



“Geojit Financial Services Limited
Q2 FY '26 Earnings Conference Call”

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Moderator:

Ladies and gentlemen, good day, and welcome to the Q2 FY '26 Earnings Conference Call hosted by Geojit Financial Services Limited. 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.

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

Satish Menon:

Thank you very much everybody who has joined. This is Satish Menon from Geojit office. Along with me in my room, we have Jones George, Executive Director; Liju Johnson, the Company Secretary; Mini Nair, the CFO; and on the call, there is Mr. C.J. George, Chairman and Managing Director; and Jay Sasidharan, who is the CIO.

As usual, I'll start with -- and before I start, I wish you a very happy Diwali and a new Samvat, hope this Samvat is better than the last year. So I'll start with a small synopsis of the quarter and the half year earnings, and then we can open up for questions. For quarter 2 FY '26, the total income was INR172.95 crores, which is 13% up from the June quarter and 21% down from the previous year.

Income is split into 2 primary areas, equity and equity related was INR81.64 crores, which is 6% down from the June quarter and 37% down compared to the last year. Financial products income, INR62.33 crores, which is 66% up from the June quarter and 12% up from the previous year. INR62 crores is split into, again, 2 primary source: mutual fund income, distribution of mutual funds, INR33.06 crores, which is 11% up from the June quarter and 7% up from September last year.

The second important item in financial products was insurance. Insurance distribution income was INR27.37 crores, which is 343% up from the June quarter and 17% up from the last year. In terms of total expenses, INR142.64 crores for the June quarter, which is 22% up from the June -- sorry, INR142.64 crores for the September quarter, which is 22% up from the June and similar compared to what we had in September last year. PBT INR30.3 crores, 17% down from June and 60% down from previous year.

In terms of recurring assets, we are at INR25,935 crores. The split is given in our investor presentation, of which primarily is mutual fund AUM of INR16,751 crores. In terms of broad split of expenses, employee expenses out of INR142 crores was INR75.4 crores was employee expenses, which is up 28% from the June quarter and 5% up from previous year. Fees and commission expense, which is directly related to the business, INR21.43 crores, which is 9% up from the June quarter and 28% down from the previous year.

Others, which includes IT expenses, marketing and all, is at INR36.9 crores, which is 24% up from the June quarter and 7% up from the last year September quarter. In terms of employees, we are at 3,501 employees compared to 3,065 employees compared to September of '24.

This is all I wanted to say about the synopsis of the September results. Now we can open up for Q&A to take specific questions. Over to you, operator.

Moderator: Thank you sir. Our first question is from the line of Joseph Mithun; he is an individual investor. Please go ahead.

Joseph Mithun: This is Joseph. I'm an individual investor in the company. Sir, I have 2 questions. My first question is that we have seen the income go up by 13% this quarter compared to the last, but the profit before tax has gone by 17%. What could be the reason behind this difference? And my second question is that could you also share a breakup of the insurance premium that is collected during the last quarter and how it compares with the same quarter in the previous year also. So these are my 2 questions to you, sir.

Satish Menon: Okay. I request Mr. C.J. George to take up the first question.

C. J. George: Mr. Mithun, thank you for this question. It is true that our expenses have gone up, and this is very evident in the decline in the profit. And the expenses have gone up because of 2 reasons. Number one, we have started hiring more number of employees in the field. This is largely for the sales function. So this is likely to yield better results going forward. Probably it will take one more quarter to start seeing the fruits of this deployment.

This is a well-thought-out strategy from our side, and we are deploying these people largely for our distribution business. We are also increasing the number of offices. The next important investment that we are making is in IT side. So we are making some hiring for the IT infrastructure and general technology team. So this is basically to strengthen our position on the technology side and for various applications. Because of this, there is an increase in the expenditure, which was planned expenditure, and this is likely to yield results going forward by the -- probably by the end of the year. So this is what is the explanation for the decline in the profits. Thank you. Satish, you could answer the other question.

Satish Menon: Yes. Before I answer the second question, just one more addition to what Mr. George said. The increase also includes an increase in spending on the marketing. So that is also a sizable increase in marketing expenses, which we have incurred in the second quarter of this financial year. Coming to the second question on insurance breakup new premium for September '25, the life insurance premium was INR51 crores compared to INR38 crores for the last year.

Renewal was close to INR72 crores compared to INR48-odd crores last year and health insurance of INR5 crores compared to less than INR1 crore compared to last year same quarter. So overall, in terms of premium collection, it is INR128 crores compared to INR86 crores for last year. I hope I answered the question.

Moderator: Next question is from the line of Lakshminarayanan K G from Tunga Investment.

Lakshminarayanan KG: A couple of questions. Now I just want to understand what is the yield you have on the mutual fund distribution business? And what is the mix of this in terms of equity and debt?

Satish Menon: So the average yield on the INR17,000-plus crores close comes to 0.76%.

Lakshminarayanan KG: Okay. And how does it compare with the yield when compared to the previous year?

- Satish Menon:** So this is 0.76% after tax. Over the -- compared to last year, it should be around 7% less. That is primarily because of B30 not being enforced this time. So average yield, excluding B30 more or less remains constant.
- Lakshminarayanan KG:** Okay. Okay. Okay. And on the broking part, right, do you actually provide leverage for your clients and how that has actually changed in the last few quarters because there have been some regulations on that front. So can you just elaborate on that part?
- Satish Menon:** So in terms of the changes brought out by the regulator over the last 1 year, that has been primarily on the derivative side, futures and options, not much impact on the cash side of the business. And if you notice our split of brokerage, our split of brokerage, primarily it comes from equity and from there -- inside there, it comes primarily from delivery business.
- So what we have seen is actually our derivatives volume going up quarter-on-quarter and year-on-year, but we are a very small player on the derivative side. So in terms of the leverage restriction which the regulators have brought, we did not have much impact on the business for us.
- Lakshminarayanan KG:** Got it. And why the broker services revenues has actually -- has been trending down in the last couple of quarters. Can you just elaborate what led to that decline?
- Satish Menon:** So brokerage revenue for Geojit is directly linked with the volumes in the exchange. If you notice, the volumes in the exchange for these 2, 3 quarters are on an average down from what we saw the whole of last year. And that is reflected in our business also in terms of brokerage.
- Lakshminarayanan KG:** Okay. Okay. So right now, what is the mix of flat brokerage versus tied to the transaction brokerage we have on the cash segment?
- Satish Menon:** I'm sorry, I did not understand the question.
- Lakshminarayanan KG:** No, there may be flat -- I mean you may be offering different products. One could be just flat fee per delivery, cash delivery and then there would be something which would be tied to as a percentage of the transaction, right? Do you have the mix of that? Or it's predominantly only flat rate?
- Satish Menon:** We don't have flat rate.
- Lakshminarayanan KG:** Okay. So it's completely on this.
- Satish Menon:** Completely on the volume.
- Lakshminarayanan KG:** Sir, on the interest income from the clients, right, can you just elaborate on what it constitutes?
- Satish Menon:** Okay. CFO will answer.
- Mini Nair:** The interest income is constituting majorly it is due to the interest income from margin funding. And then a small portion is from the funding we do for that 5 days T+5. So basically, it's -- we call it delayed fee charges plus margin funding.

- Lakshminarayanan KG:** Okay. And what is your outlook on that? How you think this would actually shape up this margin funding number?
- Satish Menon:** We think there is a scope still there in margin funding. If you have seen in the last 6 months or so, the margin funding book of the exchange has gone up. So we also feel that there is still some area left for people to still grow that business. Having said that, it all depends upon what is the activity in the market.
- We have always seen that a volatile market with an upward bias gets you more margin funding business. But if the market is subdued with a downward bias, margin funding business may not grow. But having said that, I think the overall outlook for margin funding business looks like it can still grow from here easily.
- Lakshminarayanan KG:** Got it. Got it. Got it. Sir, if I look at your employee count, last year, it was something you mentioned 3,000. And then I think it came down in the end of the financial year, which is Q4 '25. And again, it has actually gone up. So was it a conscious choice to bring it down or -- because you actually made a point that you're actually ramping up people. So -- and also in earlier calls, you had mentioned about adding wealth management in -- for NRI/Middle East, right? Can you just help me understand what is your thought process on employee count?
- Satish Menon:** So most of the additions, what you see has come in this financial year. And most of it has come in Q2 only. What you saw for quarter 4 compared to quarter 3 and quarter 2 of last year was a natural progression. But the net addition, what we have seen is this year. And we will continue to invest in employees, which means to say that we are still going to recruit a similar kind of people in the second half also. This number of 500-odd people consists of both, of course, largely from the field and secondly, primarily on the wealth side and on the IT side.
- Lakshminarayanan KG:** Okay. Okay. There was a point that was made that you wanted to increase your wealth business from Middle East, and there is a significant opportunity there. Can you just touch upon how the last 6 months has panned out on that particular strategy?
- Jones George:** So this is Jones George, Executive Director of the company. So in the Middle East, the wealth focus will predominantly be driven by the new entity that we are opening in the DIFC. The entity is expected to be operational at the end of this quarter. We are still completing the regulatory formalities there. Alongside our joint ventures in the Middle East are continuing to be aggressive on the distribution side. We have, in fact, made some changes in the leadership in the UAE, where the new CEO has joined, and he will be taking over from Jan 1.
- Lakshminarayanan KG:** And how much you think over a period of 3 years or so, it can actually contribute to your income?
- Jones George:** So we do not provide forward-looking numbers, I'm sorry.
- Lakshminarayanan KG:** Got it. No, there was a mention that there is a scope of increasing it to multifold in terms of at least the wealth under management. So I just wanted to kind of understand from that point of view because I think 2 quarters back in the call, you had mentioned what kind of scale up it can actually happen.

- Jones George:** So there is immense potential in the UAE. There are considerable wealth -- there's considerable wealth being moved into the Middle East. So there is a lot of potential there to grow the wealth business. Our distribution business has been growing consistently in the Middle East. Having said that, there is -- among the NRIs, there is a split in portfolio between INR-denominated products and USD-denominated products. So you will see distribution there skewing towards USD products because of concerns on the Indian rupee.
- Moderator:** Our next question is from the line of Thomas, an investor.
- Thomas:** Yes. We have seen a surge in other operational income this time. Could you break down what are included on the other operating income? And one more question is like regarding the DIFC, just give an update on how DIFC business is progressing and where things currently stand right now?
- Mini Nair:** operational income includes...
- Jones George:** Other operational income.
- Mini Nair:** Other operational income. Okay. So the major component is interest from GCPL. We have this subsidiary called Geojit Credit. So the company is lending on loan against shares, loan against mutual funds, etcetera. So the interest income from that business is INR2.68 crores. That's a major income in the other operational income.
- Jones George:** And regarding DIFC, I had already answered in the previous question. The entity is expected to be operational by the end of this quarter.
- Moderator:** Next question is from the line of Lakshminarayanan K G again from Tunga Investment.
- Lakshminarayanan KG:** I just want to understand what is the cash we have at the company level? And I mean, of course, there is something which you use for treasury and then just want to understand how much you would actually earmark for margin funding?
- Mini Nair:** Okay. So the cash net worth for the company is INR1,081 crores, out of which around 65% to 70% is used for basically funding our loan products and for our working capital requirements on a regular basis. The rest is invested in fixed deposits and mutual funds, etcetera.
- Lakshminarayanan KG:** Got it. And there's a line item on software revenues. And that is a little -- seems to be a little seasonal if I see for the last 4, 5 quarters. Can you just elaborate on how it is built? And can you just help me understand what is the outlook there?
- Mini Nair:** So the software revenue is from our subsidiary, Geojit Technologies. You want to talk about it?
- Jones George:** Geojit Technologies is, by and large, doing in-house development. This is actually on a time and material basis. We don't have that kind of a work outside as of now because we are in the transformation mode, a lot of internal development is taking place.
- Satish Menon:** This software income of INR1.5 crores primarily comes from non-Geojit income, which is a very limited -- it is a small portion of the Geojit Technologies total income.

- Mini Nair:** Yes. So basically, the company is focusing more on the internal implementation of software. So what you are seeing is only the external income, which is a very small portion of the total income.
- Lakshminarayanan KG:** Got it. Sir, on the employee count of 3,500, can you just give us how much -- how many people are actually focused on technology alone?
- Jones George:** 180.
- Satish Menon:** Around 180 people are in the technology division.
- Lakshminarayanan KG:** 1-8-0.
- Satish Menon:** 1-8-0.
- Lakshminarayanan KG:** And how much it was maybe at the start of this year, financial year?
- Satish Menon:** More or less same. The additions comes in terms of the senior people, not on the junior side. The number would have increased by 10 or so in that department.
- Lakshminarayanan KG:** Got it. Sir, and we are a predominant name in Kerala and especially among the premier investment shop in South India. Now I just want to understand how your revenues are split within Kerala and outside Kerala, which is essentially clients who have their origin from -- not origin, maybe they are based in Kerala. How have we done in the last 1 year in terms of revenue mix?
- C. J. George:** Satish, I will take this question. At the moment, roughly around 35% of our income revenues come from Kerala.
- Lakshminarayanan KG:** Sorry, sir, I didn't hear it.
- C. J. George:** Roughly 35%. Yes, 35% of our revenues are from Kerala. This was slightly higher, but we are scaling up our business in rest of Kerala. So this is likely to come down when we expand our business in rest of the country. Currently, we are aggressively expanding in other South Indian states also.
- Lakshminarayanan KG:** Okay. Okay. Okay. Sir, and when I see the -- I mean, we have a very good technology stack. But I see that there are a lot of discount brokerages that are actually scaling up in terms of adding clients, etcetera, right? So if you look at our broker business, how do you think this in this scheme of things? And what is the average yield you get on your broker services income stream?
- C. J. George:** With regard to competition from discount broking, I can only say that the market is very large. The customers who need help and guidance to create long-term wealth, they come to us. We have branches all over. So we develop long-term relationships with the clients. So our view is that there is enough scope for us as well as for discount brokers, those people who want to merely trade possibly, they will go to discount brokers, but most of our clients are clients with investment focus for creating long-term wealth.

We are seeing clients coming to us even in this competition. But our clients will have a relatively higher net worth and relatively higher disposable income as well as savings to invest in the market. Satish, you could give the details of the yield on broking.

Satish Menon: So in terms of yield, of course, it is updated in our shareholder presentation. But just to split for the cash market, that yield is 16 basis points, that is 0.165 percentage. And the total yield, that is the consolidated yield, cash and F&O put together comes to 1 basis point. That is 0.10 percentage.

Moderator: Thank you.

Satish Menon: I think there are no further questions. We can conclude the call.

Moderator: Sure, sir. Thank you so much. On behalf of Geojit Financial Services, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

C. J. George: Thank you. Thank you very much.