

Ref. No.: FM/CS/2026/485**Date:** October 29, 2026**National Stock Exchange of India Limited**Exchange Plaza Plot No. C/1
G Block Bandra – Kurla Complex
Bandra East Mumbai – 400 051.**Scrip Symbol: SBIFUNDS****BSE Limited**Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400 001.**Scrip Code: 544829****Sub: Transcript of the earnings conference call relating to financial performance of the Company for the quarter and half year ended September 30, 2026.**

Dear Sir / Madam,

Pursuant to Regulation 30 read with Schedule III Part A Para A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations), please find enclosed the transcript of the earnings conference call held on Friday, October 23, 2026, at 06:00 p.m. (IST) relating to financial performance of the Company for the quarter and half year ended September 30, 2026.

The transcript of the aforesaid earnings conference call is also available on the Company's website at <https://sbifunds.com> in compliance with Regulation 46 of the SEBI Listing Regulations.

We request you to please take the above information on record.

Thanking you,

Yours faithfully,

For SBI Funds Management Limited

VINAYA

ANANT DATAR

Digitally signed by
VINAYA ANANT DATAR
Date: 2026.10.29
14:28:45 +05'30'**Vinaya Datar****Chief Compliance Officer, Company Secretary and Head Legal****Membership No.: ACS 15527**

Encl: As above



SBI Funds Management Limited
Q2 FY27 Earnings Conference Call
October 23, 2026

Moderator:

Ladies and gentlemen, good day and welcome to the Q2 FY27 Earnings Conference Call of SBI Funds Management Limited. From the management team, we have: Mr. Debasish Mishra, Managing Director and CEO; Mr. Srinivas Jain, Joint CEO; Mr. Manish Mehta, Chief Business Officer; Mr. Amol Joshi, Chief Financial Officer; Vinaya Datar, Chief Compliance Officer; Dinesh Balachandran, Head of Investments; Manish Chheda, Chief Investor Relations Officer, joining the call. I now hand the conference over to Mr. Debasish Mishra. Thank you, and over to you, sir.

Debasish Mishra:

A very good evening to everyone and thank you for taking the time to join the call. Let me begin with a brief view of the macro environment. The second quarter was marked by steady domestic fundamentals and broadly stable earnings, even as global pressures from higher crude, firm US yields, and a stronger dollar triggered foreign outflows and bouts of volatility. Despite this, strong domestic participation helped absorb the outflow shock, reflecting the ongoing shift of household savings into financial assets and keeping overall market sentiment resilient.

Now, I will brief about the mutual fund industry. Mutual fund quarterly average AUM expanded by 13% year-on-year and 5% sequentially as on 30th September 2026, touching INR 87.5 trillion at the end of September 30. Monthly SIP inflows continued to show strength despite market volatility and touched all-time record high of INR 32,490 crores in September'26. On fixed income, debt AUM saw a 5% year-on-year moderation, while liquid AUM recorded a strong 27% increase. Passive AUM grew 23% year-on-year, highlighting sustained investor interest.

Overall, industry inflows remained constructive despite short-term volatility across all categories. Industry continued to have a positive new customer addition, reaching up to 6.3 crores unique customers, an increase of 11% year-on-year.

Now, let me tell you the performance of SBI Funds Management. The company sustained its leadership in the industry, with quarterly average AUM market share of 15%. Our mutual fund quarterly average AUM stood at INR 13.14 lakh crores, registering 10% Y-o-Y growth compared to INR 12 lakh crores in the same quarter last year. As on September 30, 2026, our active quarterly average AUM was INR 8.99 lakh crores, reflecting 9% year-on-year increase, and our 5-year CAGR was 17%, backed by stable performance and sustained investor flows.

On passive front, we remain the largest passive asset manager with quarterly average AUM of INR 4.15 lakh crore, up by 11% year-on-year, further strengthening our leadership in that segment. On the alternate side, PMS and advisory QAAUM stood at INR 13.32 lakh crore, broadly in line with expectations. While the previous quarter saw a one-time relocation of a large mandate, it doesn't have any material impact on our revenues, and the underlying business momentum remains stable.

Our AIF platform continues to scale well, with QAAUM at INR 7,437 crores, reflecting 27% year-on-year growth. To further strengthen and deepen our AIF capabilities, we have also added a dedicated business head for the AIF practice, bringing sharper focus to product expansion and institutional engagement. Offshore funds contributed approximately INR 42,100 crores to the overall AUM. Gross margins across equity, debt, liquid, and passive strategies remained stable

during the quarter, and there has been a continued expansion in gross yields on a year-on-year basis.

Our unique customer count increased by 10% during the year, rising to 1.85 crores as of September 30, 2026. Our SIP AUM rose to INR 2.07 lakh crores with a 15% year-on-year increase. Monthly SIP inflows continue to remain steady at about INR 3,900 crores. We continue to maintain one of the largest distribution networks in the industry, supported by nearly 136,000 distribution partners. This includes over 125,000 independent financial advisors, over 10,000 national distributors, and over 96 banking partners, including State Bank of India, supplemented by 23,000+ SBI branches and 297 SBI Funds Management branches. This extensive reach enables us to service investors across more than 98% of pin codes in the country.

Our strong presence across Tier 2 and Tier 3 cities is reflected in the healthy B-30 contribution, with nearly 2/3rd of SIP inflows originating from these markets, underscoring our expanding reach and commitment to broad-based financial inclusion.

Let me brief you about the new product launches. We continue to maintain a strong product pipeline across Mutual fund, SIF, PMS, and AIF, with a clear emphasis on differentiated, investor-focused offerings. During Q2, we launched five new products, including one SIF, further strengthening our overall product suite. Among the filed offerings, both the Magnum Equity Ex-Top 100 Long Short Fund, and SBI Balanced Hybrid Fund saw stronger investor responses. Our Magnum Equity Ex-Top 100 Long Short Fund closed its NFO as one of the largest funds in its category.

Our GIFT City franchise continues to scale well, supported by the launch of SBI Global Thematic Advantage Fund. This initiative enables the investors in India to access global investment opportunities through LRS route. We are enhancing our capabilities across active, passive, and alternative strategies, with strong traction in AIF, PMS, and SIF, and growing international reach through GIFT City and offshore mandates, reinforcing our ability to serve rising India-focused demand.

Now, I'll brief you about technology and digital improvements. We continue to strengthen our digital-first approach. Today, 94% of our transactions are done digitally, supported by stronger adoption across InvesTap, Mitra, and partner platforms. InvesTap has grown into one of the largest digital investing apps in the industry, with over 4.3 million registered users. Monthly digital volumes now exceed 1.4 million transactions, and our ongoing investment in technology, AI, and automation are helping us to scale efficiently, enhance distributor productivity, and deliver seamless experience to investors.

We recently showcased our new tech platform called Aarambh at the Global Fintech Festival in Mumbai. Aarambh is one of the first assisted digital onboarding solutions built specifically for first-time investors. It enables Aadhaar-based biometric KYC, folio creation, and first investment in a single seamless journey. Importantly, it helps us to reach customer segments that remain outside the formal financial ecosystem, strengthening our financial inclusion efforts. Aarambh also integrates digital PEKRN i.e. PAN-exempt KYC reference number for customers

without a PAN card, allowing us to extend mutual fund access to the masses in a simple and compliant manner.

Coming back to financial performance, for H1 FY27, operating revenue reached to INR 2,336 crores, up to 12% from INR 2,089 crores in the same period last year. Operating profit rose to INR 1,797 crores, compared to INR 1,626 crores in H1 FY26, an 11% increase. Profit after tax came in at INR 1,566 crores in H1 FY27. Our strong net-worth of INR 7,270 crores as on September 30, 2026, continues to support strategic investment in scale, capabilities, and long-term value creation.

To conclude, our strategy will focus on four key pillars: democratizing wealth creation, accelerating digital delivery, strengthening investment performance, and building new growth engines. With this clear agenda, we aim to deliver consistent outcomes for our investors and continue to build a strong, technology-driven, and future-ready franchise.

Thank you for joining the call. We now look forward to your questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Prayesh Jain from Motilal Oswal Financial Services Limited.

Prayesh Jain: Thank you for the opportunity. A few questions. Firstly, if I look at your flows, we've seen a very strong traction in September. So, if you could just highlight some data points around that number as to know, how was the exit flows in September for us compared to the back book market share? How has been the flow market share on the equity side i.e. equity plus hybrid? That would be a first question.

Second question is on the cost front. We've seen a significant increase both sequentially and YoY in terms of employee expense as well as other expenses. So, what has driven this and what should we think about these costs from a full-year perspective?

And last question will be on the yield front, where we have seen a marginal dip in terms of yields sequentially. Is it just attributable to the telescopic structure or is there anything else? And also, if you could share the yields across equity, debt, liquid, etc?

Debasish Mishra: Thank you for the question. I will tell you the flows in active equity, passive and liquid. Our QAAUM has grown up YoY from INR 11,995 billion to INR 13,140 billion. And active equity QAAUM grow by 9% YoY to INR 8,986 billion. Passive QAAUM has grown by 11% YoY to INR 4,154 billion and liquid QAAUM has seen a strong traction with INR 1.2 lakh crores, and 31% YoY growth.

SIP has shown 15% YoY growth. And monthly SIP flows are nearly at INR 40 billion. And coming to your second question on the cost factor. Yes, we have heavily invested in technology and human resources in the last quarter, and there were some one-off expenses related to strengthening our cloud infrastructure and enhancing our AI-driven systems. We have appointed a new business head for our alternatives platform. All these have been a one-time kind of costs in Q2, which will not be repeated in the Q3.

Srinivas Jain: On the yields, I think there is marginal dip when you look at it from Q1 to Q2. There has been just a very minor dip because in Q1, we had seen some significant lower operating cost. Since costs were a bit higher this quarter, operating profit has come down marginally. But from a yield point of view, our equity yield continues to be strong. In fact, in Q2 FY27, equity yield would be closer to about 62-63 bps on an average, our debt yields are in the range of about 34-35 bps and liquid around 11-12 bps. That's the range that we have. These are usually competitive or close to best-in-class in its category.

Moderator: Thank you. The next question is from the line of Mahek from Emkay Global.

Mahek: Thank you for the opportunity. My first question was on the other expenses as you mentioned that there were some tech-related costs which were there in Q2 and Q3 onwards, you would largely not see these costs not coming back. Should we take the other expenses for the rest of the year to be in line with the Q1 number? So, that is my first question.

And secondly, we have almost added 1.9 million fresh SIPs during the quarter. Could you just help us from which channels these SIPs are being sourced? I was particularly looking if this was largely driven by SBI channel or any other channel?

Debasish Mishra: Yes. Thank you for this question. In fact, you have rightly pointed out this one-time investment in IT and human resources will be definitely moderated. It will be reduced to a large extent. A very small part may remain till the year-end. But however, we are very mindful of these expenses.

They will give us large dividends for future. These will gradually come down because our investment in AI and cloud infrastructure as well as key hirings will benefit us for lifetime. Now coming to the SIP inflows, the SIP inflows has come from all channels including SBI. We have a large number of mutual fund distributors including ROBO, RIAs which has contributed to the mutual fund SIP inflow. So, it is wholesome flow, not just specific to SBI or any other channel.

Mahek: Got it, Sir, and I can just squeeze in one more question. If we look at the employee cost, you've just mentioned that we are investing on the talent side. Could you just help us with a full-year guidance on employee cost growth over the next 1 or 2 years if you can just help us with that number?

Debasish Mishra: As we are a large player in the market, we are also entering different expansionary areas such as AIF, PMS, and other alternate platforms, and these require ongoing investment. Also, as we continue to grow in the market, our sales force and our distribution network are increasing accordingly. Of course, we did a significant hiring in this quarter, which will not be there in the next quarter. So, there will be some moderation. As we grow, these areas will also continue to expand. The one-time expenses that happened this quarter may not be repetitive in the coming quarters.

Mahek: Got it, sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Supratim Datta from Jefferies.

Supratim Datta:

Hi, sir. Thanks a lot for the opportunity. My first question again is on the cost bit. I do understand that there have been one-off hirings and investments this quarter. If you could help me understand that the INR 50 crores additional spend versus last quarter, what proportion of this would recur going ahead and what proportion will not recur? If you could give me some color, that would be helpful?

Secondly, wanted to understand that the recruitment that you're doing on the AIF side, what are the strategies that you're looking at rolling out? How do you see this business scale up over the next 3 to 4 years? If you could give some color on that, it would be helpful.

And lastly, we have seen markets being very volatile. You have done fairly well in adding SIPs. But if you could give us some color around the investor sentiment or during your discussion with distributors, what are you finding with respect to investor sentiment? How is that tracking and is there any divergence in behaviour that you are now seeing versus may be 3-4 months back?

Amol Joshi:

Hi, Supratim. Thank you for the question. On the cost side, I think you should assume the recurring part to be around 50-60% of it should continue because these are all senior management sort of investments that we have done on people. And on the technology also, while some of these items may drop off after Q2, there will also be some incremental investments as our business grows in terms of enhancing our capability to meet customer needs on the digital as well as certain AI-related investments that we plan to continue as time goes on.

Debasish Mishra:

Yeah. So, coming to the AIF-related business and strategies. As the largest fund house, we had entered into the AIF field long back. Although the size of the AIF book is not very large, but still we always had AIF in our kitty. What we are doing now is that we are looking at the private equity and private credit space more closely by building a team of few selected individuals. We have already filed with the exchange that we have appointed a new head of alternate in our company and building a strong team to drive alternatives in both private equity and private credit. I cannot give exact numbers right now, but in the coming years, this will be one of the books which will give us good volumes in top-line as well as bottom-line.

I'll come back to your very important question about sentiments of investors. In the last quarter, when the market has been volatile and not meeting anyone's expectations, there is a safety feeling coming back to the customer's mind. This is why the SIP inflows are growing. Although markets are quite volatile and I think you can also look at point-to-point NIFTY is coming down with YTD correction of 8.2%, SIP flows are still increasing. We are observing this shift in sentiment, where SIPs and hybrid schemes are seeing higher demand. These are the categories where investor interest is rising more strongly right now.

In fact, to supplement your question, our focus as the largest fund house is also increasing investor awareness in this kind of volatile market scenarios and much of our focus is also on the B30 locations, where we are also starting the SIP journey of new investors with proper understanding and also proper knowledge about these products.

Supratim Datta: That's very helpful. Sir, just one follow-up on the AIF side how much capital are you looking at committing into that business going ahead?

Debasish Mishra: We are not looking at capital allocation like a subsidiary kind of thing. We are starting with our own division for some years. Once it is a full-fledged kind of business unit, then we will think of a substantial capital allocation. Now it is a part of our own system. I will also ask my Chief Business Officer to supplement the answer about sentiment of customers.

Manish Mehta: Hi, good evening. Just to add to what our MD had to say. At least our experience of when we have been traveling the country and meeting with a lot of distributors, I think broadly, there are two segments of investors. One, obviously, are people who continue to remain in the mutual fund journey for a very long period and have maybe experienced a few volatile periods during their investment journey. So, there is a lot of maturity that this segment of investors is showing.

I think the anxiousness is probably amongst new investors who may have come into the industry in the last 2-3 years. But I think there's a lot of effort from SBI Mutual Fund and with the distribution partners in terms of how to educate these investors and sort of give them enough examples to showcase that long term is the right investment mantra.

Over long periods of time, people have made very healthy CAGR returns on their investments. The testimony of that is if you look at the September net sales numbers for the industry, the number came in at about INR 38,000 crores. What does it mean? That despite INR 32,000 crores of SIP book, there was incremental demand of about INR 5,000 to 6,000 crores of lump sum purchase which investors have made. I think that also gives us a lot of confidence that investors have matured a lot. And every opportunity that they are getting to sort of look to add into the mutual funds, I think they have been very actively doing it.

Supratim Datta: That's very helpful. Just one thing here. Is there a difference in the sentiment when it comes to assisted channels and unassisted channels or Fintech platforms?

Debasish Mishra: We have not done any study on that, but I'll again request Manish to give overall view

Manish Mehta: I think in these periods of time at the end of the day it's investments. So, when there is advice that maybe clients are getting through their distribution partners or through relationships managers of the banks or national distributors they deal with, their understanding probably is much better.

As far as the Fintech platforms are concerned, the decision to buy has been taken by the investor, and the decision to act has also been taken by that investor. But even in that space, one thing which we've been observing is that a lot of these platforms have also been taking up a lot of initiatives at their end to communicate to those segments of investors.

It could be through maybe digital IPs that they have been doing. It is through a lot of YouTube seminars that they've been doing with mutual funds. Even at SBI, also we've been doing a lot of such videos of our fund managers or just general question-answer sessions, which they've been uploading on their website, all of that and writing a lot of blogs. So, they're also doing their bit

to see to it that they're able to reach out to these investors and communicate that story of long term is how you look to create wealth.

Supratim Datta: Understood. That's very helpful. Thank you.

Moderator: Thank you. The next question is from the line of Shreyas Pimple from Nomura.

Shreyas Pimple: Hi. Thank you so much for the opportunity. My first question was on cost. While you highlighted that cost has been elevated in Q2, do we have an ESOP policy in place and in which quarter can we expect this higher cost due to ESOPs coming in, if you can explain that, please?

Debasish Mishra: We already have an ESOP policy in place and it is fully active. And we don't expect any cost implications in the coming quarters due to this policy. Whatever the regular discretion happens, that will continue, not an exceptional cost increase due to ESOP policies.

Shreyas Pimple: Sure. That is very helpful. My second question was on SIF. We have seen strong AUM growth from around INR 35 billion to INR 44 billion in this quarter in SIF majorly because of the new SIF that we have launched. My question was ex of that inflow from that one SIF launch, how much is the inflow coming into SIP as the industry and what is the inflow share of SBIMF in that SIP inflow coming for the industry?

Srinivas Jain: Unfortunate part is we don't have SIF-specific SIP data available in the market. But we can hazard a guess it's a smaller number, because SIF is a high-ticket investment value. We have seen traction in the new fund that we launched, where we have got record collection.

Also, on our previous fund of ours, we have got net inflows there. So, in a way, we have about 16%-plus market share in that segment and continues to grow. We have only launched two funds till now and we still have 4 more to go out of the total 6 SEBI-approved options. So, you could expect more of the SIF products to come in coming days from our side.

Shreyas Pimple: Sure, sir. Just one thing, what would be the industry-wide SIF inflows, if you can help with that, maybe per month or per quarter?

Srinivas Jain: I can pull that up, but I don't have it handy at this point of time. But I think that most of these flows are because of new funds being launched. I think that will look like anomaly, including ours, because the SIF as itself is a new phenomenon. What I feel is most of these funds, I mean there are quite a few of them now, all of them have been launched in the last quarter or so, majority of them. I am assuming all these flows will be NFO-related flows. There'll be a significantly small portion coming from non-NFO.

Debasish Mishra: In fact, Shreyas I'll supplement what Joint CEO said. See SIP for a long time has been led by small investors. And we have seen that contribution of SIP from B30 cities which is much more like 65%. So, there the mutual fund schemes have more prominence than SIF. SIF-related SIP is coming up, but it has to catch up much more.

Shreyas Pimple: Yeah. Thanks for that. Another question was on employee cost. You highlighted that there were some hires and because of that we had a higher employee cost. The cost quarter-on-quarter was

higher by around INR 27-28 crores. How much of that would have been one-time hiring cost, what would repeat in the next quarter and what would not, if you can throw some light on that?

Amol Joshi: So, Shreyas, you should look at the Q2 cost as ongoing run rate. Sequentially, you see a bump-up in Q2 versus Q1, because Q1 had some write-backs built into it. From your perspective, you should look at the Q2 cost as a run rate going forward.

Shreyas Pimple: Sure. That is very helpful. And the last question was on yields. While our peers have seen quarter-on-quarter increase in revenue yields, we have seen a slight moderation in the yields. While I understand you highlighted that it is majorly because of the increase in equity AUM. Is there any distribution commission change or change in mix of the distribution. So, higher distribution commission channel getting higher share of the distribution mix, is that the case?

Srinivas Jain: Let me take this, Shreyas. I think if you segregate this break up rather than looking at it on overall yield, I think at every category, we are almost 1 bps here or there from FY26 to FY27. So, I don't see there is any major change in individual category yield. It's just the asset movement, which is the difference here. Otherwise, there is really no change in yield. That means that there is neither any change in distribution cost at a quarter-on-quarter level. These numbers have not changed dramatically. It's just a change in the overall asset mix.

Debasish Mishra: And we already clarified in last quarter that 1st April onwards, we are revenue neutral in terms of new pricing methodology of the regulator. So that has been already factored. There is no change in yield. Rather, I could see, as rightly said by Joint CEO, that yield on year-on-year has gone up by 1 bps.

Shreyas Pimple: Fair enough. Thank you so much, sir, for answering my questions. All the best.

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

Lalit Mohan Deo: Good evening and thank you for opportunity. Sir, just 2-3 questions. One on the alternatives side, like, we are seeing some decline in the PMS AUM. So, could you tell us like what could be the reasons for that? Secondly, if you could break up the overall revenue between the MF and the non-MF side.

Srinivas Jain: I think we had actually talked about this sometime ago. One of the large investor mandates got reallocated. And as part of the reallocation, this impact has happened on our PMS & Advisory business. It's an advisory business, so it is technically non-material when it comes to the revenue side of it. But it did impact us in terms of overall AUM. Our mutual fund AUM is around INR 13.5 lakh crores, and non-mutual fund today is also at the same kind of level. We are like a 50-50 kind of a ratio between mutual fund and non-mutual funds today. Obviously, mutual fund is a high revenue product. In the non-mutual fund category, if you remove the advisory services, we earn roughly around 35 to 40 basis points on an average when it comes to offshore advisory and our alternative asset category.

Lalit Mohan Deo: Sure, sir. And sir, and any new products in pipeline, like for this quarter and for the remaining half of the year?

- Debasish Mishra:** We are already in process of launching a few products, and that is to consolidate our position in the market. Also, basis how the market sentiment is which we watch very closely, mostly value-based or a strategic-based products will be in pipeline. And we'll launch as per the market conditions and also as and when we feel like there is investor demand for this.
- Srinivas Jain:** Once we file with SEBI, we will be able to give you more data. But there are plans to launch Category III AIF in the coming months, and obviously, we are building the Category II capability with the new head of AIF joining us. This is going to be an exciting period in coming days. You will see us launch more products not just in Cat III, which we have done successfully, but in Cat II also in coming days.
- Lalit Mohan Deo:** Sure, sir. Thank you, sir.
- Moderator:** Thank you. The next question is from the line of Mohit Mangal from Centrum Broking.
- Mohit Mangal:** Yeah. Good evening, everyone, and thanks for the opportunity. My first question is towards the B30. I was looking at your presentation, and it says that the B30 SIP contribution is at around 65%. So just wanted to know, the investors in those B30 are interested in our flagship schemes and how long typically they keep the investments in these schemes?
- Debasish Mishra:** I think our focus has been on B30 for a long time. And if you look at the same slide, 98% of our overall customers are more than 36 months. In fact, 36 months is a regulatory requirement, but there are customers which are there for like 5 to 10 years.
- So, these customers are mostly moderate risk takers. And as I mentioned before, the knowledge, the awareness programs we conduct now in B30 cities has made us to understand and believe that the investor education has been reaching to the last mile. That is why the SIP contribution is 65%, and it is more than 3 to 5 years kind of range in these B30 cities.
- Now, what we are planning to do is, like we are trying to again do more of investor awareness, more of investor education, and most of this is regional language-based, like modules, stories, more of learnings points that will consolidate our B30 kind of offerings in the coming quarters.
- Mohit Mangal:** Right. This is helpful. Sir, second is basically SEBI has proposed, mutual fund-only PMS. Wanted to know your thoughts, and does our SBIMF have any plans to have a new team, or how are we going about it?
- Srinivas Jain:** Yeah, this is something that we, as an industry and SBIMF also been asking for, to help us build a lower-entry-barriered PMS product. We will definitely build an internal team in terms of fund selection process, because this is an important stuff. I think my understanding is that this kicks in April next year.
- And before that, we will be able to put a team together. And of course, this is a product solution that we will be part of in coming days. But the whole idea is to put a fund selection team who can design solutions that we can then offer. But certainly, you will hear from us on this category in coming days.

- Mohit Mangal:** Understood. This is very helpful, sir. Thanks and wish you all the best.
- Moderator:** Thank you. The next question is from the line of Abhijeet Sakhare from Kotak Securities. Please go ahead.
- Abhijeet Sakhare:** Hey, Good evening, everyone. My first question was a clarification on the cost comment. You said the employee cost is the new base that's been set in the second quarter and should continue. But earlier, there was one more comment which I wanted to clarify was around 50-60% of cost hike being more like the recurring, so, just wanted to clarify those two points?
- Debasish Mishra:** The cost structure which was one-time will go down by 30-40%. So, 60% will be kind of recurring. What looks a little aberration is that sequential quarter, that looks quite a high figure. All those one-time hirings have been over.
- Srinivas Jain:** It's definitely a new base, but last quarter, in fact, as a sequential quarter, there was also some exceptional item that was there in the people's cost. That, again, is a base impact that you will see. Also, I think the question on what Amol was trying to say was largely around the other expenses side of it, which is where we talked about tech expense part of it.
- On the tech expense, we expect a part of it to continue, because some cloud compute and AI cost will be there. We are also coming up with our own data center, which is going live in a couple of months. Some of these costs would get moderated as we move our cloud instance to an on-prem instance. But these are actually investments that we are doing to improve productivity. And on that, I think it's a capital investment for us.
- Abhijeet Sakhare:** Understood. My second question was on the SBI versus other channels, if it's possible to quantify the contribution in terms of flows or any qualitative color if there is a slightly higher difference between how those two channels are behaving. Let's say, the quarter gone by and maybe comparable period last year?
- Srinivas Jain:** I think the better way to look at this is to look at where we are improving. I think what happens in an SBI kind of a channel is that we have already made significant inroads there. In the other channels, we have made significant inroad in the last quarter, especially on the banking side, we have actually moved the needle. We expect that, in coming days, other channels numbers also to start looking up significantly.
- State Bank of India obviously has a huge potential when it comes to new customer acquisition, because of the base itself, and we have been talking about that 530 million customer base that the bank has, and the potential for us to kind of tap into it. That will continue to be there. But our real benefits in market share growth is now coming from channels like bank and other distributors.
- Debasish Mishra:** So SBI channel contributes to around 20% of the net inflows, which is also like the same level as AUM, similar in the last quarter as well. So, things have not drastically changed for SBI channel

- Abhijeet Sakhare:** Got it, sir. Last question was again some qualitative feedback, if you can give on what's been the feedback on fund performance, especially from the large independent channels?
- Debasish Mishra:** I will ask our Head of Investment to respond
- Dinesh Balachandran:** Being a large fund house, we have funds across asset classes, across investment styles. So, at any given point in time, you will always see essentially certain funds doing particularly well and certain funds not doing so well. But if I have to aggregate it, the one encouraging trend for us is if you look at recent performance, it has definitely improved in aggregate terms. So that is definitely an encouraging trend.
- Another data point to share is when you look at the aggregate equity plus equity-oriented hybrid schemes, and when you look at their performance over the last 3 years, last 5 years, they still look quite healthy. Over the last 5-year period, roughly 70% of our funds are in the top 2 quartiles. Even if I look at the last 3 years, close to 45% of the funds are in top 2 quartiles.
- And if I then sort of further reduce the time horizon, that number has again moved up above 50%. So, at the margin, the trend is definitely improving. But as I said earlier, because we are quite big, and we have a variety of funds, you will always essentially see at any given point in time some sort of variation in fund performance.
- Srinivas Jain:** And his question is how the market is kind of looking at it. And I think we have seen some green shoots and some of our distribution partners actually picking up some of these strategies and scaling them. And we hope, in coming quarters, this will continue, and we will build on that.
- Dinesh Balachandran:** What we are definitely seeing is that wherever some of our flagship schemes, if they have improved in performance, the market is clearly recognizing that. So flows are definitely sort of following in these schemes.
- Srinivas Jain:** In couple of schemes, we have almost, in one category like some 70-80% of net new money. So, it's clearly showing in the new money that's coming.
- Abhijeet Sakhare:** Got it. Thanks a lot, and all the best.
- Debasish Mishra:** Thank you, Mr. Abhijeet.
- Moderator:** Thank you. I would now like to hand the conference over to management for closing comments.
- Debasish Mishra:** On behalf of SBI Funds Management, we thank everyone for joining the call. Being the largest fund manager of the country, we would like to keep this trust, efficiency, productivity always on our target. And we will come back again to you in the next quarter with better results. Thank you.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of SBI Funds Management Limited, that concludes this conference. Thank you for joining us.