



“Geojit Financial Services Limited 3QFY2018 Earnings  
Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to the Geojit Financial Services 3QFY2018 Earnings Conference Call, hosted by Ambit Capital. 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, please signal an operator entering “\*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Aadesh Mehta from Ambit Capitals. Thank you and over to you Sir!

**Aadesh Mehta:** Good evening everyone. Many thanks for being on the call today. Many thanks to the Geojit Management for giving us an opportunity to host this quarters’ earnings conference call. The Management is represented by: Mr. C.J. George, the Managing Director, Mr. Satish Menon, the Executive Director, Mr. A. Balakrishnan, the Managing Director of Geojit Technologies and Mr. Sanjeev Rajan, the CFO. Thank you team Geojit for giving us this opportunity. Over to you Mr. George and Mr. Menon, if you can just briefly take us through the key highlights of the results and then we can throw the door open for Q&A.

**Satish Menon:** Thank you Aadesh. Good evening to all this is Satish Menon. I will just run you through the highlights of 3Q results. The total revenue has gone up by 33% to 100.74 Crores and the PAT has gone up by 39% to 20.87 Crores. Compared to the preceding quarter, revenue is up by 15% and PAT is up by 24%.

The split up of the income is already uploaded on our website but for the benefit of people who have not yet seen it the split of income for 3QFY2018 equity and equity related is 71.58 Crores, which is up by 35%, financial product income, which is primarily mutual fund distribution income it is 11.73 Crores, which is up by 91%, software income of 4.32 Crores, which is down by 10%. Other operating income is up by 18%. The total income comes to 100.74 Crores up by 33%.

In terms of split up of expenses, operating expense is up by 47%, which is in line with what brokerage group has grown, primarily this, is on the sub-brokerage fees paid to our sub-brokers for brokerage transaction. Employee benefit expense is up by 22%, other expenses have gone up by 50% wherein there is a major cost of advertisement and marketing, which there was a huge spend in the 3Q.

Apart from these figures one more point, which we have already informed the Stock Exchange, is on the commodities broking. Geojit has decided, the board has decided to take over the business of a commodity broker called Geofin Commodities, only the business and not the company on an arm’s length basis at a consideration of 8.1 Crores. This is to actually jump-start the commodity business. This is coming from the fact that last year the

rules have changed by RBI. Actually Geojit was doing commodity business in 2007-2008 post BNP Paribas Investments, as there was an RBI rule, that banking companies cannot get into commodities business we had to stop it. Last year this rule was changed and now it is enabling us to start commodities business.

We think that it is a natural extension of all the services which we provide to our existing clients and so as to jump start the business we decided to buy the business of this Commodities Company. We will get into details if there are questions.

This is the opening remark Aadesh. We are ready for Q&A.

**Moderator:** Thank you. Ladies and gentleman we will now begin the question-and-answer session. We have the first question from the line of Digant Haria from Antique Stock Broking. Please go ahead.

**DigantHaria:** Team congratulations, a fantastic quarter again. Sir my question is first I have few questions on this commodity acquisition, which we have done. Sir we understand all the regulatory changes and other things, but if you can just explain the broad logic of buying this company and getting access to 40000 customers, are we thinking that this should give us access to 40000 more customers to whom we can cross sell our other products as well, which is equity and the SIP or we are trying to enter into the commodity business as we only thought when you did this acquisition?

**C. J. George:** Thank you Digant. I am George here. Geojit was very active in the commodities derivatives market right from 2003 when the commodities market got opened. We were in fact one of the pioneers in the development of commodity derivatives market. The first rubber futures contract, the first pepper futures contract, the first wheat contract etc., were launched in Geojit platform and in 2007-2008 we had a revenue of 18 Crores and we had a PBT of around 6 Crores from this activity and thereafter, as Satish explained we could not conduct the commodities business. When we acquire the customer base of Geofin Comtrade the intention was not only to jumpstart the commodities business, but also like all other competitors to do cross selling of other products to these customers. Between currency derivatives and commodity derivatives there is an integral close relationship. We were actually unable to scale up the currency derivatives business because we did not have commodities derivatives business. So in a common platform all these products together we will add to our ability to generate more business. This Geofin Comtrade customer base is actually coming from some 50 locations, so our plan is to start the commodities business in all locations of Geojit because we can just leverage the existing infrastructure, so using the existing infrastructure our view was that very soon we will be able to in a couple of years' time we will be able to reach the level at which we stopped in 2007-2008 and in 2007-2008

if you remember we had no options in the commodities market. So today options are there. More products are likely to be introduced in the commodities market. We have great expectation on this business. So to answer your questions yes not only the customer base we are also looking at cross selling all other existing products to these customers.

**DigantHaria:** If you can just provide us with some details as to how many of these 40000 customers were active or what kind of revenue did this commodity trading company did in the last three four years?

**C. J. George:** This company had around 13-14 Crores revenue, but this company had only commodities derivatives business so it was not a profitable business for them also, a standalone commodity derivatives company doing no other business with 50 branches although they have 14 Crores of revenue that company was not making much profits. So it is in that situation they were interested to sell and we were interested to buy that customer base, so around 5000 customers are active we believe, the other customers we want to go and develop. This is what is the current situation is.

**DigantHaria:** Sir, I have more questions but I will come back in the queue. Thank you.

**Moderator:** Thank you. We have the next question from the line of Digant Haria from Antique Stock Broking. Please go ahead.

**DigantHaria:** Sir at least what we could see 8 Crores for such a business, I think it is a wonderful acquisition so my question was that cannot we or do we think of using the huge cash that we have on balance sheet to make such acquisitions where we can get access to good retail network to whom we can eventually cross sell our equity products because I think your business the biggest challenge is to get access to more and more retail people?

**C. J. George:** Interesting question, Digant. We will certainly look at these opportunities. Only thing is we will be very careful in doing such acquisitions depending on the valuation etc., these days since the stock market activity has really picked up the expectations of the sellers are very high. So we will be definitely very keen to look at this opportunity of acquiring customers from other brokers wherever it is possible. Having said this I also want to add that the opportunity in this kind of a transaction is, although we are investing 8 Crores, depreciation can be charged against that also we will get GST credit on this. So it is a very good deal that is why we jumped into this and we will be open to ideas in terms of small, mid size brokerage firms if they are willing to sell their business.

**DigantHaria:** Now my second set of question is on the mutual fund distribution business. Sir nice to see a lot of your ads, we can see your ads on the Bombay Stock Exchange, we can see it on the

hoardings, on the bus stops in Mumbai so I presume that we have done a large advertising campaign, if you can just throw some light on what this campaign was, what were the expenses involved and what kind of traction do we expect?

**Satish Menon:**

Digant, thank you for seeing and noticing the ad. And I have been receiving such comments from many places. I think this campaign has really touched lot of people. The idea of this ad campaign was to make people understand that if you want to buy an SIP you should come to a trusted advisor and that advisor is Geojit, so that is why the campaign was how choosy we are. In fact different places have different animations. What you saw in Mumbai is not what you see in Chennai, it was rolled out in print, it was rolled out in radio, basically apart from TV most of the other mediums. This quarter the advertisement expense, we have booked is 3.57 Crores, which you compare to the same period last year was Rs.20 lakh. We still have the advertisement going in. We will have some expenses coming in this quarter also. This campaign is launched for November, December and January, so some portion of the expenses will also come in January. What this has created is very difficult for us to directly correlate to the extent of business but this has definitely created a mindshare in terms of people. It has definitely increased some calls in our call center trying to ask us, which mutual fund to buy. We intend to continue such campaigns over the next couple of years also to keep our presence felt in this segment. To answer your question, we spent 3.57 Crores in this quarter compared to 20 lakhs in the same quarter last year and compared to 72 lakhs in the 2Q of this year, Digant.

**C J George:**

I wish to add a couple of points here. This quarter also we will continue this initiative because we are planning some new products and new features during the current quarter. We plan to launch the online mutual fund investment platform next week and also the financial planning platform that we have, it is actually attracting a good number of clients. Although this was launched a year ago we already have around 3000 plus clients for the financial planning business. We hope to take that to 5,000 clients before the March 31, 2018 and also we started the digital account opening. Today without any human interface accounts can be opened in ten minutes time so that feature is also made available last week so for all these we will be spending some amount of money in this quarter also.

**DigantHaria:**

Sir this digital account opening means you are talking about the stock broking account right the trading cum Demat account?

**Satish Menon:**

That is right for digital account opening for stock broking but the investment platform, The other online mutual fund platform is pure digital investment platform for mutual funds which includes on-boarding and transactions both.

- DigantHaria:** Sir great. These are definitely probably first of its kind initiatives and I appreciate that. Sir my second question on this particular business is that is spending money on these campaigns and through all these online channels have we taken a call that that is probably better than hiring fleet on street. Because I think we had plans to hire around 400, 500 people for purely distribution of mutual funds but I think that plan has been postponed for now, if you have any thoughts on this?
- C. J. George:** We have not postponed that plan. For example, for this quarter we are concentrating on hiring people in Chennai, Bengaluru and Hyderabad where we thought we should have a concerted focus attempt to develop that business, so that will parallelly continue in locations where we are of the view that feet on the street is an important requirement otherwise the digital on-boarding of customers is much more cheaper there is no doubt about it.
- DigantHaria:** We would probably not hire say 500 people right in the next two months but we may calibrate it over a period of next ten, eight, nine months?
- C. J. George:** Next six months or so. So we will add for example for the commodity derivatives business itself we will have to add around 200 to 250 people in the next two months' time so that is also kind of an additional hiring that will happen parallelly.
- DigantHaria:** Thank you.
- Moderator:** Thank you. We have the next question from the line of Tushar Sarda from Athena Investments. Please go ahead.
- Tushar Sarda:** Thank you for the opportunity. I wanted to understand a little more about your SIP business, your AUM has gone up to 3,200 Crores in Geojit Retail so how much do you earn as trail on this and on the Middle East JV ,what is the current run rate because in three months in one quarter the AUM has increased by 600 Crores in Geojit Retail so are you collecting 200 Crores per month?
- Satish Menon:** The SIP book is 141 Crores. We basically try to build our mutual fund AUM by doing SIPs, so we have two segments here one is Geojit Retail, other is Geojit Institution which is a small part which is purely into debt, we do not calculate that and then we have AUM with the JVs. Let me also tell you that AUM at income of the JV does not form a part of our financial product distribution income. All our JVs are separate company incorporated outside India and they have their own ARN. It is consolidated as a line item in the other income. So we will talk about Geojit AUMs, which had grown from this year now it is 3210 Crores as on December 2017, which was 2670 Crores in September. we have net added close to 450 Crores in this quarter, which means approximately 150 Crores a month.

- Tushar Sarda:** It is 540 Crores so it is 180 Crores a month.
- Satish Menon:** There is a debt element also there.
- Tushar Sarda:** This includes both equity and debt.
- Satish Menon:** Yes so in equity inflow is 450 Crores.
- Tushar Sarda:** That is mostly through this SIP book right?
- Satish Menon:** That is mostly coming through the SIP. I would also like to mention one portion.
- Tushar Sarda:** And this is shown as what financial product income the income is under the head?
- Satish Menon:** Exactly, financial product distribution.
- Tushar Sarda:** The JV AUM income is not shown here in your financials?
- Satish Menon:** No it is a line item, coming from the consolidation of subsidiaries.
- Tushar Sarda:** And what is your stake in the JV?
- Satish Menon:** We have JVs in UAE, Kuwait, Saudi Arabia and Oman. In Oman we hold 51%, in all other JVs it is around 30% and Oman is the only country, which allows foreigners to hold more than 50%.
- C.J. George:** All the JVs other than Saudi Arabia we manage the company we also have the stock broking business there for NRIs other than the mutual fund distribution business.
- Tushar Sarda:** How is the growth rate in terms of quarter-on-quarter? Are you accelerating the growth or is it just growing at as the growth slowed down now?
- Satish Menon:** In terms of...?
- Tushar Sarda:** In terms of building the SIP book.
- Satish Menon:** If you look at our SIP book in the last three quarters in June, we had 111.5, in September end we had 125.81, now we have 141.13crores, so there is a net addition of close to 15 Crores every quarter, the gross addition is 22 Crores but you see some SIPs stopping so the net addition is close to 15 Crores in a quarter as of now.

- Tushar Sarda:** How do you accelerate this? Any plans to accelerate or you think the market share will now stabilize at 2.7%.
- C. J. George:** We intent to accelerate this as we said last time. There are two ways. Number one is by hiring more people and number two using the digital investment platform. Within the next week or so we will launch the new online investment platform, which will be a completely digital platform where people particularly we are looking at the youngsters who can go open the account and start investing so these are the two way we are looking at scaling up this business and in this context only we started some amount of advertising in the market.
- Tushar Sarda:** Now in terms of number of customers you mentioned you have 278000 customers is that right?
- Satish Menon:** 278000?
- Tushar Sarda:** 278000 right SIP count you have given us?
- Satish Menon:** That is the count that is the number of SIPs running.
- Tushar Sarda:** So do you have any colour on how what is the geographical distribution and what is the distribution in terms of how many are salary business plan at those some colour on this number?
- C. J. George:** 75% of our business is coming from South of India and Maharashtra in terms of the gross business and that is the case with even in brokerage business also and you were asking a question about the new clients, in last quarter we were adding 8000 new clients every month so this is the kind of geographical spreadof business even the people also is proportionately higher in the South of India.
- Satish Menon:** You had asked one question before we missed to answer, what are our yields?
- Tushar Sarda:** Yes.
- Satish Menon:** On an average we get around 1.25% gross trail commission. We had moved to our full trail commission beginning of last financial year from what earlier we had, upfront plus trail so now we have moved to fully trail. The average gross commission on trail is 1.25 apart from this because a sizable number of SIPs comes from B15 cities we get the B15 commission. I am not sure whether you know B15.
- Tushar Sarda:** No if you can elaborate on that.



- Satish Menon:** The regulator had announced some measures someyears back, to increase of penetration of mutual fund in the cities outside the top 15 cities of India. Additional incentive were given to distributors who do business in beyond 15 cities, so we get an extra commission along with the trail of 1.25 gross, for B15 we get some 150 basis points more , 1.5% on the input value of whatever money comes in which we collect from B15 cities, 65% plus of our business comes from B15 cities.
- Tushar Sarda:** 65%.
- Satish Menon:** Plus.
- Tushar Sarda:** So you get 2.75% on that.
- C. J. George:** First year yes because Geojit presence is largely in semi urban areas and the rural area of the country so we have that advantage.
- Satish Menon:** Let me explain B15 commissions are paid only on the inflow amount whereas trail is paid on the NAV throughout the time the AUM is there with the mutual fun I hope you understood.
- Tushar Sarda:** Yes I followed.
- Satish Menon:** Okay.
- Tushar Sarda:** So 140 Crores is your inflow every month of which 65% is from B15?
- Moderator:** I am sorry Mr. Sarda, but we have participants in queue.
- Tushar Sarda:** Okay I will come back in queue.
- Moderator:** Sure thank you. We have the next question from the line of Saurabh Dhole from Trivantage Capital. Please go ahead.
- Nikhil Johri:** Hi this is Nikhil Johri. Congratulations Mr. George and Satish on very good quarter again. So just the first question is on data related, out of your 3,210 Crores of AUM that are showing as part of the yellow bar on slide #6, how much is the equity AUM out of that?
- Satish Menon:** December end was 2,734 Crores.
- Nikhil Johri:** That is the equity AUM and what as per your own internal calculations what do you think will this number is this likely to be by March 2021 which is your period of targets etc?

- Satish Menon:** We are looking at 20,000 Crores in March 2021.
- Nikhil Johri:** Yes so March 2021 that target of 20,000 continues to be applicable in the sense that there is no deviation from the target.
- Satish Menon:** Yes.
- Nikhil Johri:** The other question is on the list of recommended equity mutual fund schemes that you prepare or your team prepares how much is the weightage of performance of these schemes in the previous one year or previous three years etc., in your selection process. So is it like a very highly weighted towards performance or are there various other qualitative or quantitative factors that you keep in mind in assigning your recommended list?
- C J George:** In the past, yes there was very high weightage for performance but today in the recent investment committee meetings we have revised that in diversification of assets for example large cap funds, diversified funds etc., giving a lower weightage for small cap, midcap etc..
- Nikhil Johri:** But is there any evidencing of which you can demonstrate to your potential clients that basis your recommendation list in the previous year this year therefore the performance of your top funds has been actually better so all I am asking is that particularly when you will have a lot of online focus and the younger generation they would tend to do this basic checking of performance etc., themselves then they can go directly and is there therefore of demonstration of value add that you can demonstrate to them that if they come through you they may get to a final selection process?
- C J George:** Absolutely Nikhil, compared to somebody who is perhaps directly investing, I am not talking about the experts who are investing otherwise what you add from the research is a very high in our empirical analysis, we do not have the data at the moment.
- Nikhil Johri:** Okay but you believe that you internally at least you are convinced that your process is leading to that outperformance if people will be generally go by the largest equity schemes or etc. So you are convinced that that process is working well?
- C. J. George:** Absolutely otherwise we will lose our right to exist as a good intermediary to give the best possible advice to clients so we are having quality checks in regular interval with regard to the recommendations that we are sending out etc.
- Nikhil Johri:** Understood. The last question is that I thought we were targeting somewhere about 80, 82 Crores odd profit after tax for the full year. Are we on course or is there going to be because by the just a basic math here you will need about 29 odd Crores in the Q4 to get closer to

that number so does that put unreasonable extraordinary pressure on the Q4 or we are still confident that we will be able to meet that?

**C. J. George:** We have not given any guidance as far as March 31, 2018 is concerned but reaching 80 it will be definitely difficult since you are asking this question.

**Nikhil Johri:** Right, so possibly it was in one of the broker reports that I saw that number somewhere so maybe that would be an estimate of an analyst that was there. So you obviously not guiding to any number, but you feel that the momentum is strong for even Q4 not to be too different from Q3 etc?

**Satish Menon:** Nikhil, this is Satish here. If you see the last quarter the jump in profit has primarily come in or largely come in due to the brokerage revenue. The brokerage revenue has grown at 35%. If you look at January, January averages are much better than October, November, and December. We do not want to take a call of what is going to happen in February and March. We will leave it up to you to calculate but looking at January the numbers are better in brokerage compared to October, November, and December.

**C. J. George:** Also let me add Nikhil, JFM traditionally will be the best period for the mutual fund distribution business for any intermediary and that will be the case for us also, even last year we did extremely well doing January, February, and March, and when we talk about the profit after tax we are also spending some money for advertisements, so that has also taken a little bit of hit for us as far as profit is concerned but that is done with a proper thought process so we are of the view that we will get that benefit going forward.

**Nikhil Johri:** Thank you very much. I think totally satisfied and congratulations and all the best for the 4Q.

**Moderator:** Thank you. We have the next question from the line of Tushar Sarda from Athena Investments. Please go ahead.

**Tushar Sarda:** Thank you. My question is again on the mutual fund distribution only the same thing, which funds do you distribute? Do you have any preference or how do you decide which funds to distribute?

**Satish Menon:** It is an open architecture but beyond that, we have a research team, which recommends fund and this research team, puts funds into baskets. For example we have ten mutual fund schemes in the large cap, six in the flexi cap, six in the small cap and so on and so forth and our employees are supposed to sell only from this scheme so it is not that we choose a certain funds only, but yes the top ten mutual fund has around 90% percent of the

sales.with maybe HDFC contributing 20% of the sales so it all depends on what the recommendation is for.

**Tushar Sarda:** And these are what salaried customers or their businessmen what is the profile of the people who do?

**Satish Menon:** Most of our customers or people who have a monthly income.

**Tushar Sarda:** Monthly fixed income.

**Satish Menon:** In Kerala and Tamil Nadu we have people with businesses small and big whereas the other parts of the country it can be primarily salaried income, but Kerala and Tamil Nadu contributes close to 50% of the business.

**Tushar Sarda:** Kerala and Tamil Nadu is 50% of business.

**Satish Menon:** It is less than 50% sorry.

**Tushar Sarda:** Okay and is there a step up which people do because in SIP that is very typical. I start with 5000 then next year I can go to 6 and I can increase to 7 that can help grow your AUM organically itself from 20%, 30% every year so do you encourage that is that part of your marketing plan and does it actually translate?

**Satish Menon:** We do that. For example, when we go and sell an SIP somebody signs up for an SIP of Rs.4000 we automatically get him signed for a step up of Rs.1000 every year but I cannot tell you that can happen 100%, it might be happening in 25% of the cases, people agree to step up. What normally happens is we go back to the next year and start another SIP.

**Tushar Sarda:** But for the same SIP also you can do a step up right. If he has earned a good return last year and you can send him a statement saying that okay you earned 25% and now you can step up and earn more that are the sort of starting a new SIP which is in the same SIP that the step up can happen right?

**C J George:** That is the standard we also look at little bit of asset allocation and diversification of the schemes. That also happens in addition to a step up that is why Satish said that we also at times end up selling fresh SIP to a client who is happy about it and who wants to invest more.

**Tushar Sarda:** Out of this 278000 how many are your own customers? How many are your own broking customers and how many are new?

- Satish Menon:** 278000 is the number of SIPs. It is not customers. What we did last year 2016-2017, 80% of the sales happened to our own broking customer. This year, it is 50:50, 50% comes from new customers whom we actually recruit outside what is there with Geojit.
- Tushar Sarda:** I will come back in the queue.
- Moderator:** Thank you Mr. Sarda. We have the next question from the line of Rajesh Sheth from Seers Advisors. Please go ahead.
- Rajesh Sheth:** Satish, good evening. Fantastic results. Only one question and this is the acquisition of the of client base. The money we are supposed to pay will be paid in Q4 and how we propose to look it in revenue or do we plan to amortize over a period?
- C J George:** This will be capital investment and there will be depreciation that we can charge, this will be along with non-compete premium rate, Rs.8.1 Crores also includes non-compete.
- Rajesh Sheth:** So you ought to say Rs.8Crores would be amortized say over a period of five years or so right?
- Satish Menon:** Yes.
- Rajesh Sheth:** Thank you very much.
- Moderator:** Thank you Mr. Sheth. We have the next question from the line of DigantHaria from Antique Stock Broking. Please go ahead.
- DigantHaria:** Just some of your thoughts on this on the market you have IFAs who ware fiercely trying to increase their AUMs and on the other hand, you have Geojit employees who are also trying to increase their AUMs, so what sort of learning have we got in the last two years? What do you think are the trends and pitfalls and how are we gearing up for the next three to four years when we aim to ramp up this AUM from Rs.2500 Crores right now to Rs.20000 Crores? That is it from my side Sir. Thank you.
- C J George:** Digant, I must say that last year of course the market also helped everybody including the IFAs, but the advantage for Geojit is to position Geojit as an intermediary giving responsible advices and open architecture is helping us and when we go and say that we do not charge upfront commission and we only get trail commission, etc., the confidence of the investors in Geojit is our view is much better that is what we have received so far in terms of the response. As far as the lesson learnt is concerned, IFAs we have not considered them as a serious competitor as such although they are very big in number. We have not faced

them on the street as a very serious competitor to Geojit. This is what at least our colleagues come and tell us.

**DigantHaria:** Thank you very much.

**Satish Menon:** Digant it is always learning experience. We have been learning throughout the last 18 months. I had given an example in the last call when we had initially starting selling SIPs. We used to sell SIPs based on the past returns of the funds, so the couple of initial months that in May 2016 and June 2016, a large part of our SIP sales was for DSP BlackRock Microcap Fund. Then we realized that when somebody invests for long-term it has to be diversified large cap fund, so there are a lot of large learning lessons, which I do not think I would like to discuss in an open forum, which will benefit our competitors.

**DigantHaria:** Thank you. That is very helpful. Thank you.

**Moderator:** Thank you. We have the next question from the line of Shivam Gupta from CWC Advisor. Please go ahead.

**Shivam Gupta:** Thanks for taking my question. Happy New Year George and Satish. First question if you could just give me two numbers. One is I could not spot the new SIP count and the value that you did this quarter? We can just do it. I have a broader question. The other thing is if you can help me what is the kind of redemption rate you are kind of seeing in your SIP book?

**Satish Menon:** It is around 25% at the moment that is what we have seen. Particularly we saw some redemption in September and October, and some SIP which got stopped. We have also seen some probably one slight disadvantage of active broking clients joining SIPs. Some of them went back to the market when the market became very active, so we saw unusual redemption in the months of September and October, etc., but other than that we could be around 25% that is the redemption rate, so in SIP the gross SIP collection this December quarter was 22.8. The net collection was 15.3, which means some droppage. In terms of numbers the number of SIP collected in October, November and December was 58206.

**Shivam Gupta:** Great. Thanks for these numbers. Again back to the question so my thing is when you are seeing this 20% of north redemption rate and given in an environment the markets are going up does it not kind of worry you and if it turns around this number could really spike through right?

**C J George:** Not really. The people who are having monthly income and they are investing in SIP as a small investment plan in that particular segment, we do not anticipate much of the

redemption increase even if the market goes down because we are selling this SIPs as a small investment plan for lot of monthly income earners and that is being sold for long-term wealth creation for retirement, etc., so it is a question of how effectively we educate and communicate with all these people. That is what we are constantly doing, so we are of the view that that segment redemption may not be that high, but the business segment people who are investing in SIPs, STPs, etc., if the market goes down there could be some more redemption.

- Satish Menon:** Just to add, that is what he was trying to say is when people put in a larger amount of money, chance of redemption is higher. Somebody puts in Rs.3000 to Rs.4000 the chances are lower. Somebody puts in Rs.1 lakh as SIP or maybe Rs.10 lakh to Rs.15 lakh of lump sum the redemption chances are higher and that is what we have seen when the market have been active for the last one to two months on a very much buyout note. We have seen redemption coming from larger parties rather than smaller parties.
- Shivam Gupta:** So affectively you go more granular the redemption rate is much lower in those portfolios?
- C J George:** Yes. Our idea is to sell smaller amount of SIPs to a large segment of people.
- Shivam Gupta:** I have just one last question Sir. So out of this 58000 you did for this, so you also were running a benchmark that you want to go to four SIPs per client and I think there is a percentage you want to convert from the brokerage client, so if you can give any update or colour on that progress?
- C J George:** To be frank, we do not have that analysis with us at the moment, but the target is very much in our mind. This is what we communicate with our colleagues in the branches, so this is the way one should look at every household with two to three people who are income earners, we should be able to get everybody all those people who are earning income into an SIP investment, so that target is actually happening.
- Satish Menon:** Our average right now is 2.5.
- Shivam Gupta:** Got it. Thanks for your time and taking the questions. Thank you.
- Moderator:** Thank you. Mr. Mehta would you like to proceed with your questions.
- Aadesh Mehta:** Thanks. Sir if you can just throw some light on the SEBI's new proposed rule of segregating distributors from investment advisors?

**C J George:** Aadesh this is the third discussion paper that SEBI has published and of course it is very interesting discussion paper this time because they have given some definitions of the relatives, etc., if somebody is an advisor his brother, brother-in-law, none of these people can get into the other business, so it has created a kind of a confusion. Being a SEBI discussion paper, we would not want to comment a lot about this, but at the same time, we can say if at all if this is implemented in the same manner and fashion we will continue to be a distributor rather than an advisor, but this is very unlikely, in our view, it is very, very unlikely.

**Aadesh Mehta:** So you are saying it is very unlikely that this rule will come through in its current form?

**C J George:** Yes.

**Satish Menon:** Aadesh, you had one question, which we have not answered. On the split of this AUM what is old and what is new?

**Aadesh Mehta:** I can take it offline Sir.

**Aadesh Mehta:** Melissa, are there any other questions in the queue?

**Moderator:** No Mr. Mehta. No further questions from the participants.

**Aadesh Mehta:** Then we can wrap up the call. Thank you everyone for participating in today's earnings call. Many thanks to the Geojit management once again for giving us this opportunity. Thank you everyone.

**Moderator:** Thank you gentleman. Ladies and gentlemen, on behalf of Ambit Capital that concludes this conference call. Thank you for joining us. You may now disconnect your lines. Thank you.