,000 crores.

Ideally, if there had been zero mark-to-market impact, we should have been at 1,10,000 crores. Therefore, there was a 2,000 crore mark-to-market loss this quarter.

The Nifty is down 5,000, or 5%. Our total overall assets would have fallen by approximately 1.5–2%. Will we reach 1,20,000 crores? I do not know. But will we achieve net flows of 3,000–4,000 crores over the next 2 quarters? We will try our best.

If we achieve some 2–3% mark-to-market gain, our AUM guidance will be affected. AUM is our most volatile guidance because it depends on Mr. Trump and many other external variables. It is the most volatile measure, unlike revenue and other guidance, because AUM is captured on a single day—September 30 and March 31.

We have set a target, and we are pursuing it. Does that answer your question, Arun sir?

Arun Gopal – {? Raytri ?}: Yes, it does. Thank you very much.

Feroz: Thank you, sir, for your question.

Operator: Thank you. The next question is from the line of Ravi Shankar, an individual investor. Please go ahead.

Ravi Shankar: My question on ESOPs was already asked and answered by Feroz sir.

Operator: Thank you. The next question is from the line of Sunil from Diamond Asia. Please go ahead.

Sunil – Diamond Asia: Good afternoon, sir. Thank you for the opportunity. I have 2 questions.

First, among the net flows, what would be the broad breakdown between existing clients and new clients, if you could share it?

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Second, how do you look at the business from a strategic perspective over the next 3–4 years? What are the key areas on which you would like to focus? Would you like to go deeper into the wallet share of existing clients, expand geographically, or develop new products? How do you look at the business systematically?

Feroz: I can tell you this intuitively. Vishal ji will provide the precise number. How do we look at it? We do not push clients to start with a large amount.

Generally, 60–70% of our net sales comes from existing clients. Unlike other private wealth companies that say, “Start with 5 crores,” we say, “Start with 1 crore as long as you have 10 crores somewhere. I will prove my merit over a period of time.”

Of course, in bad times, it becomes difficult to prove our merit to initial or new clients. I am answering conceptually first, rather than mathematically, and I will come to the mathematics.

As a wealth management organization, my boss has always told me to be secure in my own position. Do not push clients to start big. Start the relationship slowly, keep expectations low, and build people's confidence in us.

If I acquired 200 clients last month or more than that, I would tell people to start with 1 crore or 2 crores; there would be no problem. If I received 1,000 crores in that month, hypothetically, I would receive 75% from existing clients, while the new clients would contribute approximately 250 crores, with each contributing about 1 crore or 1.5 crores.

We generally try to validate whether each client has the money to give us. If a person has 10 crores to give us, I will start with 1 crore. If I deserve it, the client will give me more. That is the hypothesis.

Coming to the exact number for the last quarter, 62% was from existing clients and 38% was from new clients, sir.

Sunil – Diamond Asia: Thank you, sir. That is very helpful. Secondly, if we look at the business from a strategic perspective over the next 3–4 years, what are the key areas on which you would like to focus? Would you like to go deeper into the wallet share of existing clients, expand geographically, or develop new products? How do you look at the business systematically?

Feroz: I may sound a little philosophical again. We are focused—only focused—primarily. We are obsessed, although “obsessed” can be a strong word. Let me use it: we are obsessed with client outcomes. Everything else follows.

We are looking at how we can deliver 5–6% Jensen's Alpha to clients. That is the sole-minded focus of our 182 research people. Our relationship managers also have to implement the advice. That is when concepts translate into money in portfolios.

Our sales fraternity, if you want to call them that—which I do not like to do—or our delivery engine, consisting of account managers and RMs, is approximately 900 people. They are focused on ensuring that paper money becomes actual money.

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You do not have to approach a client and say, "I told you so." That does not help the client. It only makes me feel good by saying, "I said this, sir. You did not do it, but I told you so."

So, regarding what we are focusing on, it would be unfair to go straight to the answer without telling you what we are obsessed about. We are obsessed about client outcomes.

In the current environment, my new clients may not be happy. They may be saying, "You thought it would generate 10–15%, I thought it would generate 10–15%, but I am making 2–3%." That is understandable.

Coming to what we are focusing on, we are focusing on all 4 engines.

The first engine is client performance. If clients earn 12% this year, my revenue next year will increase by 12%.

The second engine is capacity utilization, which I touched upon earlier. Today, we have 431 relationship managers who still have the capacity to handle 8,000 more clients. I am asking my existing clients to refer me to their friends if they believe I will be fair to their friends. That is unutilized capacity. That is the second thing we are focusing on, and clients are generously referring their friends, which is a win-win.

Third, I am focusing on new capacity for the future. That capacity consists of our relationship managers and account managers. We have 500 such people—some from IIMs, some from a CA background, some now from IITs, and some from basic colleges—but they are intelligent, sharp, and genuine human beings.

The next 100 RMs have already been identified and are being trained for promotion over the next 1–1.5 years. However, we have some capacity constraints in terms of how many people we want to take on before we can properly absorb them. That is the third leg of growth.

The fourth and final leg of growth is penetration into clients' wallets. That is my fourth leg of growth. If existing assets benefit from mark-to-market gains, my revenue increases.

Management: Capacity utilization, capacity creation, and lastly, penetration. We may have more than 1 lakh crore with the same set of 14,000 families who are evaluating us at different stages of their lives. Someone who has evaluated us for 10 years is a full-service advisory client.

These are the 4 things we are focusing on: performance, penetration, capacity building, and capacity utilization.

Sunil – Diamond Asia: This is very helpful, sir. Thank you so much for your time, and all the best for the coming quarter.

Management: Thank you for your thoughtful questions, sir.

Operator: Thank you. The next question is from the line of Jyoti Khatri from Ambit Wealth. Please go ahead.

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Jyoti Khatri – Ambit Wealth: Thank you for taking my question. I have 2 questions. Firstly, could you briefly explain how MLDs work and how the IRR on these products has performed over the years in both bad and good markets?

Secondly, how do you tap the Ultra HNI segment? You mentioned that you conduct events to acquire new clients, but I would like to understand specifically how you tap Ultra HNI clients and how this differs from your peers.

Firoz Aziz: Firstly, how do structured products work? There is a great deal of content available on the secondary market. If you search for “Firoz Aziz explaining structured products,” you will find enough material. However, let me give you a sense of it.

Issuing a structured product requires an NBFC that is not very flamboyant with its NIMs. It has to keep the money safe. That is the first condition.

Most NBFCs that issue structured products do not want to keep 50% of their funds in investments. Generally, an NBFC issuing structured products, which require some derivative hedging, has to keep 50–60% of its money in a demat account. That is the first step: keeping the money safe.

Markets are markets. You need to have sufficient margin to hedge correctly according to the Black–Scholes pricing model. Then you embed long-term derivatives depending on your views on Delta, Gamma, Vega, Theta, and Rho. That is the second step.

Third, you have to back-test and obtain outcomes such that your forward test using a Monte Carlo simulator should always exceed your back-test results.

Most of the products that we have designed and launched over the last 14 years would have shown a 90% probability of success, but the actual outcome has been 94–95%. That is where the Monte Carlo simulator needs to show that future probabilities are greater than past probabilities.

On the basis of that entire process, you design 2 things and continue doing the same 2 things 2,000 times. We do the same product. The product I launched in 2012—

Operator: I am sorry to interrupt. Ms. Jyoti, may I request you to please mute yourself while management is answering? There is a disturbance from your line. Thank you very much. Sir, you may please continue.

Firoz Aziz: Yes. How has the output been? When we designed it, the Monte Carlo simulator indicated 94%, and it delivered 94% of the maximum outcomes.

Back-tests cover very short periods. We do not design {? path dependent ?} products; we design only end-dependent products.

All the lessons I learned at Religare and Macquarie when I started issuing products in 2006, including all the mistakes I made, became a restriction against repeating those mistakes here. We continue to do the same product.

Clients ask us to design customized structured products. We tell them, “You do not understand embedded derivatives or first-order option Greeks, so you will not customize the product. If you

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want to buy what I put on the table, buy it. For you to customize it, you would have to run so many models.”

Unlike most wealth management organizations that are willing to design anything for anyone, we do not customize structured products. If someone wants customization, that person needs to understand option Greeks very deeply. Third-order Greeks also have to be understood.

So what do we do in structured products? We embed derivatives that have a higher probability, though not certainty, of success. That is why approximately 1,900 structured products that have matured have not lost money, even though some of them matured during COVID. That is one aspect.

Second, how do we acquire Ultra HNIs? We do not acquire Ultra HNIs; we build Ultra HNIs. That is the key difference.

Today, newspapers can tell you who sold the largest property, who sold the largest business to a private equity investor, and who conducted an IPO. That information is available.

Most wealth management organizations go to those people and say, “I will do it at a low cost; come to me.” We say that we do not operate at a low cost. If I do not deserve my 1%, I do not want to be at that table. I will try to add value to you and earn my 1%.

We do not approach Ultra HNIs directly unless they are friends of our clients. We take a client with 5 crores, 7 crores, or 10 crores and build that client to hundreds of crores. I hope that answers your question.

Jyoti Khatri – Ambit Wealth: Yes, sir. Thank you.

Firoz Aziz: Thank you, Madam Jyoti.

Operator: Thank you. The next question is from the line of Aneesh Pawar from Ventura Securities. Please go ahead.

Aneesh Pawar – Ventura Securities: Good afternoon, sir. Congratulations on the good set of numbers. What were the primary and secondary issuances of MLDs during this quarter?

Firoz Aziz: Vishal sir will provide that information.

Vishal Sanghavi – Investor Relations Head: Primary issuance for the quarter was approximately 2,000 crores—2,073 crores in total. Secondary issuance for the quarter was approximately 750 crores. So, 750 crores in secondary issuance and approximately 2,000 crores in primary issuance.

Aneesh Pawar – Ventura Securities: Okay, thank you so much, sir.

Firoz Aziz: Thank you.

Operator: Thank you. The next question is from the line of Anush Kashyap from A3 Capital. Please go ahead.

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Anush Kashyap – A3 Capital: Hello. Am I audible?

Firoz Aziz: Yes, sir.

Anush Kashyap – A3 Capital: There was a news article that SEBI is preparing to allow portfolio managers to also provide investment advisory services. What is your view on this?

Firoz Aziz: I had spoken about this subject some time ago. Most people who surrendered their advisory licenses were using a PMS license to run mutual fund portfolios.

SEBI has essentially regularized this by creating a PMS structure through which mutual funds can be purchased. I do not think that a PMS platform is as necessary for mutual funds, because mutual funds are not transacted every day. Stocks are transacted every day.

I do not understand why a PMS should become easier merely to charge a fee. If you are a registered investment advisor and take a cheque from a bank account, it is not very easy.

I believe registered investment advisors will find this very useful because if you put mutual funds on a platform and charge clients in terms of units through a power of attorney, it becomes less emotionally difficult for an Indian to pay a fee, especially during bad markets.

Does this have significant merit for registered investment advisors moving into a mutual fund PMS platform? The answer is yes. I do not see why a client, especially in the HNI segment, needs to delegate a discretionary mandate for something that he transacts only twice a year.

Anush Kashyap – A3 Capital: I was asking whether it would be competitive. It would not be competitive for us, correct?

Firoz Aziz: No, sir, not at all.

Anush Kashyap – A3 Capital: Thank you, sir. Best of luck for the future.

Firoz Aziz: Thank you, sir.

Operator: Thank you. The next question is from the line of Saurabh Jagirdar, an individual investor. Please go ahead.

Saurabh Jagirdar: Hello, sir. Good afternoon.

Firoz Aziz: Good afternoon, sir.

Saurabh Jagirdar: Congratulations on your numbers and also on the approval for GIFT City operations. When do you think this will become operational, and initially, how many funds are you planning to launch?

Firoz Aziz: Vishal sir. Two funds, and within the next 2–3 months, or by the next quarter at the latest. I think we would be able to give you good news in the January results—meaning the December results.

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Vishal Sanghavi – Investor Relations Head: Yes, sir, within a couple of months. It is not too far away. We are planning 2 funds.

Saurabh Jagirdar: Thank you, sir. That was very helpful.

Firoz Aziz: Thank you, sir.

Operator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Firoz for his closing comments.

Firoz Aziz: Thank you, Madam. I would like to thank everyone for being part of this call. We hope we have tried to answer your questions. If you need any further information, please feel free to reach out to Mr. Vishal Sanghavi, our valued Head of Investor Relations, and Rajesh Subutra, our valued CFO.

I would also like to wish everyone a very happy Diwali in advance, as we will speak after Diwali. I hope the festive season brings joy and prosperity to everyone. Thank you for spending time with us on a Monday evening. Have a wonderful week.

Operator: Thank you. Ladies and gentlemen, on behalf of Anand Rathi Wealth Ltd., that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.

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.