

July 22, 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 June 30, 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 for the quarter ended June 30, 2024, conducted after the meeting of Board of Directors held on July 19, 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-Q1-FY-2025.pdf>

Thanking you,

Yours faithfully,

For Nippon Life India Asset Management Limited

Valde Varghese

Company Secretary & Compliance Officer

Encl. as above



Nippon Life India Asset Management Limited Q1 FY2025 Earnings Conference Call

July 19, 2024



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: MR. SWARNABHA MUKHERJEE - BATLIWALA & KARANI SECURITIES INDIA PRIVATE LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Nippon Life India Asset Management Limited Q1 FY25 Earnings Conference Call hosted by Batlivala & Karani Securities India Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Swarnabha Mukherjee from Batlivala & Karani Securities India Private Limited. Thank you, and over to you, sir.

Swarnabha Mukherjee: Thank you, Steve. Good evening, ladies, and gentlemen. On behalf of Batlivala & Karani Securities, I welcome you all to the Q1 FY 2025 Earnings Conference Call of Nippon Life India Asset Management Limited. Today, we have with us Mr. Sundeep Sikka, Executive Director and CEO, along with top management team of Nippon Life India Asset Management Limited.

I would now like to hand the conference over to Mr. Sikka for his opening remarks. Over to you, sir.

Sundeep Sikka: Good evening and welcome to our **Q1 FY25 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 Q1 FY25, **NAM India has achieved a Profit After Tax of INR 3.32 bn as well as its highest ever quarterly Operating Profit at INR 3.08 bn**. Further, owing to the consistent efforts of the business teams, our **Equity Net Sales market share and SIP market share remain well above our Equity AUM market share**.

Beginning with the markets:

Equity markets in Q1 FY25 displayed a strong performance overall. The NIFTY moved up by 7.5% QoQ, while the NIFTY Mid & Small Cap indices rose by 17% & 19%, respectively. The RBI held the repo-rate steady at 6.50%, while the 10 Year G-Sec yield moderated by 5 bps QoQ to 7.01%.

Coming to data on the Mutual Fund industry:

1. Industry QAAUM grew by 9% QoQ and 37% YoY in Q1 FY25 to INR 59 trillion.
2. Strong momentum in the Equity segment sustained, as the share of Equity in overall AUM continued to increase, ending at 59.4% for Q1 FY25, up from 51.8% for Q1 FY24.

Now, moving to Industry flows:

- 1) The Equity category (excluding index funds and arbitrage funds) witnessed a gross inflow of INR 2.54 trillion and a net inflow of INR 1.10 trillion – both gross and net inflows were higher on a QoQ basis for a fourth successive quarter.
- 2) Strong inflows were witnessed across Sectoral/Thematic funds, Multi Cap and Multi Asset Allocation funds, and inflows in the Small & Mid Cap funds were higher sequentially.
- 3) While Sectoral/Thematic funds, witnessed high inflows on the back of a large number of NFOs, NAM India has opted to stay away from this trend. We believe that a large share of such inflow into these funds that comes on the back of a market tailwind, may not be in the best interest of the investors and is typically not very sticky. We would like to continue to focus on scaling-up our existing products which have a long-term track record. That being said, we will continue to launch newer products on the Passive side – both Index Funds & ETFs, as and when required.
- 4) Moving on to SIP - Investments via the SIP route further increased, with the SIP contribution for the quarter being INR 625 bn, up 45% YoY and 9% QoQ.
- 5) Monthly SIP flows in Jun-2024 stood at INR 213 bn, which was another all-time high. SIP folios increased 7% QoQ to 89.9 mn.
- 6) The Fixed Income category i.e. (debt + liquid), witnessed a net inflow of INR 123 bn after the outflow in the previous quarter.
- 7) The ETF category had a net inflow of INR 267 bn.

At the end of the quarter, unique investors in the Mutual Fund Industry increased to 46.9 mn i.e., an increase of 22% YoY, while industry folios increased to 191.0 mn.

Now moving to our business performance:

- 1) We closed the quarter with total assets under management of INR 6.04 trillion. This includes Mutual Funds, Managed Accounts and Offshore Funds.
- 2) Our Mutual Fund QAAUM grew 12% QoQ & 54% YoY to reach INR 4.84 trillion. We have had the highest increase in QAAUM market share on a YoY basis among all AMCs and second highest increase QoQ. Further, on a QoQ basis, we have been the fastest growing AMC among the Top-10 players.

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

- 1) Starting with market share - Our market share increased 24 bps QoQ and 93 bps YoY to 8.20% with market share increases across all asset categories. This is the fifth successive quarter of market share increase that we have witnessed.
- 2) Our Equity market share also continues to improve. It increased by 12 bps QoQ and 62 bps YoY to 6.88%. This is our highest Equity market share post Dec-2020.
- 3) The share of Equity AUM in our overall AUM continued to increase and stood at 49.8% for Q1 FY25, up from 49.2% as of Q4 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 deliver a near double-digit market share in net sales in the Equity + Hybrid segment in Q1 FY25.
- 5) On the segmental front – Our Individual AUM, which consists of Retail & HNI AUM, saw further market share improvement. Individual AUM grew 16% QoQ to INR 2.98 trillion. Market share increased 21 bps QoQ to 7.95%.
- 6) Our Corporate AUM grew 15% QoQ to INR 2.11 trillion. This led to market share improvement of 37 bps QoQ to 8.86%.
- 7) Our B-30 AUM grew 16% QoQ to INR 1.00 trillion, which keeps us amongst the fastest growing large AMCs in B30 locations. Our market share improved 20 bps QoQ to 8.98%. This segment forms 20% of our AUM versus 18% for the Industry.
- 8) We continue to have the largest base in the Mutual Fund industry, with 17.5 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 12 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 ~11%.
- 3) SIP market share increased by 28 bps over March 2024 to June 2024, ending at 9.36%.
- 4) Our monthly systematic book rose by 11% to INR 25.8 bn for June 2024 over March 2024. This resulted in an annualized systematic book of INR 310 bn.
- 5) On a YoY basis, the monthly systematic book grew by 111% over June 2023 when it was INR 12.2 bn, as against 44% growth for the Industry.
- 6) 59% of our SIP AUM has continued for over 5 years versus 28% for the Industry.

I would now like to update you on the increase in headcount witnessed in the quarter:

- 1) As some of you may have noticed from the presentation, we have increased our employee headcount by ~45 employees in Q1 FY25. Further we have also inducted ~50 management trainees in July-2024 leading to a total headcount increase of ~95 employees.
- 2) Of the total increase, majority is on account of the Sales & Distribution function and AIF.
- 3) As mentioned in the past, we will continue to invest in our future growth, whether it be on talent, technology, or other areas.

Moving on briefly to the ETF Segment:

- 1) We continue to be one of the largest ETF players with AUM of INR 1.3 trillion and a market share of 17.8% (which increased by 108 bps QoQ).
- 2) Our share in the industry's ETF folios is ~60%. We have 61% 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.
- 3) Passive AUM, which includes ETFs and Index Funds, crossed the milestone of INR 1.5 trillion in the quarter.

Moving on to our distribution franchise:

- 1) Digital Transformation has always been a strong focus for NIMF. Our Digital Roadmap is in line with consumer expectations crafted around innovation and ease. The NIMF digital transformation journey factors in consumers across all segments starting from the new Gen Z to the experienced investors bringing in need based relevance and personalized touch.
- 2) The digital focus at NIMF has been on a future ready stance and to provide a lucid online experience for our investors and franchise. The NIMF Digital Stack has ensured that the users always experience Frictionless solutions in this information first economy. This has led NIMF to become a prime choice for the Online Customers where every two seconds we have 30 consumers purchasing a NIMF product digitally across our digital ecosystem
- 3) Digital purchase transactions rose to 2.82 million in Q1 FY25, up 170% YoY. In the month of June-2024, NIMF Digital crossed 1 million new purchase transactions. Digital Business contributed 68% of the total new purchase transactions Q1 FY25.
- 4) Our physical distribution base is well diversified, with a wide presence in 263 locations across the country.
- 5) We have over 1,04,300 distributors in total and added roughly 2,900 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 65.1 bn across various schemes.
- 3) The company has started broadening its focus across asset classes and strategies. Towards this end, we have recently launched a Performing Credit AIF and a Long Only Small Cap Equity AIF. Fundraising is currently underway, and both have undertaken their initial closing.
- 4) We have recently undertaken first closing of our Tech/VC AIF 'Nippon India Digital Innovation AIF Scheme 2A' - a direct Venture Capital fund targeting investments in early to growth stage start-ups.

- 5) Also, our Tech/VC FoF launched in 2020 is in the advanced stage of deployment with nearly 84% of commitment raised having been deployed across 12 Tech/VC funds.
- 6) On the Offshore front - We have witnessed good equity inflows in the quarter from various international geographies and we remain positive for this trend to continue in the future as well.
- 7) We will remain focused on fundraising from international markets and are 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 and growth.
- 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 Q1 FY25, Revenue stood at INR 5.05 bn, up 43% YoY and 8% QoQ.
- Other Income stood at INR 1.31 bn, up 12% YoY and 42% QoQ.
- Operating Profit stood at INR 3.08 bn, up 59% YoY and 9% QoQ.
- Profit After Tax stood at INR 3.32 bn - an increase of 41% YoY.

Overall Q1 FY25 has been another strong quarter for the MF Industry as well as for NAM India and we hope this trend continues going forward.

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

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

Lalit Deo: Congratulations on a good set of numbers. So just two questions. So firstly, with respect to the consultation paper which SEBI has come up with, could you share the comments around the same like what -- how are we looking at this on the new asset class? So that will be my first question.

Sundeep Sikka: Yes, do you want to go ahead with the second question also? Then we can try to combine it together.

Lalit Deo: Yes. The second question is like so during the quarter like we have seen some compression on the yield side. So what were the reasons for the same? And like also could you give us yields on the asset class wise, like equity, debt, liquid?

Sundeep Sikka: Let me take the first question and the second one, I will request my colleague, Amol, to take it. With respect to the new consultation paper, we are still evaluating the paper, given it is out only recently. I think the opportunity could be big. We must also be cautious on the new kind of risk associated with the new asset class and not get carried away with it. All options are currently open, and we are trying to see how we can take advantage of it. But we want to remain cautious.

While the minimum ticket size what is mentioned is INR 10 lakh, we may evaluate to launch products which will be higher than INR 10 lakhs at the entry level, because we want investors who are really, really understand the risk associated with it to come into such products. But like I said, these are the initial days, it just has come two days back. Maybe in the next quarterly call, we'll be able to give you better clarity.

Amol Bilagi: Yes. Thanks, Sundeep. So on the yield part, for the quarter, we have seen a QoQ growth in equity AUM of almost 14%. And as you are aware, due to telescopic pricing, there would be pressure on the yield as the yield contracts as the AUM grows. So that is the main reason why we have seen a contraction in the yield. So on a QoQ basis, if you look at it, there is 1 basis point compression in the yield.

On the asset class wise, the yields - on equity stands at around 60 basis points. On debt, it's around 25 basis points. On liquid, it's around 10 to 12 basis points. And on ETF, it's around 8 to 10 basis points.

Lalit Deo: Sure, sure. And sir, in your opening remarks, you also highlighted the fact that you would be staying out of launching products on the sectoral and thematic side, whereas in the industry, we are looking at a lot of AMCs are looking to launch products on the same, and they are mobilizing funds also. So like what is our thought process on that?

Sundeep Sikka: From our point of view, a lot of these products are being launched only with the tailwind of the markets doing well. And past many of the thematic funds which get launched are not able to do so well for a long period of time. Our strategy would be to remain restricted to some of our core flagship products and scale them up.

If you were to deep dive into portfolios of some of the thematic funds which have come, 70% to 80% are similar to most of the diversified funds. So we will stay away from launching -- getting into such themes which, seem to be very seasonal in nature. And we'll try to continue focusing on our regular large cap, small cap, mid cap or true-to-label sectoral funds, which the investor understands what he's getting into.

Moderator: The next question is from the line of Shubham Bhatra from ICICI Prudential AMC.

Shubham Bhatra: Congratulations on a great set of numbers. I had a question regarding your FY24 numbers. So if I look at your consolidated financials, the PMS revenue comes out to around INR 29 crores, whereas in the standalone, it is INR 42 crores. Why is it the consolidated revenue lower than the standalone?

Sundeep Sikka: Yes. So we have to check that what you're referring to probably, then we can get back to you.

Moderator: The next question is from the line of Madhukar Ladha from Nuvama Wealth Management.

Madhukar Ladha: Congratulations on a great set of numbers. So just a couple of quick questions. One, why has staff cost gone up so sharply? And so from INR 89 crores last year in Q4, we've gone to INR 105 crores. And even on a YoY basis, the jump is very material. So wanted to understand that. And what should we sort of be building in for the rest of the year?

And second, the AUM is growing really rapidly. And incrementally, are we able to pass on the lower sort of TER in terms of lower distribution cost to our customers? Or are we losing out in terms of incrementally what we are able to

keep for us? We are, obviously, but is there any way to stabilize those yields? What's the thought process on that?

Amol Bilagi:

Okay. Thanks, Madhukar, for the question. So the reason for the increase in employee costs are manifold. Basically, first of all, is the fresh ESOPs granted during the quarter 1, that has resulted in a P&L hit of around INR 8.3 crores, which has added to that. Another part is the increment that we had for this year, which was higher than the average past increment. So the increment was in the range of 12%, 13%. That is why you see that.

Also, the provision for the variable pay that we have made in quarter 1 would be comparatively higher compared to what we did in Q1 of last year, so that's another reason why you will see the higher variance. And also this year, there was a comparatively higher spend toward the annual employee engagement activity. And so these are some of the reasons why cumulatively, the costs have gone up for the quarter.

And if you look at the year, excluding employee costs, probably you can see an increment of around 12% to 13% over the full year. So as Sundeep mentioned, that we have already added 100 employees during the quarter, and we will keep on investing -- wherever we feel necessary, we'll keep on adding resources.

Madhukar Ladha:

You said excluding employee costs, the other costs will go up 12%, 13%. I didn't get...

Amol Bilagi:

No, excluding ESOP cost, the overall employee cost will go up 12%, 13%.

Madhukar Ladha:

Excluding ESOP cost, got it, got it. Okay. Understood, understood. And on the other question on the yield...

Saugata Chatterjee:

So in the past, you would have heard from us that we had reduced the brokerage in one of our largest funds, and that continues to be one of the practice which we are doing. We, on a QoQ basis for all new business, what we garner, as per the TER movement, we proportionately reduce the brokerages. And that's been our practice, and we will continue to do that as we go ahead.

It does not impact our business that much because the granularity of our business is very different. We have a very strong retail franchise, and we believe in building assets through SIP, and that's probably the reason why we continue to maintain our net sales growth on a QoQ basis.

Madhukar Ladha: Understood. And just one follow-up question on the employee cost. What should be billed as ESOP cost for the year?

Amol Bilagi: So the ESOP question would be roughly around INR 45 crores for the full year.

Madhukar Ladha: And next couple of years, like?

Amol Bilagi: So it will taper down. So as I mentioned, first, normally, whenever an ESOP is granted, the first year, almost 50% get accounted in the first year and then it tapers down to 25%, 26% in the next year and then it reduces further in the third and fourth year.

Madhukar Ladha: Understood. Got it. And all the best.

Amol Bilagi: Thank you, Madhukar.

Moderator: The next question is from the line of Ranjeet Bhalrao, an individual investor.

Ranjeet Bhalrao: This is more of a suggestion or a request than a question. The reports that are published and reported to the exchange, will the amounts be mentioned in lakhs and crores instead of millions and billions? Most of the people in India are more familiar with the former than the latter.

Amol Bilagi: Sure, Ranjeet, we can definitely, surely look into that.

Moderator: The next question is from the line of Prayesh Jain from Motilal Oswal Financial Service.

Prayesh Jain: Congrats on a good set of numbers. Firstly, if we think about the strategy with respect to branch expansion or deepening your presence, further presence into the country, what are your thoughts there, what are your strategies there? You

added some 2,900 distributors in the quarter. So what is the strategy there? That would be my first question.

And related to that, second question as to how should we think about your other expenses growing in this year where you guided for the employee cost, but from other expenses standpoint, how do we see this increasing? And coming back to the employee cost of it, addition of employees at the sales and distribution level, do you think that this should continue? Or are we reaching an optimal stage whether you invested enough for the next 1 or 2 years? Or is it that you still will continue to add?

Sundeep Sikka:

Actually, both the questions are linked to each other. I'll try to club it together. Presently, we are present in 263 locations and 70% of our branches are in B30 locations. So we'll continue evaluating some of our branches. We were relooking at changing, making them bigger.

As the penetration and the scale of businesses there is increasing in the cities and towns, will we go really deep and add a lot more branches? Answer is no. I mean, even if there would be, there could be 10, 15 branches in a year. But there'll not be much, because we are also seeing a lot of these B30 locations, the new business, as it was mentioned in the presentation, a lot of this business is coming through digital.

So it will be a hub-and-spoke model, but to your question, will we add a lot more branches, having one of the largest branch franchise, I don't think so that we will add too many more branches. It could be maybe 5, 10 branches in a year. That's the kind of trend at this point of time we see.

As far as adding employees is concerned, I think, yes, we have added about 94 employees in all, total. ~45 were added in Q1 and 50 have been added after that. Some are in sales and distribution. And also very high percentage of them are basically the new talent and the new skill set we are acquiring for our alternative investment businesses.

So will this trend continue? Based on how the penetration is increasing in the country and how the smaller cities are contributing, about 10% addition can happen, I think, for the next 3 to 4 years also. So about 100 more people can

be added. I mean most broadly, many of them will be at entry level. Few could be new skill set that we'll require for our alternative business.

And regarding the other costs, other than ex of employee cost, we believe it will be in the range of about -- you can expect about 12% to 13% increase every year.

Prayesh Jain: 12% to 13% increase and a large portion of that would be in what, because generally, there should be a good scale benefits. So a large portion of this increase would come in from what element, the digital, advertisement, what would kind of take away a large portion of this increase?

Sundeep Sikka: Majority of this will be technically investments for future, you're right. It could be digital, advertising, building the brand. Because as we go up, because there's a lot of operating leverage at the fund today, as we have grown from INR 3 lakh crores to touching almost INR5 lakh crores, the basic costs don't go up. So I mean, some of these are inflation-related costs, but majority of the costs are going to be investments for future.

Moderator: The next question is from the line of Shreya Shivani from CLSA.

Shreya Shivani: Congratulations on a good set of numbers. I had a question on the SIP flows. And is there any color that you guys gave out on which is your segment where majority of the flows come into, not in terms of the tenure or anything that comes out in the B30 but in terms of the product segment? And any color on how those -- has there been any change or any need in that segment where the SIP flows were coming? Has that shifted to any other direction? Any of those -- any color on that will be useful.

Saugata Chatterjee: If you see the SIP flows which are coming to the industry and to us. For us, the good part is we have de-risked our SIP flows across the various funds which we have today. Earlier, probably 2 years back, it was probably small cap was anchoring the entire SIP flows. Today, the dispersion of the SIP flows have moved towards small cap, large cap, mid-cap. And we are also seeing a lot of flows now coming into the sectoral funds. So that's the way the SIP book is now building for us. It is quite de-risked at this point in time.

And the other part is the retail franchise, which we have built, along with the digital strength which we have, we are getting a lot of inflows coming in from the B30 market. The reason why our B30 market share is much more than our share of assets in B30 is much higher than the industry average.

So that is the way the flow is coming. Even our average ticket size is increasing. So today, because investors want to stay longer with us, they are ready to commit a higher average ticket size, which is also an area of improvement, which we have seen in the last 6 to 12 months.

Shreya Shivani: Sure, sir, and just that you mentioned B30, so should we expect whatever market share you have in B30 market, similar would be the trend with SIP flow or how should we look at that one then?

Saugata Chatterjee: Yes. So we have a higher -- because B30 market share is now increasing, the SIP flow book always is higher and then the market share moves in tandem to the SIP market share. So if SIP market share, as an example, if it is, say, 10%, our B30 market share maybe 8%, then it starts catching up as we -- as the SIP book starts building.

Moderator: The next question is from the line of Swarnabha Mukherjee from BK Securities.

Swarnabha Mukherjee: Just following up on the previous participant's question in terms of the distribution in B30. So sir, if I see your distributed assets, I can see that over the last few quarters, your MFD share in the stock has kind of slipped by maybe 100 basis points, which has been taken up by the bank side. So I just wanted to understand why would that B30 growth be reflecting in the distributed asset mix? Are we reaching out to customers through the banking channel? What is happening?

And secondly, as a ramification on our yields, because as banks see some increase in share in the mix and it being a higher-cost channel, is it also putting a slight pressure on the headline numbers that we are seeing, which we have been discussing that there has been a slight squeeze in that? So that is one.

And thirdly, in terms of the flows, so I think the schemes that you have mentioned, I think the larger schemes continue to still -- while the flow is de-risked, but the larger schemes continue to see higher share of flow. Sir, any mitigation strategies which can result in the smaller schemes also maybe getting even more and more share, which can kind of help us maintain some stability in the yields? So these are my two questions.

Saugata Chatterjee: Yes. So I'll just take this answer. So on the B30 side, like Sundeep also mentioned during the initial comments, there's a plethora of NFOs which have come in the industry. And typically, what happens, the B30 market tends to participate more in the NFOs. And hence, your B30 market share in IFA might have slipped a bit. But what we do, we are also de-risking our business in the sense if we have to broad-base, we have to go to other channels.

So for us, banks are not only the private sector banks, we have a very strong PSU bank ties which we run in the company, which is also does give us protection on yields. And that's the way we are trying to build our volumes in these markets.

On top of that, the digital penetration in B30 is also very strong for us. So if you combine all the three aspects, we tend to get our fair share of wallet. And we are continuously accessing channels, which will keep giving us inroads to new investors. So that is the strategy which we work with. And that's the first part of the question.

Second part is when it comes to de-risking from a scheme perspective, like I mentioned, small cap obviously has reduced. We have moved the flows into mid-cap, multi-cap large-cap, sectoral funds. The entire narrative, which is happening in the industry around sectoral funds, we are capturing it through SIP because it's good to build the book through SIPs rather than having lump-sum because there are cyclical trends in these sort of schemes.

So you'll find sequentially as we move ahead, we'll start having more trends in these products. And hopefully, the mix will keep improving as we go ahead from here on. Currently, as we speak, almost 1/4 of the flows are coming from our large cap and multi-cap funds each. So that's again a de-risking strategy, which has helped us. And as I mentioned, it is an ongoing thing.

Swarnabha Mukherjee: Understood, sir. Very helpful. Is it possible to give some indication of how -- maybe to what yield level the flow shares are coming vis-a-vis that on the stock equity?

Amol Bilagi: So we don't include that number, Swarnabha, but safer to say that the yield on a new business would be lower than the stock.

Moderator: The next question is from the line of Abhijeet Sakhare from Kotak Securities.

Abhijeet Sakhare: So the first is a data question. I wanted to know what would be the closing equity book? I think the average is about INR 2.4 trillion.

Sundeep Sikka: We have about INR 2.6 trillion.

Abhijeet Sakhare: And then sort of coming back to Chatterjee-sir on question on yields. So in one of the earlier questions around the current level of commission payouts, you were sort of giving a sense that it doesn't seem to be a matter of too much concern. We've seen almost, I think, 10 basis points sort of a correction on the equity yields on a YoY basis.

But I guess, the pass-through for the distributor hasn't been to a similar extent. So what is your thought process around this? Where you're planning for the rest of the year or maybe 1 to 2 years, when would you kind of think about passing slightly higher share to the distributor as well?

Saugata Chatterjee: So at least for us, as I mentioned, the telescopic TER movement, which we had seen in every fund, we try to replicate that in the brokerage structure to quite an extent. And the reason why QoQ, the brokerage structures do tend to follow the glide path.

The previous question which has come in, we have a ratio which has old assets as well as new assets. So we get protection from the old assets too. And as we progress, and we -- so there is an equation where if you are bringing down the new business brokerage and the old assets continue to probably remain with us, the blended yield for us will gradually go down. It will not go down in proportion to the TER movement.

Amol Bilagi: And just to add to it, having said that, we have various levers that we will keep working on to ensure that a decline in yield is not very steep.

Abhijeet Sakhare: Okay. And then just a clarification, the commission payouts on SIP versus lump sum, is there a difference in how you structured the overall commission structure?

Saugata Chatterjee: No, it is similar. It is both for lump-sum and SIP, we have the same structure.

Abhijeet Sakhare: Got it. And sorry, one last thing, just again, a qualitative sense. Given that we are staying out of the NFO market and we are sort of preferring to bring more money through the SIP route versus lump sum, how does it work with the distributor, right? Because for him, generally, it seems like there is lots of opportunity when it comes to pushing your products versus others.

So do we read this as just the performance sort of doing the heavy lifting? Or is there some other way we are sort of keeping ourselves relevant in the market?

Amol Bilagi: So it's not an SIP versus lump sum. There are enough number of distributors who also believe in the same strategy as ours that it is important to be -- it's far better for the investor to get into averaging to SIPs rather than lump-sum. So I would not say that -- I will not paint all distributors in the same brush that they want only lump-sum.

The other trend we have seen is very different. A lot of distributors and AMCs thinking in the interest of the investors prefer the SIP route. So I don't think so we have to make an extra effort for it. It's a question of like-minded thought process, that it works good for the investor, if it works good for the investor, it's good for the distributor and good for the AMC.

Moderator: The next question is from the line of Jignesh Shial from InCred Research.

Jignesh Shial: Just wanted to check, it's more of curiosity I'm asking. You are seeing that your overall market share ex ETF and equity is also 6.88%, which is roughly 12 bps higher, right? So -- and even your market share, your ETFs have also seen a

significant improvement sequentially. So with ETF also, if you see like what other large AMC gives....

Sundeep Sikka: Jignesh, can you repeat your question?

Jignesh Shial: Yes. So your equity market share, excluding ETF, is 6.88%, correct, which is 12 bps kind of a rise sequentially?

Amol Bilagi: Yes, correct.

Jignesh Shial: So if you put -- with ETF also, we will be seeing a significant improvement only, right? I just wanted to reconfirm because I see sequentially, your ETF market share also has gone up.

Amol Bilagi: Correct, you're right. And secondly, we tried to give it different, this is separately. But your understanding is correct, if you were to see both ETF and equity, the market share has gone up sort of from 12 basis point and more than 100 basis point in ETF.

Jignesh Shial: We have seen a significant improvement on the corporate segment side. Retail and HNI had anyhow been decent, but corporate is also right now doing good for us.

And direct channel has also seen a significant improvement. So anything specific you want to mention for this particular segment because once the debt market opens up, which we are seeing now, the flow is improving, the corporate plays an important role. Anything worth highlighting that would be here or something that you want to comment upon? That is the only thing I wanted to understand.

Sundeep Sikka: Broadly, if you would have seen, there has been an improvement in all segments, retail, HNI, corporate and all asset classes. I will not attribute to anything specific that we have done in the last quarter, but a lot of things we've done in the last 5 or 6 years. And I believe a lot of these things come with a lag effect.

So definitely, things are falling in place. And we see structurally, across all segments of asset classes, that we have done and the way the company is positioned, we will benefit with higher inflows and higher market share in times to come.

Jignesh Shial: Just roughly one more thing. With the almost 90% profit we are distributing as dividend, so roughly around 90%. Our ROE has been significantly improving, up to somewhere around 30% now. But do we know that number will continue to go with our dividend? Is still policy remaining at the similar level? Can we assume that the ROEs can even cross 40% plus over a period of next one or two years, is that a fair assumption? Just an assumption I'm asking for.

Sundeep Sikka: No, I will not be able to give a futuristic thing. I'm sure you can put it in the spreadsheet and see how it will look like. But from our perspective, the Board of the company has a very clear view to keep sharing the profits of the company with all shareholders, including the minority shareholders, and we'll continue with that trend.

But ROE, this business has high operating leverage. As AUM increase, expenses do not go up the same way. And -- but we'll not be able to give a number to it. But yes, for this quarter, the ROE was 32%.

Moderator: The next question is from the line of Bhavin Pande from Athena Investments.

Bhavin Pande: Congratulations on a wonderful set of numbers. I just wanted to draw your attention to Slide 44 regarding operating leverage. Of course, assets are a factor of how markets do and profits in turn would be a manifestation of that. But looking at variables which are controllable, do we think that if things sort of go in tandem, we could see some sort of accretion happening on per branch and per employee basis?

Amol Bilagi: Amol here. Thanks for the question. So if you look at our expenses, like almost 53% of our expenses come from the employee cost. Of this, almost 25% would be a variable component of it. So whenever there are tough times already that is -- which is directly into the profit of the company, right? So as and when there's internal profitability, that component which automatically coming down.

On the other expenses part, the majority of the expenses would be fixed in nature, except for some part of marketing and everything that are variable and that can be depending on the market situation that can be tapered down a little bit. But excluding that, I say, most of the expenses are fixed, and they will continue.

Sundeep Sikka: The discretionary expenses, depending on the market conditions, one can take a call on them. But having said that, as we have always said, we see this business from a long-term point of view. We would not like to cut down short-term cost and investments which can give us long-term benefits.

Bhavin Pande: Okay. Sir, secondly, on the -- expanding on the employee expenses front, of course, variable payouts and head count addition, they are sort of cyclical in nature and would keep happening for business cycles. But we have seen this kind of spending on employee engagement. So do you think this will also continue or it's more of a cyclical thing that's prevailing right now?

Sundeep Sikka: No, I will not say this is cyclical, but post-COVID and all has happened for the first time. But broadly, it will continue. Whether the expense amount will be the same or not, that is still a question mark, but employee engagement remains a very important part of the strategy of the company because ultimately, you have 1,000 plus employees, I mean small cities and towns, you have to engage with them, get them together. So all those things still important too, but employee engagement will continue. Amount will be difficult to ascertain at this point of time.

Bhavin Pande: And just lastly, on adjustment of commission on account of the TER formula with the distribution partners. Of course, their TER on an absolute basis would also go down, probably their share of TER would go down. So do you think the industry -- why the spread of this activity would happen? Has it always started happening but other AMCs are sort of adjusting payout with the distributors?

Sundeep Sikka: I will not be able to comment on behalf of the industry in this call. It will depend on which AMC wants to work on top line or bottom line. For us, again,

as I mentioned in the earlier question, our focus is again on profitable growth, and rather than just being about the top line.

Bhavin Pande: Mr. Sikka, congratulations to you and your team for the wonderful quarter and good luck.

Sundeep Sikka: Thank you very much.

Moderator: This will be the last question for today's conference call. It's from the line of Pradeep, an individual investor.

Pradeep: Congratulations for the great set of results, and I hope it continues going forward. My question is on AIF. I was seeing on the website on AIF, we are taking stakes in these companies who are doing AIFs or we are doing mix of both?

Amol Bilagi: Can you repeat the question, please?

Pradeep: My major question is on AIF. I just want to ask that I was seeing on the website that we have some funds which we are taking stakes in. So these are the companies which we're taking stakes in who are doing AIF or it's a mix of both there? We have our own AIFs and we are doing some via some other companies as well?

Sundeep Sikka: I'll just try to clarify. I think this is in reference to our tech fund of fund or our venture fund, which was launched in 2020. That fund, actually, we consider it as a fund of fund and it was about INR 183 million was invested from investors in Japan. And that has invested in 12 different funds.

So our idea is not to take stake. We maintain all these based on the constitution of the fund and with the RFPs what has been decided. So we have not bought stake in this. We are investors in this.

Amol Bilagi: Yes. I just wanted to add on the earlier question. So there was a question from Shubham on why the PMS revenue in the stand-alone is higher than your consol. So I just wanted to clarify on that.

So if you look at on a stand-alone basis, that contains -- includes option advisory fees that we receive from our Singapore subsidiary. So when we do the consolidation, that gets eliminated, and that's why the figure in the consolidated numbers are below the numbers on the stand-alone numbers.

And also, there was a question on the closing AUMs. So just wanted to provide the numbers. So on the equity, the closing AUM is around INR 2,598 billion. on the debt side, it's INR 733 billion, on liquid it's INR 336 billion and on the ETF, it is INR 1,402 billion. Thank you.

Moderator: Ladies and gentlemen, that was the last question for today's conference call. I would now like to hand the conference over to the management for closing comments.

Amol Bilagi: Yes. Thank you all for joining the call. Have a happy weekend.

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