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"Anand Rathi Wealth Limited
Q2 & H1 FY25 Earnings Conference Call"
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Moderator: Ladies and gentlemen, good day, and welcome to the Anand Rathi Wealth Limited Earnings Conference Call for Q2 and H1 FY25. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Feroze Azeez, Deputy CEO of Anand Rathi Wealth Limited. Thank you, and over to you, Mr. Feroze.

Feroze Azeez: Good afternoon. Thank you, Sejal, for giving me the opportunity to talk to the audience. Good afternoon, and thank you, everyone, for joining us for the Earnings Conference Call for the quarter and half year ended 30th September 2024. With me, I have our Group CFO, Mr. Jugal Mantri, our CFO; Mr. Rajesh Bhutara; and our Head of Investor Relations, Mr. Vishal Sanghavi.

In H1 FY25, our consolidated total revenues grew by about 35% year-on-year, to about INR 495 crores and profit after tax grew 35% to INR 150 crores. We have revised our revenue guidance to INR 980 crores from INR 910 crores, and we have revised our PAT guidance from INR 280 crores to INR 295 crores. The mutual fund revenue registered a stronger growth of about 70% year-on-year to INR 195 crores of the INR 495 crores in H1 FY25. Total AUM grew by about 57% year-on-year to reaching about INR 75,084 crores. And since our guidance was INR 72,000 crores for the full year, and we have crossed that number. So, we are giving a new guidance of about INR 80,000 crores with God's grace.

During H1FY25 our total net flows registered a remarkable year-on-year growth of about 128%, reaching INR 5,700 crores for a 6-month period. Equity mutual fund net inflows achieved a year-on-year growth of about 64% to INR 3,116 crores. Share of equity mutual funds in the AUM increased to 55% from 50% at the same time last year.

Return on equity on an annualized basis stood at about 44.4% for the first half year of FY25. In alignment with our policy, rewarding shareholders, we have declared an interim dividend of about INR 7 per equity share for FY25.

Now in our flagship private wealth business in the first half of FY25, we have added 1,066 new client families on net basis, bringing our total number of clients to of 10,977. Our client-centric approach has resulted in 0.28% client attrition rate for the first 6 months of this year. We have added 63 new relationship managers over the past 12 months from September last year, bringing the total count to 374. We have an immense pride in achieving zero regret RM attrition for the fifth consecutive quarter, which is about 15 months period, no regret RM attrition. Regret RM by which I mean any RM which has crossed INR40 crores of AUM has not left up in about a 15 month period.

Digital wealth businesses, which is a B2B2C business registered a growth of about 32% year-on-year in AUM and to reached INR 1,826 crores. The number of clients increased 22% to 5,454. The OFA business, which is an abbreviation to Omni Financial Advisor which is a SaaS platform has 6,188 subscribers with platform assets of about INR 1.55 lakh crores at the end of H1 FY25.

The mean of the year-on-year growth - very distinguished the data, the little differentiated data, so I want your attention. For the last 10 quarters, our profits have grown on a year-on-year basis the mean growth has been 33.9%. The median growth is 34.2%. The standard deviation of these 10 quarters, quarterly growth year-on-year is 4.5%. Our performance has been consistent and also market agnostic is the belief we have. How do we check market agnostic. If you look at the worst NIFTY performance after we have got listed was in the quarter 1 of FY23, where the NIFTY fell about 9.6%, which was April to June 2022. Our profit in that quarter on a year-on-year basis grew almost to the mean, which is 33.6%.

Now I will hand over the call to Mr. Jugal Mantri to take us through the financial performance of the company in more detail. Jugal, sir, over to you.

Jugal Mantri: Thank you, Feroze bhai. Thanks, Sejal. First, let me speak about Q2 FY 25 consolidated financial performance. Our consolidated total revenue for the Q2 FY 25 stood at INR 250 crores compared to INR 189 crores in Q2 FY24, registering a 32% year-on-year growth. Trail revenue was INR 106 crores registered a strong Y-o-Y growth of 69% from INR 62 crores in last year same quarter. Our profit after tax stood at INR 76 crores registering a 32% Y-o-Y growth compared to INR 58 crores in Q2 FY24. Profit after tax margin for Q2 FY25 was at 30.6% as compared to 30.5% for Q2 FY24, which was slightly better.

Now I will take you all through first half of FY25 financial result. The revenue for first half FY25 stood at INR 495 crores compared to INR 368 crores in H1 FY24, registering a 35% healthy year-on-year growth. Trail revenue was at INR 195 crores, witnessing a strong growth of 70% year-on-year. Profit after tax also grew by 35% year-on-year to INR 150 crores for H1 FY25 compared to INR 111 crores for H1 FY24, and profit after tax margin was 30.2% for H1 FY25.

So, this is all on the financial numbers. Over to you, Mr. Vishal or Sejal.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sanidhya from Unicorn Asset. Please go ahead.

Sanidhya: Hi, good afternoon. Good set of numbers. My first question is, can you explain the different what are the yields on different product segments, like equity MF, debt MF, NSP and others?

Feroze Azeez: Sorry, your voice was a little muffled. Go again. I am so sorry.

Sanidhya: Okay. So could you explain on the yields of different products like equity MF, debt MF, NSP and others for us?

Feroze Azeez: Sure. The yields are on equity mutual funds about 1.08% or 1.09% post GST. On a yield basis, yields are always computed per annum. So if you look at the yields of all the mature structured products, which is greater than 1,500 over the last 12 years, the yield has been 1.17% calculated per annum on average assets, on structured products and then coming to debt MF, debt MF is about 0.43 post GST is the yield on the debt.

Sanidhya: Okay. And what's the part that others include?

Feroze Azeez: Others is practically raw material because we believe in these three instruments, largely equity mutual funds and structures, which is what intergenerational wealth is all about, debt is also in a smaller portion. Others are in custody now, as raw material for its alignment over a period of six months or one year. So others is something which we don't track the yield because that's not what we recommend, but those are broker code transfers of PMS and all products which are in pipeline to get aligned into the three products which I stated.

Moderator: The next question is from the line of Lalit Deo from Equirus Securities.

Lalit Deo: Congratulations on a good set of numbers. So sir, first question was broadly on the industry front. Like we have been hearing that a large AMC has tried to cut the distributor payouts on the back book of AUM. So have you received any such kind of intimation? And just a follow up on this, like in such cases, like how should we see to it that our yields remain constant in this scenario?

Feroze Azeez: Yes, some AMCs might have tried to reduce the yields of the distributor where the TERs have come down because of mark-to-market. But since we are the only wealth management outfit in the country, for sure, which uses only equity mutual funds or long-only position, we have not sold PMS. We have not sold direct equity. We have not sold AIF long only. We stand apart in terms of only using mutual fund platform for long-only positions because we think that's far better Sharpe ratios than most other equity participation vehicles. So our bargaining power is significantly more because we have only one platform. And I think that's the reason why you would not see a dip, and that's why you see a 70% increase in trail in-spite of this pressure, which does not impact us as much or not at all.

Lalit Deo: And secondly, sir, just like -- so while the net flows in the equity mutual fund have remained steady, but it has declined on a sequential basis, whereas on the -- in the industry front, like if we look at the equity flows in the equity mutual fund, so they have remained elevated, they have increased also like on a sequential basis. So like anything to look into it, like why has been there a decline in the net flows on a Q-on-Q basis, I would say.

Feroze Azeez: Absolutely. Very good question, Lalit sahib. But now that we've been listed for about 12 quarters, I'm trying to reiterate how you should look at our business, whoever wishes to keenly look at our business and seriously wants to understand this business, which I'm sure you do Lalit bhai. See, this business is about 1,977 portfolios. The clients' objective risk reward and whatever is the allocation is a culmination of an allocation, which is bottom up rather than topped down. What do I mean by that is if my total net sale is INR5,700 crores for the first half year, if markets run up, I am duty bound to realign once portfolio towards structured products or vice versa, depending on which asset has a larger mark-to-market. For example, if you have 1st April 2023, if you look at our results, the structured product proportions were 29%, if I'm not wrong. Now it might be 23% or 24%. Vishal ji, give me the correct number, proportionate?

Feroze Azeez: 24.66%, Lalit sahib. Now what happens is, why is this proportion come down because there is more mark-to-market in equity mutual funds because our model portfolios outperformed Nifty by 16.88% last year. And it has outperformed as of yesterday by 66.09% on Nifty (though it was mistakenly spoken as 66.09% but as mentioned later in the document alpha over Nifty in current financial year till date is 7.34%). So when I reallocate money from equity mutual funds to structured product for a client who had agreed to have 65-35, it might have changes in the allocation from a sequential quarter-on-quarter basis. So having said this, to answer your pointed question, what does this imply? This implies that there is some degree of realignment happening because of higher mark-to-market. So if you look at my net sales, which is what we were aspiring to have INR1,000 crores per month, did we get there? The answer is no. We got somewhere close to that 5,700. Ideally, I would like to see this at INR 6,000 crores. Does it answer, Lalit bhai?

Lalit Deo: Yes. But that would be on the overall front. I was more talking about from the equity segment itself like equity mutual fund scheme itself.

Feroze Azeez: Let me further elaborate for 30 more seconds. Now if I am at 24.66% of structured product, if the agreed allocation is 29% before the mark-to-market that implies that 4% to 5% needs to move back to structured product, right, if I have to restore the allocation of 1st April 2023 with a specific client. So it might mean that I might sell some mutual funds and buy structured products or vice versa depending on the mark-to-market is what I was trying to help you understand, and you should look at the overall asset perspective because it is bottom-up rather than top-down. I don't sell mutual funds thinking we have to sell so many. I don't sell structured products thinking we have to sell so many. You're creating the portfolio and allocations are an outcome rather than an input.

Lalit Deo: Right. And sir, just last one data keeping question. Like in this quarter, what has been our primary and secondary issue on the structured product side?

Feroze Azeez: Jugal sir, would you want to take that? Jugal sir, are you there or should I? This is for primary, right? INR 3,283 crore is primary for six months full period and secondary INR 958 crore.

Lalit Deo: Sure, sir. And sorry, just last question, has there been any change like post the taxation rate change, what is the current tax rate which is there under MLDs?

Feroze Azeez: The tax rate change does not impact by structured product business because the Sharpe ratio of the structured product is 1.93, okay. Out of the 16 products, which are there in wealth management. There are about 15,000 plus ISINs, which a client can cut a check too. If you look at arranging them in the descending order of sharpe ratios post tax or pre-tax, you will see structured products right on top, the ones which we made. So 1.93 is the sharpe ratio of structured products. The next best is mutual funds 0.78, PMS are at 0.3 or 0.4. So does it change our product allocation? The answer is no.

Second is that if you look at taxation, taxation is always at file level. And the great part of Section 50A is that it counts all the gains as short-term capital gains. And short-term capital gain gives you the provision to use Section 70 to Section 74 for any set offs which an equity loss can throw up. So having said which, the average taxation at a family level, which we believe is about 19% - 20% for the maturity, which have happened after the tax change.

Lalit Deo: Okay. But in general, like if you talk about only the structured products, then I was just trying to refer…

Feroze Azeez: No problem. Okay. Now let me elaborate further. Unfortunately, I am trying to compress an answer, which is an hour discussion with the client to about 30 - 50 seconds. But yes, having said which, with that limitation, let me give you one more data point. In India's new tax regime, even if you earn INR50 lakhs, the tax rate is 24% on a graded fashion if we put it on an excel sheet.

So if there is a gain of INR 50 lakhs, as per the new tax slabs, if I don't take any provisions of those section 80Cs and those small provisions of Section 80DD. If you put on a weighted average basis, even if there is a INR 50 lakh gain, INR 49 lakh gain, the weighted average tax was up to 24% and not 35%. And in a family of 5, you would always have a file, which is a major file, which does not have a clubbing provision under the Section 65.

So it's a longer story, Lalit. So as a stand-alone also, it's not something which can be at a product level. It's at a file level, including all provisions and family. That's the point I'm trying to make. I can take this one-on-one in a meeting or something like that and help you understand what the Section 65 say, what does Section 94 subsection 8 say, what does section 70 to 74 say, Section 112 say and 111 say.

Moderator: Thank you. The next question is from the line of Krishna from ULK. Please go ahead.

Krishna: Great to see that the numbers are spiking year-on-year. My question is not so much around the numbers, but it is around people management, if I may say. I do see that for the last 5 to 6 quarters, there's been zero attrition in your organization. I don't think this is very intriguing for me to begin with. So because when my relationship manager calls me from my bank by the time I add him to my contacts, he has already switched shops. So I don't know whether this is business as usual in Anand Rathi, but this -- I find this to be a little fascinating. So I would appreciate if you could give me some insights there?

Feroze Azeez: Sure, Mr. Krishna. Point 1, yes, but I would want to clarify, it's not zero attrition at a company level, we have 1,157 total colleagues at current point in time. The regret RM attrition is zero for 15 consecutive months. That's point 1. Point 2, we basically believe that RM is the easiest to retain. Because it is unless you do something wrong, RM does not need to start his life back from zero in a new platform. And be about 10 - 12 years back, Rakesh sir, I and some of our colleagues had discussed why we quit the previous company. And then we realize there are about 5 - 6 reasons why a person needs to change the job. Now this is my third job, unfortunately. My first job was ABN AMRO, spent 7 years and there was a reason why I left ABN AMRO because they told me to sell insurance and I was not okay with it. So if you can make sure that those 5-6 items are not done in a company, then people don't leave is our belief and that's the hypothesis, which is proof point 1. Because an RM needs to convince 50 clients, 30 clients to come along, which is a tough task, especially if you look at our client portfolio, the Sharpe ratios for the last 10 years of my 297 largest client is greater than the best Sharpe ratio of another competitor.

Okay, mathematically provable. So Krishna sir what I am trying to say is this was RM regret attrition is zero, point 1. Point 2, RM find it very difficult to restart life. Unless the organization is being very unfair, there is no reason why Feroze as an RM should go to a new platform and re-build life from zero. And we just have identified those 5 things, which industry does wrongly. And that we don't do. That's about it. We don't do anything extra. We don't do contest. We don't give RMs more than what is said. We don't give them less than what is said. We give them exactly the same formula from 2007 when Rakesh sir set up the bonus formula or the remuneration formula that's remained constant for 18 years - 17 years, which has not happened in the industry. So that's one of the key reasons stability of remuneration is one of the 5 - 6 reasons. This is the way it is. And we want to be the Finland of the corporate world, which is the happiest country as they claim.

Moderator: Thank you. The next question is from the line of Samyak Shah from Sameeksha Capital. Please go ahead.

Samyak Shah: Congratulations on a good set of numbers. I just want to know about Alpha Generated on our model MF portfolio. So can you just throw some light on that?

Feroze Azeez: Yes. Alpha Generated on model portfolio. We like to compare ourselves to Nifty because that's the most familiar benchmark. If you look at Nifty, of course, some people might debate why not NSE 500, why not Nifty Smallcap 250. But Nifty 50 is what the Tier 2 benchmark most fund managers in India have chosen, and that's our benchmark as well. Then given the choice, most fund managers is actually chosen Nifty 50 surprisingly, even Smallcap fund managers have chosen Nifty 50 as the Tier 2 benchmark, Tier 1 is mandatory by SEBI.

Coming back to now the Alpha, first, I gave you some color on the benchmark because the benchmark has to be something which is familiar NSE 500, my clients don't even know the levels of it. Coming to Nifty last year, I think 16.88% like I said, with the Alpha on Nifty of our model portfolio. We went Smallcap heavy. We were zero Smallcap schemes in December, in March 2020 to 2023. 1st first April 2023, we were suddenly 3 Smallcap funds. So we were zero Smallcap for 4 years with whatever God's grace and some degree of mathematics.

We have decided that we will be out of Smallcap just before or no, just after the ILFS crisis in September 2018. So we stayed without any Smallcap for four years. Then we went straight to 3 Smallcap schemes. Now we have 2 Smallcap schemes, and that really resulted that whole broader market call with God's grace went, right? And that gave us some serious Alpha last year. And then this year, of course, the liquidity in the Smallcap space continues.

And we track that on a daily basis and that's why there's a broader market badly continuing unlike most of these several institutions believing that it's broad-based rally is overdone till the liquidity tight turns, we believe that there is some more juice left. And so the Alpha this year, if I have to tell you the precise number, I tell you as of yesterday bear with me for a minute from here. I'll tell you precisely as of yesterday. It is 7.3%.

Samyak Shah: Okay, till date.

Feroze Azeez: Yes. It is 7.34 till date for this financial year.

Samyak Shah: Okay decent. And my other question is like we have seen increase in finance cost this quarter. So is it like a one-off, item on account of buyback or anything else?

Feroze Azeez: Yes. Jugal, sir, best equipped to answer this.

Jugal Mantri: So actually see, if you recall that we have done the buyback, and the treasury got deployed. So now whatever this finance cost is there, it is -- there is no borrowing we have. In fact, we have got the other income and the fixed deposits are placed. So as whenever there is a treasury requirement, there is an overdraft on the FD line. So it is FD/OD used. And the cost is largely on account of that. We don't have any borrowing in the company, it is a debt-free company.

Samyak Shah: Thank you

Moderator: The next question is from the line of Aman Singh from Profit Gate Capital Services.

Aman Singh: Thank you for the opportunity and congratulations on a good set of numbers. Sir, I wanted to understand, as you rightly highlighted, Y-o-Y decline on equity net inflows for the quarter 2 is due to the realignment of portfolio towards structured products. So, can you give us the gross inflow numbers in equity, for a better comparison of how the book is growing and also for the market share that we have in the industry?

Feroze Azeez: In the meantime, while my colleague pulls out precise numbers let me tell you. If you look at our equity mutual fund sourcing for the first half year, I think it's about INR 3,300 crores. I'll tell you some industry numbers. Now here, I have it in my hand, H1 FY25, the net flow in the category as per Category 3 of AMC, as it is mentioned in the website, which is the active managed funds. The total net flow is INR 203,994 crores. SIP purchases for the same period of H1 FY25 is INR 1,33,925 crores. Net inflows minus the SIP purchase is INR 70,069 crores and Anand Rathi's number, is INR 3,116 crores. And our SIP purchase is INR 310 crores which implies that our net inflow in equity mutual funds for the same period of the first half year of 2025, FY is INR 2,805 crores, which makes it a 4% market share in lump-sum purchases and 1.5% market share, including SIP numbers because we have not focused on SIP being an HNI platform. I think we have missed that opportunity so far. We have woken up to that opportunity, and we will see SIP numbers going up. But if you look at lump sum purchases, INR 2,800 crores is what has come from ARWL on a total base of 70,000 for the industry.

Aman Singh: And sir, what would be the gross equity inflow market share, including SIP lump-sum for H1?

Feroze Azeez: For the industry or for us?

Aman Singh: For us compared to industrial market share.

Feroze Azeez: Yes, the market share is 1.5. ARWL Equity Net flow INR 3,116 crore on the Industry Net-flow INR 2,03,994.

Aman Singh: So it would be net inflow market share, right? I'm asking about gross inflow market share.

Feroze Azeez: Gross inflow, we don't track it at all.

Jugal Mantri: Gross it is next to impossible to track because there are a lot of switches and the realignment even within the equity mutual portfolio. So it is next to impossible to track the gross numbers. Besides the equity, what is important is that even the net inflow in the first half, which we have is INR 5,700 crores in the products which are being distributed compared to that, we had net inflow of INR 2,500 crores. So in fact, the net inflow in our products, which are being advised, has gone up by 127% in the first half of this financial year.

Aman Singh: Right. Yes. So, as you explained in quarter 2, there was some realignment from the equity mutual fund to structured products. So, was it across the categories in equity mutual fund or you made redemptions from a particular category, like you did in small cap a few quarters back?

Feroze Azeez: See, we release a new model portfolio every 15 months, then start the realignment. The model portfolio is a lump sum now. The same 14 schemes I own, the same 14 schemes my largest client as an RM own. So it is never going to be so transactional.

Aman Singh: Thank you so much and all the best.

Moderator: The next question is from the line of Dipanjan Ghosh from Citi Group.

Dipanjan Ghosh: Just on the guidance part, when I look at it for the second half, you have built in almost a high single-digit sort of AUM growth. But when I look at the revenue numbers or even when I look at your PAT numbers, for the second half you are building in a lower than what you have achieved in H1. Now given the opex structure, when I subtract and get the opex number, this numbers seems to be broadly flattish what you're assuming between H1 and H2. Now just on the revenue part, why would you kind of assume a relatively lower revenue number for the second half compared to the first half, even when you are assuming AUM growth. That's my question number one.

The second question is now when I look at your flows that you're getting into your business, just if you could give some color between flows from, let's say, the new customers and from the existing customers. What the breakup would be and if that has changed in the last year or quarter out there. And my last question is more from a structural perspective. I mean, in the segment that you're operating, do you see increased competition from some of the domestic boutiques. And if so, can that lead to some sort of maybe not immediate but maybe a near to medium-term pressure on the cost side?

Feroze Azeez: Thank you, Dipanjan, for your question. Firstly, I think if you would have heard us in the past, we always try to under-commit and over-deliver. That's our principle. And that's the principle any business which is supposed to be in the trust business. To clients also we try to under commit and try our best to overdeliver. We don't show Sensex 200,000 and then sell equity. We show Sensex can go down. every 8 months 10% and then sell equity. So 1 is the principal and the DNA, which Mr. Rakesh Rawal, who's the CEO of our company and incidentally also our professional guru has imbibed in us, is to under-commit over deliver. So any guidance numbers have to be seen with that color.

And we also believe in God, so there could be surprises. That's why you will always have some conservatism and not look at sequential growth. Half year to half year growth are not supposed to be seen in this business. For the time and I am mentioning that in my calls that it is a business of managing money and revenue is an outcome. I can't decide this is the revenue I want, and that's how I will manage them on and we have to respect the fact that we have collected INR75,000 crores of hard earned money, which on an average, takes 15 to 20 years for every family to accumulate. So revenue can't result in the allocations. Allocations have to result in drive. So that's on the guidance part right? Second, which was first question was existing v/s new clients. 65 old clients and 35 new clients, okay?

We believe that we are one of the wealth management outlets, we like to believe that we are more secure as a group of professionals saying that we don't push people to start big. We will start with whatever INR 1 crores. But as long as you have INR 8 crores, INR 10 crores, INR15 crores as your investable surplus, I would allow somebody to start with INR 1 crores earlier I used to allow them to start with INR 50 lakhs also.

And once I establish that my sharpe ratio is better than the best Sharpe ratio of somebody else. There is no reason why I will not be able to consolidate. That's why two-thirds comes from existing clients. And one-third comes from new clients.

Dipanjan Ghosh: Allocation of more on the competitive intensity, how these things are shaping up?

Feroze Azeez: The competitive intensity -- our competition with anybody who has a sharpe ratio less than me, okay? There are two things -- how we see competition. Of-course, it might look too idealistic. There is a competitor to sales team. There is a competitor to research team. Now for example, if there is anybody better than us in terms of risk reward to a client, that is a competitor to my product team. Mr. Chethan Shenoy and 145 people - saying that why is somebody delivering a better Sharpe ratio than me?

If somebody is delivering worse off than me, then it's a competitor to my sales fraternity. Because if the money is not growing well, why are you not bringing it in? If it’s going well, then Mr. Shenoy what is your research team doing? So that's how we see and we learned from our competitors. So to answer your question, competition will come, but there is enough and more money, which is not delivering the Sharpe ratios or even 0.5. And people don't even measure risk-adjusted return of that portfolio. So if you measure and somebody is doing very well, better than us, we don't treat that as competition. We let that be. And so we have the courage to say no to some clients, which I don't think wealth management outfits at the client. Once I say no to those 5% people who are doing better than us and learn from them, I have the conviction to get the 95% in, and that's been the principal sir. That's how we see competition. And there is so much underutilization on a risk-reward basis, you had be surprised, even INR 100 crores clients have a Sharpe ratio of 0.3. So many of them.

Dipanjan Ghosh: If I can come back on the first question, my question is not from a guidance perspective, more from the perspective that baring asset allocation. If I just look at your mutual fund distribution business, do you see any risk to the MF yield. I think one of the first questions was regarding to the that book re-pricing from one of the larger AMc. I mean, is that more of a trend that you expect on the other incumbents to follow? Or it's just more of a one-off event from one of the larger players. I mean, a question more from a yield perspective, how you see that shaping up? Or is there any risk to the MF yield?

Feroze Azeez: We personally think that we generally like to manage risk. Risks will be there. I can give you a 100% that not just the risk which I have written on my notes in my phone. There will be some unknown risks and risks are practically the ones which you don't see coming, right? So I have total 17 - I call the green risks and higher likely risks are 10. So after having provision, that is why Rakesh Rawal gives the guidance of 20% -25% for the next 10 years. So to answer your third question, the yield compression, unlikely. We were the only wealth management or one of the few wealth management outfits, which went all trail in 2016 when it was regulatorily mandated in 2018. And we have not had to change our distribution and advisory model from 2013, 1st January when it has been released. Most of our industry participants had to be toying between advisory, distribution, PMS platform for the mutual fund business. I think if I am not wrong, at least three changes have happened in most wealth management outfits from 2013 in their business model. When we look at regulation, we look at regulation, not from what is written but between the lines. And probably on a one-on-one discussion, I can tell you what we read as a regulatory change. The yield compression is the least of our risk and even if there is 5 – 7 paise risk of having 1% only trail commission, we are very well poised to handle that.

Moderator: Thank you. The next question is from the line of Prayesh Jain from Motilal Oswal Financial Services. Please go ahead.

Prayesh Jain: Congrats on at great set of numbers. Just a couple of questions. Firstly, when you were mentioning about your alpha generation, you mentioned your performance versus the NIFTY. But could you also give some colour as to how many of your portfolio schemes would have outperformed their respective benchmarks. And what would be the average data over their respective benchmarks?

Feroze Azeez: Yes, I can tell you that, but that's something which I don't track as much, but of course I track, but that's not a commitment I give because everybody has a Tier 1, Tier 2 benchmark, if you want to know what is the outperformance on the respective benchmarks, which I think is itself flawed - it's 2.91% for this year.

Prayesh Jain: 2.9%.Okay. Great. And the other thing is from a structural product, how do you see the share of your structured products, say, over the next three, five years, how do you see that kind of changing?

Feroze Azeez: I don't think there could be too much change. When we started in 2012, November, our first structured product issuance at Anand Rathi. We had a 30% allocation as the maximum. Allocation today is 35% so we went in 12 years to 40% came back to 30%. We are now at 35% for most of the portfolios, we recommend this. So to answer your question, it's going to be a plan B in the portfolio. And that to my mind, would be one-third or close to that for the next 10 years. Unless the macroeconomics change it the way delta, vega, gamma, theta, rho which are the first order Greeks of long-term options changed dramatically which I think is unlikely vega and beta which are the second owner Greeks which we track to make a product unless they change to over its heads, there is no reason why with the allocation would change or the same product which we have done 1,500 times each will change.

We don't believe in innovation. We believe in optimal innovation because innovation for the heck of it is something which is detrimental to the sharpe ratios of the portfolio. That's what our study shows.

Prayesh Jain: Yes. That’s it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Rohan Mandora from Equirus Securities. Please go ahead. Sorry to interrupt you sir, may I request you to use your handset.

Rohan Mandora: This is better?

Moderator: Yes sir. Please go ahead Mr. Rohan.

Rohan Mandora: Hello.

Moderator: Sir we are not able to hear you very clearly.

Rohan Mandora: Sorry, I'll join back the queue.

Feroze Azeez: Now we can hear you Rohan Bhai now. I could hear. Sejal I could hear Rohan.

Moderator: Sir he got disconnected.

Feroze Azeez: Okay.

Moderator: Due to no response from the current participant, we will take the next participant. The next question is from the line of Sunil Shah from SRE PMS. Please go ahead.

Sunil Shah: Thanks for the opportunity. Congratulations Feroze and the entire team at Anand Rathi, Jugalji and all. Sir I have been there in the company for like reasonable period of time and I'm really looking at being there for like another 5 years - 10 years. As you stated, Rawalji and all are targeting 20% to 25% growth over the next decade. That's the sense and we are clearly preparing our company in that direction, really appreciate the client acquisition to employee retention, to the products, processes, everything. Sir the only point is this and I don't want to sound negative, but are we working or preparing for as creating a proxy of Feroze in the organization because Feroze has been there for a long period of time. And has all the firepower today. Also when I hear him speak, but my only that Six Sigma event or the Black Swan is Feroze kind of decides to move on or whatever, are we preparing any proxy? Just an outlier completely minus 3 sigma event, but are we working towards creating any such thing? This is just one thought because that's the only risk which I see in the company at this point of time. So just wanted to bounce this, just create some thoughts and just want to hear your thoughts as well Feroze?

Feroze Azeez: Thank you Sunil Shah for your question. Thank you to be our investor for so long in your PMS. So Sunil Shah I speak a lot and I appear a lot, but I think I'm not -- I'm just the postman. To be honest and I'm not being trying to sound modest. Rakesh sir who is a back bencher is the person who has actually put the strategy in place. Segment was chosen by Rakesh sir, the strategy mathematical approach was chosen by Rakesh sir and his experience is what I try and articulate.

Today like you rightly said sir I joined in September 2012, so finished about 12 years. Now I speak like Rakesh sir, but he doesn't speak so much in the public is why it is misconstrued that it's my language, point one. Now I will give you a little more tangible answers. This was just a disclaimer. And in 2015 July I was chosen by Rakesh sir to be the Deputy CEO, not from a purpose of our transition because one of us can die to be honest Six Sigma event, not Six Sigma it's a certainty that one of us will die sooner unless we take the same flight and something happens. And so on a lighter note I had a very strong long chat. So Sunil bhai so what I'm saying is why I am a Deputy CEO from last 9 years. My media friends tell me that you are so bad that you don't get a promotion on a lighter note. I say I don't want any promotion. So we are two of us point one and not one. I might be doing the talking in the public domain. His brain is significantly more than mine in the business because of he joined in 2007. That's point one.

Point two if you look at it our unit heads barring the last four - five hires have been there for more than 12 years - 14 years. My Hyderabad unit head is taken care by Protima who is 17 years. Our Delhi unit head is taken care by Manish Srivastava who is 17 years. Adil came with us again co head Delhi. So if you just went the second in line the average period the unit heads have spent is anything more than 11 years, 12 years, 13 years,14 years.

We've hired three people from Karvy who came in 2015, 2016, 2018 and 2019. So they would bring down the average because they spent some period. Then coming to the product head who heads this division of 145 people which is the brain in the anatomy. If I have to draw up analogy, Chetan Shenoy who is the Product Head has worked as a colleague of mine from the first day I started in the corporate world in 2004, when I joined ABN AMRO that was one of the first people I met. So we have worked together as a group for really long periods of time like Chetan Shenoy 20 years. My Product Deputy Head close to 14 years. So if you look at all the product top 10 people, I actually have 6 people plus 14 people. 6 people have worked as a colleague to me for at least 14 years - 15 years from 2010. And the next in line and the product 14 people have spent at least 8 years average. So the only way to prepare for somebody's absence in unfortunate event is to have near zero attrition both at product level and the RM level. That's what we've tried to do, but you really set us thinking Sunil bhai. We will try and see if there can be a more cogent plan and I will take this as a feedback.

Sunil Shah: No, really appreciate the detailed explanation that you shared with me and good to know the Tire 2 the people working. So thanks for all this. That really puts to rest all the doubts that I had in my mind. Thank you so much, Feroze a real long journey ahead in all aspects.

Moderator: Thank you. The next question is from the line of Viraj Mehta who is an Individual Investor. Please go ahead.

Viraj Mehta: Great set of numbers. Quality an up-up growth for the last 2 years, reaching almost 4,000 great achievement. I have only 1 question, which is any plan of corporate action going forward? There and split - bonus?

Feroze Azeez: Like we said the last time also, the AGM, I quote my Chairman saying that we will surely consider corporate action actually, what was said. And that stands to today as well in the same manner, which was told in the past. But one very interesting data, we made a predictive model to see which the companies which give a bonus are. Maybe if you get in touch with Vishal ji, he can share with you predictive analytics of which are the companies which end up giving bonuses on NSE 500. We've done some interesting data and any company which has risen has a larger probability of giving bonuses in any company which has given larger bonuses have risen so vice versa, which is at, I think we can give you.

So I'm giving you an abstract answer, but we have done some predictive analytics in terms of the NSE 500 companies in terms of bonus. Not specific to Anand Rathi, but whatever I heard Mr. Rathi hearing him in the AGM, I'm repeating the same thing, yes, we will consider, we believe in rewarding the shareholder.

Viraj Mehta: Well, thank you. And I get your details from the website, is it?

Feroze Azeez: Thank you, sir.

Moderator: Thank you. The next follow-up question is from the line of Sanidhya from Unicorn Asset. Please go ahead.

Sanidhya: Just to follow up that the number of clients in the H1 FY25 or say, one full year if we compare from H1FY24. What kind of client base that is like in terms of the AUM that they're bringing? In which category do you place and what percentages would you sand INR 50 lakh to INR 5 crores and 5 crore to 50 crore or more than?

Feroze Azeez: Sir, your name I missed again, sorry.

Sanidhya: Sanidhya.

Feroze Azeez: Sanidhya, see how we look at it is the first filter is we try and see whether the client is from our segment. What is our segment is INR 5 crores to INR 50 crores of investable surplus other than the office / home occupies. That's the first step we do. Let's assume Sanidhya balance sheet, apart from the home, he lives in picking across. Then I know the first stigma, but he has the potential to be my client segment. Then I will tell Sanidhya, sir listen to my story and start with INR 1 crores. So you can start with INR 1 crores. This is the same thing, 6-8 months ago we were starting with INR 50 lakhs, but I think they have come some distance unlike most private banks who say that you start with INR 5 crores, which we think is a little unfair.

So that most of the clients, would be most if not all will be investable surplus is greater than INR 5 crores - INR 7 crores. And below INR 50 crores. We don't like to go after rich people who have got into money just now, unlike most of our friends in the industry do they sold the business for INR 200 crores. They would go to it. We would not want to go to him because I don't want to fight a cost war. And we like to get intergenerational wells and INR 5 crores to INR 50 crores in that segment, starting with INR 1 crores. Does it answer, sir?

Sanidhya: Yes, that definitely answers. And what do you hear from those people what are their aspiration in terms of returns what are they looking for really? Like INR 5 crores to INR 50 crores. I think the best segment in the entire industry, That's my view.

Feroze Azeez: Absolutely. That's a good segment provided I am building a business on the basis of MAT. So if you ask me, what do these clients have? They don't have clarity. Okay? That's why is tagline as uncomplicated. What is happening to INR 15 crores client, if I described. He is distributing a INR 5 crores, INR 7 crores in Real Estate. He's got INR 7 crores, INR 8 crores in financial assets distributed across 3 different financial advisers. One is surely going to be his bank. He is acting like a INR 2 crores client to 4 people.

And that is resulting in people selling him products, which may not suit this need. So what is their first requirement? They don't want it, but the need is clarity of objective. They want something fancy to start with. When we meet somebody, what's new with you? Is the first question. We say, we haven't come for entertainment, we don't have anything new. That same thing has been running for 12 years. Our aim is that your IRRs and your Beta is measured.

Today, most of the advisers -- most of the clients at between INR 20 crores balance sheet will not even know that Beat of their portfolio, right? So what do they want? They want new products, what do they need? They need clarity of objective. They need clarity of mathematics. They need services which are peripheral. We have done about 6,000 - 7,000 wills, and most of the wills which we audit are incorrect, even if they are a INR 500 crores will. So we have done 7,000 wills. We've listed down 11 most popular mistakes. They need it, but they don't want it. So we have to create the need before we address it.

So uncomplicated is only appealing to a person whose life is complicated and you open his eyes saying that is any complexity. As seen portfolios you'll be surprised, 100 ISINs with a Sharpe ratio of 0.1. I've seen 92 ISIN with Sharpe ratio of minus, right? So what do they need? They need some mathematics. And since this segment is filled with professionals, professionals respect mathematics because they have to present to the board so they work with mathematics a little more than a promoter does, because promoter is lesser answerable than a professional. I as a professional and more answerable than my promoter. So that's why that segment is good, and we believe in mathematics. That's why our RMs being introverts, do a good job, because the straight come to the point to the mathematics and does not ask him what you wait last night or how was your golf game.

Sanidhya: Great. And do we do any insurance kind of product?

Feroze Azeez: Yes, sir.

Sanidhya: Do we sell any insurance kind of product?

Feroze Azeez: No.

Sanidhya: Great.

Feroze Azeez: And investment based insurance. Would we have sold some term plans with general insurance to protective house? Answer is yes. Anything which is investment and insurance mix trying to do one or two insurance is not in finance. It's in the context.

Sanidhya: Yes, exactly. Thank you.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the conference over to Mr. Feroze Azeez for closing comments.

Feroze Azeez: I'd like to thank everyone for being a part of this call. We hope we have tried our best to answer the questions to our ability. If you need any more information, please feel free to contact Mr. Vishal Sanghavi our Investor Relations Head, and Rajesh Bhutara, who is our CFO for decades. I would like to extend my good visions for the upcoming festive season and may you have a great decent in and thank you for your time and patience.

Moderator: On behalf of Anand Rathi Wealth Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.