Ref. No.: UTI/AMC/CS/SE/2023-24/0345

Date: 2nd August, 2023

National Stock Exchange of India Limited
Exchange Plaza Plot No. C/1
G Block Bandra – Kurla Complex
Bandra East Mumbai – 400 051.
Scrip Symbol: UTIAMC

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400 001.
Scrip Code / Symbol: 543238 / UTIAMC

Sub: Transcript of the Earnings Conference Call on financial performance for the quarter ended 30th June, 2023

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 (the SEBI Listing Regulations) and SEBI circular dated 13th July, 2023, we are forwarding herewith the transcript of the earnings conference call held on Wednesday, the 26th July, 2023 at 1600 hrs IST to discuss financial performance of the Company for the quarter ended 30th June, 2023.

The transcript of the aforesaid earnings conference call is also available on the website of the Company at www.utimf.com in compliance with Regulation 46 of the SEBI Listing Regulations.

We request you to kindly take the aforesaid information on record and disseminate the same on your website.

Thanking you,

For **UTI Asset Management Company Limited**

ARVIND BHAGWAN DAS PATKAR

Digitally signed by ARVIND BHAGWAN DAS PATKAR
Date: 2023.08.02 13:05:36 +05'30'

Arvind Patkar
Company Secretary and Compliance Officer

Encl.: As above

UTI Asset Management Company Limited

Q1 FY24 Earnings Conference Call

July 26, 2023

Moderator: Ladies and gentlemen, good day and welcome to the UTI Asset Management Company Limited Q1 FY24 Earnings Conference Call.

From the management, we have with us Mr. Imtaiyazur Rahman – CEO and Managing Director, Mr. Surojit Saha – Chief Financial Officer, Mr. Vinay Lakhotia – Head - Operations, and Mr. Sandeep Samsi – Head - Investor Relations and Corporate Communications.

As a reminder, all participant lines will be in the listen-only mode. 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded.

Before we begin, I would like to mention that some of the statements made in today's discussion may be forward-looking in nature and may involve risks and uncertainties. Please note the disclaimer mentioning these risks and uncertainties are on the disclaimer slide of the investor presentation that has been shared earlier.

I now hand the conference over to Mr. Imtaiyazur Rahman for opening remarks. Over to you, sir.

Imtaiyazur Rahman: Thank you very much and Good afternoon, everyone.

Thank you for joining us today to discuss our operational and financial performance for the first quarter of financial year 23-24. You may have gone through our press release and investor presentation available on our website as well as websites of the exchanges.

The quarter witnessed optimism across the global markets with the forecasts improving for the calendar year 2023. The Indian economy, which recently became the 5th largest economy in the world surpassing United Kingdom, has been receiving recognition globally for its growth and resilience.

Friends, the Indian capital markets were a direct beneficiary of the growth story of our economy. The benchmark indices were driven by the active participation of the domestic as well foreign institutional investors and the matching enthusiasm of the retail investors. This was evident in the increase in number of demat accounts in the country hitting a 13-month high in June 2023 at 12.05 crore, of which 23.6 lakh accounts were added in the month of June itself.

The Indian mutual fund industry has grown over twice its size in the last five years from ₹ 22.86 lakh crore in June 2018 to ₹ 44.39 lakh crore in June 2023. The AUM to GDP ratio for India, though comparatively less as compared to developed economies, has reached ~16% and is well on the path of growing further. It clearly indicates that Indian mutual fund industry is on the growth trajectory.

Investor awareness programs including the 'Mutual Fund Sahi Hai' campaign, ease of access to technology used for investing, economic growth, rising household savings and broader geographical reach of the mutual fund products are the positive drivers for the development of the sector in the coming decade.

Friends, the total Assets under Management for UTI Group registered a growth of about 16.8% over the corresponding quarter of the previous year and stood at ₹ 16.13 lakh crore as on 30th June 2023. The domestic mutual fund business witnessed a growth of ~10.6% year-on-year with the QAAUM as on 30th June 2023 was recorded at ₹ 2.48 lakh crore.

We have re-organized our Sales Team structure and are further deepening our reach in the B30 cities to leverage on the opportunities present in these markets. In line with this, we have planned to open 29 new offices and 6 resident offices during this fiscal year 23-24.

This quarter, UTI has launched five funds including the 'UTI S&P BSE Housing Index Fund', taking into account the fundamental need for Indians to live in better homes. We have also launched the 'UTI Nifty50 Equal Weight Index Fund' to provide an exposure to the Nifty50 companies with equal weight. We have also launched UTI Silver ETF, UTI Silver ETF FoF and UTI Nifty 500 Value 50 Index Fund during this quarter. We will continue to launch new thematic funds as and when the right opportunity arises.

I would like to inform you that Mr. Srivatsa Desikamani, with his knowledge and expertise in asset management area, has joined the Board of UTI AMC as a Non-Executive Nominee Director in June 2023 and yesterday in the AGM, his appointment was confirmed.

We are fully committed to grow all our lines of business including Alternatives, Pension and Offshore funds. In this direction, we are foraying into the European markets through Paris office as well as in United States.

I have with me Mr. Surojit Saha, our CFO, UTI AMC and Mr. Vinay Lakhotia, Head of Operations & CFO designate along with Mr. Sandeep Samsi.

Now, I hand over to Mr. Sandeep Samsi, Head of Marketing & Investor Relations, who will update you with UTI MF performance for the quarter.

Sandeep Samsi: Thank you, Sir. I will first take you through UTI Mutual Fund's performance during first quarter FY 24.

UTI MF PERFORMANCE

I am pleased to inform you that the total Assets under Management for UTI Group registered a growth of about ~16.8% over the corresponding quarter of previous year and stood at ₹ 16.13 lakh crore as on 30th June 2023.

For UTI MF, the quarterly average AUM as 30th June 2023 stood at ₹ 2.48 lakh crore, up by ~10.6% year on year.

Our Equity QAAUM for the quarter ended June 2023 stood at ₹ 72,811 crore, rising by ~9.2% as compared to the quarter ended June 2022.

With passive investments gaining traction, we have witnessed a growth of 35.6% in the QAAUM for Index & ETFs taking it to ₹ 88,431 crore for the first quarter.

UTI was able to capture market share of 8.1% of the gross sales of the industry during first quarter.

UTI Mutual Fund recorded a net sales of ₹ 10,152 crore for Q1 FY 24.

ETFs & Index Funds net inflows stood at ₹ 3,496 crore.

UTI added 1.3 lakh folios taking up the number of live folios to 1.21 crore as on 30th June 2023 from 1.20 crore as on 30th June 2022.

Our SIP AUM witnessed a growth of 40.1% over the corresponding quarter of last year, reaching to ₹ 24,920 crore as of June 2023 from ₹ 17,788 crore as of June 2022.

During the quarter, our number of SIP accounts rose by 20 thousand taking the total numbers of live SIP folios to 25.16 lakh as of June 2023.

The SIP inflows for the quarter stood at ₹ 1,652 crore. The SIP gross inflows for UTI MF witnessed a year-on-year growth of ~6.6% with the average SIP ticket size being ₹ 3,142 for the month of June 2023.

Coming to the contribution from B30 cities. 22% of our Monthly Average AUM for June 2023 came from B30 cities while the industry average stood at 17% in terms of the B30 MAAUM. 108 out of our 166 UFCs are in the B30 locations.

UTI AMC FINANCIALS

During the first quarter, the Company posted a consolidated net profit of ₹ 234 crore, recording a growth of 172% QoQ and 154% YoY.

The consolidated revenue for the first quarter stood at ₹ 468 crore, up 56% QoQ and 60% YoY.

For UTI AMC Ltd (Standalone):

The PAT of UTI AMC Ltd for Q1 FY24 is ₹ 165 crore reflecting a growth of 68% QoQ & a 67% on YoY basis.

For UTI Retirement Solutions Ltd:

We are happy to inform you that our 100% owned subsidiary, UTI Retirement Solutions Limited has a recorded a growth of ~27% year-on-year in its AUM reaching ₹ 2.58 lakh crore in Q1 FY 24 and it manages 26.57% of the Industry AUM.

PAT of UTI RSL is at ₹ 12.5 crore, an increase of ~17% compared to corresponding quarter of last year.

UTI International Ltd:

UTI International Ltd. which represents our International business interests, has an AUM of ₹ 21,772 crore as of 30th June 2023.

Our international clients are across more than thirty-five countries. These are primarily Institutions – Pensions, Insurance, Banks, and Asset Managers.

One of our flagship funds, the India Dynamic Equity Fund (IDEF) domiciled in Ireland, has an AUM of USD 973 million.

UTI International's J Safra Sarasin Responsible India Fund, an ESG compliant India fund, has AUM of USD 82 million.

UTI India Innovation Fund launched last year has an AUM of USD 22.4 million.

UTI Alternatives Pvt. Ltd.:

UTI Alternatives Pvt. Ltd. has recently been renamed from UTI Capital Private Limited has a total AUM of ₹ 1,784 crore. It has a well-defined ESG policy and strategy.

It currently manages the following Active Debt Funds:

UTI Structured Debt Opportunities Fund (UTI SDOF) I, launched in August 2017 and closed in May 2019, has an AUM of ₹ 132 Crore. Currently the fund is in exit mode and has returned 1.1 times the capital invested.

UTI SDOF II launched in September 2020, has an AUM of ₹ 507 Crore, and the fund is currently Fund raising as well as investing stage.

UTI Multi Opportunity Fund I launched in March 2022 has an AUM of ₹ 763 crore. Currently the Fund is in the Investing stage.

UTI SDOF III launched in September 2022, has an AUM of ₹ 383 Crore, the fund is currently in fund raising as well as investing stage.

We also launched the UTI Real Estate Opportunities Fund I which is currently in the fund-raising stage with pre-commitments of ₹ 110 crore.

I would now request the Managing Director & CEO for his concluding remarks. Thank you.

Imtaiyazur Rahman: Thank you, Sandeep for sharing operational and financial highlights for the first quarter of financial year 2023-24. With this, I would like to open the forum for your questions.

Moderator: Thank you. We will now begin the question and answer session. The first question is from the line of Madhukar Ladha from Nuvama Wealth Management. Please go ahead.

Madhukar Ladha: Hi Sir, Good Afternoon and thank you for taking my question. On equity assets, our growth continues to be subpar. So, if I look at year-over-year QAAUM growth, that's just about 1.7%. So, why is this struggling? I think some of the competition is doing much better and they are losing market share. So, some color on that will be helpful. Second, our other expenses have shot up in this quarter on a year-over-year basis. I know that there is some expectation for increase in expenses in this year. Could you give us some sense of what the full year number could be and whether there is any change in our guidance there? And third sir your other income has also shot up this quarter. So, I wanted to get a sense of what the drivers are over there. These are my 3 questions. Thank you.

Sandeep Samsi: Thank you, Madhukar for your questions. As we have been mentioning in our previous quarterly calls also, we have been facing some headwinds in the performance of our flagship equity fund. It is important to mention here that historically this fund has performed very well and has seen very good traction from our distribution partners. As the growth strategy followed by this fund has not done well over the last 1-1.5 years, we have faced challenges on the sales front of this fund. However, we are optimistic that once the fund sees improvement in the traction with the revival of performance, we should be able to do better. So, the challenge has been on the growth strategy that the fund was following, and we hope that going forward, there will be improvement.

Imtaiyazur Rahman: Madhukar, we are taking this particular issue very seriously. We are continuously reviewing our both sales strategy and even the investment strategy. And I'm quite confident this particular fund, which is having some challenges, is being managed by a very reputed and experienced fund manager, Ajay Tyagi. And therefore, I'm fully confident that it will turn around. However, some other strategies in the equity schemes are doing well and I'm sure this will add value to our investors. Now, I will request Surojit to take care of the other two questions of yours.

Surojit Saha: Yeah, Madhukar in respect of other expenses, if you see on a quarter-on-quarter, it has come down. Quarter-on-quarter from 72 crore, it has come down to 61 crore, but on a year-on-year basis it has gone up from 49 crore to 61 crore. The reason of the increase is mainly the IT initiatives which is around 4.5 crore for which the benefit will be spread across the financial year and also in respect of the CSR and some legal and strategic expenses. But what you should consider is that you are asking about the run rate. It should be around 60 to 61 crore per quarter. And the other question was in respect of other income. I don't know other income has been flat, but where you are seeing other income there is a jump, Because if you go year-on-year, it has come down from 13 as if you see the investor presentation 13 was because of the foreign exchange gains and this year it's very flat.

Madhukar Ladha: The treasury income right there is some mark to market?

Surojit Saha: Mark to market, it has gone up substantially.

Madhukar Ladha: Yeah, that's what I mean by. Other income, I mean that, yeah.

Surojit Saha: No, it has gone up substantially because of the international business. We have a seed capital because of which last quarter also the M2M was a negative. So, that itself has gone up from

269 crore to 301 crore on an NAV basis. So, overall our M2M gain is 174 crore and which I think we have given it in the investor presentation also the details.

Moderator: Thank you. We have the next question from the line of Prayesh Jain from Motilal Oswal Financial Services. Please go ahead.

Prayesh Jain: Just a couple of questions. Firstly, on the equity net inflows if you look, we have a negative number this quarter, so are the redemptions kind of picking up and is there apart from the fund performance issue that you cited about the equity market share, is there a pickup in terms of redemption, because of the high market levels that we are seeing. That is question number one. Secondly, even with regards to the SIP monthly run rate, there is flattish trajectory rather than for the industry, it has been trending at a significantly higher level. There has been month-on-month growth, but we have not seen that kind of replicated for us. So, what are the issues that we're facing there and how do we plan to kind of resurrect our market share there?

Sandeep Samsi: So, Prayesh, as I mentioned earlier that one of the flagship funds where the maximum SIPs were also coming was impacted due to the fund performance issues. Also, over a period of time, people who have invested say 5 years, 10 years back, looking at the market values, they will be redeeming their amount because they will consider whatever goals they might have set, there will be some natural redemption, and generally if you see in the month of April, the SIP numbers come down for the industry also and for us because people end their SIPs in March and new SIPs get started in the month of April, May. So, these are the two factors. As I mentioned, fund performance impacting our inflows. Secondly, natural redemptions which will happen because of the market levels currently which they are at, and SIPs which get renewed and if you see again in the month of May-June, our SIP numbers have come back to the earlier numbers, because in April there was a dip, but May and June have been better.

Imtaiyazur Rahman: And your question was because of the market is more on a north side, do we expect a more redemption, the answer is no. We are not expecting the accelerated redemptions because the market is on the higher side.

Prayesh Jain: And just one more question on the alternate side. What are our thoughts about the growing the alternate assets in terms of our future and what kind of profitability or revenue contribution we can expect from the alternate business?

Surojit Saha: See, UTI Alternatives Private Limited, this is a new name formally which was earlier the UTI Capital Private Limited, has certain plans - UTI Alternatives aims to be a multi-asset manager of alternate assets. Currently, UTI Alternatives is managing high yield performing credit funds and a multi-asset fund. And it has already launched a real estate credit fund this month. It has filed with SEBI 2 new funds and investment grade performing credit and a distressed credit fund. Once these strategies are launched, UTI Alternatives will be present across the entire spectrum of these alternatives and UTI Alternatives is also in the process of evaluating and finalizing the equity strategies. So, this financial year, we hope to breakeven and maybe from next year it will be a profitable subsidiary for us.

Imtaiyazur Rahman: Mr. Jain, we are building this particular business. We have built a very strong team and we will continue to invest in this particular business. We are also planning to have an office in the GIFT City, and this is the business where we are fully capitalizing the company. We have allocated the good resources for this particular company, financial resources as well. And we will continue to invest in this line of business that will give us a significant growth in the years to come.

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

Lalit Deo: Sir, just two questions. So, firstly, like as you have alluded that due to fund performances, the flows are getting impacted, so are we seeing any kind of a pressure from the distributor side also where our funds are going in the bottom list of their recommended list as are we seeing anything as of now. And if you would like to share, what are the possible methods that we have taken?

Imtaiyazur Rahman: We are not witnessing any pressure from the distributor. Our products are on the platform for all distributors and banks. And as you know, we are now live with our new NFO UTI Balanced Advantage Fund and all distributors, all MFDs and national distributors including banks are distributing our products. So, we have no challenges so far our distributors are concerned, and this is a temporary fund issues headwind. We are quite confident that some of the schemes are doing pretty well and therefore we are quite confident that this particular phase will also pass, but there is no pressure from the distributor side at all.

Lalit Deo: And sir like the second question was on the employee expenses side**.** So, like this quarter, it has remained broadly flat. So, going ahead, do we expect similar kind of a number on a run rate basis or like do we expect some improvement over there?

Surojit Saha: No, I feel the expenses run rate is if you see the Q4 23 and Q1 24, it's almost flat at 106 and we feel this will be the run rate for this financial year.

Moderator: Thank you. The next question is from the line of Aditya from Securities Investment Management Company. Please go ahead.

Aditya: So, if you could help us understand that reason for sequential improvement in yields in the domestic mutual fund business, considering the addition of new flows which are lower margins and the equity mix also remaining flat sequentially. So, what is the reason for the improvement in yields on a QoQ basis?

Vinay Lakhotia: So, it's primarily because of the equity AUM has gone up because of the mark-to-market appreciation. But if you see the overall yield, it is actually flattish at around 35 basis point only. There has been just one basis point improvement in the equity yield because of the mark-to-market component. Otherwise, it is flattish on a quarter-on-quarter basis sequentially.

Aditya: According to my calculation, the yields have seen an increase of around 1 to 1.5 basis points, but the equity mix has remained same around 45% to 45.5%. And the new mix, which would have come in in this quarter would have lower margin than the old book. So, there should have been some moderation in the yields on a QoQ basis?

Vinay Lakhotia: No, I'm saying on the overall book AUM yield, equity yield has actually only improved marginally by one basis point from 72 to 73.

Aditya: And sir, there has been a sharp drop in yield in the UTI International sequentially. So, have you taken any price cuts over there to arrest the drop in flows which we are seeing in the earlier quarters?

Surojit Saha: Basically, it's a drop in flow, but if you see overall one or two funds have matured like this Phoenix Fund and all. But there has been a good flow in UTI Dynamic Equity Fund for the last three months like from 31st March 2023, the AUM was around ₹ 7000 crore, it has increased to ₹ 7,900 crore and there was an inflow of ₹ 976 crore. So, overall, if you see our revenue is in the range of ₹ 31 to ₹ 32 crore. So, overall, our revenue has not come down, but yes, we expect UTI Dynamic Equity Fund to claw back to their original around ₹ 10,000 crore fund and there's a lot of traction in the market. So, we hope our revenues will definitely increase in UTI International.

Aditya: So, just to rephrase my question. So, if we look at the AUM of UTI International in March 23, it was 21,700 crores and the same is 21,720 crores. AUM is flat on a QoQ basis. But if I look at the revenue, it has seen a drop from 31 crores to 29 crores. It means that there is a drop in yield also. Just wanted to understand if you have taken any price cuts over there because we are seeing loss of flows in this subsidiary. So, just wanted to understand, have you taken any price cuts to arrest this drop inflows?

Surojit Saha: No, there is no price cut. But UTI India Sovereign Bond, UTI India Strategic Opportunities Fund, UTI India Strategic Opportunities Fund II, these are all funds have been launched where the fees received is much less compared to the equity fund. So, that is why you are seeing a drop in the yield. But maybe over the years with the UTI Dynamic Equity fund and other equity fund, we are seeing lot of traction. If the money comes, the yield will be much better.

Aditya: And sir the employee count has seen an increase by around 110 sequentially. So, firstly, why there is such an increase when the employee count was expected to moderate due to retirement of employees and will this increase in employees give to higher employee costs going forward?

Aditya: So, it has increased from 1377 last quarter to 1491 in this quarter.

Imtaiyazur Rahman: We have recruited 108 management trainees that we do every year as a process because there is a lot of reiterations and the retirement coming up, and that is the reason. As I mentioned to you in my initial remarks, we have a plan to open 29 new UFCs (branch offices) and as well as 6 resident offices. In order to be ready, we need to hire the people to serve at our branch offices and therefore we have appointed, I repeat 108 new management trainees to be future ready. But that is at low cost, and it will not affect at all an increase in our employee cost because over the year we will see the retirement this year and that we will be able to compensate this cost or offset this cost with the entire cost benefits.

Aditya: And what was the ESOP cost for this quarter and what would be the ESOP cost for the remaining quarters?

Surojit Saha: For 23-24, the total ESOP cost is around ₹ 16 crore and 22-23, it was around ₹ 20.77 crore.

Imtaiyazur Rahman: ₹ 4 crore ESOP cost in this quarter. It will continue unless we decide to issue the fresh ESOP.

Aditya: And sir if you could break up our employee cost in terms of variable or performance which we give to our employees and the fixed pay?

Imtaiyazur Rahman: We have taken the ₹ 45 crore yearly variable pay. Rest is all the fixed pay. So, accordingly, we are proportioning to the extent of ₹ 11.25 crore for this particular quarter. Balance is reserved. For the full year we have considered ₹ 45 crore. Depending upon the performance, we will decide at the year end. But this is our guidance, ₹ 45 crore is variable pay. Rest is fixed pay.

Aditya: And what was the variable pay for last year?

Imtaiyazur Rahman: Last year was similar ₹ 45 crore.

Surojit Saha: ₹ 45 crore is on standalone basis. And if you take the subsidiaries, it was around ₹ 58 crore altogether as a group.

Imtaiyazur Rahman: On consolidated basis, ₹ 58 crore. This year will be similar account both the consolidated basis and as well as on the standalone basis.

Aditya: So, the variable pay is going to be similar for last year and this year as well?

Imtaiyazur Rahman: That's correct.

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

Dipanjan Ghosh: Few questions from my side. First you mentioned that you expect the other expense run rate to remain flattish at around ₹ 60 to ₹ 61 crore. Now on the other side, you also mentioned that you're going to open up some new branches, expand into B30, you plan to also grow the UTI International business. And you have some planned NFOs, one of which is already going on. So, on this backdrop, what gives you confidence to retain the other expense run rate at current levels? Because I would assume that NFO spends and all are not factored in Q1 other expense number. My second question is I think repetition of what was asked earlier in the call on the yields part. You mentioned that your equity yields have increased by 1 bps to 73 from 72. And my question is, whenever there's a mark-to-market jump normally because of the slab wise pricing, one should see some amount of compression in yields and not expansion. So, is there any mix change within schemes or something in the churn where maybe some high payout portfolio exited or what really is going on there, just wanted to get some color on that. Lastly one data keeping question, if you can give the gross equity sales number for the quarter?

Surojit Saha: First question I will take regarding the other expenses, FY 22-23, if you see the overall expenses was around ₹ 238-240 crore. So, which has a run rate of around 60 crore last year also and if you remember in the last quarter, we had a strategic annual meet, for which there was expenses because of which if you see the Q4 other expenses on a very higher side and we have factored this 29 office opening cost and all we have factored and we expect it to be in the range of 60 to 61 crore run rate.

Vinay Lakhotia: So, on the yield part, because of the mark-to-market component, the older AUM share to the overall number have actually increased while the net sales number has been negative for the equity funds for this quarter because of that there is not much compression on the equity yield because of the fresh inflows. So, because of the mark-to-market component, the older AUM has contributed a slightly higher fees and that's why it has marginally improved by around one basis point.

Dipanjan Ghosh: Just one follow up on this. Can you kind of quantify the difference between your fresh equity yields versus blended equity yields on the book or give some color on what is the differential today?

Vinay Lakhotia: As of now, the yield on the overall equity and hybrid put together is around 76-77 basis points and for the fresh inflows, actually the ratios are defined depending on our arrangement with the distributor. And as I stated earlier, it varies from 50% to 80% of our distributable expense ratio. So, can't define a straight number on that. It depends on our channel mix if the money is coming from an individual financial advisor or is coming from a distributor or from a private or a foreign bank. But the ratio between the manufacturer and the distributor is roughly in the range of around 50% to 80%.

Dipanjan Ghosh: And if you can just quantify the gross equity sales for the quarter?

Vinay Lakhotia: Equity and hybrid put together is close to around 2,344 crore.

Dipanjan Ghosh: So, if you can just chip in one small question, you give your AUM mix breakup across channels on the equity and hybrid business. Can you give some color of that on a flow basis and maybe just give a trajectory of how it has been shaping, let's say, for the past 3-4 quarters on a flow basis rather than on a stock basis?

Sandeep Samsi: Dipanjan, we don't have that data. The data on the AUM is shared, but we don't have that data. So, maybe offline we can take this question.

Moderator: Thank you. The next question is from the line of Aman Shah from Jeetay Investments. Please go ahead.

Aman Shah: Sir, a few questions from my side. One is the yields have stabilized in Q1. What will be your outlook for this year for the yield part, aggregate yields?

Vinay Lakhotia: So, aggregate yield, might see a slight compression of a basis point or two primarily because of two factors because of the growth in the ETF business, plus we have launched a new NFO as well, which is going on - UTI Balanced Advantage Fund, and obviously the new fresh inflows under the equity fund will have some impact on the overall equity AUM yield. So, for the next 2 or 3 quarters, there might be a compression of a basis point or two on the overall yield number.

Aman Shah: And what would be the share of older AUM now?

Vinay Lakhotia: The older AUM, we have indicated earlier, is close to around 20% of the total AUM. But again, it's very difficult to quantify in absolute and percentage terms because there is a substantial AUM where the trail commission is very low. 20% is where the trail commission is negligible. But since, upfront commission was being prevalent earlier, there's AUM which is more than 5 years old and has low trail commission. But AUM where the trail commission is low or very negligible, that is close to around 20%.

Aman Shah: So, on the international side, we have seen there have been investment expenditures and this year Q1 was 31 crore total expenditure compared to 17 crore last quarter last year. And like topline being at 29 crore, so there is an operational loss. How should we see the P&L of UTI International look like?

Surojit Saha: See the international expenses are in the range of around 30 crore. The figure which you said 17 crores, that was because of a foreign exchange gain as per the international books, it was accounted over there. That's where there was a 11 crore gain, that's why that figure was 17. Otherwise generally, the expenses of per quarter of UTI International is in the range of 29 to 30 crore.

Imtaiyazur Rahman: But this company at the year-end will be profitable in this quarter itself, the Q2 will be profitable. The initial cost was there because in the first, we signed a lot of new agreement and we paid a lot of legal fees, therefore marginal loss was there. But from the next quarter onwards, it will be profitable. Overall, the profits will come, it is a profitable company.

Aman Shah: How should we see like topline we said like it should be 32 to 34 crore quarterly?

Surojit Saha: See, I'll just give you the UTI International plans to grow the distribution for the UTI India Innovation Fund, which was concentrated portfolio of the mid cap, small cap disruptive business. Innovation Fund is about finding the companies, leveraging on technology across sectors and we will distribute this in Europe and Asia to start with and we also plan to expand the reach for the UTI India G-Sec, which is listed in the Euronext Amsterdam by reaching out to the European Institutional Investors. And the decline in the channel's weight in MSCI Emerging Market Index has opened up many South Asian markets for increasing the Indian exposure through our flagship IDEF. From a long-term perspective, many clients are wanting to go overweight on India versus its weight in MSCI. Given the current geopolitics, India is finding lot of flavour with the global long only investors. our IDEF will capitalize on this given its long-term orientation. In the Middle East distribution of our balanced fund remains the robust among the NRI Community. Balanced fund as a concept is popular with the Indian expats and we are promoting this fund in the Middle East. So, we are expecting a lot of traction in the UTI International business. And as Sir said, this is on a growing path, and we'll have profitable quarters in the following period.

Aman Shah: So, last just the cash that we have on books, now, 3500 crore, a good part is also there in the standalone, the major part is in standalone balance sheet. What is our outlook on cash distribution?

Imtaiyazur Rahman: We are seriously looking at the cash element, but we have no plan at this particular point of time to distribute the cash. We may need it for our future business development.

Moderator: Thank you. The next question is from the line of Mohit from BOB Capital. Please go ahead.

Mohit: My first question is that if I look at district associates, it has declined from 210 last quarter to 188. What could be the reasons for that?

Sandeep Samsi: See, we look at the partners that we have, the district associates across the country and we keep on renewing and working with them on a year-on-year basis. So, some of the agreements which people retire over a period of time and those have not been renewed. So, that's why you are seeing a dip in the number of district associates on a year-on-year basis. Our endeavour is to appoint new district associates wherever we find that there is potential at a district level or at the block level so that they can further UTI's business interest.

Imtaiyazur Rahman: And wherever we feel appropriate, we are substituting with our branch offices, which we call UTI Financial Center.

Mohit: Right, understood. Coming again to the net flows, you said that performance issues led to outflows. But if I look at last two quarters, there was a net outflow like this quarter it was 15 billion and earlier quarter 7 billion. So, are we confident that in financial year 24 we would be able to turn this outflow into net inflows like we have seen that for the peers as well. They are getting substantial equity flows. So, are we confident that we'll be having a good performance this year?

Imtaiyazur Rahman: We are working with all channel partners. We are very aggressively marketing and distributing our products. We are quite confident and putting in all our best efforts to show that our net sales will be positive in the equity.

Moderator: Thank you. We have the next question from the line of Bhuvnesh Garg from Investec Capital. Please go ahead.

Bhuvnesh Garg: Sir, you mentioned earlier that that your market share in SIP declined because of most of your SIPs were in flagship fund. So, in that regard, just want to understand that any specific plan you have to diversify your AUM across the funds or to increase the base of your SIPs so that it is not dependent on one fund or something.

Sandeep Samsi: So, as Mr. Rahman also mentioned that we have a number of other funds which are doing quite well and we are positioning these funds to our distribution partners as well as to banks and other distributors to take the fund flows forward. So, we are quite confident as Mr. Rahman also mentioned just in the previous question that this should help us to revive our SIP sales in these funds.

Imtaiyazur Rahman: But the current fund itself, this fund is where there is a right opportunity for the investors to invest now to capture the market and the benefit which may come once the scheme starts performing better.

Bhuvnesh Garg: And sir on inflows, any particular target we have in our mind for the year or any particular target we have for our alternate business, what kind of inflows we are targeting for the year?

Surojit Saha: If you see the AUM is already in a rising trend and we have lines of plan which have already told, like it has already launched a real estate credit fund this month and it has filed to SEBI 2 new funds, an investment grade performing credit and a distressed credit fund, and so UTI Alternatives is now present almost entire spectrum of credit alternatives, and they are also in the process of evaluating and finalizing the equity strategies. So, the business is doing very well and we have built up the team also. So, we expect maybe in the range of 2500 to 3000 moving in the future period.

Moderator: Thank you. We have the next question from the line of Rahil Shah from Crown Capital. Please go ahead.

Rahil Shah: Just on the overall consolidated basis, AUM growth and margins, if you could share some outlook for the year that would be great. Thank you.

Surojit Saha: Overall, if you see our investments, group AUM has grown from 16.13 lakh crore vis-à-vis 13.81 lakh crore year-on-year and on 31 March, 2023, it was 15.55 lakh crore. So, it's a rising trend of around 4%. So, there is a continuous effort in all the sectors of our business, whether it's UTI Retirement, whether it's UTI Alternatives, whether it is UTI International or PMS. So, we are driving our business. Our AUM has been continuously improving in all the spectrum of our business.

Rahil Shah: And on the margin side sir?

Surojit Saha: Overall margins will continuously increase because it also depends on the mix which we'll be getting, whether it's an equity business and alternative also. If I remember, they are in the process of evaluating the equity strategies which will give a better return and UTI International, the yields have come down because we have got some of the debt funds, but with the equity funds now performing and there's a lot of traction, we expect the overall yield of the group will be increasing.

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

Abhijeet Sakhare: Sir, as per the annual report, we have about 350 odd people who are still part of the Union or part of the old compensation structure. So, if you could just remind us again in terms of what is your sense of the retirement pipeline and what does it mean for our overall staff expense growth over the next 2 to 3 years?

Imtaiyazur Rahman: Over the next 3-4 years, most of the people will be retiring. We have not done any fresh recruitment in this particular grade for last 20 years and the expense will be on the range which we have shared with you. We are not anticipating any growth or any significant rise in the implied expenses. Rather we will get the benefit of this retirement over the period of time.

Abhijeet Sakhare: Any numerical guidance that you might want to share?

Surojit Saha: I have already shared that we are having a run rate of around 106 crore.

Imtaiyazur Rahman: Benefit requirement if you want a specific number, we are not ready now, you can take offline with Sandeep.

Abhijeet Sakhare: Got it, sir. But most of these savings should come to the bottomline, right like, I mean in that parallel, if you've been investing in other parts of the business, but now that you've already been doing that for a few quarters. Incrementally over the next 2-3 years, all the savings should go to the bottomline? Is that a fair assumption?

Imtaiyazur Rahman: That is the fair assumption because all our three companies are fully capitalized. UTI Retirement Solutions is fully capitalized, International is fully capitalized and UTI Alternative also reasonably capitalized. So, therefore we don't expect the capitalization in those companies and therefore all the benefits will go towards the P&L.

Moderator: Thank you. We will now take the last question from the line of Prayesh Jain from Motilal Oswal Financial Services. Please go ahead.

Prayesh Jain: Just a question on the industry side and also on the EPFO book. So, one is that out of the total ETF AUM of the industry, how much is coming from EPFO and how much of that share is for UTI? Second is on your EPFO AUM that sits in your PMS, how much is that and what are the kind of yields on both these pieces?

Vinay Lakhotia: So, of the total ETF business, which is part of the mutual fund business, EPFO contribution is close to around 75% to 80%. The EPFO, which is there in the PMS business, is mostly on the fixed income side, not on the equity side. Equity side comes under the mutual fund business where the fees is very negligible. On the equity side, the fees for EPFO is close to around 3.5 to 4 basis points.

Prayesh Jain: And the 75% to 80% that you have mentioned, that is true for the industry also right, share of EPFO in the ETF?

Imtaiyazur Rahman: Let me share with you. The 25% used to come to UTI, 75% allocation used to go to SBI.

Moderator: Thank you. For any further queries, ladies and gentlemen, you may contact Adfactors PR or the UTI Asset Management Investor Relations team. I would now like to hand the conference over to Mr. Imtaiyazur Rahman for closing comments. Over to you, sir.

Imtaiyazur Rahman: Thank you very much for attending this call and thank you very much for asking questions. We have attempted our best to clarify them. In case you need any further information and clarifications, you may contact my colleague or our partner Adfactors and we're more than happy to share those information with you. As per the guidance of the LODR, whatever is possible for us, we will be in a position to share with you and thank you very much once again for joining this call. Thank you.

Moderator: Thank you. On behalf of UTI Asset Management, that concludes this conference. Thank you for joining us. You may now disconnect your lines.