



“Geojit Financial Services Limited Q4 FY’24
Earnings Conference Call”

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MANAGEMENT: MR. C. J. GEORGE – MD AND CEO
MR. SATISH MENON – EXECUTIVE DIRECTOR
MR. A BALAKRISHNAN – EXECUTIVE DIRECTOR
MR. JONES GEORGE – EXECUTIVE DIRECTOR
MS. MINI NAIR – CFO
MR. LIJU JOHNSON – COMPANY SECRETARY

Moderator: Ladies and gentlemen, good day and welcome to the Geojit Financial Service Q4 FY24 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the Conference Call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

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

Satish Menon: Thank you, operator. Good morning to all those people who have joined.

Along with me, I have Mr. C. J. George – Managing Director & CEO, Mr. A. Balakrishnan and Jones George – Executive Director, Mini Nair – CFO of the Company, and Liju Johnson – Company Secretary on the Call. Again, a warm welcome for you to joining this yearly call of Geojit 23 - 24.

Let me start by giving the synopsis of the “Financials” declared day before yesterday and then we can open for Q&A.

In terms of the income for Q4FY24:

We have done Rs. 208.56 crores, which is 79% growth over the same period last year and for the full year, the income was at Rs. 623.97 crores, which is 39% growth from FY23.

If you look at the split of income:

Brokerage, that is equity and equity related, we have done Rs. 117.67 crores in Q4, which is an 89% growth over the same period last year. And for the full year, it is Rs. 375.42 crores, which is a 33% growth from FY23.

Financial Products income, the 4th Quarter is normally the best quarter for this division. In the 4th Quarter, we did Rs. 64.06 crores, which is 94% higher than the previous year and for the full year it stands at Rs. 151.64 crores, which is a 54% growth compared to FY23.

In Mutual Fund, over the year Mutual Fund income has grown 17% to Rs. 83.43 crores and Insurance has grown 176% compared to the previous year Rs. 66.16 crores.

Software income remains subdued. For the full year we have declared Rs. 8.82 crores, which is down by 16% compared to FY23. Other operational income for the year stands at Rs. 78.25 crores, which is a 64% increase from FY23.

In terms of Expenses:

Total expense for the quarter was Rs. 142.18 crores, which is a 62% increase from the same quarter previous year and for the full year, Rs. 432 crores, which is a 31% increase from FY23.

Split up Expenses:

Employee cost Rs. 220.78 crores for the full year, 38% increase from FY23.

Fees and Commission expenses directly related to the business Rs. 86.39 crores, a 41% increase. Others Rs. 96 crores, which is a 23% increase.

That is as far as the figures are concerned.

As envisaged some years before, we have reduced the dependence on the Brokerage business. The brokerage income is 45% of the total revenue compared to 58% in FY20.

Another highlight was the distribution income crossed Rs. 150 crores, stands at Rs. 152 crores now. Mutual fund AUM of Rs. 12,200 crores end of March 24 and PMS AUM of Rs. 914 crores.

I hope all of you have gone through the “Shareholders Presentation” which we have uploaded. If there are questions, we are now ready to take them. Operator over to you for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Darshil Pandya from Finterest Capital. Please go ahead.

Darshil Pandya: Sir. Two things I want to ask you. One is on the Press Release that the Company has mentioned, the Board has approved an investment of up to USD1 million to form an entity in Dubai. Just wanted some clarity on this, what are the plans going ahead?

C. J. George: Satish, I will take this question. I am C. J. George here. You know for the last close to 25 years, we have been working in the local market in UAE for the retail customers and that Company is doing well, DIFC is a platform where high net worth and ultra-high net worth customers are serviced and that relationship requires significantly different quality of product and perhaps complex structures, etc. So, since we started taking initiatives to grow our Wealth Management business, the integral part of the Wealth Management business is to have a setup in UAE DIFC.

Using that platform, we will be able to service ultra HNIs and HNIs. Today a large number of our own clients in the Middle East are also clients of other entities in DIFC. In order to complete the bouquet of products, we have come to a stage when we have to start this, and we are of the view that this is the right time to go forward and start an operation in DIFC. This is the background.

- Darshil Pandya:** Okay. When you say products, what does that include like AIF or what exactly targeting?
- C. J. George:** This will be global products structured notes, bonds, leverage products, all that we are unable to do today in the local domestic market in Dubai, those products will be made available to large number of our own customers as well as new customers whom we could acquire there.
- Darshil Pandya:** Okay. Sir, anything on the software income we are seeing is subdued demand over there. What is the management thinking about it and how we will take it forward?
- C. J. George:** At the moment we do not have an aggressive business plan on the software business, but over a period of next 1 year to 18 months, we will think about growing that business. It is largely servicing in-house operations.
- Moderator:** Thank you. The next question is from the line of Mr. George, an individual investor. Please go ahead.
- George:** I am questioning regarding like previously there were some disclosure regarding the appointment of CEO's for private wealth and PMS. Does the Company intend to significantly expand these portfolio?
- C. J. George:** Satish, what was the question? The question was not really clear.
- Satish Menon:** The question is that we have given press release on appointment of CEOs for private wealth and PMS, what is our outlook?
- C. J. George:** Okay, good question. We have, you know, over a period of time identified the importance of scaling up private wealth business domestically for Indian clients. Large number of our own clients over a period of time have created wealth significantly and outside our client universe also, you know, the rate of growth of wealthy individuals, ultra high net worth individuals in India, as all of us are aware that number is going up. So, it is a market which is to be serviced by our own set of people. So, we have decided that we will go ahead and aggressively place our position in the private wealth business in the country.
- So, that is why we started hiring the team. We started hiring a CEO. We were also not very aggressive in terms of our portfolio management business. We decided that we cannot wait any longer. We wish to go aggressive on that business too. So, these are the two business lines we would like to aggressively pursue going forward. This is in line with, you know, the rate of growth of high-net-worth individuals in India. So, this is a market which we cannot ignore, and our own clients have become high net worth and ultra high net worth over a period of time. So, this is an organic attempt to grow the business. Thank you.

George: Okay. One more question regarding the insurance premium side, could you please provide the total insurance premium collected during the year and what would be the outlook for the next year?

Satish Menon: For '23- 24, we have totally collected Rs. 100 crores of premium, which is compared to Rs. 76 crores for the previous financial year which includes, of course, Rs. 4 crores of general and health insurance. There is still lot of growth left in this business and we are hoping that '25 also should be good for insurance without giving any estimates. Thank you.

Moderator: Thank you. Next question is from the line of Praveen Gramle from Ananya Research. Please go ahead.

Praveen Gramle: Sir. I have two questions to ask. One is the significant growth we can see in the PMS area. I wanted to understand what synergies have worked very good and what kind of growth, because you have seen almost from Rs. 450 crores you've jumped to Rs. 914 crores. So, going forward in the next two – three years, what is your predictions in terms of what kind of growth rates that you could expect in the AUM? The second part is I would like to understand more in terms of your Gulf regions, what are the synergies that you are seeing, you know what kind of interest that you are looking at and how significant this portion can become? Thank you very much.

Satish Menon: I will answer on the PMS business and Mr. George can take up the Gulf business, though maybe again replying what he had replied in the first question.

In terms of PMS like Mr. George said, we have not been aggressive in the earlier years in selling our PMS. And now we have decided to be an aggressive player in that business. We have grown from Rs. 450 crores in FY23 to Rs. 914 crores and we have invested hugely in that business in terms of manpower cost. We are in line to start division in terms of managing the PMS in terms of fund manager, we are expanding that team to a larger base so that we can have many more schemes to cater to our clients needs.

So, it is an aggressive focus area for us in this year also. Like I said again, we don't give any numbers for the future, but we will definitely see an aggressive push for PMS business this year also. Mr. George can answer the Gulf side.

C. J. George: Yes. Thank you, Satish. Our plan is, as I told you earlier, although we have significant presence in Middle East through our joint ventures in UAE, Bahrain, Oman, Kuwait, etc, these businesses were largely, you know, servicing retail NRI clients. Now the time has come, we are of the view that our clients' demand for products that are suitable for their risk appetite has gone up. They have become, you know, retail clients became HNI. HNI's became ultra high net worth. And if you look at Dubai as a city, over a period of the last four or five years, there was a significant migration of high net worth and ultra high net worth individuals. So, this is a segment where we couldn't, you know, resist from operating.

So, in the past we have been thinking of and then we couldn't started this business in the DIFC. Currently with the DIFC planned along with IFSC new changes in the regulation, we have already a presence in IFSC. So, through these linkages we are of the view that we can service the high net worth, ultra high net worth investors outside India. And with the PMS and private wealth business growing for us in India, we will be basically completing the bouquet of products for the life cycle requirements for HNIs and ultra high network client. Thank you.

Praveen Gramle: Sir, one follows-up on the same, apart from the Gulf region, are there any other countries on the cards where you would like to explore? Thank you.

C. J. George: See, we are a Company looking for opportunities wherever we could identify significant NRI population. If the local, you know regulations permit, we are on the lookout for geographies where regulations are permitting us to operate without much complexities. So, we will come back and announce at the appropriate time. Thank you for the question.

Moderator: Thank you. The next question is from the line of the Tushar Sarda from Athena Investments. Please go ahead.

Tushar Sarda: I have not tracked Geojit before, so if you can explain as to where the growth will come from. You already mentioned that you're reducing focus on brokerage, but which segment will drive the growth? Will it be a mutual fund? Will it be insurance? Will it be PMS and in what order?

C. J. George: I will come in, Satish, to intervene and tell you that our focus, we did not make it appropriately perhaps. We are not reducing our focus on brokerage, but we are significantly increasing our focus on non-Brokerage business lines like distribution of mutual fund, distribution of insurance, private wealth, business, PMS business etc. So, that is why, you know, the brokerage income is today only 45% of the total income. So, without losing any focus we wish to build the best possible trading platform, investment platform in Geojit, and that will service our customers. So, technology will be a great service provider for our clients and there will be no kind of compromise on the focus on Brokerage business. But having said, our aggressive focus will be on other businesses so that we could also manage eventually the cyclical kind of movement and behavior of the markets and our revenues. So, this was the whole idea.

Tushar Sarda: Okay. And on mutual fund, if I see, you know markets have done well, but your AUM growth has not been much. So, is it that we have much more of debt AUM than equity AUM?

C. J. George: Satish, you might give the numbers.

Satish Menon: So, in terms of mutual fund growth, I think we're at par with the industry. The industry equity AUM grew 48% FY24 over FY23, we have grown 46%. Our +95% of our portfolios is only into equities.

- Tushar Sarda:** Is only into equities, okay.
- Tushar Sarda:** Income has not grown accordingly. Income has grown only 17% in mutual fund distribution for the year.
- Satish Menon:** Yes, but the AUM growth is 46%. The income growth is depending upon the commission rates we received from the mutual fund, as in when it is received.
- Tushar Sarda:** How much of this is trail, and how much of this is new distribution?
- Satish Menon:** We are only at trail. Maybe I didn't understand the question. Now mutual fund basis only on trail income.
- Moderator:** Thank you. The next question is from the line of S.M. Kumar, an individual investor. Please go ahead.
- S.M. Kumar:** Just I would like to know about do we have any plan in future inorganic acquisition? And the second question regarding how much cash available in our book. Thank you. Thanks a lot.
- C.J. George:** The question number one with regard to inorganic acquisition is an opportunity we will explore as and when we see opportunities that are aligning with our culture as well as the, you know, particularly on the compliance culture, etc. So, when we see such an opportunity we will certainly explore.
- With regard to cash in hand at the moment, you know we have utilized almost full amount of our cash in margin trading book. So, we do not have at the moment the free cash flows to look at the cash investment in acquisitions, but if there are opportunities, we have options to manage that.
- C. J. George:** I think the question was what are the cash in the group which has been used, CFO can reply.
- Mini Nair:** Yes. this is Mini Nair, CFO. On the group basis, the cash available is Rs. 750 crores. But as MD said, the majority of that is used for MTF books, lending, MTF and another major portion is used for the working capital requirements on a regular basis.
- C. J. George:** But having said this, our interest income has gone up to around Rs. 110 crore last year.
- Moderator:** Thank you. The next question is from the line of Chander Bhatia from Seers Fund Investment Management. Please go ahead.
- Chander Bhatia:** So, my first question is what is the yield on PMS and what is the yield on mutual fund size?

- Satish Menon:** Yield on mutual fund is 0.8 and on PMS, it varies around we estimated around 2.2 – 2.4 percentage. You understand PMS is, you know, you have performance fee as well as the fixed fee. The average it's around 2.2 to 2.4.
- Chander Bhatia:** Okay. Then what is the size of AUM of PMS from the performance fee side and what is purely on the percentage side basis or AUM basis?
- Satish Menon:** I will try to get that; I don't have it right now. I don't have it right now for '24. If you have some other question, you can go with the other question, by that time I will get this figure.
- Chander Bhatia:** Yes, Sir. I have one more question about the other operational income, which is Rs. 24 crores. So, can you give me a little more color on this from where this other operation income is coming?
- C. J. George:** CFO?
- Satish Menon:** Yes. Okay. I will give it. Other operational income for the year 23-24 interest on loans is Rs. 1.46 crores. Rs. 54 crore FD interest, and PMS Rs. 18.57 crores and other operating income of Rs. 1.65 crores. Largely it is coming from FD interest.
- Chander Bhatia:** Big percent PMS income.
- Satish Menon:** And Rs. 18.57 PMS income. Performance fee is Rs. 5.22 cr.
- Satish Menon:** If there are no questions we can conclude.
- Moderator:** Okay, ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to Mr. C.J. George for closing comments.
- C. J. George:** Thank you very much, ladies and gentlemen for participating in this Investor Call. If anybody has any more inquiries, please feel free to contact us. We will be very happy to help you and give you the information. We have uploaded the investor presentation also, please go through that. Thank you very much once again.
- Satish Menon:** Thank you very much. Have a nice day.
- Moderator:** Thank you. On behalf of Geojit Financial Service, that concludes this conference. Thank you for joining us and you may now disconnect your lines.