

ANANDRATHI

Private Wealth. uncomplicated

Anand Rathi Wealth Limited

Q2 & H1 - FY26 Earnings Conference Call

October 14, 2025

MANAGEMENT:

- MR. FEROZE AZEEZ – JOINT CHIEF EXECUTIVE OFFICER
- MR. JUGAL MANTRI – GROUP CHIEF FINANCIAL OFFICER
- MR. CHETHAN SHENOY – HEAD, PRODUCT AND RESEARCH
- MR. RAJESH BHUTARA – CHIEF FINANCIAL OFFICER
- MR. VISHAL SANGHAVI – HEAD, INVESTOR RELATIONS

Moderator:

Ladies and gentlemen, good day, and welcome to Anand Rathi Wealth Limited Q2 and H1 FY 2025-26 Earnings Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star and then zero on your touchstone phone.

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

Feroze Azeez:

Thank you so much, Swapnali. Good afternoon, everyone. Thank you, everyone, for joining the earnings conference call for the quarter and half year ended 30th September 2025. Today on the call, we have with us Group CFO - Mr. Jugal Mantri, Product and Research Head - Mr. Chethan Shenoy; our CFO - Mr. Rajesh Bhutara and Head of Investor Relations - Mr. Vishal Sanghavi.

I'm very pleased to share that we have delivered the 16th quarter of consistent and market agnostic performance despite the challenging environment with Nifty declining about 3% - 4% during both the quarter and the full year.

I want to take a moment to highlight the remarkable journey. When we launched our IPO around 4 years ago, our AUM was about INR 30,200 crores. And in just about 4 years, we have added more than double that amount reaching to a total AUM of INR 91,568 crores at the end of September 2025.

During the quarter Two of FY '26, equity mutual fund net flows increased by 101% year-on-year to INR 2,062 crores as compared to INR 1,025 crores last year same quarter, where the sentiment was significantly better last year than this year. So, it makes us believe that buying when the sentiment is bad, creates a lot of value for our clients, and that numerically seems to be established in this quarter. For H1 FY '26, our market share in equity mutual funds net inflows stood at 2.33% in the category 3 of AMFI's publishing numbers. So of course, quite a few people were skeptical about penetration and market share when it comes to -- because of direct as a competitor during our IPO and subsequently over a 4-year period. But if you see our market share has gone up from 0.16% in FY '20, to 2.33% of the net inflows in India has come in active funds to us.

During the quarter 2 of FY '26, total net flows increased by 28% to INR 3,302 crores as compared to INR 2,336 crores. So the overall net flow was also reasonably healthy. Hence, H1 FY '26 total net flow rose by 20% to INR 6,827 crores compared to INR 5,700 crores last year same period of half year.

In our flagship private wealth business. During the last 12 months, we have added about 1,800 plus families on a net basis, bringing our total number of clients to 12,781.

And client attrition numbers have been -- our client attrition numbers in terms of AUM loss remain low at a second decimal of 0.09% for the quarter 2 FY '26 and 0.18% for FY '26, the full half year, reconfirming -- reaffirming the trust our clients place in our uncomplicated client-centric approach.

Digital wealth business, which is a B2B2C business registered an AUM growth of 21% Y-o-Y and reached to INR 2,211 crores and the number of clients increased by 20% to 6,570.

The OFA business, which is our SaaS platform, has 6,790 subscribers with platform assets of about INR 1.59 lakh crores as of 30th September 2025.

Now I request Jugalji to give business highlights for the quarter, which went by. Jugalji, over to you.

Jugal Mantri:

Thank you so much, Feroze bhai. Good afternoon, friends. Let me take you all through Q2 FY '26 consolidated financial performance first. Our consolidated total revenue for the Q2 FY '26 stood at INR 307 crores compared to INR 250 crores in Q2 FY '25, registering a healthy 23% year-on-year growth. Our profit after tax stood at INR 99.89 crores registering a 31% year-on-year growth compared to INR 76 crores in Q2 FY '25. Profit after tax margin for Q2 FY '26 was at 32.5%, which has improved from 30.6% for Q2 FY '25.

Now I will take you all through H1 of FY '26 financial results. During first half of financial year 2026, our consolidated total revenue grew by 19% year-on-year to INR 591 crores from INR 495 crores for H1 financial year '25. Profit after tax increased by 29% year-on-year to INR 194 crores from INR 150 crores for H1 FY '25.

Profit after tax margin was 32.8% for H1 FY '26, improved from 30.2% for H1 FY '25. In the first half of FY '26, the company has already crossed 50% mark and achieved 50.3% of its full year revenue guidance of INR 1,175 crores and 52% of PAT guidance of INR 375 crores.

We have reported a strong Return on Equity or ROE of 45.5% on an annualized basis for H1 financial year '26. Continuing our policy of rewarding shareholders, the Board of Directors have declared 120% interim dividend resulting translating to INR 6 per equity share.

Now I request hereby Soknali, to open the floor for question and answer. Over to you, Swapnali.

Moderator:

The first question is from the line of Aakash Jha from AJ Wealth. Please go ahead.

Aakash Jha:

Just one question from my side, sir. Actually, our RM attrition has increased, but we have still managed to retain most of the AUM part. So -- but typically, what I have seen in this industry is when RMs move out, they tend to take a larger portion of their client's AUM. So I want to understand what we are doing differently or what client retention control do we have in place that help us minimize the risk of AUM loss?

Feroze Azeez:

See, firstly, RM attrition in our company is reasonably low. Like I had told you last time around on the call, I don't know whether you were there, we had some cultural issues with a few people in some of the locations. So, we had to let go of two and the other two left themselves. So these four attrition pieces, which you see in this H1 are largely from one location. That's point one.

And point two, when an RM leaves, basically, what happens is there is a certain motivation of the RM to leave. But the client centricity, if I exhibit that the client is better off here because we try and deliver risk-adjusted return of 4% to 6% Jensen's alpha. There are very few companies

in the country who have a Jensen's alpha published on the overall AUM. Now for example, if you want to calculate the Jensen's alpha of Anand Rathi Wealth, we are now listed, this is our 16th quarter, you can get to know the mark-to-market gain which I've had every quarter. You can calculate that Nifty mark-to-market and find out the risk, which is beta in the public domain. You can find out what is the total profit we have made in public domain, our mark-to-market for the last 3 - 3.5 years. So if you look at Jensen's alpha, so what am I trying to get to is, if I told a client, if the RM is leaving and if you want to move with him, what is a Jensen's alpha of the other company, which he is joining and that Jensen's alpha is not there. So it becomes easier to retain a client.

Of course, RM has the strongest relationships, and it should always be like that. It should not be technology led. But yes, we've been able to retain about 79% of the 4 people so far of the assets they had. That's why you see an attrition number, client attrition number in 0.18 or 0.19.

Aakash Jha: Just one last question, sir. I mean our AUM guidance of INR One lakh crores. So is there still impact? Or are we trying -- I mean, can we increasing the guidance?

Feroze Azeez: We'll not increase the guidance because AUMs are on a specific date, if 31st March of FY '26 is not so good, then the AUM could be this way or that way. So we'll retain the guidance of INR One lakh crores. It's an aspiration number. We are at INR 91,568. We'll keep that as INR 1 lakh. We always like to under-commit, over-deliver in that same theme or the belief we would like to retain it like that, especially an AUM number, you would not want to update because it's very difficult for any of us to predict what 31st March of 2026 will be like. Does it answer, Aakash?

Aakash Jha: And what assumptions are baked in for market performance versus organic inflow?

Feroze Azeez: It was INR One lakh crores. It was an aspirational number. We started last year, we were at INR 75,000 crores (*actual number was Rs 77,103 crores*). We are at INR 91,568 crores. We assume 10% market growth generally. But the net flows have been very good. And that's why it's been good. So we assume 9% to 10% market growth generally when we look at beginning of the year.

Moderator: The next question is from the line of Bhavin Pande from Emkay Investment Managers Limited.

Bhavin Pande: Congratulations on wonderful set of numbers and consistent performance. Feroze, what do you think once our AUM crosses INR One lakh crores, INR Two lakh crores, the base effect would come in when we look at growth. So how do we look at growth once the base effect comes in?

Secondly, perspective on flows from the existing families and new client additions. Have we seen the mix change where new clients are contributing more?

And third, what's the overall outlook on the market given the way we have seen a lot of consumption moves coming about?

Feroze Azeez: What was your first question, Bhavin bhai? Sorry, I missed the first part.

Bhavin Pande: Base effect coming in. Right now, we are almost at INR One lakh crores, maybe two years down the line, you'll be at INR Two lakh crores. So how do we look at the growth numbers that 25%

growth that we were kind of looking at, but is it coming about currently with 28% - 30% growth on a Y-o-Y basis. So the second leg of growth, would it be slightly lower or we still maintain the 25% kind of growth number?

Feroze Azeez:

Thank you for the question, Bhavin bhai. Now I got the question. First is the base effect, you're absolutely right. We have been waiting for a critical mass. For whatever right or wrong, we had assessed that the critical mass in mutual fund AUM, for example, is INR 50,000 crores of regular AUM. So out of which INR 46,000 crores, INR 47,000 crores was mutual funds for us.

So critical mass at a total level, like you said, close to INR 90,000 crores – INR One lakh crores is one. But in individual, there are very few wealth management outfits, which have been able to reach INR 50,000 crores of AUM in their distribution assets. So we always thought that was critical mass.

Once you get to critical mass, you're collecting a certain kind of client. See, what is different about Anand Rathi is we don't take everybody who has short-term mindset, long-term mindset, greedy mindset. We filter our clients very, very clearly that we'll be able to do 13% to 15% with a beta of 0.6 with Nifty. If you are very aspirational, you please go the full circle. You'll realize that it is 14% - 15% compounded over 10 - 15 years is very good.

So point is absolutely right. Critical -- this business is all about critical mass. Because HNIs love to go with larger outlets. That's why quite a few wealth management outlets inflate their AUM so that they can create a very good pull from a client standpoint. So people count my assets in theirs by taking an advisory agreement of INR 4 lakh, they're accounting INR 200 crores. So point is, yes, critical mass is important. This business is all about mass and time.

So will we increase the rate of growth? I don't think so, because with the base being larger, the quantum of rupee value is higher, but percentages may not increase because INR One lakh comes to INR 25,000 crores, 25% of growth.

So will we be able to sustain that growth? The answer is a big yes. Will it be easier to sustain that growth? The answer is a big, yes, after reaching critical mass. Will you be able to attract more like-minded clients? The answer is yes. But will we up our guidance of growth numbers? No. We are only working day and night to increase the chance of growth rather than the growth itself.

If I've given -- or my boss, Mr. Raval, who's also my professional guru, has given a guidance that we will do 20% - 25% of growth in 10, 15, or 20 years, then we are only looking at how do we enhance the chance that this statement becomes more and more credible with 30, 50, 100 results? It's just 16 so far. So no upping the percentage, upping the probability. That's what it will do.

Second, new families and fresh clients, both have seen some reasonable numbers. 65% is from existing currently and 35% is from new. Why is it 65-35? It could also be 50-50, but we are very relaxed when we attract the client. We don't tell them, you give us INR five crores, then we will do your wealth management. We say give us INR one crores, if we do our bit, then there's no

reason why you will not give me a large portion. So only thing we filter is whether he's got One million dollar plus to give us if he so chose to. We let him start with INR 1 crores.

So the ratio is 65-35 because we don't put a gun on the head to start big. We think that if we deserve, we will get it. HNI is a smart community is the hypothesis. That's the split, two third and one third. And yes, and I think getting references, people are now taking pride that's the critical mass. Our clients are taking pride to say that we deal with them, and they're referring their friends and their confidence has come up on us. So that's why first time we ever touched 200 client acquisitions in the single month in September.

Bhavin Pande: And your outlook on the market, given the way we are seeing consumption boost and government initiatives and the same?

Feroze Azeez: Yes. Sorry, I unknowingly dodged that question. We personally think that when it comes to market, our -- we try and answer simpler questions whether in the next 3 years, will Nifty give more than median return? Median return of Nifty is 11.12% median return, mean return is 13.5 – 14%. We expect in the next 3 years, Nifty will deliver the 90% chance of a greater than median return on Nifty, one. Second question we ask ourselves is, what are the odds that there could be a catastrophic fall? The probability of a catastrophic fall is near zero because we believe that everybody is light on the market. Margin funding books are light, FII short positions are 92%. FII's net flow over the last 4.5 years after COVID is zero, DIIs are sitting on inflows, INR 29,513 crores has come into September SIP. So mutual fund people are saying if I sell it, what will I buy next. Of course, a lot of mutual fund analysts would be on this call. So the point I'm trying to make is DII is loaded with money. FII is already sold. FII in future market is negative. Margin funding books of top 5 brokers are not at the peak. So catastrophic falls are unlikely even if U.S. tried their best for our markets to fall. That's why resilience is there.

So lowest negligible probability of a catastrophic fall, what do I mean by catastrophe fall is, more than 15% fall and the median return probability is upwards of 90. And with that kind of an assumption, can I deliver 13% to 15% for my client with 0.6 beta? That's my proposition on the objective of numerical delivery.

Moderator: The next question is from the line of Arun Gopal an Individual Investor.

Arun Gopal: I really appreciate Anand Rathi's statistical approach to the market, which is so uncertain. So that statistical approach gives a lot of confidence as an investor and as well as a client of them. I've got 3 questions, basically. One is we wanted to know the revenues stream and the product mix between the revenue stream between mutual funds and structured products.

And the second question is now a lot of emphasis has been based on structured products, vis-a-vis the market competitors, which sounds logical because the plan B is now right time to be activated because the markets are hovering around. So I wanted your view on that. And the third one is where do you and your team see Anand Rathi in the next 5 years?

Feroze Azeez: Thank you, Arun sir, for your question. MF & SP revenue stream, we had guided that we will get to 50-50 over a period of time and we are working extensively for a revenue stream to be balanced, SP 50 and the other is 50. Have we gotten there? May not be. We might be at -- how

much? 43 - 44? Somewhere in the 43 - 44 kind of range we are. We are trying to get to 50-50. So that's what long term it will be is the prayer and our effort.

And to do that, what gives credibility to the statement, you would see a 2.33% market share in net flow for the first half year. And we have lakhs and lakhs of IFAs in India. We have NDs, national distributors, banks, all of them have brought in a net flow of 97.5%, for example, and Anand Rathi 382 RMs, 386 now have brought in 2.33% of net flow in active equity mutual that's called credibility. So that tells you whether we will get to 50-50 or at least are we attempting to do 50-50 and a hardest attempt is being made. That's point one.

Second, market should I put money in the market or SP, we generally don't tilt ourselves either way. Like my portfolio is 65% equity mutual fund, 35% structures. Wherever there's a gap, if I got a bonus, if Rathi ji felt generous and he gave me a bonus, I would split it 35 or whatever is the gap in my proportions of the strategic allocation.

If we do that mechanically without getting biased on the recent performance, quite a few of our clients sometimes get carried away when the markets do very well, they are averse to structure products, when the markets are bad, there averse to equity mutual funds.

But we try and guide them mathematically. That's why you see INR 2,000 crores – INR 2,065 crores has come in equity in the last quarter. So it makes me feel happy that when the market is down, we are able to explain to the clients that we have to buy now. I agree that you won't feel like buying. Your heart will say that you don't want to buy at all. Your mind should say that you should buy. So we try and not gravitate towards either. Do we -- plan B, do we very strongly recommend? The answer is yes. People say, why do you recommend? Quite a few a competitors say structured products, they are vested interest. Okay, you don't understand. But if you look at 1,059 structured products, which have matured from December 2020, have given the maximum possible return they could have given. So we use all Monte Carlo simulator, all our understanding of derivative to design a product, which is not the most attractive to see, but more than probabilities the estimate.

So from -- for the last 5 years almost, all products, which have matured, which is 1,059, which is almost one every working day, the same kind of product, of course. All of them have given the maximum possible return, because there's a lot of technical expertise, which the product team brings. So that's the market and SP -- Nifty -- mutual fund and SP split.

Where do we see ARWL in 5 years from now from an Anand Rathi shareholder standpoint, we plan for September 2030's revenue, like yesterday, we were discussing, September 2030 revenue, how much of that is done for me. If I have to grow my business in next 5 years at 20%, I need INR 236 crores revenue in September '30. If I grow my business revenue at 25%, I need INR 289 crores.

How does that break up between trail and structured products, which will mature 5 years from now, you would see that there's an implied 18% - 19% growth, which we plan for 5 years from now. So that's from a shareholder standpoint, revenue of September 2030, how will it be?

Because structured products mature has doubled the money and there's a rollover option. So that's on the revenue side.

Now comes to from a client side, we have a target of making INR 125,000 crores of mark-to-market gain for our clients. If I have INR 91,000 crores, if I grow money at 14% - 15%, I can get a mark-to-market gain for my clients of INR 90,000 crores on the current assets.

If I collect INR 1,300 crores, INR 1,400 crores every month, then I end up collecting almost INR 90,000 crores again over the next 5 years. That also can give me a mark-to-market at 14%, 15% or INR 40,000 crores. So our aspiration for the client is how we can make a profit of INR 1.25 lakh crores and keep the risk limit for the clients within the next 5 years. Arun sir, does that answer?

Arun Gopal:

Yes. That does answer my first and the third question very clearly. But I just wanted you to throw some more light on structured product because a lot of this -- a lot of the new clients were coming in, on-boarding onto the structured products. They look with a lot of scepticism into the product. It's probably they don't understand the way it works, or if they find it as a hidden agenda. So sometimes if it can explored a little more, structured products as a safer product plan B on your investment horizon, how it works out, that would be a little helpful for all the other people who are sitting on the fence and then trying to see which way they go?

Feroze Azeez:

Structure product is nothing but a bond. A bond which does not fix your return, it gives you a variable return depending on the underlying, which in this case is Nifty, right? So what risk do you carry? Nifty risk, market risk is most explicit in this product. If Nifty delivered this, this is what you will get. So 5 years later, you have to turn on TV and see, for example, what is Nifty, what is the liability of the product towards you?

The second risk is, how is the money kept? The promise is one thing. Promiser is the next. If the promiser is alive is when he will fulfil the promise. How is the money which Anand Rathi Global Finance has deployed? You will see 63% of that money is in investments, in Demat Account. So that I'm sure my colleagues will take you through if you have had that discussion.

Secondly, of course, people -- competitors have always been predicting our default for the last 13 years. So -- but if you look at how the money has been deployed. You will realize that an NBFC is managed and very, very carefully and without any greed on NIM can have a very, very good credit risk management, and that's what we are proud of. And if you look at the Z score of the NBFCs, which we filter. There are about 9,500 NBFCs. So we do bottom-up, try and have these three filters on all the NBFCs. And we have currently been able to approve only 2 of them. One is Anand Rathi Global Finance and another external. Gopal sir, sorry, my memory doesn't serve me right. Vishal ji, who is our Investor Relationship Head, prompted me that we did a 3-part series for everyone to understand trade bear. And that you can always get it from Vishal ji and that's very exhaustive. We are planning to do more series if people want to understand, secondly.

Arun Gopal:

Definitely. I'd love to get the series. Thank you very much.

Feroze Azeez:

If you can -- yes, will get e-mail ID of yours.

Vishal Sanghavi: Yes, we'll put it up on the website, once trademark addition.

Feroze Azeez: Yes, it will be put on our website, Arun sir.

Arun Gopal: Okay, thank you very much. I'll pick it up from the website. Thank you.

Moderator: The next question is from the line of Jyothesh V from Qapita. Please go ahead.

Jyothesh V: Congratulations, first of all, Feroze. I think my question was earlier asked. I think throughout the year, the biggest strength or one of the biggest has always been the attrition rate. And if my observation has been right, it is going down the line as well. How do you plan about working on this and working towards this?

Feroze Azeez: Mr. Jyoti, right?

Jyothesh V: Jyothesh.

Feroze Azeez: Jyothesh, if you look at attrition, of course, there will be some attrition here or there. But when we look at our revenue, like I told you how we plan the revenue of 2030 September because all our structured products have a rollover, right?

Now -- okay? It means that the revenue, if I've done x amount of structured product sale in September 2025. Give or take September 2030, the same thing will mature with a certain 14%, 15% return, which means let's assume 15% for the moment, for argument's sake. Then if I collect INR 100 crores this year, September, 5 years later, there's INR 200 crores to mature, right? It is very -- it's lesser effort for a person to roll that over for the next 5 years. And not exercise the put option. So my revenue streams, if at a company level are reasonably stable because we have a trail revenue, for an RM also, it isn't like we were doing, we were doing some math for one of the RMs whom we internally call Singham, okay?

So his trail revenue is INR 19 lakhs. INR 19 lakhs in the next 5 years, if his AUM double, then he has INR 38 lakhs of revenue in September 2030, and structured product sales for last month was INR 4 crores. So if that matures as INR 8 crores. He has INR 8 more crores to mature then. So his total revenue for September 2030, 80% is done sitting today.

So will an RM has -- either -- the company has to ill-treat an RM or somebody who's got private equity money wants to throw 4x the salary and then later pressurise him, he can leave, but most sensible people will automatically look at getting a trail income and putting their business on autopilot.

So these attrition numbers, which you see are not going to last. There are some differences we have on the cultural side. I don't want to spell out the specific reason of letting go of two people and their friends to more people letting go. On the call, I highlighted last time as well. So you can expect some attrition where there are cultural misfits, but not an exodus is my belief, so far.

Jyothesh V: Thank you so much. Once again, congrats to the entire team.

Moderator: Thank you. The next question is from the line of Priyam from Trinetra Asset Managers. Please go ahead.

Priyam Shah: Thank you for the opportunity. Sir, my question is that, if you look at our yield to assets, they are much, much better than everyone on the street. And frankly, that is because of our key strength being structured products. My question is that as our AUM increases to five years down the line or 10 years down to say, INR three lakh crores or INR four lakh crores. Obviously, I'm expecting that structured products would be INR one lakh crores, INR 1.5 lakh crores at that time.

My question, sir, is that in this product, we are essentially not taking a market risk. We're taking some credit risk and as this category grows, is there enough good credit available, a, and b, do you think that the yield on structured products will remain the same? Or will it come down as we keep growing?

Feroze Azeez: Sorry I missed your name. I'm so sorry.

Priyam Shah: Priyam Shah.

Feroze Azeez: Priyam Shah, one is when you call yield, yield is always per annum, right? So if I look at yield, both mutual fund gives me 1.09% post-GST. For the 1,000 products which matured in structured products, if I calculate as per market value in the same method, how mutual fund gets calculated, my yield is somewhere between 1.15% and 1.17%. So yield-wise, both are identical. Recognition wise, they could be different, one.

Second, if structured product becomes a INR one lakh crore, INR 1.5 lakh crores, is there enough good credit? Anand Rathi Global Finance, our confidence there is 99.99% because of the kind of management and their liquidity of the balance sheet. Do I have so many NBFCs who are ready to manage it in a liquid way, the way Anand Rathi Global Finance manages? The answer is no.

There are so many NBFCs who want to take money in structure product, but I don't feel like lending them. The person to whom I intend to lend money does not want to take it. The one who I don't want to lend says I'll give you structured product returns, why 14% of Anand Rathi, I'll give you 17%, 18% with the same product specs.

So -- but is this business scalable to INR1 lakh crores, INR1.5 lakh crores? You can believe it or not, my judgment, yes, very, very easily. Now why so is a separate story. Most of the things which somebody will just see as an output would not have credibility. But yes, that's how it is. So -- but yes, INR1 lakh crores, INR1.5 lakh crores, INR2 crores, INR2.5 lakh crores, this industry can grow very easily. So that's my judgment.

Priyam Shah: Sure. And sir, just a follow-up question. Do we -- are we -- we are focused on all of our areas. But going ahead, do you think that we'll be more focused on the equity part? Or will it just be as it is right now, or any new products in the angle?

Feroze Azeez: It will only be focused. Our focus is single-minded, obsession, I would call it, clients' objective. That's my obsession as a company. Everyone who is there says that let's assume if the client

wants to deliver 14% return with 0.7 beta, which is the simplest way to achieve it. If equity mutual funds can't do it, I'll replace them with PMS. If PMS's can't do it, I'll replace it with AIF. But the focus is clients' objective. That's about it.

And if you are able to deliver for the client, if our hypothesis of client is smart, he will give me a lot more penetration capability into his wallet and his client preference. So we keep checking on whether I'm missing out or not missing out. So what I can do is everything what wealth management companies, other companies do, I can do, because nobody stops me doing AIF.

But can other wealth management outfit survive on only two product lines? Difficult. The converse is not true. I can do whatever, which helps my odds of achieving a certain object. So that's the focus. Might seem very idealistic, but yes. That's that objective.

Priyam Shah: Sure. Thank you.

Moderator: Thank you. The next question is from the line of Sunil Shah from SRE PMS. Please go ahead.

Sunil Shah: Yes. Hello, Feroze, everybody on the team, a big, big hi. So thanks once more for this stupendous performance. I really need to congratulate each one of you with Anand Rathi. Thank you so much. Sir, my thoughts is around this. I think Feroze, we have worked out how we scale up employees in the organisation. We have got a process in the organisation. That is really commendable. Similar applies to even clients as well in terms of acquisition, etc etc.

One point I want to make to you is, in terms of our structured products, now there was a three part series Vishal and his team, they nicely explain everything. The AUM that we have in structured products, as I see from the presentation, is 27% of our AUM is in structured products, roughly, about INR 24,700 crores, so let's round it off to INR 25,000 crores.

So we are really diversified, whether in terms of dependency on one employee or one client. We are totally insulated from any vagaries on that front. But in terms of the structured products, our concentration risk is high in terms of the Anand Rathi Global Finance, just highlighting.

So if we can look at diversifying, as I made some three different options where the diversification can happen and in due course of time, all the senior management, including Chethan and all can take a call, but just wanted to share the names in terms of NBFCs, where are all these guys, Bajaj Finance, Tata Capital, Muthoot Finance, Shriram, HDB, they're all established. That's one category of NBFCs, which can be approached, explain this thing and eventually, this relationship can be developed. So that we diversified from Anand Rathi Global Finance. The second set is the global bankers like the Citi's and HSBC or JPMorgan, etc etc. And the third is the broking community, which are now listed. So the likes of Motilal Oswal, Edelweiss, IIFL, Kotak and Nuvama.

I believe in the past, we have had such a structured product thing with Nuvama and Edelweiss. So just wanted to share how we can minimize the so-called risk in maybe my mind, investors' mind or the longevity point of view. That was the thought which I wanted to share with you, Feroze, so I would like to hear from you, please.

Feroze Azeez:

Thank you, Sunil sir, your suggestions are always very valuable. I think the three part series was also your suggestion, if I remember right. I'm very, very grateful to you. Absolutely, your concern is well noted. Is diversification on the cards? The answer is a big yes. Have we approved one more just now again? Nuvama, like you mentioned. Since you mentioned, I'm mentioning, they are again there on the platform, then coming to which direction of diversification, which you suggested.

The problem with one -- Kalpesh, are you there? Okay. He's hearing. So anyway, so Kalpesh, who did the three-part series, will tell you how we look at evaluating from the 9,000. Our first criteria is at least half the money should be invested rather than lent, because when you have derivative positions, you need to have extensive margin always at all points in time. If the margin is INR 10 - INR20, you should have INR 50 out of your total money collected. So that's one.

Now of course, these big names, which you said, they are very, very good names. If they start issuing structure products, I would be the first one to actually approve them. The problem is structured product, any company which can borrow at 8%, 7% without doing too much would not want to do all these efforts, to borrow at the same rate, right? That's my only challenge.

The one who I want to lend money to, does not want to take it. They say directly, I'll do a mutual fund placement, straight. Why will I take IN R500 crores from you or INR 300 crores every month for the next 20 months. So that's one challenge. So if -- Sunil sir, if you suggest, I'll do another one-part series or a two-part series, Kalpesh, which says how do you evaluate?

What are the three, four filters which we use, how do we use that score to evaluate? Actually, we had approved two of them both of them went through trouble much before we exited, right? Because that's because of Kalpesh Koradia, who heads this division, has been heading this division for 13 years now. And so his assessment of credit risk helped us get out of two other issuers well before they went into trouble. I'm not going to name them, but though one of them was called AAA, unfortunately, right? But we will do this one-part series. And we are looking at diversification, point noted, sir, you will hear some more news from us.

Sunil Shah:

Sure. Thanks so much for all the efforts and please continue scaling higher. Thank you so much.

Moderator:

Thank you. The next question is from the line of Mahek from Emkay Global. Please go ahead.

Mahek:

Yes, hi. Thank you for the opportunity. Most of my questions have been answered. Just two questions. So if I look at the net inflows, the equity MF inflows as a portion of the overall inflows constitutes around 70% roughly for Q2 FY '26 as compared to 52% for the earlier quarter, that is Q1 FY '26. So could you give any particular reason for that and secondly if I look at your finance expenses that have increased sequentially by around 21%. So what could be the reason for that? These are my two questions?

Feroze Azeez:

Firstly, what number you said, great you've noticed that. I'm glad that you did. This just proves to -- or at least add credibilities to Sunil sir's statement saying that you are process driven when it comes to clients. You are process driven in terms of people growth. Now that's the data which you have said.

When the markets are down, let's assume one of my client has INR100 with me. If he get INR20 more. If I have to divide this 65-35, INR13 needs to go into mutual funds and INR6 -- INR7 needs to go into structured products. When the market is down, the gap in mutual fund becomes larger because the other portion INR100, 65-35, when the market is down, this 65 has become 60, structure has not fallen.

So where is the gap more? The gap is in mutual funds. So when you allocate money as per a process rather than a top of mind recall, it's easier to sell a structured product last quarter, because mutual fund from last one year has not given a performance and client was saying what he is trying to purchase. But if you go as per the gap sheet of where the gap has emerged, when the markets are down, you will buy more mutual fund. And last year same quarter, markets were up, if you remember on 26th of September 2024, Nifty was at INR 26,217 which was the peak. Peak, it established in the last quarter same year. That time, I only had a larger -- only 52% going into mutual funds because the mark-to-market was higher. Does -- was I able to articulate what I'm trying to say?

Mahek: Yes, I got it.

Feroze Azeez: Instead of heart we allocate through the mind. According to heart you have to purchase the structure last quarter, but according to mind you have to purchase the mutual fund.

Mahek: Got it, sir. And secondly on...

Feroze Azeez: Yes sir. Go ahead.

Mahek: Yes, I was telling secondly on net finance expense relating?

Jugal Mantri: The finance, Mr. Mahek, what happens that wherever -- as and when the lease rentals get renewed. So like this year there were a larger number of lease rental got renewed. And as per IndAS under -- IndAS 116, part of the lease rental has to be booked under finance charges. And that is why the largely like whatever finance charges, which has been booked around INR 2.5 crores in the first half is on account of the renewal of the lease rentals. And I think we have taken some car loans of about INR 10 crores last year, INR 20 crores. So there is an increase of the cost on that car loan also on account of that. So that is the reason finance charges have gone up.

Mahek: Got it, sir. Thank you so much for your goods and all the best.

Moderator: Thank you. The next question is from the line of Shrenik Mehta from Indoalps Wealth. Please go ahead.

Shrenik Mehta: Hi, Feroze, congratulations once again for fantastic results. My question was a little more on the longevity front. The way the company has performed in the last few years, do you see this performance without any new platforms to be created to continue in the next 2 to 3 years as well and primarily focusing on how you're delivering on the PAT growth and also very high ROE. Do you see this in the same manner going forward?

Feroze Azeez:

Yes, Shrenik sir. One is, of course, God only will -- time will unfold. But our attempt is to keep the ROE high, you've also seen that we have given a INR 6 interim dividend on an increased number of shares. Second, from a predictability standpoint, we believe that the four engines, we believe, of course, so many externally may not be able to believe that there are four cylinders to this growth, Shrenik sir. One is if I deliver very good performance to the client, risk adjusted, of course, not just return, then my revenues go up automatically. That's called the implied growth. There is an implied growth, client deserve 10% so for next year revenue 10% has increased and in that client attrition has to be second decimal or at least one decimal, if not second decimal. Then you have the implied growth. Then you have your existing RMs who can manage 6,000 clients extra more than what we have today. So no new plant and machinery, we have more number of clients. So RMs also do well. They get more clients and they feel more satisfied when the other family clients refer. That's the second thing, capacity utilization. Third is penetration. Most of our clients, since we don't push them -- so these three cylinders plus the new RMs. We already know who are our next 100 RMs. Of course, our AM attrition has been high. We're trying to address that, but since we don't do lateral hires, my cost of a new RM building his life is immense patience and very low cost. You would see that lateral hires are not even 8% - 10% of our total last 100 RMs, that means that I give plenty of money to someone and bring it and I put a pressure on him that why didn't the client come. So all these four legs of growth, new RMs, existing RMs, new clients, existing clients or monies which are outside and the client growth put together in our firm belief is for long periods of time, 20 to 25. But with the base going up, would I say that the last 16 quarters, our median growth is 33%. Mean is how much? Mean is also 33. This quarter is 31. Can these 30 normalize to in the 20-25 range as the values become bigger as a base? The answer is yes.

Shrenik Mehta:

Okay. So you don't think there is any need for new drivers like international markets or any other diversification that is really required to sustain this kind of growth?

Feroze Azeez:

So one is, I think our RMs, we didn't -- don't give them targets. So they dream well. They dream well, they don't have a geographical restriction. So today, an RM is actually acquiring a client in Abu Dhabi, who's been referred sitting here in India? The answer is yes. So coming back to what all do we need to do to sustain this? There are several things. Does it mean that I have to start other businesses for that? May or may not be. Are we doing more on the Gift City side? We took an approval yesterday from the Board that would be there in a minute. Are we doing domestically for NRI investing in structured products? Are we doing something? The answer is yes. We are trying to solve the Tax issue with U.S. NRIs? The answers, yes. Have we applied for Bahrain license representative? Yes. U.K. license? Yes. Do I see these as ideas to protect growth? No. I see them as the right things to do. What we see as protection of growth is to reinvest in some four - five things. We are already investing in technology. You will see that we are doing a beta test of a app called Uncomplicated by ARWL, trying to make technology our strength, investing in HR, investing in operations. These things we will do. So will we sustain the margin of 46% PBT? That's not the intent. We'll reinvest back to ensure that the probability of the 20% - 25% keeps increasing with each passing day.

So that's the strategy. So do we need more things? Yes. But are we worried about the 20 - 25? No. Do we have to strengthen several verticals, Rakesh sir says, strengthen everything, right.

Rather than just try and say let's do new stuff. Does it answer, sir? Right or wrong, that's what we discuss in our office.

Shrenik Mehta: Yes, absolutely.

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

Prayesh Jain: Yes. Hi, sir. Congrats on a good set of numbers. Sir, just on this, the distribution of financial products part, which is largely the structured products, is there a seasonality? Because generally, we look at Q3 and Q4 run rate in terms of revenues is lower than Q2 and Q1, but we've seen it in FY '24 as well as FY '25. Now is there a seasonality in the way it kind of works in this segment?

Feroze Azeez: So you're saying Q1 and Q2 is higher, Q3 and Q4 is lower?

Prayesh Jain: Yes. And that we've seen in FY '24 as well as FY '25.

Feroze Azeez: No, there's no seasonality. What happens is there could be -- now, for example, an RM is given the freedom to plan his business, one, okay? So, it could be different energy levels in the first half and the second half, marginally. But second is, like quite a few analysts were worrying and making me worried, saying that your maturities won't come till 2 years, till August. So the seasonality, if there was any, was when we moved after COVID in August 2020, we learned that we did one mistake that if you make a 3-year product, and then at the end, if he doesn't get the return, he was provisioning a great return, but then he got back capital. I can say, sir, you got that capital during the peak of COVID, isn't that good enough? You could have bought NIFTY at 7,500, but that still doesn't suffice. So we moved from 3 year to 5 year in August '20, which implied that my maturities from August '23 to August '25 were dried up because we were doing -- we have moved to 5 years. So that was one of the seasonalities. That was because we took the right call of moving from 3 to 5 years, and that was actually very good. Otherwise, I would have had some maturities where there wouldn't be so much gain for the client as of now. So that's the only seasonality I can think of. Unfortunately, unlike most people's prediction that my mutual fund market share will go down because I don't do cheap, beautiful, durable. And my structured product will also be very difficult to do, but that August '25 bad period is over.

Prayesh Jain: Right, right. And sir, generally, you've been kind of delivering stellar returns on even this portfolio, right, structured portfolio, the structured products portfolio. And why is it that you kind of want to grow this business at a slower -- relatively slower pace versus mutual funds?

Feroze Azeez: Not at a relatively slower pace, sir. If I look at 65-35, which is the allocation, you will come to -- so that we have -- we're not growing at a slower pace. Now I think one of question, somebody has asked, they told that 27% -- Sunil sir told that, 27% is in structured products.

So when I allocate money, if the client has chosen 25% in structured products, 10% in debt and 65% in equity, which is a 14% expected return with a beta of about 0.5% or 13% expected return with a beta of 0.5%, I will go with the proportions chosen.

So, I'm not trying to doctom my product allocation as per the revenue I need or my belief in a product. I'm again marrying it back to my clients' objective. There are several clients we said we will not take your money. If he says take this INR 2 crores in structured product. We said, we are not interested in selling a product. If you don't tell me the full assets, it becomes difficult for me to address even 10% of it.

So, coming back to the question, I'm not either trying to grow one leg or another leg. I'm putting in a lot of effort to bring more money in equity mutual funds when the market is down. Which implies the market will bounce back, so my client not withdrawing money. Now you see September number in the industry, ironical and I feel sad as an industry participant. The net flow in September is INR 30,000 crores, total. And SIP is INR 29,500 crores. It means total HNI altogether for India is INR 500 crores to be put in equity mutual. Isn't that -- that is the month where you would buy. The average of NIFTY is 24,700, right? People buy what -- people sell what is -- what people buy. That's exactly the opposite you have to do. Clients will always be attracted with their heart because it hurts them to see no return for 1 year and gold has become 55%. So you have to counsel them and say, sir, please don't have recency bias, that's the biggest pitfall of investing. So I'm not saying I will sell more mutual funds. I will sell more mutual funds at the right time because I am plugging in gaps rather than selling what sells. Trying to, let me correct myself. Trying my best. Am I succeeding everywhere? The answer is a big no. Am I 5 on 10? The answer is yes. Will we improve? God knows. But will we try? Yes.

Prayesh Jain:

Right. Sir, this question -- another question is on global your Anand Rathi Global Finance Limited, gross NPA books on FY '24 was 2.15%, while it kind of improved significantly to 0.61%. I don't know whether this is a platform to be asked that question, what drove that improvement. Any thoughts or any color that would be helpful.

Feroze Azeez:

Anand Rathi Global Finance is one of the best credits I have seen in my professional career. I have been into a structured product from June 2006, where Reliance on their PMS platform issued a Merrill product. From there on, if there is any credit, which you -- of course, this is a microscopic question saying that how is your NPA done? It is the meticulous management. encompassed in an adjusted Z-Score, you can calculate how -- by Altman Z-Score, Altman 1964, Edward Altman made a score, I'm sure all of the learned people here would have known. And that's a very good predictor of default risk and they've improved every single time. That's how meticulously it's managed.

So, of course, there is a lot of lending also given to Anand Rathi Wealth Limited clients, which is against mutual funds. So INR 3,000 crores to INR 4,000 crores, INR 5,000 crores is lent to our own clients against mutual funds, okay, which, to my mind, is like the most safest lending. So if you -- of course, Jugalji will be the best one to answer, sorry, why am I taking it away from. Jugal sir, would you want to take this question?

Jugal Mantri:

No, we have been maintaining the GNPA and net NPA under 1%. And the number 2.6%, I think what he is referring that pertains to post-COVID, it was 22-23, not in '24, it was 2.6%. It was about 1.26%, which has come down to 0.6% in financial year 2025. But anyway, if you need any clarification or exact number, you can get in touch with Vishal. He will share with you the data.

The only good thing which we have been doing in NBFC is that philosophically, whatever balance sheet breakup, which is there, about 60% - 65%, which we have in government securities and AAA bond and the lending, which we have done, one of the major principles which we follow is we don't take any undue risk. And all our portfolio is secured portfolio. We are not doing any unsecured lending over there. And the business we are in is not the lending. It is the collection business. The whole focus is on that. And that is what ensures that our net NPA is one of the best in the industry at 0.4%.

Prayesh Jain:

Got that. Last question from my side. Feroze, any guidance on how should we look about cost going ahead into FY '27 -- '26 full year and FY '27 in terms of employee cost and overhead. So basically looking at how the margins should kind of pan out.

Feroze Azeez:

Yes, the margins -- see, the one expense we love is the employee cost, okay. Employee, it's like we call it the sweet expense because it's getting credited into individual bank accounts. So that is a very formula-driven thing, okay? And that formula has not changed for the last 18.5 years now. So that is a very static cost. When people who are not in the bonus category get into bonus category, there is some degree of operational efficiency possible there.

Second is, we have always kept a benchmark, Rakesh sir says, PBT should not be lower than 40 and PAT not below 30 (here it is in %). This -- is this the number which we internally want to keep it sacrosanct? The answer is yes. So, till that time, we like to reinvest, but can you expect a margin of 30% - 32% - 33% on PAT for the next couple of years? Yes. But 30% is what is my mandate. Otherwise, Rakesh sir will show eyes.

Prayesh Jain:

Got that. Thank you so much.

Moderator:

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

Feroze Azeez:

Yes, thank you so much, everyone. I'm sure you're tired hearing my voice. But yes, I'm again there to give you a conclusive remark. I'm so grateful to you to patiently listen to us, patiently trust us over the last 16 quarters. I pray that this Diwali season, Samvat 2082 is the best for you so far. And may you have a great week ahead.

And if you have any questions whatsoever, please feel free to reach Mr. Vishal Sanghavi, our Investor Relationship Head; Rajesh Bhutaraji, who's been our CFO for several years.

And happy Diwali in advance to all of you. Thank you, Jugal sir, who join in, and thank you, Chethan, Vishalji and Rajeshji, to be a part of this call. Thank you. What was the name of madam? Swapnil madam, thank you so much.

Moderator:

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