February 02, 2024

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort, Mumbai 400 001
BSE Scrip Code: 540767

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

Dear Sir(s),

Sub.: Transcript of the earnings conference call for the quarter ended December 31, 2023

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings conference call for the quarter ended December 31, 2023, conducted on January 30, 2024, for your information and records.

The above information is also available on the website of the Company:
https://mf.nipponindiaim.com/InvestorServices/pdfDocuments/Conference-Call-Transcript-for-Q3-FY-2024.pdf

Thanking you,

Yours faithfully,

For **Nippon Life India Asset Management Limited**

NILUFER GAURAV SHEKHAWAT

Digitally signed by NILUFER GAURAV SHEKHAWAT
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Date: 2024.02.02 10:59:41 +05'30'

Nilufer Shekhawat
Company Secretary & Compliance Officer

Nippon Life India Asset Management Limited
Q3 FY2024 Earnings Conference Call

January 30, 2024

ANALYST: **MR. ANSUMAN DEB – ICICI SECURITIES**

MANAGEMENT:

- **MR. SUNDEEP SIKKA – EXECUTIVE DIRECTOR & CEO**
- **MR. SAUGATA CHATTERJEE – CHIEF BUSINESS OFFICER**
- **MR. AMOL BILAGI – INTERIM-CHIEF FINANCIAL OFFICER**
- **MR. ARPANARGHYA SAHA – CHIEF DIGITAL OFFICER**
- **MR. ARUN SUNDARESAN – HEAD OF ETF**
- **MR. ASHISH CHUGANI – HEAD OF AIF**
- **MR. AASHWIN DUGAL – DEPUTY HEAD OF AIF**
- **MR. SHIN MATSUI-SAN - NOMINEE OF NIPPON LIFE INSURANCE, JAPAN**

Moderator: Ladies and gentlemen, good day and welcome to Nippon Life India Asset Management Limited Q3 FY2024 Earnings Conference Call hosted by ICICI Securities. 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 the operator by pressing "*" then "0" on your touchtone phone. Please note that the conference is being recorded. I now hand the conference over to Mr. Ansuman Deb from ICICI Securities. Thank you and over to you.

Ansuman Deb: Good morning, ladies, and gentlemen. On behalf of ICICI Securities, we welcome you all to the Q3 FY2024 results conference call of Nippon Life India Asset Management Limited. I now hand over the call to Mr. Sundeep Sikka, Executive Director and CEO for his initial remarks post which we will open the floor for Q&A. Over to you.

Sundeep Sikka: Good morning and welcome to our Q3 FY24 earnings conference call.
We have with us, Chief Business Officer - Saugata Chatterjee, Interim-Chief Financial Officer - Amol Bilagi, Chief Digital Officer - Arpan Saha, Head ETF - Arun Sundaresan, Head AIF - Ashish Chugani, Deputy Head AIF - Aashwin Dugal and Shin Matsui-san, nominee from Nippon Life Insurance (Japan).

Our detailed investor presentation and press release have been uploaded on the exchanges as well as our website. I would like to share some comments on the recent Industry trends and our performance, prior to addressing your questions.

I would like to start by mentioning that in Q3 FY24, NAM India has achieved its highest ever quarterly Operating Profit at INR 2.51 bn as well as Profit After Tax at INR 2.84 bn. Importantly, our Equity Net Sales market share and SIP market share remain well above our Equity AUM market share. This is the result of consistent efforts on the part of the business teams. At the same time, we also continue to focus on diversification with specific focus on Fixed Income, Alternatives and Offshore businesses.

Beginning with the markets:

Equity markets in Q3 FY24 showed a robust performance. The NIFTY moved up by 11% QoQ, while the NIFTY Mid & Small Cap indices rose by 13 & 15% respectively. The RBI held the repo-rate steady at 6.50%, while the 10 Year G-Sec yield moderated by 5 bps QoQ to 7.17%.

Coming to data on the Mutual Fund industry:

1. Industry QAAUM grew by 5% QoQ in Q3 FY24 to INR 49.2 trillion. This reflects a YoY growth of 22%.
2. Strong momentum in the Equity segment sustained, as the share of Equity in overall AUM continued to increase, ending at ~56% for Q3 FY24.

Now, moving to flows:

1) The Equity category (excluding index funds and arbitrage funds) witnessed a gross inflow of INR 1.61 trillion and a net inflow of INR 578 bn – both gross and net inflows were higher on a QoQ basis. Strong inflows were witnessed across most major categories, led by the Small Cap and Sectoral/Thematic categories.
2) Investments via the SIP route further increased, with the SIP contribution for the quarter being INR 516 bn, up 29% YoY and 10% QoQ.
3) Monthly SIP flows in Dec-2023 stood at INR 176 bn, which was an all-time high. SIP folios increased 7% QoQ to 76.4 mn.
4) The Fixed Income category i.e. (debt + liquid), witnessed a net outflow of INR 291 bn. Majority of the outflow was in shorter duration funds.
5) The ETF category had a net inflow of INR 71 bn.

At the end of the quarter, unique investors in the Mutual Fund Industry increased to 42 mn, while industry folios increased to 164.9 mn.

Now moving to our business performance:

1) We closed the quarter with total assets under management of INR 4.81 trillion. This includes Mutual Funds, Managed Accounts and Offshore Funds.
2) Our Mutual Fund QAAUM grew 8% QoQ & 29% YoY to reach INR 3.78 trillion. On a YTD basis, we have been the fastest growing AMC among the Top-10 players with 29% growth over March 2023.

I would now like to share a few key highlights for the quarter:

1) Starting with market share - Our market share increased 21 bps QoQ to 7.67% with market share increases across most asset categories. This is the third successive quarter of market share increase that we have witnessed.
2) Our Equity market share also continues to improve. It increased from a low of 6.18% to 6.67%, of which there was a 15 bps improvement in Q3 FY24.
3) The share of Equity AUM in our overall AUM continued to increase and stood at 48.6% for Q3 FY24, up from 46.8% as of Q2 FY24.
4) Performance of most of our Equity schemes remained strong, and this along with our distribution network, digital capabilities and strong risk management helped to again deliver a double-digit market share in net sales in the Equity + Hybrid segment in Q3 FY24.
5) On the segmental front – Our Individual AUM, which consists of Retail & HNI AUM, saw further market share improvement. Individual AUM grew 12% QoQ to INR 2,352 bn. Market share increased 21 bps QoQ to 7.66%.
6) Our B-30 AUM grew 10% QoQ to INR 791 bn, which keeps us amongst the fastest growing large AMCs in B30 locations. Our market share improved 13 bps QoQ to 8.71%. This segment forms 20% of our AUM versus 18% for the Industry.
7) We continue to have the largest base in the Mutual Fund industry, with 15.5 mn unique investors. We are humbled to have over 1 in 3 mutual fund investors invest with us.

I would also like to touch upon some important aspects of our Systematic Book:

1) I am happy to share that there has been a continued uptick in our systematic flows over the last 10 quarters, which has led to an increase in market share.
2) Of the incremental SIP flows in the quarter, we had a market share of almost 18%.
3) SIP market share increased by roughly 260 bps over March 2023 to December 2023, ending at 8.7%.
4) Our monthly systematic book rose by 21% to INR 21 bn for December 2023 over September 2023. This resulted in an annualized systematic book of INR 252 bn.
5) On a YTD basis, the monthly systematic book grew by 88% over March 2023 as against 23% growth for the Industry.
6) Number of systematic transactions for the quarter increased 18% QoQ - to roughly 15.2 mn.
7) 63% of our SIP AUM has continued for over 5 years versus 27% for the Industry.

Moving on briefly to the ETF Segment:

1) We continue to be one of the largest ETF players with AUM of INR 929 bn and a market share of 15.4% (which increased by 134 bps QoQ). The Gold and Silver ETFs remain the biggest funds in their categories.
2) Overall Passive AUM, which includes ETFs and Index Funds, crossed INR 1 trillion in the quarter.
3) Our share in the industry’s ETF folios is 61%. We have 64% share of ETF volumes on the NSE and the BSE. Our ETFs’ average daily volumes, across key funds, remain far higher than the rest of the Industry.

Moving on to our distribution franchise:

1) Our digital strategy is continuing to deliver better results with a clear emphasis on increasing reach and taking advantage of technological innovations to deliver a smooth user experience.

2) The Perpetual Beta approach has enabled us to continually strengthen our digital ecosystem and provide an easy & straightforward investment experience for our investors and partners.
3) Digital purchase transactions rose to 4.25 mn in 9M FY24, up 76% YoY. We have witnessed close to a 14% increase in Q3 FY24 compared to Q2 FY24. The digital channel also contributed 58% to total new purchase transactions in 9M FY24.
4) Our physical distribution base is well diversified, with a wide presence in 260 locations across the country.
5) We have over 98,000 distributors in total and added roughly 2,400 distributors in the quarter.

Now, I would like to briefly update you on our subsidiaries - namely the AIF & Singapore subsidiaries:

1) Starting off with AIF - As mentioned in the past, AIF continues to be an important focus area for NAM India.
2) Under, Nippon India AIF, we offer Category II and Category III Alternative Investment Funds and have a total commitment of INR 60.3 bn across various schemes.
3) The company has started broadening its focus across asset classes. Towards this end, we have recently launched a Credit AIF and a Long Only Equity AIF. Fundraising is currently underway, and both funds have undertaken their initial closing.
4) During the quarter, we successfully achieved final closing of its 8th Category III Long only Equity AIF Nippon India Equity Opportunities AIF Scheme 8.
5) We had launched a Tech FoF in 2020 which was anchored by large Japanese institutional and corporate investors. The fund is in the advanced stage of deployment with nearly 80% of commitment raised having been deployed across 12 Tech/VC funds.
6) On the Offshore front - We have witnessed decent inflows in the quarter from various geographies and we are positive that this trend will continue in the future.

7) We will remain focused on fundraising from international markets and looking at business opportunities with subsidiaries, associates, and the larger network of Nippon Life. Nippon Life, Japan also remains committed in supporting NAM India's Offshore operations.
8) We continue to see interest for India, from conventional markets like Europe, Middle East, Japan and from unconventional markets like LATAM, Thailand, Korea etc.

Now on to our Financial Performance:

- For Q3 FY24, Revenue stood at INR 4.23 bn, up 20% YoY and 7% QoQ.
- Other Income stood at INR 1.07 bn, up 73% YoY and 37% QoQ.
- Operating Profit stood at INR 2.51 bn, up 23% YoY and 8% QoQ.
- Profit after tax stood at INR 2.84 bn - an increase of 39% YoY and 16% QoQ.

Lastly, in line with our philosophy of promoting internal talent, Arun Sundaresan who has been with the Company for 20 years, has been promoted to take charge as Head ETF and Amol Bilagi who has been with the Company for 10 years, has taken charge as Interim-CFO.

With this, I would like to conclude my remarks and open the floor for questions.

Moderator: We will now begin with the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Swarnabha Mukherjee from B&K Securities. Please go ahead.

Swarnabha Mukherjee: Good morning. Thank you for the opportunity and congrats on a good set of numbers. My first question was on the yield side. So the yield dilution that we are seeing this quarter first on the standalone business could you highlight what resulted in that because it looks slightly more sharper considering the fact that I understand maybe there has been some fund size increases which could have resulted in lower realizations in those schemes, but the equity mix have also moved significantly so could you maybe break down the impacts generally across these heads, which have been the major factors for dilution so that is the first one and on that also at the consolidated level the dilution looks slightly more so I just wanted to understand that in our other subsidiaries apart from the mutual fund business has there been any kind of impact on the yields or some capital we have received on which we are not earning. Can you throw some light on these two factors? I have couple of more questions and we will ask them after this.

Sundeep Sikka: I will request Amol to take this question please.

Amol Bilagi: Yes, thanks Sundeep. So on a blended basis, there has been a decline in mutual fund yield by around 0.4 basis points QoQ. This is in line with what we have stated in the past, that we could see a two to three basis points compression in blended yields on a YoY basis. This is mainly due to the increase in the size of the equity AUM. This is because of telescopic pricing formula of the SEBI defined slabs and this is also due to the increase in the share of new assets which come at a higher cost of acquisition compared to the older assets. Our net sales in equity excluding index & Arbitrage for nine months is almost 2.2x the net sales for the entire last year and net sales run-rate for Q3 is almost four times that of the last financial year. So these are the main reasons why there has been a decrease in yield. Apart from that, on other asset classes there has not been any consolidation of yields. Only in equity we have seen a decline in yields. The yield on equity would be in the range of mid-60s as of now and on debt yields continue to be around 25 to 28 basis points. On liquid, we continue to have 10 to 12 basis points of yields and on ETF we continue to have 15 to 20 basis points of yield.

Swarnabha Mukherjee: You are saying on a stock basis.

Amol Bilagi: Yes.

Swarnabha Mukherjee: Would it be fair to assume that the flow yield should be lower than this on the equity side?

Sundeep Sikka: It could be slightly, not major.

Amol Bilagi: Just to add, if you exclude ETF segment, the blended has actually increased QoQ.

Swarnabha Mukherjee: Okay, understood. On the ETF side, I just wanted to understand you have given that December quarterly average AUM of ETF is around INR 93,000 Crores. Out of that how much is the EPFO for assets, could you highlight?

Sundeep Sikka: The EPFO assets just started recently in July, so it would not be a very big number.

Swarnabha Mukherjee: Understood. Would it be somewhere in the range of around close to INR 4,000 Crores or something; would that be a fair estimate?

Sundeep Sikka: We will not be able to give the exact numbers because of the confidentiality. As we have mentioned in past, roughly EPFO will be investing around INR 15,000 Crores per annum, but exact numbers will be very difficult for us to share.

Swarnabha Mukherjee: Okay understood. Also could you give some color on how to read the employee expense increase that we have seen in this quarter?

Sundeep Sikka: Employee expense overall remains the same. The increase is because of increase in provision for PLI due to the alignment of interest. As the company profits go up, the PLIs will also go up, so it is just in line with that. So there is no additional cost. This is the provision for the PLI, which has been created.

Swarnabha Mukherjee: Okay. Understood. Assuming that how the markets have done, etc., everything, should we see a similar run rate in the Q4 also?

Sundeep Sikka: It is difficult to predict. None of us are in a position to say that, but overall the good thing is the level of business that we have built up is seeing very strong momentum and the new investors coming from small cities and towns especially, and our digital ecosystem that we have built up, we believe we will be in a better position compared to the industry to see the flows going forward.

Swarnabha Mukherjee: Understood okay thank you so much. I will get back in the queue.

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

Prayesh Jain: Firstly, on the yield bit again; you have been maintaining this two-three basis points fall which is likely to continue, how long could we expect this or at what level do we see this kind of coming down to something like one basis point kind of a fall because the transition from old assets to new assets, I would have assumed that it would have very less impact now given that it has been there for some time. What level we would be with respect to old assets versus new assets if some directional number you can share out here?

Sundeep Sikka: In line with our approach of being conservative, we will say this can continue for three to four years more. Can this come to one, let it be a positive surprise for everybody, we like to be conservative and give a guidance that this can continue for three to four years more.

Prayesh Jain: Any thoughts on the share of old asset versus new assets?

Sundeep Sikka: Around 30% old assets are there.

Prayesh Jain: Okay, got that and secondly with regards to the net inflows that you would have seen in this quarter or for the nine months, would you give some understanding as to how much of it was in the small cap fund and how much is the rest or is it quite distributed or it is driven largely by small cap fund or the midcap funds?

Sundeep Sikka: From our perspective, we continue to maintain a very diversified portfolio. As you are aware, a few months back we stopped lumpsum inflows into our small cap fund so technically speaking only incremental systematic flows can come there. We are continuously seeing flows coming across our categories the large cap, midcap, growth fund and focused fund so we are seeing clear flow across all categories, so it will not be skewed towards one. The biggest thing that we have been working on is to build a very granular distribution system and which has come to a point where we happy to share with you, - at this point of time ~75% of our SIPs by value have a ticket-size below INR 10,000 and we are spread across various categories and in amount terms and number of investor terms it goes in excess of 90% so the idea is to have a granular approach have a well-diversified and de-risked portfolio.

Prayesh Jain: Okay. In this customer base how many of your customers would have more than one scheme of Nippon and how do you plan to increase that?

Sundeep Sikka: Very difficult currently to say, but we are in advanced deployment of AI and trying to work on multiple things to increase the penetration. As we talk today it is something between 1.5 to 1.8.

Prayesh Jain: Okay. My last question is on the distribution side. We do have tie-ups with many, many banks, national distributors, but still what would you attribute the way we have seen the improved performance some of the market share increase seems to be lesser. We could have possibly more market share given the fund performance has been consistently improving, what would you attribute that to and how can you change that to see further market share gains?

Sundeep Sikka: It depends how you see it. From our perspective one thing is clear. We want to have more sustainable growth, so we are building a strong foundation across. Market share can increase by getting higher AUMs or higher ticket size of SIPs, but our focus continues on smaller ticket size. Our average ticket size of SIP is ~INR 2800 by transaction count and like I mentioned earlier about 90%+ of ours SIPs by count are below INR 10,000 and we continue to have our focus on smaller business which means business will grow slowly but will be more stable and predictable.

Prayesh Jain: Any particular measures that you are taking on the distribution side that you can highlight?

Sundeep Sikka: It is a continuous journey. It is very difficult to say that one particular thing. The idea is to continue to increase productivity, increase efficiency and use the quality of engagement and reach.

Prayesh Jain: All right thank you.

Moderator: The next question is from line of Abhijeet Sakhare from Kotak Securities. Please go ahead.

Abhijeet Sakhare: Good morning, everyone. The first question is can you share the net flow market share for the quarter gone by; 2Q was about 11%.

Sundeep Sikka: I will request Chatty to take this question.

Saugata Chatterjee: The net sales market share is in excess of 10%. We continue to be in double digit month on month and for the quarter as an average.

Abhijeet Sakhare: Got it and within the SIP pool of money, what could be the share of the largest category or the top three categories?

Sundeep Sikka: We individually do not give the category; the top five funds are about 80% for us.

Abhijeet Sakhare: Got it and again some similar color on the SIP flows in terms of the improvement that has happened can you qualitatively or with some numbers give us a sense of where it is coming from whether it is banks, national distributors, MFDs, or Fintechs?

Saugata Chatterjee: The most important part and which is what Sundeep also did allude earlier that we believe in fragmented business approach. If you see the number of locations where we operate - close to 280 locations, we have majority of our business coming from mutual fund distributors. The digital Fintech platforms also have a very strong inflow of retail applications which come to us and also the other categories which we cater to are these PSU Banks and the national distributors, so we have a very large franchise and distribution network, hence it is not focused on a particular category which gives us business. Also it is very important for us to note that we do not do NFOs and hence it is a natural flow of business which is coming into all our products. The other side is the SIP if we are incrementally increasing the SIP book that itself shows that very strong inflow is coming from B30 market. We have a very strong market share in the B30 space and that too is adding to the granularity of the incremental flows, which are coming in.

Abhijeet Sakhare: One follow up there. Can you give us some sense on what has been the trend recent trend on SIP closures as well if you have seen people also booking profits or closing their SIPs given the market levels?

Saugata Chatterjee: Industry data is published, and one can refer to it, but, in our case, the net accretion of SIPs every month is much better than the industry data. We have over 30% to 35% of the SIPs that are closing, so we have a 70% net retention in the monthly SIPs which come to us, which is much better.

Abhijeet Sakhare: This on amount basis 70% retention?

Saugata Chatterjee: In the count.

Abhijeet Sakhare: Okay. Last one data question is do you have the closing equity AUM handy if possible?

Sundeep Sikka: Maybe Arash can share with you offline after this.

Abhijeet Sakhare: Got it. Thanks a lot.

Sundeep Sikka: Just to clarify on the SIP granularity. The smaller the ticket size; we have seen it is always most sticky and that is the reason 63% of SIP AUM has continued for five years compared to the industry of 27%. I just thought I mentioned earlier but it will give you a little color and one small correction - the total number of SIP below INR 10,000 is 75% by value.

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

Lalit Deo: Good morning, everyone. Firstly on the yields side, like as you mentioned that the equity yield is around in the mid 60s so we have seen a sharp decline over the past two quarters like it has gone down from mid 70s to mid 60s so can you qualitatively highlight the difference between the stock yield and the flow yield like what is the current status over there?

Amol Bilagi: Sorry we do not share those numbers.

Lalit Deo: Sure and second one on the ETF side so like in the volume market share, we have seen some decline in the overall volume market share in the ETF side. In the industry level we are seeing that there are a lot of players who have been launching ETFs and lot of schemes on the ETF side, what are the ways we are trying to do to maintain this kind of a market share going ahead? Could you give us some sense over there?

Sundeep Sikka: Broadly, I will break it in two parts. We have been a dominant player in ETF on volumes on the stock exchanges, two thirds is ours and definitely new players coming, I mean there can be a little plus or minus in volume.

But one thing that we must understand is unlike mutual funds, in ETF two things remain very important - volume on the stock exchange and liquidity. These two things drive future growth so from our perspective we believe we are in a very strong position, but new competition can come and will come and there could be a plus or minus on our percentage of volumes on the stock exchanges but from our point of view the focus continues on profitable growth. We do not plan to continue launching ETFs at low cost because we do not believe that can increase volume. It is tracking error and the liquidity which are the most important things and we feel we are in a very strong position there.

Lalit Deo: Sure and one last data keeping question. Could you give us the new SIP registrations done during the quarter?

Sundeep Sikka: New folios is 4.6 Lakh monthly.

Lalit Deo: Thank you.

Moderator: The next question is from line of Sahej Mittal from 3P Investment Managers. Please go ahead.

Sahej Mittal: Good morning and congratulations on a good set of numbers. Just two questions. What would be our unique SIP customers or unique SIP folios of the 68 lakhs which we have?

Sundeep Sikka: We will not have that number. The total number remains about 68 lakhs.

Sahej Mittal: I was just trying to understand the overlap in SIP.

Sundeep Sikka: I understand. The total number of folios is 2.2 Crores, and 68 lakhs is the count of systematic folios.

Sahej Mittal: Got you and what would be the average age of new SIP customers, who are coming in just some qualitative comment on that.

Sundeep Sikka: Difficult to put a number to it because most of the SIPs which are being signed up are five to 10 years plus. But that is not important. The idea is how many of them stay, and as I mentioned earlier because of the regular business that we run and very small ticket size what we have seen is stickiness is much higher. The smaller ticket size is the reason 63% of a SIP AUM has remained with us for more than five years compared to the industry which is about 27%.

Sahej Mittal: I understand. The reason I am asking this question is that is because the kind of frenzy which we are seeing in the market right now and given that the young millennial crowd is moving to direct equities so what would be the average age of new SIP customers? Is it that the new millennial customers are also coming to mutual funds via the SIP route or is it only the customers over 35 years of age?

Sundeep Sikka: It is a mix and we have seen a very positive trend. New investors also young investors are also coming through SIPs. I would say SIP is becoming, across the industry preferred route of investment rather than lumpsum.

Sahej Mittal: Got you. Thanks and all the best.

Moderator: The next question is from line of Viraj Sanghavi from Banyan Tree Advisors. Please go ahead.

Viraj Sanghavi: I wanted to understand the mix of equity and debt in our investment book and investment versus cash balance in the investment book.

Sundeep Sikka: Sure I will request Amol to take this question Viraj.

Amol Bilagi: In terms of equity, it would be 10% of our net worth invested in the equity and that is more because of the seed capital requirements that we have invested in the equity schemes. Otherwise mostly it is in the debt schemes only.

Viraj Sanghavi: This is 10% of your net worth?

Amol Bilagi: Yes.

Viraj Sanghavi: Okay and out of that 10% most of that equity part will be invested in your own Nippon schemes, right?

Sundeep Sikka: They are 100% invested in Nippon schemes.

Viraj Sanghavi: Okay got it thank you.

Moderator: The next question is from line of Parth Agrawal from Bastion Research. Please go ahead.

Parth Agrawal: Thank you for the opportunity and good set of numbers. I had just one question on the number of bank distributors, which suddenly increased from 77 in September quarter to 88 in the current quarter. Is there any reclassification or can you help me understand this number?

Arash Arethna: There has been a reclassification this quarter and there is no other change. We can connect offline for that.

Parth Agrawal: Sure thank you. That is all from my side.

Moderator: The next question is from line of Arushi Shah from Sushil Financial Services. Please go ahead.

Arushi Shah: Thank you for taking my question. Number one; could you just give me a brief idea on the blended yield and when is it expected to flatten out and start increasing a brief timeline or something and second question is based on like our other income has shot up tremendously in the current quarter; Is it going to be prevalent or is it a onetime thing?

Sundeep Sikka: I will request Amol to take this please.

Amol Bilagi: As I mentioned, the blended mutual fund yield stands at around 40 basis points. We have maintained that we will see two to three basis points compression every year. Having said that, we have seen disproportionately higher net sales compared to the industry peers and as per the telescopic pricing formula this is impacting our equity yields and would like to mention that the new assets coming at coming at higher cost of acquisition versus the old asset has had some impact on the yields as well. However I would just like to add that we have rationalized distribution cost in one of our flagship schemes in December in line with the lower TER given the increase in size. We will continue evaluating opportunity for similar rationalization in other flagship schemes to stem the flow of compression of equity yields.

Arushi Shah: Okay as of now we still expect certain compression for next foreseeable future, right?

Amol Bilagi: Yes, as we have maintained in the past at least for next three to four years we will see compression in the overall blended yields going forward.

Arushi Shah: Yes, and how would that impact our margins per se?

Amol Bilagi: It will be difficult to predict because it all depends on the flows and category of schemes, so it is very difficult to predict. But as I mentioned, we are working on various initiatives to arrest the decline in the yield.

Arushi Shah: Okay. Could you just address the other income which is like it is about INR 107 Crores this quarter and our run-rate has been quite less comparatively in previous quarters. Is it going to be prevalent or how is it going to be?

Amol Bilagi: The other income is mainly due to the mark to market movement. We have our investments across the mutual fund schemes, so this depends on the capital market performance. This quarter the market has been very good that is why there is higher other income. But it all depends on how the market goes and it could fluctuate in the future as well.

Arushi Shah: What is our growth driver going to remain and what would be your weakness which would really restrict us from the same?

Sundeep Sikka: From a growth driver point of view, the industry offers an enormous opportunity. The key lies in execution and this business is a scale business. Today our biggest strength is retail and our biggest strength is small ticket size and all these things as we go ahead and as the country's economy moves from 3 trillion to 5 trillion to 7 trillion as the per capita income goes up, more money will be coming into savings and we believe we have a very strong platform that we have created and we will continue gaining as the country grows and mutual funds become the preferred mode of investment.

Arushi Shah: Okay and any weakness which we see which would restrain us from capitalizing on these opportunities?

Sundeep Sikka: With this business, the weakness to say we have to execute and we have to continue creating wealth for investors, and continue working with a very strong risk management framework. These are the things we have to focus on. I will not call them weakness. As we move forward, I mean there must be a very strong focus on risk management because the investors are trusting us with their money, and we need to continue creating wealth for them.

Arushi Shah: Correct. Thank you, so much and good luck.

Moderator: The next question is from line of Sanjay Kumar from Ithought Financial Consulting. Please go ahead.

Sanjay Kumar: The first question within equity, can you give the growth in AUM net of mid and small cap? Just trying to understand how much of the growth is market driven.

Saugata Chatterjee: Some broad numbers I can share with you that when we categorize the net sales growth across large cap, big cap, small cap, and the various other market caps. From our perspective currently about 25% is coming from the large cap category and that is growing for us for the last six months, which clearly shows that we have also de-risked our flows across the asset classes and remaining categories obviously get the remaining 75% of flows.

Sanjay Kumar: Do you have that figure from the industry as well?

Saugata Chatterjee: Industry, you can refer to the AMFI data, but the large cap category just turned positive in the month of December. Till December, the large cap category was negative in the industry.

Sanjay Kumar: Okay and just an extension. Are we doing any counter cyclical investment either on the large cap side or on the debt side that could be a trade on duration given the rate cycle which will help us broad base our business and de-risk away from mid and small?

Sundeep Sikka: Could you repeat that question please.

Sanjay Kumar: Are we doing any investment say marketing investment or on the employee side on the debt side and the large cap side?

Sundeep Sikka: This is a continuous endeavor to de-risk our business not only from within equity and say multiple schemes in equity but also from different asset classes and further extending it to from mutual fund business to other businesses. So the company continues focusing on de-risking every product line, asset category and business line so we are making efforts towards that.

Sanjay Kumar: Great and last question how do you look at employee cost going forward 17% YoY while revenue is up 20%? How much of it is linked to revenue growth or in a market correction, will this impact our P&L?

Sundeep Sikka: Broadly from our perspective, we do not see any substantial change in our employee cost. PLI is the only variable thing which is in line with percentage of the profits typically and over and above that as and when ESOPs are issued because that is important for the alignment of interest from the employee and also from the stability of the team, I mean that will be an expense that can come but broadly we not expect any major change.

Sanjay Kumar: Okay thank you and all the best.

Sundeep Sikka: Also just to add to this even if we were to further expand our teams in more branches in smaller cities and town, the incremental cost is not going to be much.

Moderator: The next question is from line of Lester Poon from Pedder Street Investment Management Limited. Please go ahead.

Lester Poon: I have one question. I read that your market share has been increasing in the past few quarters. Is that quite influenced by the investment performance of your mutual funds?

Sundeep Sikka: It is always a mix of multiple things. Investment performance must be there. After that it is about execution, distribution and digital. Multiple things put together but needless to say in this industry, performance is the starting point.

Lester Poon: I understand because of the total expenses ratio the equity start when the waiting has gone up you face some compression but at the same time there is a big difference in the yield between equity fund and the other say fixed income fund so the mix the improvement in mix should have helped your yield that is why I do not fully understand why the a higher equity weighting in your portfolio should necessarily lead to a yield compression?

Amol Bilagi: As per the SEBI formula for TER which is based on telescopic pricing, as the equity AUM goes up, the ability to charge the TER goes down and that impacts the overall equity yield, so even though the proportion of equity goes up the overall blended yield comes down and hence you have seen the marginal decline in the yields for the quarter.

Lester Poon: Okay, I see so a marginal increase in the inflow cannot offset the overall compression is that what you mean?

Amol Bilagi: It will not have so much impact because the new money comes in at the latest rate and the cost of acquisition is higher so probably when you look at the overall blended it will not have a major impact.

Lester Poon: I see. Okay that is all my questions. Thank you very much.

Moderator: As there are no further questions from the participants, I now hand the conference over to management for closing comments.

Amol Bilagi: Thank you all for joining the call.

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