Aditya Birla Sun Life AMC Ltd.

ADITYA BIRLA CAPITAL
ASSET MANAGEMENT

Ref. No.: ABSLAMCL/PS/157/2024-25

February 1, 2025

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street Mumbai - 400 001
Scrip Code: 543374

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor,
Plot No. C/1, G Block,
Bandra Kurla Complex,
Bandra (East), Mumbai - 400 051
Symbol: ABSLAMC

Dear Sir/ Ma'am,

Sub: Transcript of the Earnings Conference Call for the quarter and nine months ended December 31, 2024

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Earnings Conference Call on Unaudited Financial Results for the quarter and nine months ended December 31, 2024, held on Tuesday, January 28, 2025.

The above information is also available on the website of Company at https://mutualfund.adityabirlacapital.com/shareholders/financials.

We request you to kindly take the aforesaid information on record.

Thanking you.

Yours sincerely,

For **Aditya Birla Sun Life AMC Limited**

Prateek Mahesh Savla

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Company Secretary and Compliance Officer
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CIN- L65991MH1994PLC080811

"Aditya Birla Sun Life AMC Limited
Q3 & 9M FY25 Earnings Conference Call"

Tuesday, 28th January 2025

MANAGEMENT TEAM:

- **MR. A BALASUBRAMANIAN – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER**
- **MR. PRADEEP SHARMA – CHIEF FINANCIAL OFFICER**
- **MR. PRAKASH BHOGALE – HEAD, INVESTOR RELATIONS**

Moderator: Ladies and gentlemen, good day, and welcome to Aditya Birla Sun Life Asset Management Company Limited Q3 & 9M FY25 Earnings Conference Call hosted by InCred Equities.

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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Jignesh Shial from InCred Equities. Thank you and over to you, sir.

Jignesh Shial: Thank you, Manav. Good evening, everyone. On behalf of InCred Equities, I welcome all to this Aditya Birla Sun Life Asset Management Company Limited 3Q FY25 Earnings Conference Call.

We have along with us Mr. A. Balasubramanian – Managing Director & CEO, along with the Senior Management Team of Aditya Birla Sun Life AMC.

We are thankful to the Management for allowing us this opportunity. I would now like to hand it over to Mr. A. Balasubramanian – Managing Director and CEO of Aditya Birla Sun Life AMC for his opening remarks. Over to you, Sir.

A. Balasubramanian: Thanks, Jignesh. Good evening, everyone, and thank you for joining today's Investors Call. I hope you all have the opportunity to see the Earnings Presentation, which has been posted on the exchange as well as on our website. Let me begin with the economic outlook very quickly and give an update on the MF Industry as well.

The current global macroeconomic landscape presents a mixed picture of challenges and some bit of cautions to outcome with optimism. Global growth is expected to remain stable, with most forecast placing it around 3% - 3.2%. Central banks are now likely to maintain a cautious stance on monetary policies, and continuing their gradual normalization of interest rates after a period of tightening. Global markets have experienced increased volatility, leading up to new administration of US taking power. We expect this volatility to subside in Q1 CY2025, once there is a greater clarity on the policies of the new administration.

Against this backdrop, India is expected to maintain its position as one of the fastest-growing major economies, with a GDP growth for 2025 estimated at about 6.5% and India's economic outlook remains though its positive, supported by strong domestic fundamentals and favorable government policies, they might also participate in the recent volatility of the international global market. Inflation is also showing signs of moderation, with the RBI actively managing it through effective monetary policy measures. We expect a balanced recovery, with a moderate uptick in both private investments and consumption.

The Indian equity market is currently witnessing significant volatility, driven by a mix of global and domestic factors. Rising inflation, potential trade-related issues, and global market turbulence due to geopolitical tensions and economic uncertainties are fueling price fluctuations and despite global uncertainties and domestic challenges, Indian economic resilience, policy reforms, and growing retail participation should continue to fuel investor's confidence in the market.

Coming to the Mutual Fund industry. The industry has witnessed a record-breaking growth in 2024, reaching an all-time AUM high of over ₹68 lakh crores. As of 31st December 2024, the Mutual Fund Industry's Quarterly Average AUM reached ₹68 lakh crores as compared to ₹49 lakh crores as of 31st December 2023, growing by about 39% on a year-on-year basis.

During Q3 FY25, the Mutual Fund industry witnessed Equity net sales of around ₹1,63,000 crores through new fund offerings and also inflows in existing funds. The total NFO collections in Equity Funds were around ₹19,400 crores, majorly coming from sectoral and thematic funds.

The industry's SIP continued to show good growth with 50% year-on-year growth to around ₹26,500 crores in December 2024 with 5.26 crores unique customer base. The total number of mutual fund folios stood at around 22.8 crores with a year-on-year increase of 37%.

The individual average AUM grew by 39%, year-on-year from ₹30.70 lakh crores to ₹42.58 lakh crores, and contributed 61% of the total assets under management. These are also on the back of institutional AUM have remained somewhat flat for the last two years for a variety of reasons including the withdrawal of tax which we saw last year. B30 cities with an average AUM of ₹12.83 lakh crore accounted for 19% of the total AUM.

At Aditya Birla Sun Life AMC, our Overall Average Assets under Management, including alternate assets stood at ₹4 lakh crores plus, reflecting 23% year-on-year growth. Our Mutual Fund Average AUM reached ₹3.84 lakh crores, growing by 23% year-on-year. The Quarterly Equity Average AUM stood at ₹1.79 lakh crores, growing by about 32% year-on-year. The uptick in equity investment performance, driven by improved perceptions and strong narratives, has helped us gain traction in equity net sales during the current quarter. Our SIP book grew by 38% year-on-year from ₹1,005 crores in December 2023 to about ₹1,382 crores in December 2024. We also added close to about 6.70 lakhs new SIPs, which again increased by 3x compared to the previous year around the same time. Our total investor folio crossed 1 Crore, now it is about 1.05 Crore investors folio with around 24 lakh new folios added during the 9M FY25. During the quarter we launched the ABSL Conglomerate fund which is a unique fund with a different concept and garnered about ₹1,375 crores. We also conceptualized and launched the industry's first 3 - 6 months index fund which also garnered close to about ₹715 crores during the current quarter.

The retail sales team which is dedicated to driving higher engagement and establishing strong mindshare in a deeper market through a series of impactful initiatives. We are running programs like "Yashaswi", which is nothing but empower and groom women MFDs, fostering inclusivity and leadership within the sectors and providing the necessary training program in order to gain higher engagement, higher mindshare, and higher market share. "Fulcrum" - which is to focus on equipping MFDs with the tools and strategies to build high-performing teams, driving sustainable business growth and improve the overall productivity of the team as well as the distribution partners. Third is "Legacy Leap", which is designed to cultivate the next generation of MFDs by sharpening and enhancing their skills. Together, these initiatives we belief will help us create a long-lasting impact across the retail channel improvement that we are trying to bring to the overall business.

On the alternate business front, to meet the growing needs of HNIs and family offices, we continue to strengthen our team and enhance our PMS and AIF offerings, both in Equity and Fixed income. In fact, our PMS assets including AIF equity grew by 44% year-on-year from ₹2,671 crores to ₹3,853 crores. We are seeing momentum picking up as far as our PMS and AIF tractions are concerned. On Offshore business, we grew by about 28% from ₹9,894 crores to about ₹12,686 crores. In fact, during the current quarter, we have seen some inflows coming from offshore investors into India-dedicated funds that we have created, both in Europe and UCITS platforms as well as on the GIFT City to get money into the country. In line with our vision to scale the Passive business, we continue to offer a diverse product portfolio to our investors, delivering strong returns. As of December 2024, our total passive assets stood at approximately ₹31,600 crores, and our customer base has grown to over 10.68 lakh folios. Our diverse product offerings currently about 52 and we plan to launch additional funds in the coming quarters to further expand our passive investment options.

Moving on quickly to the Financials - Our quarterly Revenue from Operations was at ₹445 crores v/s ₹342 crores in Q3 FY24, up 30% year-on-year. Our quarterly Operating Profit also has shown a significant improvement in the current quarter to ₹262 crores from ₹184 crores in Q3 FY24; up by 42% YoY. In fact, our Operating Profit grew by 42%, which is higher than the overall revenue operations of about 30% growth. For the nine month period, our Revenue from Operations was about ₹1,256 crores v/s ₹988 crores for 9M FY24, up by 27% year-on-year. For the same nine month period, our Operating Profit was about ₹710 crores v/s ₹528 crores again for nine month FY24, up by 35% year-on-year.

With this, I would like to conclude and open the floor for any questions that you may have.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wish to ask a question may press "*" and 1 on their touchtone telephone. If you wish to withdraw yourself from the question queue, you may press "*" and 2. Participants are requested to use handsets only while asking a question. Ladies and gentlemen, we wait for a moment while the question queue assembles. We have our first question from the line of Dipanjan Ghosh from Citigroup. Please go ahead.

Dipanjan Ghosh: Hi, good evening, sir. First, maybe I will just start off with a few data keeping questions and then I will move on to my generic questions. So, if you can point out employee number, SIP flow for the quarter, ESOP expense and non-mutual fund revenues?

A. Balasubramanian: I will ask Prakash to answer.

Prakash Bhogale: So, the employee count as of December 2024 is 1,627. The SIP flows for the quarter is around ₹4,000 crores. The ESOP expense for the quarter is around ₹28 lakhs and the non-MF revenue is in the range of around ₹34 - ₹35 crores.

Dipanjan Ghosh: Got it. So, sir, just moving on to the question front, first starting off from this employee number only. It seems that sequentially there has been a significant uptick in your employee base from around mid-1,500 to 1,627. So, I just wanted to get some sense of, has the entire employee cost has been absorbed in the base or should one see it kind of overflowing into the next quarter. And also in this line, you know, given the way the markets have been going into, let's say, the next year, if you were to remain choppy, how do you expect the overall OPEX trajectory, how do you expect that to really shape up? The second question is on the mutual fund yield or rather the overall yield part. If I understand correctly, there has been a significant sequential improvement in yields. So, can you just explain that? And lastly, just qualitatively for January, how are you witnessing your net sales redemptions and maybe for the industry if you can give some color out there?

A. Balasubramanian: Yes. So as far as the employees' concerns, of course one, wherever we are building up our team, especially in the passive, direct, as well as emerging markets where we are opening locations, and especially places like Mumbai, where we are further strengthening our team considering the distribution, front-facing sales team. Largely, the increase is on account of them. There will not be any significant additions at the top level. These are all at the operating level. That, I think, more or less this year, whatever you have taken as a budget, we thought before we start the year next year, we'll complete the recruitment this year. So, the next year, we do not need to increase the headcount on an overall basis. That is broadly the principle in which we function. That is something I would say the increase in headcount is on account of that.

As far as in the month of January is concerned, I think broadly the trend remains the same. We have not seen any significant change in the trend that you have witnessed in the previous quarter. I think we are seeing a net sales improvement for us is coming in gradually in some of the schemes already identified as there are schemes to be pushed from a broader perspective where we are seeing some bit of improvement. The SIP focus continues to remain, so again no major change. However, the current volatility will have to be watched out. There is one trend which will have just watch out. In general, what happens when the market turns volatile, the lump sum generally normally comes, they don't come as aggressively as it generally is supposed to be. Second SIPs, while the top SIPs continue to come, normally the cancellation rate from 50%-55% average, that goes to say 60-65% again comes back. But right now, going by the January trend, it is difficult to make many assessments in a significant deviation that we are witnessing currently.

Dipanjan Ghosh: And sir, on the mutual fund yield part, what happened during the quarter?

Prakash Bhogale: So, Dipanjan, on the mutual fund yield, the improvement which you are seeing is mainly account of 2-3 reasons. One is that on a few debt schemes, we have increased TER that has resulted in the increase in the yield. The other one is the mark-to-market, because of the lower AUM we are able charge some higher TER and there some yield has been improved. The third reason is on account of marketing and distribution expenses have been realigned based on the current market conditions. So, these are the 2-3 reasons because of which you can see the improvement in the yield.

Dipanjan Ghosh: Sir, I couldn't understand the last part of what you mentioned in terms of marketing and distribution getting realigned. So, is it on the incremental flows where the commissions are getting realigned or is it like your overall distribution expense that you are spending for the franchisee is getting reduced or is it on the back book that you have taken some kind of repricing? Can you give me some color?

Prakash Bhogale: So, based on the current situation we have projected a few marketing and distribution expenses for the year. Okay, so those expenses have been realigned which has resulted in the increase in the yield.

Dipanjan Ghosh: Sure. And on the debt book, you have kind of replaced a few schemes, sorry I missed that part.

Prakash Bhogale: Few debt schemes we have increased the TER which has again resulted in the yield increase.

Dipanjan Ghosh: Got it. Thank you Sir and all the best.

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

Prayesh Jain: Hi, good afternoon, sir, and a decent set of numbers. Just your thoughts on how aggressive or what kind of growth aspirations you have on the non-MF businesses. Probably if you could give us some 3 – 5-year aspirations or targets for the AUM size of PMS, AIF, or GIFT City, any of these things that can be significant contributors to your revenue and top line, that would be much help.

A. Balasubramanian: Thanks, Prayesh. As far as alternate business is concerned, the last 3 years' investment that we are making both in building PMS, AIF, and AIF fixed income credit and real estate fixed income credit and offshore and lastly is the passive. These are the 5 different verticals we covered under the alternate. We are giving a good push as far as the PMS, AIF, and AIF credit funds are concerned. Given the fact that it can easily fit into our family offices and HNIs across different parts of the country. Right now this PMS and AIF put together we have roughly ₹4,000 crores kind of size and the overall scheme of thinking that we put aside this year for the next five years roadmap we have been assuming the rate of growth in the alternate business has to be faster than the mutual fund and given the fact that the customer segmentation here is different from the mutual fund and that we are seeing already both in terms of AUM growth as well as on the profitability contributions.

Though I cannot give any specific number per se otherwise we have put a KRA for individuals across the country from a sales team point of view, 20% of the KRA goes towards building our PMS business. AIF credit fund, we already committed some seed capital from AMC business, and basis which a few commitments already started coming in, some underwriting of instruments started happening. And initially, our idea was to collect close to about ₹750 to 1000 crores kind of size. Upon building the first issue and then closure of the first issue, we start building up the second launch. So that's something which we have put in place. And ideally speaking, in the PMS and the AIF equity side, we would be gunning close to about ₹20,000 crores kind of size over some time. In the case of AIF, the credit fund would be gunning for close to about ₹5,000 crores of size over the next three years. And in the case of the real estate fund, where we have already given good experience, wherein we manage roughly ₹750 crores of money that we are already managing it, whatever efforts we have put in, in terms of reaching out to global investors, we are seeing some traction in that. There also we will be looking at the first bigger closure, in the next 1.5 years close to about ₹5,000 crores in size, and then keep building it as we start making progress on the number which I am just mentioning. Clearly the idea is to build this space on an overall basis.

Offshore infact, I'm seeing some kind of traction. Infact in the last quarter we saw some success coming from two of the Canadian-based investors with whom we have a tie-up for the India-dedicated mandate, we saw some flows coming in, with whom we also have tied up from India to invest in the overseas market. We have seen some success which also now starts giving me revenue through the GIFT City. We will see volume picking up in this space and subject to, of course, emerging market attraction for overseas investor's points of view continues to remain. As far as the passive is concerned, right now we are roughly about ₹32,000 crores kind of size. Clearly we are keeping an eye on how we make our passive business verticals which include index, ETF, fixed income, and target maturity funds to reach a size of about ₹1 lakh crore size over the next few years. That is happening in a particular part of the business plan and work towards that.

Prayesh Jain: That is quite interesting but one aspect which I wanted to understand also was what are the kind of costs that we are incurring today on a run rate basis in the non-MF businesses. The reason why I am asking that is as these businesses scale up, the profitability improvement can be significant because if your teams are in place and no further hirings or no major hirings would be needed then the AUM growth coming in and then following up with revenue growth, the profitability of the entire company can improve significantly. So just if you can give some color on them, what is the cost of non-MF businesses, or at what level they are operating today?

Prakash Bhogale: So Prayesh, it is difficult to give you the cost because we have not disclosed the cost as such for the particular business as such. But as we have already spoken the alternate asset business used to contribute around 14%-15% of our total revenue. So currently it is in the range of around 7%-8%. So, our target is to you know take it further to around what we were there in the earlier period.

A. Balasubramanian: Just to add to that Prayesh, see the cost has more or less remained the same, whatever team we have add, we have already done that except we will only do the replacement of people who left. So that means incremental cost as far as people are concerned, mainly is investment function and that we are already full, so that is unlikely. There is one cost which anyway I mentioned in the last call also I mentioned that we will add somebody to head the overall alternate business to drive this separate vertical, which is senior recruitment will do who would take the entire responsibility of the building alternate business. That cost will be added. But beyond that, what we are trying to leverage is the distribution strength which has been created. That is what I think comes in the form of a KRA of people to add to the overall growth which essentially means existing people in the sales will only add to the success of the alternate business which will come as an add-on business rather than adding, coming along with the incremental cost. Even this quarter, the last two quarters itself, we have seen the addition of revenue contribution coming from the alternate business, improved by almost about₹16 - ₹17 crores. Additional revenue came because of the increase in assets in alternate business.

Prayesh Jain: Is it fair to assume that these businesses are profitable today or they are still breaking even?

Prakash Bhogale: Yes, these businesses are profitable today.

A. Balasubramanian: In fact, all my offshore businesses also, everything is profitable today. The only question is the scale.

Prayesh Jain: Sir, the last question is on the mutual fund business here. So, Fund performance is one element where we are seeing some green shoots for you. The other element to grow the AUM is the distribution machinery. At the time of the IPO, we were talking about a lot of growth coming in from cross sell to the group company. Or apart from that, any other drivers that you are putting in the business model to kind of really take up this momentum further stronger because we are just at the cusp of fund performance improvement. And if the distribution machinery also kind of picks up more momentum, then you have a great runway ahead.

A. Balasubramanian: With respect to the distribution, of course, we have an established distribution model as far as retail is concerned, which is basically divided into T30 and B30, and then beyond that, the emerging market. And then within that, we created a five-step vertical that we created. One is the VRM model to activate growing IFAs in the country. We are seeing good success, we keep adding more people to the VRM model, via the virtual RM model and we keep increasing the number of team members. As each period passes, we also learn from the experience and then keep improving on contributing to overall success. We are seeing some success. I must mention the conglomerate fund that we had infact had close to about ₹70 - ₹80 crores got added from the VRM channel itself in addition to the traditional distribution channel. So that is something we are seeing as a success.

Second is the operation team beyond a point when it becomes a well-oiled engine. The operation team, which is a service-facing team, can also contribute to the overall success of the sales. We have got a service to sales. We are stepping up the focus and each year we keep on increasing the target to ensure their contribution increases. While these are the established models that we have, the emerging market is one where as a fund house, we had great success coming from creating our presence in smaller locations and improve our presence in those markets, therefore increasing our market share. The country remains one of the big areas. Currently, we have about 95 locations in which we operate. While 95 may remain at 95, but then some will go to the branch level. Some new branch locations will be added there. That something remains in our big area of focus. Having built that, I think the last one year, given the fact that we need to step up our engagement on distribution activities and also get higher output, the team got together and identified about 25 locations in the country, which gives roughly 80% of the overall sales volume for the industry, including ourselves. And what are the steps that we can take to ensure? These 80% of the market gives me higher contribution by way of engaging at the ground level. That is something we are doing. One of the initiatives that we are taking this year is we normally do an annual voyage event. This year we are converting that into a voyage event, we are continuing, but we are doing it only with the cream of people with whom our market share is less but subject to our high engagement and they are getting convinced, as you rightly mentioned about the perception and performance improvement is coming, also being noticed. Therefore, we can get incremental AUM from them. That is something which they are now doing. Upon doing so, we will probably do this across different parts of the country to ensure the distribution engagement increases quite significantly, as we are currently putting in the effort.

Prayesh Jain: Got it. Just last booking keeping can we get the yields on each of the asset classes for this quarter?

Prakash Bhogale: So, Prayesh, the yield for this quarter on the equity side is in the range of around 70-71bps. Debt is 25bps, Liquid is 13bps and ETF is around 7 to 8 bps.

Moderator: Thank you. The next question is from the line of Abhijit Sakhare from Kotak Securities. Please go ahead.

Abhijit Sakare: Sir, question on yields again. If you could quantify what was the increase in debt tiers that we have seen in the previous quarter?

Prakash Bhogale: Abhijit, but I don't have that data to quantify the yield increase on account of the debt side. But on a few of our debt schemes we have increased the TER which has increased the yield. Overall, it is around one basis point.

Abhijit Sakare: And then going forward, are you anticipating any further tweaks to the overall TER numbers in the 4th Quarter or going ahead both on the equity and debt funds?

A. Balasubramanian: Equity will remain more or less the same. I don't think sometimes you must also remember these numbers keep changing depending upon which bucket in which AUM moves. But otherwise, broadly equity should remain the same. As far as the fixed income is concerned, one can expect marginal improvement on the yield given the fact that as the interest rate gets stabilized and then starts coming down, we will have to give some kind of room for growth in the duration assets wherein the expenses are generally higher than the liquid fund or liquid plus fund. So, to the extent, one can expect that segment to improve. And third is, we are also pushing very aggressively our hybrid funds, like multi-asset allocation funds, balance advantage funds, and equity savings funds. We are giving a push in terms of sales. And as we start seeing the overall improvement in terms of sales activities there, once again the revenue contribution coming from that segment will also rise. Given the fact, again the size is relatively lower compared to the large industry size. Therefore, to the extent we could see an improvement in the contribution.

Abhijit Sakare: So again, coming back to the growth front, now that we have seen some performance improvement, especially in the short-term buckets, have you seen any improvement as far as the products getting included in the overall recommendation list or any material change in how the products are perceived in the major channels?

A. Balasubramanian: See, that keeps coming on and off. I think the major channels, in the organized channel, except 1 or 2, have been part of the recommendation in most places. Infact I must mention that our large-cap funds, front-end equity, and flexi-cap funds, both of them are now coming as part of the recommendation list on the organized channels. We are seeing progress in the current quarter. Even our balanced advantage funds, which has again been improving on overall performance, we are seeing being recommended in the organized channel. Third is the multi-asset allocation fund which is of course about 1.5 years of track record and has done exceedingly well, also being included as part of the recommendation list by the organized channel piece.

As an online channel concerns, we did have huge success in the last quarter. A few of our funds came as part of the recommendations. And those recommendations keep moving up and down, depending upon the ranking which they calculate from the overall basis. But a few of our funds are part of the core list, which is basically frontline equity, flexi cap and multi-asset allocation fund, and balance advantage fund. These are some of the funds that have been part of the recommendation list. We are seeing some kind of progress in this space, but of course in order to, for this to get converted into a visibly higher AUM contribution coming from this segment, we need to continue to work towards it. The number keeps improving on a quarter-on-quarter basis.

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

Lalit Deo: I just wanted to confirm, firstly, on the debt side, could you classify the overall yield on the debt size? Was it 23 basis points?

A. Balasubramanian: 25 basis points.

Lalit Deo: Sure sir. Also, one more data-keeping question was asked, could you quantify the SIP AUM as of December end?

Prakash Bhogale: Sure. It is around ₹78,000 crores, Lalit.

Lalit Deo: Sure sir. So just on the SIP flows, what we have been seeing is that for industry, there has been an uptick in their monthly SIP flows. Whereas for us there has been a decline and discontinuation rates have also increased. So, what could be the major reasons for the change?

A. Balasubramanian: Broadly in SIP the trend remains the same, in terms of registration numbers except we saw, especially in the lumpsum ticket SIPs. As mentioned about normally during a market volatile period, lumpsum is the one that generally gets stopped and then they again come back, which I call high-ticket SIPs. We saw some reduction in that. Therefore, we saw overall numbers marginally lower than the previous quarter. Otherwise, the retail pure SIP that we tried to drive, both the idea of adding new customers and the new registration coming from the larger channel partners, that focus remains. But otherwise also, from a cancellation point of view, generally the ratio is about 50% - 55% especially month of December we saw the number going up to almost about 55% - 60%, and at times when that number suddenly improves rather goes up, it does have an impact on the overall number, but otherwise I would attribute this to the market volatility that we are currently witnessing which normally I've seen historically that happens for industry even for us also number can vary from fund house to fund house. But otherwise, once things settle down, we should see this number coming back to normalcy. Generally, for SIP we try to position as agnostic to the market and that acceptance generally is high. Therefore, we go back to the basics and keep pushing that SIP is something agnostic to the market and fluctuations and sentiments. That something keeps harping on it should only help in terms of maintaining it and improving.

Lalit Deo: Right. So based on this question, on the net sales, when we are saying that we are seeing some improvement in the net sales, so particularly in which channel, probably we are seeing more improvement or seeing some improvement in our market share probably .

A. Balasubramanian: I think it is generally spread across all channels Lalit, mainly the IFA contribution on an incremental basis is improving, ND channel, which is the second largest channel for us. So, their contribution is improving. Infact when we did that the Conglomerate Fund, we did have participation in our funds coming from also about 22,000 IFAs contributing to the Conglomerate Fund, which also helped us in activating a lot of the IFAs during this period. We are also seeing online channels selectively contributing on the SIPs. I think broadly the order of MFDs and NDs and direct and banking and then online channels.

Lalit Deo: And sir, just last question. Are any products in the pipeline on the active equity side?

A. Balasubramanian: Of course, we have already taken approval, we didn't launch of the fund which is the innovation fund, we have taken approval, we gave a preference to the Conglomerate fund over the innovation fund and then when we feel it is right, either in the current quarter or in the subsequent quarter next year, we will have this product launched. Otherwise, we have a series of product pipelines on passive side, both on passive equity, ETF, and index fund, equity fund, as well as the target maturity fund on fixed income. Both we already have a pipeline of products.

We have one pipeline of products for GIFT City. Upon closing the first fund that we launched, a special opportunity fund we created. Now we have created another fund to invest in global blue chip. That is something we have already launched and we will go aggressive in terms of promotion as we move forward in the current quarter. We also have announced the Fund of Funds launch from GIFT City. But also, there will be an official launch maybe in the next few months we will do. These are the number of product pipelines that we have as of the offshore concern. Domestic concern there is only one product pipeline that we have kept as of this time today.

Moderator: Thank you. We have our next question from the line of Mohit Mangal from Centrum Broking. Please go ahead.

Mohit Mangal: So first is in terms of SIP AUM. I think you said that it is around ₹78,000 odd crores. So, if I look sequentially, I think there is a 7% decline. Is this number, right?

Prakash Bhogale: Yes, because of the equity mark-to-market, Mohit. The industry has also decline.

Mohit Mangal: Understood. And secondly, basically in terms of the industry, so there is a lot of talks of these ₹250 SIP, that is there. So, if you could, Bala sir could just help us understand the dynamics of it and how you intend to kind of use this situation to further improve your SIP thing?

A. Balasubramanian: Yes, ₹250, of course, we were one of the fund houses that also take lead in this space as the regulator announced some time back. So, we have put things in place, but even otherwise as well, we do offer ₹100 rupees SIP for people who can't afford more than that through the online platform. So, we already have that in place. And once, if it becomes an industry-wide push, of course, we would participate in that, but otherwise in general SIP is something, my own belief is ₹250 or ₹100 SIP, in general, has gained acceptance and momentum and the average ticket size is also improving. I think our focus would be to use this product more to get new customer acquisition rather than focusing on ticket size. I think we will have both strategies go simultaneously. All the ₹100 - ₹200 for customer acquisition and then increase the average ticket size of their contribution as they come on board. So that is the way we, I see it normally. But otherwise, I don't think this will have something unique for one to benefit big time given the fact that SIP itself now is becoming the widely accepted instrument in the country.

Mohit Mangal: Alright, understood sir. So lastly, in terms of, I mean, your peers are kind of rationalizing the distributor commission. And any thoughts that you would be doing the same or what are your strategy on that?

A. Balasubramanian: Of course, we do have a scope, no doubt. But however, we need the right balance between growing the business on one side, and the other side, growing the distribution channel and the other side and ensuring we also able to maintain our overall leadership in the industry. Therefore, we will have to just see when to do and how to do and kind of things but otherwise, we do have a scope but not in the current junctures, we would rather focus on growing the book size and customer base and expanding the business.

Moderator: Thank you. We have our next question from the line of Bhavin Pandey from Athena Investments. Please go ahead.

Bhavin Pandey: Congratulations on a good set of numbers. Sir, I just wanted to understand one thing on how do we look at managing fund performance in a down cycle, specifically thinking from a scenario of us just being on a cusp of turnaround and maybe garnering more flows so how do you look at it?

A. Balasubramanian: It's interesting, Bhavin, I think we all also in the managing money business will witness. I think all of a sudden this down cycle comes and the only way we can manage the risk is what we keep harping all the time. The drawdown, especially in market volatility happens. The number of stocks that pull you down should be the least and the number of stocks that are in the portfolio that gives you some bit of either the index performance or a little better index performance component should be high. So that is the principle on which we normally work sometimes, most of the time we get it right, and sometimes we don't get it right but this time I must mention the last 2-3 weeks of volatility, most of our funds could actually withstand this current market volatility and do better than the market or the competition. That is the only way we manage the risk. Second, of course, the sizing between large-cap, mid-cap and small-cap. In fact, as a fund house, we have a reasonably good domination in the large-cap and mid-cap space and less of a small-cap space. To the extent, that the drawdown could also be less. I think that is the only way we keep a close track which is the investment team keeping a very close track on that in terms of portfolio management operating style.

Bhavin Pandey: Okay, that's helpful sir. And sir, when we look at the behaviour of an IFA partner, let us say maybe he is not seeing the discontinuation of SIP right away, but the customer is reducing the size of the SIP he or she is doing. So, when it comes to pecking order, do you think does that fund performance come into account in terms of allocation?

A. Balasubramanian: Yes, definitely of course people do pay attention. I think there are two ways I look at it. One is of course improvement performance; the second is the perception of improvement in performance; and the third is the irrespective of whatever it is how well we are committed to engaging with partners and continuing to provide top-of-the-mind service. In my talk, I mentioned about 3-4 initiatives that you have taken such as Yashasvi and Legacy Leap kind of things. These are all shows of our commitment to the distributors.

And third of course is the direct customer engagement by way of guiding, giving insight, and giving our narrative and our confidence. It is not about getting your calls right or wrong. It is about being on the front foot and engaging with the marketplace. All those things do matter. And of course, fund performance is one part of it. If fund performance is there, it becomes much, much easier for the front sales team naturally to go and bat it that much more aggressively. If the fund performance is there but in the borderline case, then you must also replace that with a high level of engagement at ground level. This is the combination in which we work. And as I stand today, I would say performance improvement vis-à-vis the peer group. Not only is there an improvement, but it's also being recognized and noticed by people. Therefore, leading to the gradual conversion of that into numbers.

Bhavin Pandey: That's very helpful sir, wishing you all the best.

Moderator: Thank you. We have our next question from the line of Madhukar Ladha from Nuvama Wealth Management. Please go ahead.

Madhukar Ladha: Good evening, sir. Congratulations on a good set of numbers and thank you for taking my questions. First, sir, you know sequentially our yield has increased and that has particularly come from equity yields doing better, where you also mentioned that we have changed some distributor payouts. Now, what I wanted to understand is whether this is recurring or is one-time in nature. Second, on the market share bit, our equity market share sort of continues to slide despite we have done two NFOs this quarter. And if I am not wrong, we collected almost ₹1,410 plus crores. So, if I adjust for that, what is your sense on net inflow market share, ex-NFO, in continuing schemes, like what is our market share, and are we sort of improving on a QoQ basis? And in your opinion, is this decline in market share more because of performance needs to catch up or more because our market share in net inflow need to catch up? So that is my second question. And third, on the current trends, like SIP cancellations have picked up, also given this volatility, I know the industry will probably witness higher SIP cancellations, but maybe you could talk a little bit about what are we seeing in our current trends in terms of SIP numbers holding up so far or cancellations actually picking up even more in this month so far? And how do you see investor behavior in this sort of situation over the next 2-3 months, if let's say the markets were to sustain in this way? So yes, those would be my broad three questions. Thanks.

Prakash Bhogale: So, Madhukar, on the yield side, marketing, and distribution expenses which we have realigned based on the current market situation, is in the phase where you may see some impact in the next quarter also. And the yield will more or less remain in the same range.

Madhukar Ladha: So, this is not a one-off?

Prakash Bhogale: Yes. So, we are doing it in a phased manner, Madhukar.

Madhukar Ladha: Okay. So, the yield will probably sustain at about 71 bps as you mentioned earlier in the call.

Pradeep Sharma: Madhukar, so what Prakash is saying, these current yields may be there for maybe next quarter. These are one of a case for 1 or 2 quarters.

Madhukar Ladha: Understood. Then you are likely to come back to the 67-68 basis?

Pradeep Sharma: Yes.

Madhukar Ladha: Okay. And what is causing this? I didn't understand what caused this.

Pradeep Sharma: So, as Prakash explained, this is the realignment of certain marketing and selling expenses, which is the regulatory guidelines.

Prakash Bhogale: So, Madhukar, we have made some provisions that we have realigned.

Madhukar Ladha: So that we will not be incurring anymore because we are cutting back on that, is it?

Prakash Bhogale: Yes.

A. Balasubramanian: And second on your other two aspects. See, as far as the sales numbers are concerned, of course, the market share, the way I see is the overall market share as far as the equity is concerned on a QoQ basis, the fall in market share is now getting better that's one way of looking at it and second is incremental net sales in some other funds where we are only seeing outflows for a variety of reasons, some of our traditional funds we are seeing net is improving, which includes Arbitrage fund, as well as the large-cap fund and few other funds which are in the main category like Multi-asset allocation funds, including our thematic funds such as Birla Dividend Yield Plus, Gennext Funds we are seeing continues flows. These are categories are getting inflows. In those categories, the net sales would be in the range of about 3% - 4% kind of things. There are certain schemes, of course, ELSS is a category we see as overflow and that is largely on account of the category itself has not getting any big inflows and on top of it the performance-based outflow that we have witnessed given the fact that we have a large size. But there we are seeing outflow but that is something getting reduced each month-on-month basis.

Our idea is actually to identify as mentioned earlier focused funds we call it. The five funds we have taken focused on the diversified nature and three funds on the thematic we have identified and then driving it across the country to improve our numbers, that is something we should see it being driven from a sales point of view. From the calculation of SIP's other things point of view, as it stands today, anyway in the last 2-3 months, in general, the SIP's top line numbers keep rising. The cancellation numbers are generally in the range of about 40% - 50% and this number may even go up a little bit to 60% - 65% and again it's a function of the market trend that we are seeing. But that's something that should not necessarily bother anyone, given the fact that these numbers can come back by way of gross numbers. and then new customers additions coming in. We still have only about 5.5 crore unique customer base. We have about 75 lakhs unique customer base. So given the fact that unique customer base can continue to rise, these numbers should not ultimately lead to any different kind of output except the ratio could change given the current market volatility if it sustains for say 1 or 2 quarters as we move forward.

Madhukar Ladha: I just want to follow up. On a quarter-to-quarter basis, like from quarter 2 to quarter 3, I wanted to understand if we were to exclude the NFO flows. Is our market share improving in net inflows?

A. Balasubramanian: Yes, on this scheme certain schemes are improving.

Prakash Bhogale: So, Madhukar, in quarter three we have seen an improvement in the net sales ex-NFOs which has resulted in the improvement in the market share.

Madhukar Ladha: Thank you, sir. All the best.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, that would be the last question for today and I now hand over the conference to the management for closing comments.

A. Balasubramanian: Thank you, everyone, for joining with this we conclude our Q3 FY25 earnings call, and do feel free to reach out to our IR Head, Prakash Bhogle, for any queries that you may have. Thank you.

Moderator: Thank you. On behalf of InCred Equities that concludes this conference. Thank you for joining us and you may now disconnect your lines.

-- End --