PCASL/58/2023-24
Date: 01.11.2023

To,
The National Stock Exchange of India Ltd,
Exchange Plaza,
Bandra – Kurla Complex,
Bandra (E),
Mumbai – 400 051
NSE EQUITY SYMBOL: **PRUDENT**

To,
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai- 400 001
SCRIPT CODE: **543527**

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Sub.: Transcript of Q2FY23-24 Results Conference Call on Un-Audited Financial Results for the Quarter ended September 30, 2023.

With reference to our earlier intimation No. PCASL/51/2023-24 dated October 19, 2023 and in terms of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the Transcript of Q2FY23-24 Results Conference Call held on October 27, 2023 on Un-Audited Financial Results for the Quarter ended September 30, 2023.

The same will also be available on the website of the Company at www.prudentcorporate.com

Thanking you,

Yours Faithfully,

For, Prudent Corporate Advisory Services Limited

Ghetia Dhavalkumar Pareshbhai
Digitally signed by Ghetia Dhavalkumar Pareshbhai
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"Prudent Corporate Advisory Services Q2FY'24 Earnings Conference Call"

October 27, 2023

MANAGEMENT:	**MR. SANJAY SHAH – CHAIRMAN & MANAGING DIRECTOR** **MR. SHIRISH PATEL – CEO & WHOLE-TIME DIRECTOR** **MR. CHIRAG SHAH – WHOLE-TIME DIRECTOR** **MR. CHIRAG KOTHARI – CFO** **MR. PARTH PAREKH – INVESTOR RELATIONS**
MODERATOR:	**MR. LALIT DEO – EQUIRUS SECURITIES PRIVATE LIMITED.**

Moderator: Ladies and gentlemen, good day and welcome to Prudent Corporate Advisory Services Q2FY'24 Earnings Conference Call Hosted by Equirus 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 an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

I now handover the conference call over to Lalit Deo from Equirus Securities. Thank you, and over to you.

Lalit Deo: Good afternoon, everyone and thanks for joining the call. To give a brief update on the 2QFY24 Results and address investor questions we have with us from the Management of Prudent Corporate Advisory Services Limited, represented by Mr. Sanjay Shah - Chairman & Managing Director; Mr. Shirish Patel - CEO & Wholetime Director; Mr. Chirag Shah - Wholetime Director; Mr. Chirag Kothari - CFO and Mr. Parth Parekh from Investor Relations.

Now, we would request the management to start with the opening comments post which we can open the floor for Q&A. Thank you and overview to you sir.

Sanjay Shah: Thank you very much. And we welcome all of you to this second quarter of FY24 Earning Call of Prudent Corporate Advisory Services Limited. I thank you for sparing your valuable time to join us today. I hope you all have gotten access to the Investor Presentation which we uploaded on the exchanges yesterday, because when I will be talking about the initial commentary I will be giving lot of references to the slide which has already been provided.

Before I move to the financial and the KPI numbers, let me cover a couple of new slides which we have added in this presentation. So, kindly move to Slide #23, so it's a slide wherein we have provided the data on how Prudent has performed vis-à-vis all the major peers in the last decade. That is from FY2013 to FY2023 in terms of commission earned as well as on account of AUM. And these are the data based on the information provided by AMFI in their yearly commission disclosure. So, if you look at, in the last decade, Prudent has moved from, if you look at in FY13, we were somewhere closer to about 20th on comission numbers & now we moved to a 4th rank in commission income in last financial year. So, that was important data, we thought we will just cover that.

So, kindly now move to Slide #29. Now there is also another data which we tried to capture, so it's an important slide which explains that Mutual Fund Distributors which is the core business for us, a lot of distributors who work with us and that's the core segment of our business. So, for us the mutual fund distributor becomes mature in our system. And once they cross a certain threshold of AUM, let us say, for example, Rs. 10 crores then productivity of those distributors on all counts like whether you talk about the gross sales or the average AUM per client or the average SIP amount, they fare much better compared to others. So, this is very vital and important information which we have provided.

And if I tell you about the numbers, as on September 2023 Prudent had 1265 mutual fund distributors whose AUM was more than Rs. 10 crores. And if I tell you about the same number before, let's say in 2019 that number was only about 340. So, just wanted to highlight that these are the people who are going to be more and more productive so it's a very important landmark for these distributors in their career once they go past certain numbers, they become very productive. Among all these 1265 distributors would be very core -- productivity is concerned. So, these are two new data which we have added.

Now, I will take you through our business numbers and the KPIs. So, let us straightaway go to Slide #44. Now if you look at Slide #44 we have shared the details of our quarterly average AUM and the closing AUM. So, if you see the chart on the right-hand side, our quarterly average AUM has grown by almost 29% on a year-on-year basis and 13% on a sequential basis to almost Rs. 66,590 crores. On standalone operations, we are starting our Q3 of current year with a very good tailwind because as you see on the chart on the left-hand side our closing AUM as on 30th September is almost 4% higher when compared to the quarterly average AUM of second quarter 2024.

Now moving to Slide #45. So, this slide talks about how our equity AUM has moved on year-on-year basis & on sequential basis. So, as seen on the left-hand side chart, equity AUM has moved higher by 32% on year-on-year to around Rs. 65,600 crores where almost 70% plus movement in the AUM has been contributed by mark-to-market gains. The same way if you look at on the sequential basis, our AUM has moved higher by about 11% wherein close to about 8.4% has accrued because of mark-to-market gain. However, if you look at net sales numbers, which are provided for the quarter-on-quarter basis, so, net sales is picked up sharply in second quarter. As seen in the chart we have ended Q2 with an equity net sales in excess of Rs. 1400 crores which is almost double than the first quarter current year which is April/May/June. So, if you look at the current quarter it has been led by a good growth in gross sales as well as lower redemptions.

Now, moving to our Slide #46 which is a very important slide from the point of view of SIP. So, on Slide #46, if you look at the bottom left, we have given the data for monthly SIP flow and our market share in the SIP. Currently our monthly SIP flow has surpassed Rs. 600 crores when I am talking to you As of September end our monthly SIP flow has grown by almost 30% year-on-year to Rs. 595 crores. And we added almost Rs. 140 crores in our SIP book in the last one year.

Our market share in our overall SIP flows stood at 3.7% as on September end. However, if you look at we assume that approximately 25% of current SIP book is coming from Direct plan. So, if I adjust and look at our market share in the regular plan then we are touching almost 5% in the regular segment, which shows that our focus continuously remain very strong on driving the SIP for the growth of the company.

Another important point I wanted to highlight was the average value of new SIPs in the September month, which is almost Rs. 3400 which has outpaced our existing average of Rs. 2700 which suggests the rising confidence of our investors by allocating more and more towards SIP. In the sense I am saying that the new SIP ticket size is also increasing rapidly.

So, despite we being strong in the SIP, we believe there is a significant leg room for us to grow, because if you look at one of the slide which we have provided in the presentation where still 50% of Prudent investor are yet to start the SIP or they do not have a live SIP. So, looking to this, we feel that still there is huge scope for us to grow SIP in our segments. So, that untapped segment holds substantial promise for our expansion. By March '26 as we aim to achieve the aim of Rs. 1 lakh crores we also foresee that our monthly SIP book will be crossing the landmark number of Rs. 1000 crores.

Standalone Numbers

So, now let me turn to the current financials. So, before I address the consolidated financials number, let me address the standalone number first. So, please move to Slide #49, which is the last slide of our presentation, which talks about the standalone number. Now an important point why I am going to standalone because let me first of all address the mutual fund which is the significant business for us on the revenue side, which is the Mutual Fund Distribution business. So, look at the revenue from operations in this segment, which has grown by almost 24% on a year-on-year basis. And this is mainly because of the robust growth of our average AUMs by about 29%.

Now, I wanted to highlight one important point which is, here if you look at and you observe that our revenue has grown by slightly lower than the average AUM growth of 29%, resulting in the drop in our overall book yield. Now, I just wanted to explain the rationale for our yield which has come down. I am sure a lot of guys will be aware about the SEBI's decision in last March 2023 wherein they have kept the incentives which they used to give for the business mobilize from B-30 cities Beyond-30 cities. So, SEBI has put that entire revenue structure in abeyance. So, this decision of SEBI to keep the B-30 incentive structure in abeyance from 1st March has impacted our revenue.

I will give you the number also, if you look at my last year FY23 number Prudent earned close to Rs. 501 crores from mutual fund distribution business wherein almost Rs. 40 crores has come because of B-30 businesses. So, that Rs. 40 crores were almost 8% of my revenue and from 1st March 2023 gradually that amount is becoming lower and lower because whatever business which we have booked till March 23, I think from March 23 to next 12 months will accrue the revenue B-30. But any business which has been booked new after that particular month, we will not get the B-30. So, actually, B-30 revenue will not appear in our books from March 2024.

Now, look at the impact of this in the basis point. So, last year on the total revenue front Prudent's revenue was roughly in the range of 95 basis points where in the 8 basis point was because of B-30 businesses. Now, let's say I will tell you the current quarter which is the July/August/September quarter, in this quarter, if we remove this B-30 additional incentive, our yield on regular trail on the entire book has been at 87 basis points. The same was the case for last year also. Last year, my entire book was at 95 basis points wherein 8 basis points was because of B-30. So, last year's yield was 87 basis points. Current year whatever small amount which we have received, because of B-30 if I remove that, then again, my yield comes to 87 basis points. So, I just wanted to highlight that my trail income which is a regular income linked to my entire book that is very constant.

So, now let us look at the other way around, if in this quarter too ex of B-30 incentives our regular yields stood at 87 basis point. So, let's say last year my yield was 8 basis points which came down and it has dropped to 3 basis points in the current quarter so in the first six months, we came down from 8 basis points to 3 basis points. Now, let us assume that if this B-30 revenue had continued as it is then our revenue would have been higher by Rs. 7.5 crores in the Q2 alone, which is almost 5% of my top-line. So, that's why now I am just trying to give you the explanation, even though my average AUM has grown by 29% and my revenue growth only 24% right. If I add this B-30 of another 5% then I am able to justify that the growth and the revenue would have been in line. So, that is the reason I am just trying to explain the prime reason behind the lag you are seeing between the revenue and the quarterly AUM growth.

Also, please know that this 3-basis point of B-30 incentive which we have earned in this quarter, this is going to be lower in coming two quarters and it will be completely nil from March 2024. So, in FY25 assuming everything constant our regular yield will be in the range of 87 to 88 basis point which means in current year we will absorb an impact of 8% of total revenue due to B-30 changes. So, try and understand this is a big change, because if the AUM had not increased this change would have been glaringly visible, but the AUM growth was reasonably better, this 8% drop in revenue yield is not visible in the absolute numbers.

So, probably next year will be very critical because in the current year still we are getting gradual revenue but come March 2024 or April 2024 there will be a nil revenue in full year next year. So, if you look at out of 8 basis points, 5 basis point impact is already absorbed by us in first six months which is almost 60% to 70% and in next six months we are going to still absorb another 3-basis point. So, that was the one point I wanted to highlight as far as financials are concerned.

Another important one I want to talk about if you look at the expenses on the commission and fee expenses. I think the overall commission fee expense on a percentage term has also gone up. So, if you look at in percentage terms my expenses on the commission and fee is almost 62%, which is higher by about 1.59% on a year-on-year basis. Now this is mainly because of our change in the Indirect and Direct mix. So, in the last year, I am telling about July/August/September 2022 to July/August/September 2023 the share of Indirect in the total AUM has gone up by 2.7 percentage or 270 basis point. As you all are aware that in case of Indirect business, we share roughly in the range of 65% of our revenue with our mutual fund distributor partners. So, our share in the total AUM from Indirect has gone up by 2.7%. Roughly, I think the 1.5% to 1.6% cost has increased on the commission and brokerage side. So, that is also another important point I wanted to highlight that this is the new normal now, if your expenditure was 61% of our top-line as a brokerage expenditure which is now settled at 62% and this will be a new normal because the share of Indirect has settled at 2.7% higher. So, there was the second point I have addressed.

There is another point also on the other expenses front as far as standalone balance sheet is concerned. So, I don't know I think all of you must be aware about the one event which we do every year called Prudent Loyalty Coin Program or Prudent Loyalty Club, wherein we select our valued partners based on their business performance every year. In the current year management has decided to make this program broad based and get more participation from our mutual fund distributors. And we started giving some weightage to the existing AUM also.

So, based on this change we assume that selection of partners and the cost on account of Prudent Loyalty Coin Program will almost double in the current year. So, if I will tell you about the cost on the balance sheet or the P&L of Prudent last year was roughly in the range of Rs. 5.5 crores to Rs. 6 crores this year we are assuming that this cost might go to Rs. 11 crores or Rs. 12 crores. So, that is the reason if you look at on the standalone balance sheet, my provisioning because of PLC has gone up by almost Rs. 3.5 crores to Rs. 5 crores that is the reason I think the cost on the other expenses is also significantly higher.

So, I think there are a lot of changes which have happened in the the P&L in the current year. So, just wanted to highlight that in spite of there being a lot of headwinds which came from withdrawal of B-30, increased share or Indirect in the overall AUM and increase in other expenses our operating profit has grown by about 14.7% on a year-on-year basis. Our standalone profit has grew by 26% year-on-year lead by a higher other income because of our treasury books, which has started now growing, because as you are aware that before one and a half year or two years when we acquired Karvy our treasury book went to zero and now again we have got a very strong treasury book.

Consolidated Numbers

So, now please move to Slide #48 which is I think the previous page slide which talks about the consol number. So, on the standalone number I addressed the mutual fund related matters which are required to address. Now on the insurance also, let me address something which is very critical, because as you all are aware that in insurance, specifically in the life, one of our main products which we always concentrated is the non-participating saving products.

So, given the bumper sales of the non-PAR saving product in last year of Q4, due to the taxation changes we are witnessing a consolidation in this business in the current year, and which I think I have been trying, I have been maintaining that stance from first quarter itself that it will be a year of consolidation when it comes to our insurance is concern.

So, the fresh premium in Q2 in the LI has gone up by 68% on a sequential basis. However, it is down to almost 21% on a year-on-year basis. Please keep in mind that industry as a whole on the non-PAR scheme is also, I think doing the business lower than the last year, because they are also probably, I don't know the exact number, but that number is not positive, they are also probably having the downward pressure on their business. So, that was one part on the business front.

Same way on the revenue side, I wanted to highlight that post-regulatory changes on the EOMfront entire insurance industry is still trying to adjust and absorb these changes. So, regarding revenue for the insurance vertical in absence of absolute clarity revenue is provided by us in the books only when there is an absolute clarity and confirmation from the insurance companies. So, this is another point I wanted to highlight as far as your insurance vertical is concerned.

On the General Insurance front, we have been doing significantly better as you all are aware that the GI predominantly focuses on the health insurance business and that business is doing very well for us. And we grew by almost 61% quarter-on-quarter in the fresh premium and 44% on year-on-year basis. On the GI front our total book now has crossed Rs. 100 crores, which is a very positive number for us, because as you all are aware that health even though it grows slowly and steadily, but it's a very strong renewal premium business for us and Rs. 100 crores is a landmark number which we have achieved in the current quarter. So, overall, if I just tell about the revenue from insurance we grew almost by 79% year-on-year basis.

Now, coming to the Broking segment also, while Broking as a business has done fairly well for us and its revenue has grown by 30% YoY basis, consequently our consolidated revenue has gone up by 29% on a year-on-year basis.

Now, coming to the other expenses on the consolidated level, you might have noticed that it is on a higher side, mainly because of one factor related to PLC which I explained you, because it was the management call to revise the PLC. Same way, in case of insurance in the current year management has taken a call to spend a lot of money on branding, awareness for the insurance vertical.. So, that's the reason I think you might somewhat elevated level of expense on the other expenses side.

So, finally, coming to the overall numbers, in case of Broking also, there was one of the item which was there as an impairment of -- meaning there was revenue of Rs. 2 crores last year which was because of reversal of impairment on account of IL&FS, which had an income of Rs. 2 crores. So, if I assume that that income would not have been there last year then overall, I think on the consolidated basis our profit has gone up by 28% on a half yearly basis, and 11.6% on a quarter-on-quarter basis.

So, lastly, I think I will just conclude my discussion on the financials saying that we are getting closer to Rs. 1 lakh crores AUM by March 2026 as targeted by us. And we briefly touched Rs. 70,000 crores AUM during this month. We have generated a consolidated cash flow from operations of almost about Rs. 72 crores in the first half of 24 which is helping us to build strong treasury book for the inorganic acquisitions.

Despite multiple adverse issues in the quarter, we are able to maintain profitability growth and to be able to generate first half growth of almost 24%. And we expect to build on this momentum going ahead. So, thank you and with this I will open the floor for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Dhaval from DSP. Please go ahead.

Dhaval: I just had two questions. One was, so you explained about the Direct Indirect impact on the commission expense. So, post the adjustment for B-30 and this Direct Indirect impact, is it safe to assume that the net yields for the standalone business should be around 32 to 32.5 bps kind of level on a steady state basis?

And second is this Prudent Loyalty Club, I remember last quarter also there was some increase. So, overall, what's the sort of rationale of doing it? Is it related to just better engagement or competitive pressure etc.? And do you see this to be a recurring event every time?

Sanjay Shah: So, I about the margin you can say that now we assume that trail income would settle in the range of 87 to 88 basis points when the B-30 is out of the picture. And I think the overall brokerage expenditures should settle at 62% of the book. So, probably you can say that 38% of 88 basis points would be the new norm on the margin how much that is?

Dhaval: That comes to about 33.4. Roughly, if you take 87, it's about 33 odd bps 33 or 33.4.

Sanjay Shah: So, this what is going to be the new normal Dhaval. So, I think probably because I don't see a significant uptick as far as the mutual fund yield is concerned without assuming any reprising of old assets so Karvy asset, let us assume that it doesn’t happen then the current yield of 87 to 88 basis points should be steady.

And I think the Indirect Direct mix is now probably, I believe that there will not be a significant incremental change 1 or 1.5 basis point here or there would be okay. So, I think you can say that 62% should be the normal expenditure now, that was one part.

On the PLC, because as you knew that PLC has become a really very well sought out event for our mutual fund distributor partners and that brings a lot of energy in them. So, we thought that to activate the entire system we should make it a little bit broad based and to make it broad based, we started giving some points to their existing AUM and because of that, we assume that the current year costs will go up. And once you change this probably it has to be a perpetual in nature. So, we assume this Rs. 11 crores to Rs. 12 crores cost would be constant. So, both the things, I think 62% of total brokerage expenses, and Rs. 10 crores to Rs. 12 crores because of PLC I think that has to be considered as regular expenses.

Dhaval: And therefore, the margin that we see in the current quarter for the standalone business by and large that should be assumed as a steady state margin, would that be fair?

Sanjay Shah: Yes, because I think the only thing would be that in the first six months, I think because now B-30 impact is also to a large extent absorbed. So, the new margin system will be the same. On the standalone, I assume that it will be steady now.

Dhaval: And just last question on the insurance bit, so Sanjay if you could just explain on a steady state basis what kind of margin that this business should operate? So, as you explained, there is some slowdown that we have seen in the first half, the momentum. Just overall what's your expectation our a steady state margin from this Insurance business?

Sanjay Shah: Dhaval it's very difficult to answer that question, because a lot of clarity is required from the manufacturers. And they are also trying to absorb the EoM but you can say that very difficult to say about the margin. Actually, if you look at the brokerage costs on account of POS which is the, at the GP level is very less. So, I think my cost on -- is hardly about Rs. 3.5 crores. And we require to spend lot of money for business expansion purposes on the email, business expansion, business support activities everything so margin would be very difficult to say.

On the business front overall, I think we have done reasonably well from Q1 to Q2. I think you might see some slowdown only because of exception business which happened last year. Otherwise, I think growth is good. And GI is doing very well as I told you we have crossed Rs. 100 crores mark on the GI book which is a very healthy sign for us.

Shirish Patel: Yes, basically I would say that the percentage payout is continued the same the way we were doing last year. At the beginning of the year only we anticipated that there would be a drop in the Life Insurance business, because last year, specifically because of the taxation we got bumper business in the last quarter. So, comparatively last year, this year beginning of the year in the anticipation of the business was less. And third point I would say that because of the EoM and the clarity could not come till the month of I would say August/September. The final clarity hardly has come in the month of August and September so that is the reason assuming the exact percentage payout margin whether it will continue or not, as of now it will be difficult, but we are hoping that by this quarter, that is October to December quarter the complete clarity on the EoM would be there. So, hopefully we will be able to give you a better idea.

And fourth point, I would say that incrementally you would have seen that the business done by the POS is also increasing though it's a small business currently if you compare the last quarter and this quarter in the absolute term the POS business is a small number, but the growth from the business of POS is increasing drastically. So, as and when more and more business come from the POS I think you might see the changes in the percentage EBITDA margin also. So, these are the points I would like to add.

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

Paresh Jain: Just a few questions from my side, firstly, on the Insurance business, you had mentioned earlier that you have seen an increase in commission rates. Now you are saying that there is some clarity yet to be expected. Do we see that these rates that you have reported in the first half are not sustainable or how should we think about it?

Sanjay Shah: You know its other way around rather, that's why I say that whatever we have provided in the books of account is absolutely after getting the clear clarity from the insurance companies. So, I am not saying that in the coming quarters whatever the yield which we have reported would drop. I think yield would probably remain steady rather there is a possibility of it getting improved. So, there is no confusion, the amount that we have reported that is EoM related clarity also from the insurance and the same clarity--; clear amount we have reported. So, there is no chance of it getting dropped.

Paresh Jain: Secondly on your SIP business we see that your market share is very steady at around 3.7%. Any strategies that you are implementing with your partners to increase the thrust on the SIPs? Are you doing specific things on a sustained basis? Something specific that you want to highlight that you would be pushing to increase the SIP share.

Shirish Patel: Yes so first of all I would say that the focus for SIP based is there in Prudent for the last many years. Last two and a half years, they increased the focus for the SIP is there, but the ground level dedicated focus is given to the SIP that is one. Second, I think this is also related to the PLC cost escalation question also. So, if you see I think the major weightage also in the PLC qualification is also towards the SIP additions. If you look at our SIP addition in this year in the last 6, 6 and a half months, I would say almost 80% of what we added last year, that itself says that in first 6 and a half months we have added almost 80% of our SIP net addition what we did in the entire year. That itself says that the focus for SIP has increased. And indirectly obviously in the PLC cost, because of that also has increased a little bit.

Paresh Jain: What will be the cost of PLC in the first half?

Shirish Patel: Ultimately it is proportioned to the assumed cost, so I think basically if you look at, normally we provide the cost based on the business expectations. So, there are two parameters which has done very well in this quarter one is if you look at our net sales number compared to last quarter, this quarter it has increased, that is one. Second, even if you look at the SIP flows compared to last quarter, it has increased drastically in the second quarter that also has increased the PLC cost in this quarter. Third, as Sanjay said that we started making it broad based, we have got a little aggressive because we wanted to get the focus on a multiple product so that also has escalated the PLC cost. So, that is the reason there is some hike in the cost in this quarter.

Paresh Jain: Lastly, if I look at your other financial and non-financial products which is now at you know at a quarterly run-rate of around Rs. 5.7 crores have been flattish on a sequential basis. We have been adding more products; I think Loan has also got activated, right loan distribution. AIF and PMS industry has been growing at an exponential pace. So, why is that so flattish in this quarter on a sequential basis? And what are your thoughts as to whether stock broking and other financial products together what kind of share you will have from these products say three years down the line?

Shirish Patel: So, if you look at Stock Broking business, it's a conscious focus to move from Prudent Broking which a subsidiary business to the Prudent Corporate through FundzBazar platform. So, specifically from January 2023 when we launched stock broking on our FundzBazar platform since then we are pushing very aggressively stock broking business on the FundzBazar platform. So, as of now we are in the mode of account opening, so as you know that earlier Prudent used to do the business as a subsidiary Prudent Broking traditional way of doing the business, now the entire focus is on getting all those clients on the FundzBazar wherein they are doing the mutual fund and other product transactions, we ask them to open the accounts of stock broking. So, there is a clear cut focus for stock broking. We are very confident that over a period of time the broking revenue growth definitely would be far better compared to what we are seeing right now on the Prudent side.

Coming to the other products, I think we yield in multiple products. As you said that it is flattish compared to the last quarter, basically certain business like HDFC Fixed Deposit which used to contribute some revenue to us in the first quarter, which is not there now, that could be one reason. Second is the property business, I think revenue realization, it's very small revenues but yes I think the revenue realization this quarter is little lesser, but the two main contributor or three main contributor to the other product revenue all the three products are growing very fast I would say PMS AIF which is one of the bigger contributor to the other product revenue, it is growing very fast, the LiquiLoan that is P2P platform that also has grown significantly. And third business I would say that the Secondary Bond, so these are the three main products which contribute to the other products, and all the three businesses are doing great.

Paresh Jain: What is the PMS and AIF AUM today? And how many clients would have subscribed to it?

Shirish Patel: We have recently crossed around Rs. 600 crores of AUM and the number of clients would be around 800.

Moderator: Thank you very much. The next question is from the line of Pallavi Deshpande from Sameeksha Capital. Please go ahead.

Pallavi Deshpande: Just wanted to understand on the POSP addition what is the plan going forward? How many do we plan to add? And also, I think you mentioned that the marketing costs on the insurance side that will be a perpetual cost, so why is it suddenly become more necessary is it the competitive pressure?

Shirish Patel: So, basically if you look at our constant focus is to add the POSP numbers and also to increase their productivity. Out of our 27,000 to 28,000 ARN Holders, if you see currently almost 9,000 odd people are converted to the POSP. So, the number is increasing drastically; if you see our last year's number and this year, you will see the growth of almost 35% to 40% in six months. So, right now, the clear-cut focus is getting them certified for the POSP. Simultaneously we are focusing, to activate them. Now today if you look at the activation ratio of the POSP number is very less. I think even if you look at the industry number also the POSP, the entire industry also the participation ratio is less. So, our constant efforts are there to increase the POSP participation or the activation. To make them active and to get more and more POSP, yes, that is a reason we keep on spending on the marketing side.

As you said there is competition pressure, I definitely would say that, yes, I think we have got the scale, the way we have got the ranking in the Mutual Fund business. Obviously, we are aspired to get similar kinds of volume or similar kinds of ranking in the insurance industry as well. Obviously, our primary focus always would remain to get more and more POSP and to get more and more business from them. So, yes, I think to get that aspiration we have….

Pallavi Deshpande: So, the addition will continue at the same pace, 30% to 40% year-on-year growth?

Shirish Patel: The addition definitely would continue but as I said this year, you will see a drop in the Life Insurance business because of the extra bumper business what we had last year in the LI business, that adjustment would be there. Otherwise, if you look at our Health Insurance business that has had significant growth in this year and that definitely is going to continue. Life Insurance this year there could be a consolidation. But otherwise, I think the growth of that 30% to 40% that expectations always will be there --

Pallavi Deshpande: And the marketing that's a perpetual cost now?

Shirish Patel: For the foreseeable future, you can say at least, as I said we want to focus on POSP recruitment and the activation and creating the brand of Prudent & Gennext. So, I think, at least for the foreseeable future we are seeing it. We will see we will revise the strategy; as of now this is the strategy, I think we may review this after a year or so.

Pallavi Deshpande: How much would that marketing cost do you think Rs. 3 crores?

Shirish Patel: See the percentage I think it is not going to increase drastically from here, whatever we have spent in this particular quarter I think more or less it would continue a little bit as I said that again depends on the volume, we are able to generate. So, we will see, as I said, as of now, this is the plan --

Pallavi Deshpande: And so how much was the marketing spent this quarter or this first half?

Shirish Patel: It is a part of the other expenses

Moderator: Thank you very much. The next question is from Rohan who is an individual investor. Please go ahead.

Rohan: On the Direct Indirect mix that you indicated on the mutual fund side, if you can quantify that how it has moved in last one year? And also secondly was on the POSP contribution on the insurance business, how is it tracking around right now?

Sanjay Shah: So, the first part I will just tell you about the Direct Indirect mix so actually Rohan, Indirect share now see when I am talking about Direct what we have done is this for the sake of understanding in case of Karvy there are two sets of business, one is Karvy Partner Business which we already transferred to once somebody has become a Prudent partner we transfer business under which is already mapped to Indirect as a segment that is number one. Number two, there are still almost about Rs. 4,000 crores of AUM of Karvy which is kept as a lead for partners where we are not paying anything which is considered as a part of my Direct business, but it is not a Direct business, it is going to virtually go to a partner. So, July/August/September FY23 I am telling you the average, last year the Indirect pure Indirect was 84%, the Karvy was roughly about Rs. 4,200 crores so it was 8.2% and pure Direct which is my RM business was about Rs. 4,000 crores so 7.87%.

Now, this 83.92% is now at 86.63% and that is the reason I explained that my share of Indirect ex-Karvy ex-Direct has moved to 86.63%, which is 2.7% uptick and 65% of that is roughly about 1.7% impact should be there on the payout right.

Participant: Just wanted a clarification in the other expenses for this quarter how much of that was due to the increased marketing expense for insurance?

Shirish Patel: Rs. 8 crores is the additional cost on account of marketing in the Insurance segment for this quarter on the consol yes Rs. 8 crores.

Participant: And since the Insurance business is relatively more seasonal where we see a pickup happening in H2, especially in Q4, do we expect the number also to start ballooning in H2?

Sanjay Shah: ly. So, I think for that you need to look at couple of commentary which has been given by the insurance companies also. So, last year the insurance company used to spend money for marketing and branding now that responsibility has been transferred to us. So, probably that would be sufficient for me to give you the explanation that yes, because if you don't spend, you won't generate the branding and you won't generate the business.

Participant: Just wanted to understand that when we say that the insurance company is asking us to spend on marketing. So, are we supposed to run the on ground activities to create awareness and we would be doing this specifically for different insurance companies?

Sanjay Shah: No it's for our policy world, it's for people to become POSP workers for the different segments of insurance like a Term Plan, Savings Plan. So, it may not be for the particular insurance company but the general awareness about the insurances as a segment and for the Prudent Gennext as a subsidiary & policyworld as a platform.

Moderator: Thank you very much. The next question is from the line of Ajox Frederick from Sundaram Mutual Fund. Please go ahead.

Ajox Frederick: Just a repetition of the earlier question, you were telling the Indirect mix proportion. Can you please repeat that for this quarter and last quarter?

Shirish Patel: So, the last quarter number I haven't kept ready, but I am talking about the YoY. So, if you look at January so I am talking about YoY, in the second quarter FY'23 Indirect was 83.92% in total AUM which is now 86.63%. So, this share of Indirect has gone up by 2.7%. Now, I think previously whenever we discussed with the people, we said that Indirect was already above 90% so that number has been, there is some distortion when I am talking about --. So, when I am talking about the Indirect, I am excluding Karvy, which is not yet given to my partners, otherwise that business is for partner. So, I am talking about the Indirect ex-Karvy ex-Direct and that is the reason that share has gone from 83.92% to 86.63% in last quarter, this is the daily average I am talking about. And that is the reason the brokerage cost pressure came at 1.5% to 1.6%. I think now probably we might feel that this might gradually get settled in this range.

Ajox Frederick: No if it shifts by 1% then the commission payout will increase by 0.65% of the revenue.

Sanjay Shah: Perfect.

Ajox Frederick: So, if that is the case, this is like about 0.6x2 right, like 1.3%, 1.5% of the current revenue is the impact. Is that right?

Sanjay Shah: You can say to that extent, this is roughly about, so the revenue would have gone up by say 2.7% into 85 basis point which is my earning, right. So, roughly I would have earned more -- so 1.59% is the impact actually I am just saying the 1.59% extra payout on account of brokerage expenditure is happening this quarter versus last year YoY.

Shirish Patel: If my revenue was Rs. 150 crores, my expenditure has gone up by Rs. 2.25 crores.

Moderator: Thank you very much. The next question is from the line of Nilesh Jethani from BOI Mutual Funds. Please go ahead.

Nilesh Jethani: My first question was on the Insurance piece say if Rs. 100 is our take rate in percentage terms. What typically we pass out to the partners and what we retain?

Shirish Patel: So, basically if you look at our pass out -- let me like mutual fund and insurance, I think almost two third, one-third is the normal ratio you can say.

Nilesh Jethani: So, we keep one-third and 66% --

Shirish Patel: This is a normal ratio in both the products.

Nilesh Jethani: And just wanted to understand from the distribution income when I see on the mutual fund side, earlier we were keeping 65% and now the number seems to be 67% or 68%. So, wanted to understand Directionally what impact was because of B-30 and what is the other impact on this, why this percentage of 65% of giving out is increased to 68% now?

Shirish Patel: No the payout ratio still remains the same as I said even if you look at our previous quarter also it would be 60, two third, one-third, the same ratio continues. So, there is no change in the percentage payout to our distributors. As Sanjay has explained earlier, there is a drop of around 2.25% to 2.5% share in the Direct and Indirect composition, when I say Direct means B2C. Now the composition in our total AUM mix is now more skewed towards our retail that is a B2B business, it is up by around 2.25% to 2.5%. So, earlier on these 2% share or 2.4% to 2.5% AUM share the payout was zero, obviously as the share of Indirect or the B2B business has increased that is where you are seeing that the percentage payout has increased, but technically, there is no change in the percentage cost paid to the distributor.

Nilesh Jethani: And one last question on these other expenses that you highlighted that we want to broaden this and now Rs. 10 crores to Rs. 11 crores is going to be an estimated expense. Just wanted to understand from an annual perspective going ahead what is the kind of number we are intending to look at or any percentage of revenue or this Rs. 11 crores can increase going forward if we plan to adopt more and more people into this program? So, how should one look into this piece?

Shirish Patel: So, PLC cost is the output of the business, normally I am not saying 100% is linked to the business done in the year. But yes, I think you can generate some kind of estimation based on the business number done during the year. There are multiple parameters as Sanjay said that one component is the AUM. So, as and when the AUM increases some costs towards that AUM increase also adds the cost to the PLC. Additionally, as I say if you look at our net SIP addition numbers obviously, we have added almost 75% to 80% just in first six months. So, obviously we are comparing the annual cost of last year to the SIP composition cost, the PLC also has one component of SIP addition. As I said, I think 75% to 80% of the SIP business is done in last six months, so obviously that also has added the cost.

Third point I would say that the multiproduct, earlier the focus on the multiple other products was not there, this year to promote a new product launched by Prudent we also have given the weightage in the qualification criteria, because of that also some cost has escalated so on an average giving the understanding, yes, I think that is linked to the business but not 100% as some part is also linked to the AUM. To get the guidance more or less I think the growth in the cost would be similar to business growth.

Nilesh Jethani: And on a very broader perspective on the partners business wanted to understand today say we have X number of IFAs who are linked to us for mutual fund distribution, out of which what number would be also doing insurance. And on the insurance piece on the POSP piece just wanted to understand whom are we targeting going ahead, is this people who are involved with other insurance are trying to target them or it is more and more people who sell MF, you want to target them to start selling insurance? What is the thought process on that?

Shirish Patel: 70% to 80% of our distributors who are registered with us for mutual funds do sell insurance whether with Prudent or somewhere else because originally they came from the LIC or Life Insurance Company and then they started doing mutual funds. So, technically I would say that 70% to 80% of these distributors of Prudent are doing insurance. Now our main target instead of going out, focus on our distributors. So, if you look at around 9000 plus POSP we have already empaneled out of this our 27,000 distributors, activation is hardly 3500 to 4000. So, in a year around 4000 distributors or the POSPs are activated as of now. So, instead of me going out in the market and getting new POSP our primary focus is adding POSP from our existing mutual fund distributor and making them active, these are the main target as of now at least.

Nilesh Jethani: So, just a follow up, so out of say you said 70% to 80% of mutual fund distributors with you guys are also doing insurance. So, these people are contributing what percentage to the overall premium or overall commissions?

Shirish Patel: They don't do business with us. As I said, most of these guys were doing Life Insurance business earlier. Like today also they will be doing a LIC business Our business model is that attracting people from insurance industry to mutual fund industry, the guy continues doing business with LIC but at the same time since we have taught him mutual fund, he does mutual fund business with us. He is not doing LIC business today with us all these 70%, 80% guys are not doing insurance business with us. So, that is what our goal is making them work for insurance with us.

Nilesh Jethani: So, what is the percentage of people who do both for us and that actively contribute to the commissions or the premium?

Shirish Patel: That's what I said 3500 to 4000 POSPs are active as of now, out of these 9000.

Moderator: Thank you very much. The next question is from the line of Prateek Poddar from Nippon India Mutual Funds. Please go ahead.

Prateek Poddar: Just one small question, maybe you can clarify or help me understand that this year which is FY'24 there is a sliding scale for B-30 revenues being booked. Why is that so?

Shirish Patel: Pardon, you said B30 revenue for the current year is.

Prateek Poddar: You are booking it on a sliding basis, right, in Q1, Q2, Q3 and Q4. And obviously Q4 as you said it will be minimalistic so just trying to understand why is that so?

Shirish Patel: So, if you look at B-30 was the trail revenue up to 2% for the business which you book from Beyond-30 cities. So, the regulator has stopped giving you B-30 from 1st of March 2023. So, in the last year till February you had done whatever business in that you will get 2% in form of trail until you complete first year. That's the reason I am saying that all the business which are done in last for example the business done in March 2022 then I will get in 2023 it is that way. That is the reason I think gradually amount is reducing and virtually it will be zero in March 2024.

Prateek Poddar: I was just asking you that 8 basis point has been entirely passed on to the MFDs, right?

Sanjay Shah: I think to a large extent not entirely. So, our earnings in B-30 was not as high as our regular business where as Shirish said we share two-third, one-third, here selling was a bit on a higher side, but the impact on top-line was visible right. On the bottom line where I am talking about the costs, I am just considering the Indirect mix change, but you are right the margin was there not 35%, but must be in the range of 20% to 25%.

Prateek Poddar: And hence we are seeing a low dilution in our net yields which we make.

Sanjay Shah: So, net yield which I make would be now that's why I am saying if I am earning Rs. 100 my payout would now settle at 62%. So, I will continue to at 38%. So, now probably you need to consider only 87 to 88 basis points as the trail revenue consider 38% of that. B-30 is now out of, if there is any small earning of my, then also --. See actually the B-30 impact on a YoY basis would be very profound next quarter compared to YoY because first quarter I earned let's say about six paisa, in second quarter I earned about three paisa, in third quarter it will hardly be about 1.5 paisa, and fourth quarter it would be zero, but in the last year YoY I used to earn 8 paisa full. So, when I go to next quarter, you will see 1.5% instead of 8% so there will be a profound impact which will be on a YoY not on a quarter-on-quarter.

Prateek Poddar: But your net yields are not changing, right, that was the question because the payouts are at a percentage of the 87 to 88 basis point so essentially your net yields don't change a lot, relative to your top-line.

Shirish Patel: So, you are right, net yields won't change definitely obviously 8% receivables, brokerage received was B-30 that will become zero so practically, if you look at the revenue, revenue drop in the last quarter would be 8%. At the same time, the majority of that receipt was passed on to the distributors so that our percentage margin impact would be very minimum.

Moderator: Thank you very much. The next question is from the line of Ajox Frederick from Sundaram Mutual Fund. Please go ahead.

Ajox Frederick: Just a follow up, you mentioned that this payout is higher in B-30 what we passed to the distributors, is it 75% or 80% can you quantify that number? Like normally you will pass 65% in B-30 that is what 75% or 80%?

Shirish Patel: In total payouts till March, there were two components one is the normal commission which is a perpetual trail or the long-term trail and second was the B-30 and the B-30 payout was only restricted to 1 year. So, whatever business you do the B-30 receivable used to be only for one year. So, both the components were different. So, what historically we have been telling you that 1/3rd is the perpetual or the long-term trail and that is what our sharing ratio on the B2B business level, when it comes to the B-30 payout historically we normally used to keep a very closed track on what the AMCs are paying to their distributors in the smaller locations. And that is whereas Sanjay said that the retention was around 20% to 25% in the B-30 business. But that was not stable because that also dependent on the AMC's strategy on the IFA level but having said that now I think this financial year, every new business from 1st of March 2023 that revenue on the new business has become zero. Whatever business we did till February 2023 on a residual period, I think total payout would be for 12 months, for the residual period it would be available so that revenue pool will keep on shrinking till February 2028 and 1st of March it will become zero. So, the net revenue generated in this quarter from B-30 business will be hardly anything and next quarter it will become practically zero. The payout range is higher on the B-30 business because of that strategy used to be linked with the AMC strategy.

Ajox Frederick: And this delta of the yield drop is purely because of mix shift that which we are getting nothing else right, only these two parameters?

Shirish Patel: Yield drop as Sanjay has already communicated one biggest thing is AUM mix between B2C and B2B business 2.5% toward the retail that is B2B business obviously because on that business you payout so one major reason is that.

Moderator: Thank you very much. We will take this as the last question. I would now like to hand the conference over to Mr. Sanjay Shah for the closing comments.

Sanjay Shah: Thank you everybody for patiently listening to our commentary. So, if you have any query further I think Parth and the management is available to clarify on any of the matter which you require to be --. Thank you very much. Thank you.

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