"Geojit Financial Services Limited

Q4 FY '25 Earnings Conference Call"

May 22, 2025

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Moderator: Ladies and gentlemen, good day, and welcome to Geojit Financial Services Limited Q4 FY '25 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 star then zero on your touch-tone phone. Please note that this conference is being recorded.

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

Satish Menon: Thank you very much, and good evening to everybody who has joined for this quarter 4 and the final results of Geojit Financial Services. With me in this call I have our Chairman and Managing Director, Mr. C.J. George; my colleagues on the Board, A. Balakrishnan, Executive Director, and Mr. Jones George; and also our CFO, Ms. Mini Nair; and Liju Johnson, the Company Secretary. Thank you again for joining this call.

I will just give a brief about the financial results, the highlights of the results, and then, we can open for Q&A. In terms of total income for the quarter 4, we did INR177.48 crores, PBT of INR39.9 crores and a PAT of INR32.21 crores. For the full-year financial year '25, the total income was INR749.32 crores, which is a 20% growth over FY 24 PBT of INR222.68 crores, which is a growth of 16% over last year and a PAT of INR172.49 crores, which is a growth of 15% over last year.

In terms of split of income, equity and equity-related, that is the brokerage part, we did INR76.87 crores in the quarter 4. And for the full year, it was INR423.93 crores. For the full year, the growth is 13% over the last year. Financial Products income for the quarter 4, the income was INR71.57 crores. And for the full year, it was INR204.47 crores, which is a growth of 35% over last year.

This time, we have given a split of the other income also in our shareholders' presentation, primarily coming from Geojit PMS, which had a quarter income of INR6.8 crores. And for the full year, it was INR34.99 crores, which is 88% more than the last year. Treasury income, INR13 crores -- INR13.05 crores for the quarter 4, and for the full year, INR59.64 crores, which is a growth of 14%. The total operational income, INR176 crores for the quarter and INR747.91 crores for the full year, 22% higher than the last.

In terms of expenses, Employee benefit expense, which is one of the largest -- larger ones, INR72.64 crores for the quarter, and INR264 crores for the year, which is a growth of 20%. Fees and commission expenses, that is what we paid to our authorized persons, INR23.57 crores for the quarter and INR101.13 crores for the year, 17% increase.

In terms of other numbers, the customer assets for Geojit, which includes Demat holding plus mutual fund and all the distribution assets, was at INR1,00,000 crores. The recurring revenue assets was at INR22,653 crores. This is the bifurcation.

In terms of total mutual fund AUM, we are at INR14,728 crores. Life insurance premium, the book was INR372 crores. PMS, the AUM is INR1,262 crores, and Smartfolio AUM is INR1,095 crores.

This is what I wanted to say at the beginning. We can now open up for Q&A. Operator, you can open up for Q&A.

Moderator: The first question comes from the line of Mr. Thomas, an Individual Investor.

Thomas: My question is related to your expansion in the Dubai region. First of all, congratulations on receiving in principle approval for setting up our entity in DIFC. Could you elaborate on the reasons behind this move? And how do you envision this contribution to company's overall revenue and profitability in the medium to long-term basis?

Satish Menon: I would request Jones to reply.

Jones George: Yes. This is Jones George. I'm hoping I'm audible.

Satish Menon: Absolutely.

Jones George: Yes. So the NRI business is a significant part of Geojit's growth. Even currently, 20% of our AUM comes from the NRI segment that's mainly through our joint ventures, and we also have NRI clients here in India.

Now within these NRIs, we have around $100 million investments in dollar products, which we are selling -- we only have limited products to sell right now because we don't have -- there are not that many products available. DIFC opens up and allows us to sell multiple products that can cater to the needs of our clients. So we believe that DIFC will give us the opportunity to get a larger share of the wallet. And it will take about 3 years for that entity to turn profitable.

Thomas: Okay. I have one more question, like what are your future plans regarding the branch expansion and employees hiring? Like are there any specific geographies or verticals you are targeting for growth?

Satish Menon: I will take that question. So in terms of expansions, yes, Geojit today, of course, has more than 500 outlets. This year, we intend to open close to around 50 branches. And in terms of sales force, addition to the sales force, yes, we have an aggressive plan. We intend to hire close to 1,000-plus employees, primarily on the sales side and primarily on the distribution side of the business.

There is no particular geography seen. We will be expanding in those cities and towns, maybe Tier 2, Tier 3 also, where we do not have adequate presence now to capture the need for capital market products in this -- in the country.

Moderator: The next question comes from the line of Zaharah Sheriff with Fedwinteg.

Zaharah Sheriff: Could you elaborate your plans on the wealth management side of the business and what progress you've made so far? And what's -- what are some of the things you're planning to do over the next maybe few years? Just give us a sense of how you're expecting those things to play out.

C.J. George: This is C.J. George. The private wealth industry, as you are aware, is one of the fastest-growing industries in the segment in that particular segment of financial services industry in India. So we have a large number of our clients, among whom there are high-net-worth investors, ultra-high-net-worth investors. So we do not have the access to private wealth products at the moment. And that is the reason why we started private wealth initiatives.

So our plan is to aggressively expand this business, particularly because of our NRI Connect. Our DIFC entity is also to be seen in this context. So our plan is to increase this business in the current geographies, where we are strong, and then, slowly expand to the new geographies where we have currently lesser presence. So this is the strategy that we are adopting.

Today, we have close to INR1,500 crores of AUM. We intend to grow this AUM to something like INR20,000 crores in the next 3 years' time. This is the plan at the moment. So we are going and expanding slowly, but steadily, and we have a growing base of investors. So we are very confident of growth in this segment.

Zaharah Sheriff: Sorry, did you say you're expecting the assets to grow from INR1,000 crores to INR20,000 crores in the next 3 years?

C.J. George: That's right. This also -- I must tell you this also includes our plans in Middle East.

Zaharah Sheriff: Right. And how are you sort of -- just if you can give us a sense of what you're expecting to spend to sort of build out the team maybe or what -- like how will you assess your own productivity and that you're getting further on the path to your goals? And also, are these assets -- sorry, coming from new clients or existing clients sort of getting bigger share of wallet there? Or -- just if you could also give us a sense of that.

C.J. George: This will be a mix of both, new clients as well as our existing clients. Particularly, if you look at our Middle East geography, we have 50,000-plus clients. And a large number of them are high-net-worth investors. So everything put together, the India expansion as well as the Middle East expansion, we are basically projecting this kind of a growth.

If you look at our total asset size of around INR1,00,000 crores, significant part of these assets are owned by high-net-worth individuals, where we are very confident that if we give access to private wealth products, the AUM can also go up.

Zaharah Sheriff: Okay. And -- sorry, what about my previous question about in terms of team expansion and spends and stuff on this side?

C.J. George: Currently, we have...

54 relationship managers. We intend to grow this to 100 in next 1 year to 18 months.

Zaharah Sheriff: Okay. And what is the breakup between India and outside India?

C.J. George: So this number, I have not included the Middle East expansion because it will be in the beginning of 2026 that we will be able to operate full swing in DIFC.

Zaharah Sheriff: So when you say you're going to go from INR1,000 crores to INR20,000 crores and you're sort of planning to tap into your existing HNI base, this HNI base is not in the Middle East, this is local? Like I mean, how is 54 RMs here...

C.J. George: If you look at Geojit's customer base today, a significant number of customers are already NRIs. We have around close to 20% of our revenue directly, indirectly coming from the NRI base. So we will explore the possibility of expanding aggressively in the Middle East. Having said this, we will use this expansion of our existing branch network as well as the increase in the number of RMs for growing this business in India.

Close to $1 billion AUM we have already in Middle East. So I don't think it is very tough to expand to INR20,000 crores AUM in this market with our current strength in the business.

Zaharah Sheriff: Okay. And what do you expect the yields to be sort of on these assets? Or initially, it's going to be acquisition, and they'll turn into revenue generating later? Or will they be revenue-generating assets from the get-go?

C.J. George: This will be largely a distribution model. So currently, the yield is around 70 basis points. We are of the view that this will be around this region. And it will be slightly on the higher side in the Middle East.

Zaharah Sheriff: And can you just give us a sense of what you expect the outlays to be? I know it's not so much capex, but it's going to be opex. But just based on your experience so far, how much time will it take your RMs to sort of become profitable? What is the kind of experience profile you're hiring for? Are you training internally? Like just sort of what is the spend budget, if you will, on this side, regardless of the revenue budget?

C.J. George: We did not disclose these numbers to the market. But I can tell you it is around 1 year to 18 months for an RM to today breakeven.

Zaharah Sheriff: Okay. And is there anything else of significance that you think we should sort of consider or keep in mind while looking at this side of your business going forward over the next 2, 3 years, not like a guidance, but like just anything operationally or strategically that we should think about?

C.J. George: We will be focusing on this retail distribution of mutual funds, insurance, et cetera, to a large number of retail clients, the mass affluent. So that will be the key focus area, and that is where you will see significant traction in our business.

Zaharah Sheriff: Okay. Sorry, just one final follow-up. How do you define mass affluent?

C.J. George: So in our case, the segment that we have taken is around INR20,00,000-plus investable surplus. So this is the segment that we have been operating, and we are familiar with. So that is a segment where we are seeing the stickiness also is very high. So we will concentrate on the branch relationship, the face-to-face relationships and develop that business aggressively.

Moderator: Next question comes from the line of Joseph, an Individual Investor.

Joseph: I got a couple of questions. It's been very successful track record in terms of AUM in Mutual Funds. So could you please throw some light on what is the growth trajectory for the AUM and the PMS business as well as if you can throw some light on the insurance segment, too?

Satish Menon: Okay. So Geojit Mutual Fund AUM, as I said in the beginning, stands at INR14,728 crores, which has grown 21% over the last year. The PMS AUM of Geojit-managed PMS is INR1,262 crores, which is 38% growth. So that is a growth in the mutual fund and PMS. Second question was on insurance, right?

Joseph: Yes, sir.

Satish Menon: On insurance, the last year, the new fresh premium collection was INR117 crores, which was a growth of 15% over what we did in FY '24. We don't give forward-looking numbers, but that is -- both the segments, mutual fund, and insurance, are growth areas for us.

Joseph: Great, sir. I got one more question, sir. Can you just share the current split of the brokerage revenue in cash into the above 2 segments? Like how is this client's actually behavior on the trading pattern?

Satish Menon: Okay. So some of you would be aware that Geojit has not been very aggressive on the derivative side of business. And the share of the derivative's income in the total brokerage has been lower. If you look at FY '25, of the total brokerage of INR296 crores, 16% is the contribution from derivatives, balance 84% is from cash market.

And if I give you the comparison of March '24, that is FY '24, it was 19% and 81%. So for us, derivatives is a very small business. And we have been consciously pushing delivery business more, even on the cash side. So for us the traction is still remaining the same, push clients towards long-term investment rather than short-term trading.

Joseph: That sounds interesting, sir. That’s all from my side. Thank you.

Moderator: Thank you. The question comes from Chander Bhatia with Seers Fund Management Private Limited. Please go ahead.

Chander Bhatia: Am I audible?

Management: Yes sir.

Moderator: Mr. Bhatia please go ahead with your question. Mr. Bhatia if you have muted your phone, please unmute yourself and go ahead with your question. Since there is no reply from the line of Mr. Bhatia, we'll take the next participant. The next question comes from the line of Zaharah Sheriff with Fedwinteg. Please go ahead.

Zaharah Sheriff: Hi, thank you for letting me in again. Could you share with us what is sort of your employee base and the breakup between the different lines of business for the team?

Satish Menon: Okay. So as of March end, we had 2,858 people in the Financial Services business, of which 2,063 would be in the frontline sales. Was that your question, Zaharah.

Zaharah Sheriff: Yes. And also just within that, in terms of the larger initiatives, the way you've broken up your division, like how to think about that, the wealth management versus the broking side versus insurance and if there's any kind of -- anything that give us insight into how it is working?

Satish Menon: Zaharah we operate on an all-in-one model. There is no specific people to do specific line of business. So we have branches. A branch may consist of anywhere between 5 to 10 member team or maybe more if it is a bigger branch. And these branches are supposed to deliver and cater to client's all requirements. So we don't have specific people for broking. We don't have specific people / different set of people for distribution.

We manage relationship with the client as a relationship manager. So like we do in private wealth, where CMD just said, we have 54 people which caters to the private wealth clientele. In our branches also, we call them mass wealth manager, where they cater to all requirements of a client. So an individual in the branch would be selling brokerage, will be selling mutual fund, will be selling insurance and all other products to a particular client.

Zaharah Sheriff: Okay. And so the private wealth offices will be different then, they will not be sitting in the same branches or whatever, like...

Satish Menon: Yes, they sit absolutely different. They have different offices and they operate out of different offices. It is not mingled or coexisting with the branch.

Zaharah Sheriff: So what will a typical private wealth office setup be like? Just like you said, the broking side will have 5 to 10 employees depending on the area and sort of size of operations. Just how will the private wealth side look like in that sense and will there be an overlap in, sorry, geography?

C.J. George: It depends on the location. There will be overlap. So let me also tell you, our own existing old clients, they are also being referred by the branches to private wealth RMs. So there are places where we have one or two RMs. There are places where we have a bigger team. So this is something that we are growing at the moment.

Depending on the requirement, we are basically looking at our existing customer base also. So we are quite confident that the current arrangement is working well as of now. Certain places, we may have only one, but the idea is cater to the requirements of our high-net-worth clients.

Zaharah Sheriff: Okay. And just in terms of -- I don't know if you shared this, but what is the -- what does your typical branch look like in terms of size and also like what are the fixed spends there and how would the private wealth office be different? I'm assuming there'll be a little more upscale and expensive in terms of rentals and stuff as well.

So if just you could give us a sense of that, if possible and also how you measure -- sorry, yes, please go ahead. I will follow up with -- no, please?

C.J. George: Private wealth, the offices are relatively costly and also these are places in metros. Although the number of RMs in the office will be less, these are set up cost-wise. These are relatively costlier. But the -- all other retail branches, these are branches that -- even new branches are breaking even in 2 years' time. So these are offices in probably semi-urban areas. That is where we have been opening offices off late in Tamil Nadu, in Kerala, etcetera. So the size of the office in retail is close to 500 square feet.

Zaharah Sheriff: Okay. And like what would -- I don't know, what would rentals be like?

C.J. George : Sorry?

Zaharah Sheriff: What would rental...

C.J. George : That depends on the location. We don't -- normally for the retail branches, we are not looking at high street branches with roadside visibility, etcetera. It could be on the first floor. So depending on the location it changes and also the place. We have branches operating with INR15,000 per month rent to INR15 lakh per month rent. So it depends on the location.

Zaharah Sheriff: And how do you measure productivity of your clients -- sorry, of your employees on the sales side or...

C.J. George : It's basically on the basis of the revenue that we get and the AUM that they have. And AUM is the productivity measure that we use.

Zaharah Sheriff: So is there a benchmark that you work with and do you sort of consider closing branches if they're not doing well? And how much time do you give them or -- I know organically, you all have sort of allowed for growth to come at a pace it does. But still, do you have any kind of sort of policies around that now that you are changing things a bit?

C.J. George: Looking at the size of the market in India, we have not closed branches, very few branches we have closed. We change people rather than closing branches.

Zaharah Sheriff: Right. Okay. And you recently changed, I think, your interface, the tech interface user. Why have you done that? Is there -- was there a sort of strategic reason to do that? I think it's been quite majorly overhaul?

Jones George: Yes, I can take that. So our -- all of our platforms have undergone a transformation from a user experience perspective and feature functionality. This is basically changing with the client expectations and demand. And we will -- we have also instituted an innovation team in-house, where we will continue to see where -- how we can improve our platforms, add more features, and this will keep happening.

Zaharah Sheriff: Okay. Because your interfaces -- interface used to look different. Now it's increasingly looking like those of some of the others. So I was wondering if there's some kind of pressure to be -- like to kind of -- like what -- I mean, because you have an in-house team, I'm thinking you've not sort of taken on some kind of platform available in the market and adopted it, so I was curious. The reason I know this, of course, is because I've been a client for more than 20 years. So just wondering why you did that?

Jones George: There are certain parts of the platform, for example, the watch list, which -- in which the data that you see will be largely the same across any other.

Zaharah Sheriff: Yes. We lost you when you are talking about the watch list.

Jones George: Yes. We have added much more information in data as well as analysis into the platform which you will see in different parts of the app. So I think similarity would be restricted to maybe a very small part of the app.

Zaharah Sheriff: Okay. So they didn't -- it didn't have much to do with sort of getting ready for scale, if you will, in terms of the size of operations that you're looking at, it was just like about the features and stuff or was it -- was that also an element in terms of why you did what you did?

Jones George: No, it is -- it came more from an innovation perspective. Having said that, digital client acquisition will be one of the pillars of growth going forward.

Zaharah Sheriff: Okay. Thank you so much for taking all my questions.

Moderator: Thank you.

Satish Menon: If there are no further questions, we can close the call.

Moderator: Thank you. On behalf of Geojit Financial Services Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.