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Anand Rathi Wealth Limited
Q4 & FY25 Earnings Conference Call
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MANAGEMENT:

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

Moderator: Ladies and gentlemen, good day, and welcome to Anand Rathi Wealth Limited Earnings Conference Call for Q4 and FY25. As a reminder, all participant line 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 the 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 over the conference to Mr. Jugal Mantri, Group CFO of Anand Rathi Group. Thank you, and over to you, Mr. Jugal.

Jugal Mantri: Thanks, Sejal. Good afternoon, and thank you, everyone, for joining the Earnings Conference Call for the quarter and year ended 31st March 2025. With me, we have on this call, our Product and Research Head, Mr. Chethan Shenoy; CFO, Mr. Rajesh Bhutara; Investor Relationship Head, Mr. Vishal Sanghavi; and our Deputy CEO -- yes, before I forget, let me congratulate our Feroze Bhai for his elevation to Joint CEO from Deputy CEO in recognition of his outstanding leadership and transformative contribution. And we have Feroze Bhai with us.

And now I request Feroze Bhai to give business highlights for the quarter and year went by. After him, I will give highlights of financial performance. Over to you, Feroze Bhai.

Feroze Azeez: Thank you so much, Jugal sir, for your wishes. It is the guidance of seniors like you in the company, which has helped me also contribute in small way. Thank you so much for your wishes and all the guidance you have provided over the last 30 years to me as an elder brother.

Now getting to the call, during FY 24-25 our consolidated revenue grew by 30% year-on-year to INR 981 crores. Profit after tax also grew by 33% year-on-year and ended at INR 301 crores. We started the year saying we will do INR 285 crores (actual number is INR 280 Crores), we revised it to INR 295 crores and we finally, with God's grace, ended at INR 301 crores.

The total AUM grew by about 30% year-on-year to INR 77,103 crores as on 31st March 2025. Share of equity mutual funds in AUM rose to 53% as of March 2025 compared to 51% in March 2024. We have emphasized in several public interactions, as you would have noticed, that we are expecting a PAT growth between 20% to 25% for several years to come, as you would have heard our CEO, Rakesh Rawal, also mentioned. And that's the consistency, we pray that we are able to deliver to our shareholders who deserve to see consistency in a business like ours. With God's grace, we have been able to do that for 14 quarters in sequence. We have done always in this range and above. Now there was a small study conducted, which we are very curious because consistency is something, which we aspire to deliver to our shareholders. We did a small study to find out of the top 1,000 companies as per market cap, how many have been able to deliver greater than 20% every quarter for a year-on-year growth of the same quarter last year. And, the number to our surprise, with 6 companies have been able to deliver for the same 14 quarters we have been listed. Only 6 companies could have delivered 20% growth Y-o-Y every single quarter. And we are fortunately one of them with your support as a shareholder and God's grace.

It is generally believed -- the second point which I want everyone's attention, if I can humbly request for it, it is generally believed that wealth management businesses, which is linked with capital markets have earnings volatility in line with market volatility. However, during the short period of 14 quarters, during the worst quarter of Nifty Performance and the best quarter of Nifty Performance in the 14 quarters, a small period of 14 quarters in the life of a company. If you look at the best quarters, 2 best quarters of Nifty and 2 worst quarters of Nifty, the growth of PAT was 30% - 33% (actually it is 33% - 34%) on all the 4 instances approximately.

So the second thing which we aspire for our shareholders is to give them market-agnostic results in our financial services business. These are our aspirations, not our commitments. We are very happy that in a short span of 14 quarters, we were able to deliver a result, which was agnostic to market sentiment. Like in June '22 quarter was one of the worst market sentiments. Unfortunately, the last quarter which went by, which we are discussing just now, was also not the best in terms of market sentiment given the kind of broader market falls we saw from January to March. So the next point which I want everyone's attention on is that the best quarter with respect to net mobilization despite a challenging environment, we recorded INR 3,472 crores of net flow which took us to 76% year-on-year growth for FY25 net flows which is INR 12,617 crores.

In our flagship business of private wealth, for the full financial year, we added 1,821 new client families on a net basis, bringing our total number of client families to 11,732 clients. Client attrition rate in terms of AUM lost for FY25 is 0.52%. It is for anyone to judge whether it is a larger number or a smaller one. Regret RM attrition for the second consecutive year remained below 1% and only 2 RMs left us the previous year FY25 in the regret RM category.

Digital Wealth business, which is a B2B2C business registered an AUM growth of 17%, which brought it to INR1,812 crores. And the number of clients increased by 25% to 6,087. The OFA business, which is an abbreviation to Omni Financial Advisers business, which is a SaaS platform has 6,447 subscribers with the platform assets of INR 143,000 crores at the end of FY25.

Now I would like to hand it back over to Jugal sir, to take us through the financial performance. Thank you, sir. Jugal sir, back to you, sir.

Jugal Mantri: Thank you very much, Feroze Bhai. As everyone is aware that during last financial year, we completed a buyback of INR 165 crores, excluding transaction cost and taxes and issued bonus share in 1:1 ratio. In line with our commitment to shareholders' value, the Board has declared a final dividend of INR 7 per share. So in effect, the dividend even post bonus will be the same INR 14 per share as compared to INR 14 for the financial year 2024, subject to approval from the shareholders for the final dividend.

Let me take you all through FY25 consolidated financial performance. During FY 24-25, our consolidated total revenue grew by 30% Y-o-Y to INR 981 crores, marginally up to our revised guidance of INR 980 crores and profit after tax increased by 33% year-on-year to INR 301 crores surpassing our revised guidance of INR 295 crores. Mutual fund distribution revenue registered a very strong growth of 52% Y-o-Y to INR 406 crores in FY 25. Profit after tax margin was 30.7% for FY25, improved from 30% for financial year FY24. Return on equity for financial year FY25 is 44.6%.

Now I will take you all through Q4 FY25 financial results. Our consolidated total revenue for the Q4 FY25 stood at INR 241 crores compared to INR 197 crores in Q4 FY24, registering a 22% Y-o-Y growth. Trail revenue was INR 103 crores, registered a strong Y-o-Y growth of 28% from INR 80 crores during last year's same quarter. Our profit after tax stood at INR 74 crores, registering a 30% Y-o-Y growth compared to INR 57 crores in Q3 FY24. Profit after tax margin for Q4 FY25 was at 30.5%, which has improved from 28.8% for Q4 FY24. For FY 25-26, we have given the revenue guidance of INR 1,175 crores and PAT guidance of INR 375 crores.

Now let me transfer the call to Ms. Sejal and open the floor for questions and answers. Over to you, Ms. Sejal.

Moderator: The first question comes from the line of Bhavin Pande from Athena Investments.

Bhavin Pande: Feroze, congratulations on a well-deserved recognition. First question would be around how are we placing a structured product given the market scenario? Also, how is our strategy around mutual fund distribution being tweaked because the scenario so far looks weak from a market perspective, at least in the near term?

Second question was around incorporation of the U.K. subsidiary that happened in Feb 2025. So is it stepping stone towards expansion of the offshore business? And third would be a brief idea on RM team expansion? And also, we could see that metric in terms of AUM per RM and clients per RM are looking productively high. So how do we look at it on a sustainable basis?

Feroze Azeez: Thank you, Bhavin sir, and thank you for your wishes. Very kind of you. Now if you look at structured products, fortunately, in times like these, structured products become easier for a client to accept because of recency bias. When markets do very well, clients just want to buy mutual funds, that's how human emotion is designed with recency bias.

So structured product and all of people on the call and Bhavin sir, you will also be happy to note that all the 147 products, which matured last year, all of them delivered the maximum coupon because they look at a modest Nifty requirement to deliver a capped return of 13%-15%.

So structured products relevance becomes easier for us to communicate to a client and keep them to 65, 35 and 20 allocations. So point is different market situations help both the products, Plan A and Plan B, which we count as mutual funds being the Plan A and structures being the Plan B, become easier to position to a client, point 1.

Point 2, we think that these kind of adverse times are best times when people should buy. Of course, there's uncertainty and that's the nature of the piece, which is market. We did a small study again for the last 24 years, if God were to tell us, which was the lowest level of Nifty, if one were to buy on that day for that specific financial year, what would be the return? One year from then, just out of curiosity, we checked, it was 44% average, worst was 11% and highest was 92%. And the last financial year's lowest level was 21,885 on the election day, counting date.

So we are very close to the lower levels of the last financial year. So buying at these times may not disappoint you, even with 2, 3- year timeframes is our belief. That's point 2. So we are trying that why you see our net flows in equity last year have grown by about 65% (actual 67%), Vishal sir?. You will see in a bad year, we try and make sure that equity is bought, not just on paper, but on actual bank account debits, which is a tougher thing to do, but that's the right thing to do. And maths helps us convince a person that he should not take decisions on emotions or past performance, but on future potential.

Third, we strongly believe that Indian market is far more investor-friendly than trader-friendly. I am trying to bring the participants' attention to a very, very important circular, which I thanked the Lord for, which is called the net short circular, which was given on 22nd March 2020, which was 1 day before the lockdown, which restricts the amount of short a person can do to INR 500 crores of notional, which is a very small amount in derivative segment. So that's why you see no fine morning does a person wake up and sell. That's why during this Trump tariffs wars, India has sustained lesser injury because of the net short circular.

So we believe that it's a more investor-friendly market, especially handling intergenerational wealth doesn't bother us at all. And that's why you see that our business has done okay. I don't want to say good given this last quarter's bad sentiment. And Bhavin sir, I missed your third question.

Jugal Mantri: I think Feroze Bhai, he was enquiring about the U.K. entity. So let me just brief that. We have already incorporated the entity in U.K. Now in the process of applying for the license to commence the wealth management business, but actually seeking and having license is going to take typically 4 to 6 months' time minimum. And once we will have that license in place, then only operationally we will be active in U.K.

And just to brief all the investors on the floor that during current Board meeting, we have also decided to open a rep office and make an application in Bahrain. So as all of you are aware that, we have one of the most active rep office in Dubai. And on the similar line, we would like to have an opening in Bahrain also. So these are the plans in the long run where we would like to spread our footprint on the global map. But, definitely the procedural time in every country, it is different. And once we have full-fledged license, then only the actual activity will start.

Bhavin Pande: But, Jugalji, these would be inbound investments, right, because most of our products are India centered?

Jugal Mantri: Of course, yes.

Bhavin Pande: Okay. And the last question was on the RM addition as well as productivity metric that we should look at.

Feroze Azeez: Yes. RM addition, we are looking at about 50-60 RMs to be added this year. We have about 460 account managers. We have 460 account managers, which is our talent pool, which we are nurturing day in and out on a one-on-one basis. Like I, as a relationship manager, have 3 account managers who act as apprentice to me, helping me with the analytics to show mathematics to clients. Those guys have been trained. Now 2 of my account managers are slated to be promoted. So if I sum it up, don't hold me to that number, about 60 is what transpires as the numbers.

Jugal Mantri: Feroze bhai, you also brief on the AUM per RM as well as the number of clients the progression which has happened in number of clients.

Feroze Azeez: Yes, sir. absolutely. AUM per RM has gone up to INR 198 crores. and that i's because longevity makes it because this is a snowball effect. This is a business rolling stone gathers no mass. The person who spent 5 years, 10 years gets a huge business. It's like a business after 4- 5 years of RM investing his time in one platform gets the hockey stick kind of a progression. So if you asked me, AUM per RM has gone INR 200 crores owing to the low attrition and the sensibility of an RM to not roll into different organizations and lose moss in the process.

The second is our active client families have gone up to 11,732, same time last year was 9,900. So we touched the 10,000 mark and have beaten it. The clients per RM, which tells us the kind of capacity we still have with the existing RM. One is to increase the number of RMs from 382 (Everywhere in this document where number of RMs at the end of FY25 spoken as 382, the correct number is 380). The other is 382 itself can handle 6,000 more clients. That's the unutilized current capacity of the plant and machinery, which is going to see fruition very soon.

Second, in terms of technology, we are adding a lot of technology and I actually have been saying in some forums, I am trying to act like an acting CTO to try and make sure that we augment these RMs to be able to handle more clients, handle more assets, more effectively with lesser time. And there, I have spent a lot of time personally and I am very, very positive on the kind of scalability, not just in the existing unused capacity, which is 19 clients per RM is the Rakesh sir's limit – 50. We are already at 31. That implies 19 more clients can be handled by each RM multiplied by 382, tells you close to almost about 6,000- 7,000 clients can be managed without an RM addition, which is the kind of capacity which is unutilized. And if technology can take that to 60, then I have almost 10,000 clients I could add without one new RM. And then, of course, that doesn't imply that I will not add new RMs because there are 450 waiting in the queue to prove their merits.

So that's another mutually exclusive source of client management without having to dip into a lateral pool from the industry, which is something which most industry participants are chasing. When you would see the kind of attrition, people are outbid. So you train them internally. If you buy them from one person, then somebody else buys them from you. So we try and make sure that you train them and bring people who have a social fabric, which is identical to your DNA.

Bhavin, sir, sorry, that was a very longish answer because I used to open canvas to say whatever I wanted.

Bhavin Pande: No but I think it was very good Feroze and good luck for FY26.

Moderator: Thank you. The next question is from the line of Lalit Deo from Equirus Securities. Please go ahead.

Lalit Deo: Sir, I have two to three questions. Sir firstly, in this particular quarter, we have seen that the other income has increased materially. So what were the reasons for the same? Second, with respect to the guidance, which we have given for FY26. Now if you just calculate it, then what we find is that the -- to achieve the PAT guidance of about INR 375 crores, the EBITDA margin has to increase materially to 44% to 45%. So there has to be some operating leverage, which has to be taken. So can you explain those areas where we are looking to increase the operating leverage?

Feroze Azeez: Sure. Can I ask Jugal Ji to answer the first part of the question? Jugal sir?

Jugal Mantri: Yes, Feroze Bhai. So Lalit, as you know that in case of other income, we have seen an increase, which is in commensurate with the growing amount of surplus, which is being deployed in the fixed deposit. The second thing is on account of change in fair value on the investments, which we are holding. So normally, the fair value change is being considered in the Q4 only because to give the effect instead of changing it in every quarter.

So even if you will compare the other income, which was INR19.4 crores in Q4FY25, which was around INR 13 crores in Q4FY24. So the broad breakup of the same is around INR 10.8 crores is on account of change in fair value of the investments, which are being held by the Anand Rathi Wealth Limited. And rest of the amount has accrued as an interest on the fixed deposits and other financial assets.

Lalit Deo: Sure sir. Just wanted to ask, sir, these investments are related to the investments in the equities as unlisted equity shares? Or is it more towards the derivatives that...

Jugal Mantri: No, no. These are like investments which we are holding as a long-term investment in our balance sheet. So these are like unlisted investments, which are being held in our balance sheet since a pretty long time.

Feroze Azeez: I will take the second part of the question. So Lalit sahab, your question was on operating leverage. We believe that we like to reinvest in this business. So however fancy an operating leverage word sounds to an analyst, I would not want you to expect too much operating leverage. Of course, the guidance implies there is an operating leverage. Our benchmark is 40% of PBT and 30% of PAT.

Now there could be years where you have already reinvested on behalf of the subsequent year, so PBT moving from 41 - 42% to 43 - 44% in the order of magnitude. I would not call that huge operating leverage. But there are some efficiencies we have been working on, and that could add 1 - 2%, and that's why there is guidance of INR 1,175 crores for revenue and INR 375 crores for PAT, 20% growth on revenue and a 24% growth in PAT.

Now coming to where all there is scope, Rakesh sir has always told us that see if I am giving a guidance of 20% - 25% for 10 years, 15 years, 20 years, it can't happen, long-term consistency can't happen with short-term operating leverage. So we have to reinvest in areas where we believe that we can have larger scopes of improvement. Product team, we have invested for years. Technology, we have not invested as much and there is scope for improvement. In terms of operations, in terms of finance accounts, everything, HR practices, we would like to reinvest. So we don't expect a shareholder to believe that there will be operating leverage in the short term, what can't be achieved. And if there is scope for it, we will do it. Like for example, we are trying to redesign our offices just like a Starbucks has a very identical format.

If all my 17 offices can be operating in maximum efficiency, another 600 employees strength may not need another office. We are doing experiments there. So something like that. So we look at efficiency. We are a cost-sensitive company, but also significantly more value-sensitive company rather than just the cost-sensitive.

Does it answer Lalit Bhai? I know I am tapering down your expectation on operational leverage.

Lalit Deo: Got it. Sir, just last one data keeping question. So like what was the primary and secondary structured products issuances in this particular quarter? And how much of these structured products are likely to get matured in FY '26?

Feroze Azeez: Yes. Vishal Ji would read out that number.

Vishal Sanghavi: So for the quarter, the primary issuances were INR1,392 crores. And for the secondary, it is near about INR 800 crores.

Jugal Mantri: INR 847 crores.

Vishal Sanghavi: Yes.

Lalit Deo: Maturity for FY 26, sir?

Feroze Azeez: Maturity, I think about INR 3,500 crores, I can get you that number before the call is over. Yes, the maturities are reasonably healthy. Of course, quite a few analysts were asking us for maturities being low last financial year. I think because we moved from 3 to 5 years in 2020 August, so last year was relatively lull year. I think this year is going to be a reasonable maturity. And I will just tell you the precise number in a couple of minutes when I speak to the structured product head. Is that fine, Lalit Bhai?

Lalit Deo: Yes, sir.

Moderator: The next question is from the line of Amansingh from Profit Gate Capital Services. Please go ahead.

Amansingh: I have two questions. First is in this quarter and full financial year as well, our structured product AUM has increased by 50%, but the revenue that comes from it has increased by 15 - 17%. So is there any moderation in the yields of structured product? This is one. And second, your thoughts on how Anand Rathi Wealth as a company would be seeing the SIF as an opportunity for distribution? And what do you think how the industry is taking it as of now?

Feroze Azeez: Yes. So the answer is no, sir. AUM is a picture and yield is a movie, generally when it comes to mutual funds, for example, and structured products, if you -- yield is generally calculated per annum, however, it's accounted. So our structure product yield at maturity, if you backwards calculate what is the mutual fund equivalent, it generally comes to 1.18% per annum on market value -- average market value and that remains, and that has remained for really long periods of time, if not more than a decade. So does that answer, sir? So we don't see any compression there.

Amansingh: And on SIF?

Feroze Azeez: Sorry, sir.

Amansingh: Yes, sir. And the second question on SIF?

Feroze Azeez: Sorry, you're not very audible. So that's why my second question, I couldn't pick it up as exactly as the first one. Can you go again with the second question, sir.

Amansingh: So the second question is the Specialized Investment Fund product that SEBI has launched recently. Your thoughts on that?

Feroze Azeez: My thoughts on that. I don't think it will take off. Very candid thought on it. So special, whatever they call it. They called it an asset class. It's a product class. See, when you are trying to curb the derivative volume, that's where it all started when the SEBI Chairperson said that people are dabbling in derivatives, why don't we give them a little more aggressive product in the mutual fund category.

But the leverage permitted, there is 0.25. So if you really wanted some movement from the derivative space to something, which is active managed a little more liberty to the fund manager, I think you would have -- you shouldn't have tied it down to such low leverage level.

Of course, there are three different categories: equity debt and hybrid, a long shot and all that. But I personally think that somebody for me to be motivated from a INR 500 instrument to an INR 10 lakh minimum ticket size needs the fund manager -- needs the fund manager to have more flexibility than what is currently desired for that motivation to happen. But definitely, if people exhibit performance over the long periods of time, and that agility is transpired on paper can attract mass affluent for sure -- affluent for sure, if not HNI.

Amansingh: So are you not currently looking to allocate those funds when they are launched by AMCs to our existing clients?

Feroze Azeez: Not at all. See, what happens is even a new fund offer, I have not approved for the last 13 years because there is no 3-year track record. And few category of a license, I would look for data because if my client's objective is 14% with 0.6 beta with Nifty, if I am able to achieve that for the last 11 years with a Jensen's alpha, which is what alpha implies in India, excess return is to be alpha. Alpha in the U.S. is always referred as Jensen's alpha, which is risk-adjusted alpha, delivered about 5% Jensen's alpha, which is a little over Berkshire Hathaway's Jensen's alpha Class A shares. Why would I look for something else unless my Jensen's alpha is not being met?

So point is no, we will surely not look at a new platform being onboarded on the clients' portfolios just yet, because the client's objective is being met. Our promise to the client is we will always operate at least common multiple to get you that return at the risk desired, which is expressed in beta. Does it answer, sir?

Amansingh: Yes, this is helpful. Thank you so much.

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

Sunil Shah: Yes, thanks for the opportunity. Feroze and entire team, congratulations on the great, great numbers that you achieved. And Feroze, for the new responsibility and the new role as well. just Feroze, one point and the entire team there. Sir, as I understand, as a company, we have got processes for everything, from client acquisition to relationship management, to product selling, to even the promotions in the organization and the compensation that is given to the team.

I just have one point here. We have those 12 -13 -14% kind of return expectations that are set for the client. And basis which we do allocation between mutual funds and structured products. Am I audible? I think there is some disturbance?

Feroze Azeez: Yes, yes, very much. I am very intently listening to you and your questions.

Sunil Shah: Okay. So we have those categories of allocation between mutual funds and structured products. Again, for mutual fund selection, we have a research team, which is identifying the products, which the RMs need to put it across to the client, etc. Feroze, the structured product part of it, every time whenever we interact with analysts or anybody, there is a big lack of understanding amongst people? Can we request you to spend one hour, do a Zoom call along with the product guy to explain to all of us how this structured product really works? That's just a request, it's not a question or anything. But if I want to understand the entire organization inside out completely, that is the missing link. And all analysts also believe because there is an inflow, outflow, etc, which is doing well. Just they are always being in the market for long, the Unit 64 kind of a situation always haunts me and my investment in this company. So that's just a suggestion request if we could understand the structured product piece completely from your side on a Zoom Call, that would really help?

Feroze Azeez: Absolutely Sunil sir, yes, so firstly, thank you so much for your wishes to both businesses and me, in particular. I am very grateful for your wishes. Second, like you mentioned, that we have a process for everything. And I am glad that you have understood our business so much in detail and not just by call. That is because we also have a person who is designated as a Process Head whom I have been working for the last 18 years, and Chirag Muni is the Process Head, who is supposed to make sure that everything has a process.

Then coming to the third part, which is a suggestion, saying that can we have structured products explained to analysts. To my mind, we have been very transparent for structured products. Taken the suggestion, I can do one-hour Zoom call for 15 days as succession because I might just find some clients. Okay?

Because if I have been able to send this to 10,000 families, and HNI does not invest for long periods of time without understanding something. So we have -- and I think that's where Rakesh sir's intellect to uncomplicated things, even if they are optically complex, demystifying them, that's an art he possess. So will we be very inclined to do it for a person who genuinely wants to understand, I think it's a great suggestion, we will definitely do that.

And conceptually, let me answer it here. See it's a very, very simple thing. It's the Black-Scholes pricing model on which option is synthesized. So it's Black-Scholes has won a Noble prize and that's public information and I have been saying this for so long. There are five finance theories which have won Noble prize. We use three of them and that's where the Jensen's alpha come for.

So a structured product operates on a Black-Scholes pricing model. For example, there is a debt instrument, there is a derivative instrument in a calibrated fashion. The derivative needs to be hedged precisely without the discretion of the trader exactly as per Black-Scholes. And the same -- if the volatility is high, you realize better profits. If volatility is low, you realize worse of profits. So I will explain this, but a great suggestion, sir. But I think analysts are very much capable of interpreting this because this industry has been there from 2006. We have a Section 50AA, which is specifically for MLD, which now -- so Citi has issued structures. So many international companies have issued structures in India and globally. How are they hedged. We also have -- we had Nuvama as a structured product. So there is very - very good traders who have been doing this for long periods of time because it is difficult for a person who is long only to understand that how a derivative-automated Black-Scholes pricing model operating in future can generate a certain payoff, so that we will explain in second decimal. There's no issue at all.

But Vishal Ji is taking a note of organizing this and inviting anybody who genuinely wants to understand this as an instrument. We will be very happy to know because there is no IP. It's Black-Scholes pricing model. It's not my IP at all.

Sunil Shah: Yes. Absolutely, yes. Just the comfort for the investors like me and many others to get this inside out and thoroughly understand it. That's the only suggestion that I have. Thanks everybody and all the best for the growth ahead.

Moderator: Thank you. The next question is from the line of Siddhant Gupta from RV Investments. Please go ahead.

Siddhant Gupta: Good afternoon sir and congratulations on a good set of numbers. So my question was regarding -- I was searching for the TAM of the -- like the TAM we operate in and I could not like generally get the number. So could you just address that for me like what is the TAM of our products?

Feroze Azeez: What is TAM in the sense of -- can you tell me what it is?

Siddhant Gupta: That is on the structured products?

Feroze Azeez: Sir, if you can paraphrase your question again. You want me to explain structured products?

Siddhant Gupta: So what will be the addressable market size regarding

Feroze Azeez: Okay. I am sorry I am not familiar with this lingo. So -- but yes, the total addressable market, I personally think here you don't take a market share, you create the market. So there is hardly any structured products, unlisted structure -- non- principal protected structured product selling is -- we would be as of now 70 - 80% of the market. We create the market. Anybody who has wealth, 35% of that money is -- if I have INR1 lakh crores of aspiration for this year end, INR 35,000 crores is the market size. Are you with me, sir?

Siddhant Gupta: Okay, sir.

Feroze Azeez: Okay. That's how we have operated. 2013 is when the first issuance Anand Rathi Global Finance did. And whatever money I collect, approximately 25 to 35% depending on the portfolio one chooses, needs to get into structured products. So if I collect INR10,000 crores -- like last year, if I collect INR 12,000 crores, I would ideally have INR 4,000 crores of net flow into structured products. That is if all clients agreed and all 382 were able to use mathematics to convince them to the right direction. Does that answer, sir?

Siddhant Gupta: Okay, sir. And my follow-up would be regarding the same. So what is the percentage share like all the different products like the equity and then mutual funds?

Feroze Azeez: That depends on the client. We have 11,700 clients. We don't run 11,700 different portfolios. Because we promised everybody, we do our best. So it is an oxymoron to have 11,713 best. So coming back to your question, what proportions these four portfolios have? They have anywhere between 45% long-only equity to 65% long-only equity and different proportions of structured products depending on a person's life stage with us.

So it's not specific one product. So if you ask me one product, what I follow I can tell you. I pursue a 14% product with 65% in equity mutual funds and 35% in structured. That's what you will see in my NSDL statement other than Anand Rathi shares as well.

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

Prayesh Jain: Yes, hi. Congratulations a good set of numbers. Sir, just one when you give your guidance, what is the kind of mark-to-market and flow assumptions that would have got built into your forecast?

Feroze Azeez: When it comes to guidance of revenue and PAT, we do it very differently. AUM guidance is generally an aspirational number. Revenue and PAT is always bottom-up. So Rakesh sir and I would have spent an hour with each RM over the last few days to understand their business plans. We go -- if there are 31 clients, the leader looks at some then he brings it to the unit head. It's always bottom-up targeting.

So that's how we arrive at a guidance because if we say we have an entrepreneurial culture, then the target cannot be top-down. So we put some buffers as genuine management intellect and then give the guidance. So it's not on the basis of market. It's on bottom- up as much as we have clients sheets automated, which helps the person understand what is the maturity coming, what kind of new clients you will have, what kind of penetration you will have and that's how it bottom-up 382 numbers get added minus some degree of conservatism, which is again told to us by our elders we do that.

Prayesh Jain: Just trying to understand this, even when we are sitting with the RM to discuss his end of FY'26 aspiration of an AUM, he would have or he would want to see from you what is the kind of market returns we should build for his AUM numbers. And he would give you a flow number that he would be able to get from his existing customers or from the new customers.

So that is what I was looking for as to -- that could be -- because the M2M number could be similar for all the 300-plus RMs that you have. So that should be similar, right?. Otherwise, everybody would assume their own set of mark-to-market and with the aspirational targets.

Feroze Azeez: Yes, definitely, sir. You are absolutely right. When it comes to mark-to-market, we look at a very conservative number of 8%.

Prayesh Jain: Okay. Got it. So that's what is built in. Thank you so much.

Feroze Azeez: That's what is built in, including the mutual fund alpha, ofcourse.

Prayesh Jain: Right. Got it. Thank you so much.

Moderator: Thank you. The next follow-up question is from the line of Bhavin Pande from Athena Investments. Please go ahead.

Bhavin Pande: Hi. Thanks for the follow up. So in terms of flows, what would be from the vintage customers and what would be from a new family?

Feroze Azeez: Yes. 63% from existing clients and 37% from new clients.

Bhavin Pande: Okay. And secondly, Feroze, just expanding on the structured product, so we said when there's a period of high volatility, we would look to sell options because of higher realization as compared to buying options depending on our view. So in this kind of an environment where VIX could move capriciously, how do we sort of navigate our way through this kind of environment?

Feroze Azeez: So the first part of the question which was a hypothesis that you buy and sell puts is not right. So let me clarify how it works it.

Bhavin Pande: No, no. I got an option when you are bullish, you buy calls or you sell puts and the other way around.

Feroze Azeez: See, now if you design a product. Now if we have a product, which we have been designing the same thing for 1,300 times - 1,500 times, there you sell put spread. You sell -- hypothetically, you sell put spread of different expiries, but all those are not liquid. So you synthesize it using futures. So if futures have a larger volatility for an issuer, generally in the products we currently construct, be it Nuvama or Anand Rathi Global Finance, higher volatility implies higher futures buying and selling.

So coming back, once the product is issued, we have not changed the product for the last 10 years. We think we are in a high interest rate, high volatility environment for the last so many years, that’s why put spread selling is what is embedded in a structured product. Does the first part -- am I clear in the first part, then I'll go to the second.

Bhavin Pande: Yes.

Feroze Azeez: Yes. So the product that we have made since last 10 put spread sold in. Why do you sell put spread? Because, you high interest rate economy. You are a higher volatility. You are realizing greater Vols and you're realizing greater interest rates. If it was interest rates in Japan negligible, you buy call and not do spreads, because the calls are going to be so inexpensive because the forward rates of the same index is going to be very - very close to the spot rate.

Now that we have been designing a product in a certain way because of macroeconomic variables in India are designed that way. And it's 20 years from now, 5 years from now, 10 years from now, if that changes, then the construct of the product will change. Now that it has not changed for the decade plus. I have been doing structured products from 2006 when Merrill issued the first structured product. And ironically, it was in a PMS platform of an asset management company and the same asset management company's analyst is asking me, explain to me structured products. Ironically, it happened. I told him, you have only taught me in 2006. Go and see. So from 2006 mostly India has been a put sell or a put spread sell market for anybody who wants to go long, not unlimited long.

Now how does one hedge it. The issuer knows that all these options, which are embedded in the product may not have the liquidity or most likely will not have the liquidity. So he will hedge the books, delta, gamma, theta, vega, rho. This is what he will hedge.

So delta will be positive, gamma will be positive, vega will be negative -- sorry, gamma positive, vega negative, lower the vega, lower the realization and rho will be positive. So this is the dynamics of most of the issuers today. Delta positive, long gamma, short vega and long rho -- sorry, short rho.

Okay. This is the -- so because it's a technical concept, I'm just telling you that he will hedge a book. He will not hedge individual options. If you have issued 100 products, an issuer will issue 100 products, which might have 500 different options. He will put it on an excel sheet all the 500 options with different expiries, run a Black-Scholes pricing model, and he will hedge the ultimate delta of that 500 options embedded in 100 different products.

So when he is hedging it, if market becomes and Trump Hub becomes generous, and it gives us a little more volatility, then the issuer will be able to hedge it a little more easily than he would be able to. That's what I meant, that volatility Helps the issuer.

But as Sunil sir said, we will do a specific full-blown training session. We are not going to call it an explanation session. Any questions, no horns bar can be answered with excel sheets and mathematics.

Bhavin Pande: Yes, I think that will be really helpful Feroze, to do something like that.

Feroze Azeez: I promise you this will get done. Vishal Ji is a very - very sharp man, and he has written it down in his diary. And seldom things get dropped off his diary.

Bhavin Pande: That's it. Thank you a lot and good luck again.

Feroze Azeez: Thank you, sir. Lalit sir, in the meantime. Bhavin sir had asked that question?

Feroze Azeez: Okay. No, no, I will just -- because Saumil give us that number. So the maturities are anywhere between 4,000 - 5,000 across internal and external issuers. Lalit sir had asked this question. I told -- I promised that I will circle back.

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

Sunil Shah: Just one point. I have spoken about it earlier also in the last call. But out of this about 11,700 odd families that we have, how many of those would be NRIs or clients who are out of India?

Feroze Azeez: Sunil sir, I will just tell you. Sir, just give me a minute or two, I will tell you the precise number.

Sunil Shah: Yes. Sure. My point here is about GIFT City because the income that we earn from them would be tax-free for us. So if we can put up a subsidiary at GIFT City and serve those clients from that platform, the income earned in the subsidiary would be tax-free for us. Hence, we could generate some bit of more alpha, maybe it's a 10% number of our clients or 15% or whatever that number is, but that would help us. So we -- I think if we can evaluate that as an option to serve our NRI clients.

Feroze Azeez: Absolutely, sir. Sunil sir, it's a very, very good suggestion, and we have been examining that. But I don't want to commit today. And when it comes to NRIs, NRIs might in numbers could be a smaller proportion, values are larger than the numbers for sure. I will give you to precise numbers. But it's a great suggestion. Now that you are bringing it up, we will take this up a lot more seriously, and then we will move up the priority list. I will do that.

Sunil Shah: Sure, sir. I mean even if it is 10% or 15% of our AUM, it certainly helps us to save on those tax line. That's the only thing.

Feroze Azeez: Absolutely, and it also opens up a larger part of the balance sheet. And what I am very thrilled about is see, when we have a Dubai office, we did a survey to figure out how much of the total wallet do we have for an Indian client based in India and a Dubai client investing in India, the apprehensions of completely converting capital into rupee exists.

So this dollar denomination also brings in a certain larger penetration possibility depending on -- so yes, so taxation, larger penetration possibility. So we are working on it. But have we done adequate progress? I am sorry to say, no, but we will definitely move this up the priority list.

Sunil Shah: Thank you. All the best.

Feroze Azeez: Thank you, sir.

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

Feroze Azeez: I like to thank everyone for being a part of this call. We hope we have tried to answer your questions. If you need more information, please feel free to contact Mr. Vishal Sanghavi, our Investor Relations Head, and our CFO -- beloved CFO; Rajesh Sir. Thank you, everybody. And Sunil sir, I'll just tell you the number, it's about 10% to 12% is NRI clients' AUM. Thank you.

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