Date: 13.08.2024

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**

ISIN: **INE00F201020**

Dear Sir/Madam,

Sub.: Transcript of the Conference Call for Un-Audited Financial Results for the Quarter ended June 30, 2024

With reference to our earlier intimation dated August 05, 2024 and in terms of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of the Conference Call with analysts and investors held on August 09, 2024 in respect of the Un-Audited Financial Results for the Quarter ended June 30, 2024.

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

Please take the same into your records and do the needful.

Thanking you,

Yours Faithfully,

For, Prudent Corporate Advisory Services Limited

Kunal Amrishbhai Chauhan
Digitally signed by Kunal Amrishbhai Chauhan
Date: 2024.08.13 12:23:45 +05'30'

Kunal Chauhan
Company Secretary
Membership Number: ACS- 60163
Email: cs@prudentcorporate.com

Encl.: As Above

“Prudent Corporate Advisory Services Limited Q1 FY’25 Earnings Conference Call”

August 09, 2024

MANAGEMENT: **MR. SANJAY SHAH – CHAIRMAN AND MANAGING DIRECTOR, PRUDENT CORPORATE ADVISORY SERVICES**
MR. SHIRISH PATEL – CHIEF EXECUTIVE OFFICER AND WHOLE-TIME DIRECTOR, , PRUDENT CORPORATE ADVISORY SERVICES
MR. CHIRAG SHAH – WHOLE-TIME DIRECTOR, PRUDENT CORPORATE ADVISORY SERVICES
MR. CHIRAG KOTHARI – CHIEF FINANCIAL OFFICER, PRUDENT CORPORATE ADVISORY SERVICES
MR. PARTH PAREKH – INVESTOR RELATIONS, PRUDENT CORPORATE ADVISORY SERVICES

MODERATOR: **MR. LALIT DEO – EQUIRUS SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to Prudent Corporate Advisory Services Q1 FY'25 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 a touchstone phone. Please note that this conference is being recorded.

This conference 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 hand the conference over to Mr. Lalit Deo from Equirus Securities. Thank you and over to you, sir.

Lalit Deo: Yes, thank you, Sumit. So, good morning, everyone and thanks for joining the call.

To give a brief update on the 1Q FY'25 Results and address Investor Related questions, we have the Management of Prudent Corporate Advisory Limited represented by Mr. Sanjay Shah – Chairman and Managing Director; Mr. Shirish Patel – CEO and Whole-Time Director; Mr. Chirag Shah – Whole-Time 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 over to you, sir.

Sanjay Shah: Thank you, Lalit. And good morning to everyone. I whole heartedly welcome all of you to Prudent's 1st Quarter Earnings Call. Thank you all for taking the time to join us today. I trust you have the Investor Presentation which we uploaded on the Exchanges yesterday, as we will be referring to it during our discussion.

So, before diving into the quarterly numbers, I am thrilled to share a significant milestone which we achieved at the end of July. Our AUM has crossed Rs. 1 lakh crores on 26th of July 2024, nearly one and a half year ahead of our guidance. This remarkable achievement was primarily driven by substantial mark-to-market movements. To put this in perspective, it took us almost 18 years to build an AUM of Rs. 20,000 crores, and last Rs. 20,000 crores were added in just six months. This milestone also underscores the immense value mutual fund distributors find in partnering with Prudent thanks to our advanced technology offerings and the robust physical on-ground support. Definitely, our next target is to reach the SIP book of Rs. 1,000 crores by March 2025, and we are confident in our trajectory.

So, now I move to numbers, so please refer to Slide #41:

The left-hand side of the chart shows a strong tailwind for our growth in the mutual fund business in FY'25, which we mentioned in our last con-call also. In FY'24 our revenue was based on a yearly average AUM of Rs. 69,950 crores. We began the current fiscal with an AUM of Rs. 83,400 crores, making a 19.2% increase over FY'24. This sets a solid fundamental and the foundations for the current financial year. Our current AUM is even higher than the Rs. 83,400 crores due to strong mark-to-market gains and net sales, indicating robust growth for FY'25. For this quarter, our quarterly average AUM in June grew by 52% year-on-year and 10% sequentially to Rs. 89,300 crores.

Please move to Slide #42. Here we have provided the details of movement in our equity AUM, both year-on-year and quarter-on-quarter. As seen in left hand chart, our closing equity AUM has increased by 57% Y-o-Y to around Rs. 93,150 crores, with nearly three-fourth of these growth driven by mark-to-market gains. The mark-to-market gain for the trailing 12 months stood at a strong Rs. 26,000 crores.

On the right-hand side, which shows the movement in equity AUM sequentially, our equity AUM grew by 16%. Our net equity sales of Rs. 2,500 crores for this quarter were very robust, and it is accounting for almost 40% of our total net equity sales in FY'24.

Now let us move to Slide #43 where we discuss our market share in overall equity AUM and the SIP data. Our market share in equity AUM excluding ETF improved from 2.46% in June 2023 to 2.52% in June 2024. In the bottom left you will see data on monthly SIP flows and our markets share in SIPs. At the end of the month, our monthly SIP book reached Rs. 7.8 billion. We added Rs. 238 crores to our SIP book over the past 12 months and are on track to reach Rs. 1,000 crores by March '25. From last few quarters, we have also been providing you the data on our systematic transfer plan numbers. In June 2024, we collected Rs. 98 crores in STP, reported on an actual realization basis. The average value of STP is Rs. 6,650, which is much higher compared to the SIPs. And please note that the STP value of Rs. 98 crores is not included in the SIP number which I talked about.

Now let us move to Slide #46, which is about the current financials, and these are the data on standalone basis. So, before I start the explanation on the Slide #46, let me just tell you we received the approval for merger of Prudent Broking Services which is our wholly owned subsidiary with Prudent Corporate Advisory Services from RDS, Regional Directors of Roc, hence our standalone numbers are combined for mutual fund and the broking businesses, and it has been restated for all the reported period. So, wherever you look at this standalone number, please note that this standalone number has been revised and we have added the broking revenue also, because the merger has been becoming effective from 1st April 2023.

Now coming to the numbers, this quarter has been extremely satisfying with revenue and profit both growing by 50% and 57%, respectively. You may have noticed that our revenue yield from distributing the mutual fund product has improved by almost 2 basis points sequentially to 92 basis points. This improvement is due to the release of withheld brokerage following the relaxation of KYC norms. Please note, we have received the Rs. 4.41 crores of withheld brokerage which was for the period of FY'23-'24. So, that means it was belonging to a previous year period.

Let me just give you the explanation also. Since July '23, brokerage was withheld if Permanent Account Number and the Aadhaar of an investor is not linked by them. Additionally, a circular was issued by regulator in October 2023 requiring the verification of both contact details, e-mail and mobile if KYC of an investor is done using the Aadhaar. If either of the thing is not validated, then your brokerage will go in the withheld situation. This entire, both the circulars have been relaxed in May 2024 in the current year, leading to receipt of withheld brokerage of about Rs. 4.41 crores which is approximately 2 basis points. So, if you exclude this, then again our yield comes back to about 89 to 90 basis points, which is flat compared to our last full year revenue excluding the B30 revenue. So, if you adjust this additional revenue which we have received, our adjusted revenue in the current quarter grew by 10.3% while over quarterly average AUM grew by 10.4%, that explains our top line as well as growth in AUM.

Now coming to another important parameter related to payout ratio. If you look at our payout ratio has also increased sequentially by 0.6% to 62.2%. It is mainly due to changes in the indirect mix in our total AUM. The AUM of indirect channel, which is the business contributed by our channel partners, has increased by 0.8% to 88.8%, balance 11.2% comes from our direct channel, and the Karvy Asset which we acquired which has not been assigned to any channel partner. So, that 11.2% do not have the payout cost. Now we assume the pass out of around 65%, then 65% of 0.8% change explains our change in the payout ratio.

Let me also address one another important point related to employee cost. You will notice that employee cost has increased by 16.2% sequentially, mainly due to increment of 15.6% as mentioned by us in the last call, coupled with opening of 16 new branches in the 1st Quarter of this year between April, May and June. The net addition of employees during the current quarter is about 78 people, primarily due to our branch expansion. Since most of our new employees have been hired in June, the current quarter employee costs do not fully reflect the actually increase in expenses. So, if you look at the full year, we expect that the cost, which we have been seeing at 16.2% growth, we assume full year rise will be in the range of 17.5% to 18.5%. After considering all these things, if you look at, our profit after tax grew by 10.1% sequentially, and 57% year-on-year to Rs. 38 crores, which has been a very, very healthy and robust number.

Now, let me take you to the consolidated numbers:

So, now in the case of consolidated numbers, as you all are aware that typically Q4 is very strong for us in the insurance business. So, normally it is not appropriate for us to compare the consolidated numbers of Q4 versus Q1, mainly because of significant changes which you normally see in the insurance business. Hence, on the insurance front, if you look at, our insurance revenue grew by 60% year-on-year to Rs. 26 crores and in the general insurance front, predominantly health insurance business for us, health business grew significantly by 45%, taking our total health book to about Rs. 105 crores, which is significantly renewal revenue in nature for us.

So, when I am talking about the consolidated numbers, I am talking about Y-o-Y only for the sake of comparison properly. So, if you look at the consolidated numbers, our operating expenses growth was in line with revenue growth and operating profit increased by about 51% Y-o-Y. Consolidated profit also grew by 77% Y-o-Y to Rs. 44 crores. In summary, FY'25 looks very, very promising as both mutual funds and insurance segments are set for the robust growth.

Let me touch upon our treasury book:

Additionally, our treasury book currently has reached Rs. 300 crores, providing us the substantial war chest to pursue inorganic growth opportunity. So, to conclude, in this phase of Amrit Kaal, the mutual fund industry is poised for robust growth. We anticipate a significant increase in per capita income during this period, which will definitely drive greater investments in mutual funds. The favorable economic conditions and supportive regulatory environment will provide substantial growth opportunities.

With this, I would like to thank everyone for your kind attention, and 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 on the line of Swarnabh Mukherjee from B&K Securities. Please go ahead.

Swarnabh Mukherjee: I have three-four questions. Sir, first I wanted to ask that you were given the explanation about the realization increase, but adjusting for that also since we are around 90 basis points, and you had previously guided around 88-89 basis points, so how should we think about this going forward given that our share of equity assets in the mix is also increasing slightly? So, 90 basis points is the number that we should work with going ahead? And also, if you could give some color on how we should think about the debt category, because there the assets have seen some degrowth, if I am not wrong. So, would it remain in this range, or should we also expect some kind of traction there? That is the first one.

Secondly sir, wanted to understand that while we are growing our SIP book fairly strongly, it seems that our lump sum net flow seems to be stuck in a range, while for the industry it has seen some significant improvement with NFOs, etc. coming in. So, just wanted to know about our incentivization towards the sales force now primarily, and we should only see SIP driven growth, or should we expect that the lump sum flows should also start seeing some action there?

And also, if you could highlight, what is the strategy of our sales team in terms of our sales team in the sense that has been happening at a fairly, the pace has kind of reduced on, of course, the book has increased when the pace is kind of reduced. So that is on the mutual fund distribution business. And as we found on the life insurance side, if you could tell me, given that despite the base benefit your growth is fairly subdued in the life insurance business in terms of premium growth. So, which products are we selling right now? Does it still continue or are we picking up big product as well? Those will be my questions, sir. Thank you.

Sanjay Shah: Thank you, Swarnabh. So, probably I will address one or two questions and then I will call Shirish also to join in. So, you are talking about the guidance on the margin. So, as you are rightly saying that 2 basis points which we have received were belonging to the previous year. So, if you take out that 2 basis point I think we are fairly confident that in the full year you can definitely consider the top line revenue in the range of 89 basis points, 89, 89.5 basis points, that's something which is a reasonable fare guidance I can give you, keeping the current situation in mind. That is number one.

Number two is, I think that Prudent has been very, very strong on the equity side since long. So, if you look at my debt to AUM in total is hardly about 3%, 3.5%. And if you look at the number which we have given, our equity and equity related products, which is the full fee products, our AUM share is about 96.3%. So, I think for us, because we do not represent significantly a debt component, I think some amount of redemptions or money moving out. Or even if there is a good momentum of money coming in, I think you are neither a beneficiary nor the losers as far as your non-equity segment is concerned. So, that is our first question.

I think the second question which you are talking about is, lump sum versus the SIP money in our gross flows. So, actually if you look at this particular year, especially I am talking about the April, May, June, our lump sum is 62.5% or 62% of my gross flow, which is highest ever. So, probably I can tell you I think the number on all fronts, I think the gross flow is much, much better, supported by the new money or the lump sum money which we have collected. Definitely in April, May, June NFO has also supported us and the industry. So, if you look at our collection from all NFOs, in the 1st Quarter it is also about some odd Rs. 550 crores.

But might be that industry might have done reasonably better on the gross flows normally because you will see traction of NFO is normally better, participation becomes healthier from all the grounds, but probably we do continuously do good work on the regular business also. So, I am just trying to address these two questions. I think I will just now ask Shirish to…..

Shirish Patel: So, basically if you look at the life insurance business, of course, the industry is seeing some growth in the premium, at the our stage I think we are flat in the life insurance business mainly because we are historically not selling the ULIP products in the life insurance business. The industry has seen the flows on the life insurance front from ULIP products. Product categories what currently we are selling, might change from October onwards. But till now I think we are continuously focusing on the products which we sell. Traditional plans are still getting sold very, very aggressively in our system, and then the annuity. So, these are the products we have been selling for last four, five years and still we are continuing selling. At least till September, October onwards I think since the life insurance industry is getting changed in terms of various product, that's time what we need to look at it.

Secondly, in addition to that, I can tell you that last few months we have already started looking at ULIPs in our system. Though aggressive selling has not yet started happening. But ULIP is a product category which we started accepting in our system in the last few months. Though I think the business is not that great in last few month. But yes, incrementally, ULIPs also might contribute to the life insurance business in our total premium. I hope I addressed your question for life insurance.

Swarnabh Mukherjee: And on the customer acquisition fees, if you can give some color. And also, sir, a follow-up on the life insurance business, do you have any clarity of how the commission payouts are going to happen in the second-half? Have you received any communication or any conversations going on? If you can give some color we can build in going forward. And yes, also the remaining question on the on-ground how the customers are….

Shirish Patel: So, basically, clarity about the life insurance payouts from October onwards has not emerged amongst distribution communities. Most of the insurance companies have not yet communicated it officially. Obviously, I think certain plans, I think, guarantee plans might see some kind of revision in the payouts, even that traditional non-guaranteed plans also might see some kind of cut in the payouts. But exact clarity about how and how much curtain will be back ended or not fully, all this clarity has not come out. I do not think clarity will come out even this month end as well.

My guess is that mid-September onwards we will start getting some clarity about the payouts from October. And obviously, I think most of the companies would like to see what others are doing. Obviously, they're not opening their cards as well. So, full clarity I think which we can communicate to you, that kind of clarity is not there yet.

Coming to the client acquisition side, obviously, I think in mutual funds, mainly our client acquisition happens through the mutual fund business. And month-on-month if you look at new client acquisition momentum is very, very strong for Prudent as well as in the industry. If we give you the number of last year, I think the number of SIP reported already would be there. But last year I think similar time 1st Quarter we had around 1.55 lakh SIPs, and the similar time this quarter is almost 2.5 lakh plus, addition in the SIP value and SIP number which is that I think new client acquisition is very, very strong.

Moderator: Thank you. The next question is from the line of Darshan Shah from Multi-Act Equity Consultancy Private Limited. Please go ahead.

Darshan Shah: My question was related to the commissions that we are getting from the asset management company. So, a couple of quarters back, one of the AMCs cut down their commission passed on to all the distributors in one of the schemes. And right now, we are hearing that a couple of large AMCs are talking about the same that they want to reduce the commission because of the telescopic pricing, because of which they are facing the yield pressure. So, are we hearing any such discussions? And what are your thoughts on the same?

Shirish Patel: So, what you are referring the AMC which cut in one scheme last year, I think this month again the same AMC same scheme is going to cut the historical commissions. What you are talking about, a few more other bigger AMCs have also started discussing the TER cut on the historical assets because they have a yield pressure. And that's true, because if you look at the last few years, the market has delivered very, very great returns, and mainly because of the mark-to-market gain the yield on the business what AMCs would be having I think is under pressure. Obviously, I think it started by few AMCs and many other AMCs might follow in future as well. And as and when the AUM becomes bigger for any schemes, this may become a practice incrementally.

But for us, I think as you know that our 90% business is the B2B business, whenever AMCs would cut the commission for distributors, they also cut for the MFDs. We also being primarily an MFD focused company, as I said, 90% of our business comes through the MFDs, so we are also able to pass it on the major chunk of our cut. So, as we know that almost two-thirds one-thirds is the kind of ratio we normally follow. So, obviously I think bare minimum you always can expect that whatever would be the cut, I think in the similar ratio it always can be passed on. So, the impact on us primarily definitely would be much, much lesser because we are the B2B platform. But yes, I think what you are saying is right, few other AMCs might also follow this.

Darshan Shah: And this is more on the book AUM and not on the incremental flows, is that correct?

Shirish Patel: The incremental flows is always adjusted in the new payout. Every month AMCs adjust their payout based on the latest TER. That gets adjusted for years. So, therefore, it is the routine practice. Now what you are referring is on the book, so historical trends which the incidences are very, very less in the industry in last four, five years. Now, last year few one or two AMCs have cut, and right now also few AMCs have cut.

Darshan Shah: And on the incremental flows, how has been the trend in last six to nine months, is the commission payout even on the incremental flows gradually coming down or they have remained steady?

Shirish Patel: Again, that depends on many things. I think one definitely becomes important thing is that schemes are getting the flows. Now, within the new flows also there are schemes with the higher AUM and with schemes which have lower AUM. Obviously, I think when the business comes in the higher AUM schemes, the yield is lesser, with the smaller AUM scheme the yield is higher. Even NFOs also try to improve some yield on the gross yield side. To give our experience, yields in probably last one year our yield on the new business is probably down by hardly around 1 basis point. We could be able to maintain our yield on the new flows.

Moderator: Thank you. The next question is from the line of Sanketh Godha from Avendus Park. Please go ahead.

Sanketh Godha: Sir, we always guided that our SIP equity flow should be broadly in line or better than the net equity flows. But if you look at the data for the last two quarters, at least for 4Q FY'24 and 1Q FY'24, it has been 10%, 12% lower, in that sense. So, is it more to do that the demand for lump sum has increased because of the market value and that number has just got off track in last two quarters, and how do we how do we see this playing out going here? That's my first question.

And the second question is with respect to that regulation which came in the month of April, that your ARN codes can change, and you can carry the trail after six months' cooling period. Just wanted to understand if any porting is happening and you as a company is meaningfully benefiting out of it, especially bank ARNs moving to you? Any color if you can give on that thing will be useful.

Shirish Patel: Giving the answer for the first question, you are saying that the net sales is lesser, in terms of percentage of the sales the net sales is lower by 10, 12 basis points. Yes, one reason you can attribute to the higher lump sum flows as well. But we historically have said that in the medium to long term, we believe that our net sales would be equal to the SIP sales. Few years it could be higher, few years it could be lower but yes, I think that is what our historical experience of 10 years is that net sales equal to the SIP sales. And I believe I think in the current year, either experience is rather positive I would say, the net sales is little higher than the SIP sales. So, of course, I think sometimes the gross flows increase, sometimes gross flows comes down because of the sentiment and everything. But as of now, we are not seeing any trend wherein we can see that the net sales is going down, rather this year net sales is much higher than last year's net sales. So, I think the number says something different compared to what you are saying.

Second point what you said is that, yes, I think after change of ARN, I think 6 months onwards we start getting the commission. Of course, I think we already started getting few interest from the wealth RMs or the banking RMs. We also have acquired a few of them. But any major movement in movement, as of now we have not seen the great movement. But we are very bullish and I think this trend will become stronger and stronger over a period of time. So, getting more and more AUM by these guys joining Prudent kind of late, I strongly believe that he will become a trend.

Sanketh Godha: But do you have any strategy in place to take the advantage of this regulation?

Shirish Patel: We have a dedicated focus, but we do not incentivize anybody, can you join us and we will pay you extra or something like that, because that is what historically we have been believing that we will not incur a loss on the business of any business. But yes, I think our focus on this segment has increased drastically compared to what it used to be.

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

Prayesh Jain: Sir, firstly on the employee, probably I might have missed this, your employee expenses have gone up sequentially while your other expenses have gone down, could you explain both the trajectories and how should we think about both these factors from a full year perspective?

Sanjay Shah: So, employee expenses, we already gave you the explanation that the major cost rise came due to the salary revision, which has happened at the end of last year. So, which is almost about 15%, 16%. And over and above that, we assume that in the full year you might see an additional 2%, 2.5% of incremental cost because of new branches which we have opened. As well as, as we add the manpower in the current branches. So, all in all, you can say that about 18%, 18.5% is likely to be the overall full year cost impact. I think I can tell you; this is the industry which is driven by manpower. So, you will not expect that the normal growth would be tad higher than the average. So, I assume that if it is a good year, you might see some amount of hike in the employee. So, on an average, if you look at last three, four years, our employee cost has, I mean, yearly cost on the revision has been in the range of about 10% to 12%. So, which probably I believe that will continue in the same range, about 12%%, 12.5%.

Shirish Patel: Prayesh, the main reason additionally, I think what Sanjay bhai is talking about, it might increase little more in the year because we have opened 16 more branches in last one quarter. And I think the second strategy for us was to add more manpower in the existing branches than we have added in this year. And answering your second question about the decrease in other expenses, so dip in other expenses is mainly on account of lower insurance business in the 1st Quarter.

Prayesh Jain: With the previous quarters as well, the run rate is lesser than even those. So, for example, even if you compare it with say Q3, it's still lower. So, is there any some cost savings that we have done or what kind of trajectory we should assume there?

Sanjay Shah: No, I think this is in line with our expectations. So, I think probably you just need to look at the other expenditures on an annualized way. So, probably if you look at the expenditure which you have provided, there are a couple of provisions also would be the other expenses, you just make it as an annualized cost. So, insurance is something which is, to an extent, volatile. If you see good business, you will spend more. Otherwise, mutual fund will remain very, very static.

Prayesh Jain: Sir, what's the kind of trajectory you have seen on your alternate business, PMS and AIS, what is the kind of size we have achieved there?

Shirish Patel: You know that I think we started this business two and a half years back, and I think last month only we crossed the Rs. 1,000 crores even in alternate. So, what we are reporting Rs. 1 lakh crores mutual fund AUM in July end, that doesn't include the alternate assets income. So, 1 lakh crores is pure mutual funds and we just have crossed Rs. 1,000 crores in alternate.

Prayesh Jain: And what is the kind of revenues you would have earned on those Rs. 1,000 crores?

Shirish Patel: See, you wanted to understand, I think 15%, 20% higher than mutual fund.

Prayesh Jain: The realization is 15%, 20% higher than other mutual funds?

Shirish Patel: Yes. The net yield if 15%-20% higher than mutual funds.

Prayesh Jain: And sir lastly, on the broking business you have kind of merged it with yourself now, what are the plans there? Do you want to get big in there? And what kind of investments are planned there?

Sanjay Shah: So, if you look at specifically the main reason for merger of broking is because, if you look at, initially broking was a standalone separate business and Prudent Corporate was not in the business of broking. But once we had a strong technology platform, there was a strong need for us to make it all product platform, and we started getting all the exchange. So, I think we became a broker with NSE, BSEverything. So, there is no point of maintaining two separate entities. So, major reason is the operating convenience for us to merge both under single arm, that was the main reason.

I think the strategy for the broking will continue to be providing this strong robust execution platform so that the customer and my partner should not go somewhere else for doing the broking business. Otherwise, I think as an organization, we continuously believe that I think mutual fund is going to be the significant wealth enhancer for the retail investors. But I think we will continue to concentrate on the broking from the point of view of providing strong execution capability. So, if somebody wanted to do any kind of activity, whether you wanted to trade on whether you want to do F&O. So, if you look at it, we have been trying to do a lot of fundamental thing by providing the long only call. We have tied up with a couple of small cases. We have been talking about providing stock SIP. So, I think we will cultivate the culture more towards cash segment rather than F&O.

Prayesh Jain: What is the contribution of broking today in terms of overall revenues?

Sanjay Shah: I think about 3.5%. So, I think broking has been more or less stagnant for us. But post merger I believe it should see some positive traction.

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

Abhijit Sahakare: Sir, the first question is on the commission cuts from the AMC side. If you could talk about, how would you think about what's the new parity in terms of the right balance? Not asking for specific numbers, but how would you kind of balance the interest of the AMCs with your own during such negotiations? And the second question sir is, on the recent RIA guidelines, how do you think about that channel going forward? And would you want to kind of tap into it? Or philosophically you have a thought process around operating in a commission-oriented environment?

Shirish Patel: So, let me tell you about the second question about RIA. We already have RIA license in one of our company called PruTech Financial Services, which is a 100% subsidiary of Prudent Corporate. However, we continue to believe that collection of fees from retail is a very, very difficult process and we will continue to be I think a distribution house only. So, our major driver of collecting the revenue would through distributing the regular products. Regarding the negotiation and right balance, I think Shirish come into the picture. Shirish?

Shirish Patel: So, regarding the commission cut on the book side, mainly because AMCs margin is mainly mark-to-market and that is becoming a reality. Maintaining the balance in this particular thing, always I think on the new business it is adjusted. So, we always have a very, very strong and good relationship which is proper balancing between AMC and us, it is always maintained with everyone. When these kinds of cut come, on the book side, obviously, AMCs also try to see the balance between their margin and their distributors impact. Here I think the bargaining power of distributor is always little lesser compared to the new businesses, obviously, because when the margins are under pressure AMCs will take a call. But we always believe that whenever AMC cuts the commission, they cut for the majority or every distributors. And that is where again we would reiterate that we being primarily 90-plus-percent business from B2B, whatever would be the cut from the AMC's side, since the AMC's also will cut for the mutual fund distributors, we also are able to pass it on in a similar fashion. Obviously, you might not be able to pass on in full, but major component of that we are able to pass it on. So, that is why the yield margin impact in our business would not be that big. If we would have been a B2C platform, obviously the margin impact would have been much higher.

Abhijit Sahakare: One follow-up on the RIA question? I think in the recent speech by the SEBI Director, I think there was a reference around creating some sort of a body or an association that would, looks like the intention is to aggregate the RIAs as well on one platform. So, my question really was that, at some point of time, do you think that also starts to become a meaningful channel and a sort of a source of disruption for our business?

Shirish Patel: So, historically also if you see, RIA platforms were available. I first used to go and also play as an RIA platform earlier. As of now we have not thought of, but yes in case if the requirement comes and if we believe that I think this business also makes sense, obviously we might think at that time. But as of now, as Sanjay bhai said that we are not looking at launching the platform in the RIA.

Moderator: Thank you. The next question is from the line of Arvind from Sundaram Alternate. Please go ahead.

Arvind: Can you give some color on the aspirations in the insurance distribution business for us? Like in the sense like either in terms of growth or in terms of market share or anything like that in three or five years, sir?

Shirish Patel: We are not giving any kind of, I would say, numbers to the public. But yes, I think unlike mutual funds, we do not even track the market share on insurance basis, because we are yet smaller on that particular side. But internally, yes, we always believe that I think this business is going to become bigger and bigger. This business is growing faster than the mutual funds. Obviously, it should grow faster because the base effect is less. Penetration of the insurance industry or insurance product is still very, very less in the country, so this industry has to grow. We have a network of more than 30,000 distributors, currently around 11,000-plus distributors are converted to POS. So, within Prudent system also we have got huge universe whom we can tap for distributing insurance business. So, we strongly believe that the insurance pie in Prudent is going to grow. But yes, I think we are reluctant to give any kind of guidance in the insurance business. Within insurance, our focus is more on health insurance, or rather I would say on retail products first, and within retail products mainly we focus on health insurance and life insurance. We might launch the insurance transactions on fundzbazar platform in the next few months. Once we launch the insurance on FundzBazar platform or other product categories also will come in like motor and personal accident and travel and everything. So, yes, I think we are very, very serious for the insurance business, but there is no specific guidance for that.

Arvind: And just one more question if you can address, like is there any, I mean, reluctance or how would you transition the distributors in terms of selling mutual funds to selling insurance? Obviously you must be having some training programs and all, but is there any significant road block in terms of behavioral thing or any other thing like there, how are we addressing that?

Shirish Patel: Basically, 60%, 70% of our distributors are traditionally insurance agents, life Insurance, LIC agents, traditionally. Obviously, it is not like these guys are not selling insurance. Yes, I think there are 30%, 40% of the guys are not selling insurance. So, for us there are two set of problems, I would say. Convincing those guys who are not selling insurers to start the insurance business. And second is, convincing those guys who were doing insurance business directly with the LIC or other insurance companies to work with us. So, yes, over a period of time, every year you might have seen that the number of people, number of participants in insurance segment is increasing. Nowadays the trend has also become for distributors to do multiple products at a single umbrella. Obviously, the realization or the acceptance of multiple products in a single platform also is increasing and that is also helping. As I said that in next few months hoping to launch insurance business on a FundsBazar platform, that also could be the trigger for many other partners who are not selling insurance business till now. Since on the same platform insurance is available, they might look at selling insurance with us. So, I think these are the points.

Moderator: Thank you. The next question is from the line of Dipanjan Ghosh from Citibank. Please go ahead.

Dipanjan Ghosh: Just a few questions from my side. First, if you can kind of again elaborate on the commission regime in terms of manufacturers passing on some of the hit to you guys. I just wanted to understand, are these legacy assets which have been there in the system for, let's say, with vintage of more than five years? This would be on assets which let's have been originated post the regime change on the expense ratio side or these would be like on fresh assets? So, just if you can broadly elaborate on what the AMC's are kind of negotiating with you guys on the discussion table.

Second would be more on the insurance business and especially the general insurance business. It seems that your renewal ratio has kind of increased quite a bit. The ratio, basically the renewal premiums of this year to the overall premiums of the base year. Just want to understand, is it reflecting the price hikes on health business that has been taken by the underlying manufacturers on their bank book? And lastly, in terms of, if I were to look at your net sales on the mutual fund business, can you break it down between lump sum and non lump sum portion?

Shirish Patel: So, first point, we already addressed before question that new business payouts are adjusted every month. So, every month AMCs gives us the commissions structure based on their latest TER. Majority of our assets are whenever the business was done, it was based on the latest TER. But here, mainly because of large few years growth in the market, obviously, the AMC margins have come in the pressure, that is here few of the AMC, and I am sure that all AMCs might not be able to do and will not do, mainly because those AMCs wherein the flows are very, very high and the historical AUM was very, very strong and mainly because of the mark-to-market that scheme has gone up drastically. A few of these AMCs might cut on the historical trail. Again, I would say that the trail cut would be all across the distribution community, so we are not affected. But again, new businesses are adjusted on a regular basis and hence the trail cut would not be there. So, that is what I would say on that first part.

Second part you said that our renewal ratio has gone up. Historically, we have been focusing on the quality of the business, so we are not here to look at the growth of the business at compromising the quality. In terms of quality, probably we would be one of the best in the country in terms of persistency ratio and the quality of the business. And we are striving to achieve or maintain that kind of number. On the renewal side, our constant efforts are always there to renew the policies, that also helps us to improve our renewal numbers.

Third part you asked that the split between lump sum and the non lump sum in terms of net sales, I think it is very, very difficult and I do not think that anybody shouldn't and would be top tracking the net sales based on whether the SIP is getting redeemed, or the SIP flows are getting redeemed, or the lump sum is getting redeemed. For us, the simple formula for us net sales is, gross sales with SIP or fresh gross sales minus all the redemptions in the net sales. Because I think today if the Rs. 1000 SIP after 10 years becomes very, very big and the client redeems after his goal is achieved. And when he redeems, the redemption would definitely be huge. That time we cannot say that the money redeemed is the SIP money. So, redemption is redemption for us. So, net sales, we do not bifurcate between lump sum and SIP. For SIP net sales, we always track what is the net addition in the SIP book versus the addition of the gross

SIP book. So, say for example my opening SIP book is Rs. 100 and we added, say for example, Rs. 30 in this year, and we end at around Rs. 120. So, obviously we look at that Rs. 30 SIP we have added and Rs. 10 SIP has been terminated. So, that is how we treat the SIP numbers, but not in the net sales. I hope I think I cleared all your points.

Moderator: Thank you. The next question is on the line of Alisha from Envision Capital. Please go ahead.

Alisha: Sir, two questions. One is on the MFD side. While you have been highlighting that the indirect mix has been going up and hence the payout ratio has also been increasing, we have also been saying that we were expecting it to settle around 62% and this quarter it is even higher. Where do we expect this to settle? And will it probably normalize to 62% for balance of the year?

Shirish Patel: This year it might not change, 62% on the total book because around 10%, 11% of the book wherein we are not paying the commission. So, if you do the back of the hand calculation, annual calculation, obviously you get that number around 67%, 68%. This year this number we are not expecting to change drastically. Obviously, I think these kind of numbers might change, but over time it might change because as and when the commissions comes down, you cannot maintain the absolute basis point margin, but percentage terms still we believe that we should be able to maintain the similar kind of margin over here. It would not change in the near future drastically.

Alisha: So, what I am understanding is, what we have paid out in Q1, that should be a more sustainable number because now the mix is 88 and 11?

Sanjay Shah: So, tomorrow at times the mix changes, then obviously this ratio might, today we are around 89%, 90% in the B2B side. If after a few years this ratio becomes 95%, 5%, obviously this nine this number might change. Second could be, as I said, as and when the AMC size becomes bigger and bigger and bigger and the TER cut comes down, obviously, that also might impact either positively or negatively on the percentage sharing. And third, again on the book side, how AMCs cut to the distribution community and how we are able to pass it on to the distribution community, that also might impact this particular ratio. But as I said that this year we do not see the ratio changing.

Alisha: So, this 30 to 33 bps that we used to do net yield, will we be able to maintain that over the medium term? Or that can also be impacted because of the reasons that we have just been discussing?

Sanjay Shah: So, immediate future I think, yes, I think if you are talking after one year this yield might go down by 1 basis point, but it is not going to get impacted drastically.

Alisha: And my second question is, these other expenses in the standalone business have increased quite substantially on Y-o-Y basis, if you can just share what would this pertain to?

Sanjay Shah: I think we have not provided the Prudent learning conclave expenditure which happens at the end of the year. So, I think last year we started providing only after the 2nd Quarter onwards. That's the only reason. So, what we did is, it is basically a Prudent training and recognition program where we will select the distributors based on internal parameters. And the cost has been projected and which has been provided in the current quarter also, which was not there in the 1st Quarter of last year. That's the reason you will see more numbers.

So, that is one thing. Another thing would be, you will see administrative cost also going up because of additional branches. So, these are the two reasons. And probably I think another cost will be the CSR cost also has gone up. There are a couple of things which is contributing. Plus, I think we were just looking at the electricity also is one factor because the branches have increased.

Alisha: And with the branch addition that you are talking about, can we expect the AUM mix to again change in favor of direct versus indirect?

Sanjay Shah: Yes, AUM mix improving in favor of direct is not likely, because I think the direct we are not growing on that particular front. So, what Shirish also was saying, and I am also trying to communicate that if at all if you look at directionally, today 88.8% is the mix of indirect in the 100% of my AUM. Gradually that has to go towards 90% rather than going towards 85%, because the business and the SIP book comes from the channel partner significantly. So, gradually you will see that tilting towards the 90% rather than 87%. So, I am just trying to communicate direct can never grow because we are not trying to concentrate and growing on that particular piece.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to the management for the closing remarks.

Sanjay Shah: Thank you. Thank you very much. And I hope we will be able to address all the queries. There was some turbulence while hearing the questions, Swarnabh or anybody who could not get proper clarification, Parth is all the time available so probably you can reach out to us for any information which you require additionally. Thank you very much to everybody. 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.