Aditya Birla Sun Life AMC Ltd.
(A part of Aditya Birla Capital Ltd.)

ADITYA BIRLA CAPITAL
PROTECTING INVESTING FINANCING ADVISING

Ref. No.: ABSLAMCL/PS/62/23-24

August 1, 2023

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street Mumbai-400 001
Scrip Code: 543374

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor
Plot No. C/1, G Block,
Bandra Kurla Complex
Bandra (East), Mumbai - 400 051
Symbol: ABSLAMC

Dear Sir/ Ma'am,

Sub: Transcript of the Earnings Conference call on Unaudited Financial Results for the quarter ended June 30, 2023

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Earnings Conference Call on Unaudited Financial Result for the quarter ended June 30, 2023, held on Thursday, July 27, 2023. The above information will also be available on the website of Company at https://mutualfund.adityabirlacapital.com.

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

Thanking you.

Yours faithfully,

For Aditya Birla Sun Life AMC Limited

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Company Secretary & Compliance Officer
FCS No. 6477

Encl.: As above

Aditya Birla Sun Life AMC Limited

Q1 FY24 Earnings Conference Call

July 27, 2023

MANAGEMENT: MR. A BALASUBRAMANIAN – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER, MR. PARAG JOGLEKAR – CHIEF FINANCIAL OFFICER, MR. PRAKASH BHOGALE – HEAD, INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day, and welcome to Aditya Birla Sun Life Asset Management Q1 FY24 Earnings Conference Call, hosted by InCred Equities. 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 zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Jignesh Shial from InCred Equities. Thank you and over to you, sir.

Jignesh Shial: Yes. Thank you, Zico, and good evening, everyone. On behalf of InCred Equities, I welcome all to Aditya Birla Sun Life Asset Management 1Q FY24 Earnings Conference Call. We have along with us Mr. A. Balasubramanian - Managing Director and CEO, Mr. Parag Joglekar-Chief Financial Officer and Mr. Prakash Bhogale - Head of Investor Relations. We are thankful to the management for allowing us this opportunity. It would now like to hand it over to Mr. A. Balasubramanian, Managing Director and CEO of Aditya Birla Sun Life Asset Management for his opening remarks. Over to you, sir.

A. Balasubramanian: Thanks, Jignesh, and thank you for the introduction, and good evening to everyone attending today's investor call. I hope you all had the opportunity to go through the earnings presentation, which is available on the stock exchanges and our website as well. Let me first begin with as a customary, the economic outlook and the mutual fund industry update.

The global economy is facing increasing expectations of rate hikes. Of course, as I speak, yesterday 25 basis point additional rate hike came due to sustained growth and high inflation, and policymakers in these regions remained hawkish. Even though the headline inflation has softened, core inflation, however, remains stubborn. The global economic landscape is witnessing diverse trends with the different regions facing unique challenges. While some central banks are adopting a hawkish stance in response to inflationary pressures, others are exploring measures to bolster their economies amid uncertainties like China.

The macroeconomic outlook for India remains promising. India has thrived and continues to stand tall as one of the world's fastest-growing economies and forecasts from both global and domestic experts project a robust growth of 6% to 6.5%. This positive sentiment is underpinned by the strong fundamentals. Notably, India has boosted a healthy GDP print for FY23, a narrowing current account and fiscal deficits, well-controlled inflation, stable interest rates, impressive tax collections, and growing foreign exchange reserve. Additionally, the manufacturing sector has shown stability with a steady PMI and improved capacity utilization, leading to lower NPAs. The credit culture has also seen a positive shift reflected in higher repayment intent and rising tax collections.

And these factors collectively point to the economy’s ability to sustain its growth momentum. Moreover, the government’s focus on infrastructure development, digital transformation, and sectoral reforms augurs well for the economy’s future. The intrinsic strength of our economy can be attributed to its reliance on domestic demand, favourable demographics, political stability, and a progressive reform agenda set by the government. Additionally, the domestic manufacturing sector has received a boost through the China+1 strategy.

While the overall economic situation, as I just mentioned is phased with respect to mutual fund industry, the Indian Mutual Fund Industry Quarterly Average Assets Under Management grew by about 14% YoY to ₹43.08 lakh crores as of June 30, 2023. They represent an increase from the previous year of ₹37.70 lakh crores.

In Q1 FY24, the mutual fund industry witnessed inflows across equity, liquid, and ETF schemes. The industry's SIP book grew by about ₹12,276 crores in June 2022 to ₹14,734 crores in June 2023, indicating a growth of about 20% YoY. During the quarter, the total NFO collection was about ₹5,500 crores, which includes fixed income schemes. The total number of mutual fund investors stood at 15.10 crores as on June 30, 2023, an increase of 11% YoY compared to 13.64 crores on June 30, 2022. The industry witnessed net equity sales of around ₹30,900 crores in Q1 FY24, through new fund offerings and existing funds. Within the existing equity and hybrid categories, most of the inflows are coming to arbitrage, small-cap, mid-cap, large and mid-cap, and multi-asset allocation funds saw the highest inflows during the quarter.

During the quarter, the industry witnessed inflows. However, there was a decline in net inflows, when compared to the previous quarters in equity. During the quarter, individual average AUM grew about over 26% YoY, contributed to 57% of the total industry average AUM. The mutual fund average AUM for June 2023 from B30 cities accounted for about 17%, where there was also a marginal dip compared to the previous quarter.

Coming to the ABSLAMC performance, as we commence the journey of FY24, we at ABSLAMC are pleased to announce a promising start, which is, of course, representing in the form of average assets under management, which has grown compared to the previous quarter. In fact, in Q1 FY24, our total assets under management (AAUM), including alternate assets have surpassed ₹3 lakhs crores to touch ₹3.08 lakhs crores. This noteworthy accomplishment signifies considerable progress, exhibiting a meaningful increase on the previous quarter's figure of ₹2.86 lakh crores, and an impressive QoQ growth of ~8%. Mutual Fund AAUM has reached ₹2.97 lakh crores and equity AAUM has crossed ₹1.19 lakh crores.

During the quarter ending June 20, 2023, we added ~1.2 million new folios as a part of the broad strategy to continue to focus on customer acquisition. As a result of that, the overall folio count remained at 79 lakhs. SIP book size has increased by 10% YoY at ₹987 crores.

Our multichannel market initiatives designed to deepen our presence, have yielded positive results. We have strengthened our sales ecosystem and distribution network by bringing together the key levers like Virtual Relationship Manager, Sampark, Service to Sales, Direct HNI channel, and Digital distribution in order to provide greater support to the overall retail initiatives that as a fund house we are driving it.

Regarding our overall mix between retail and institutional customers, retail investors account for ~49% of our AUM. As part of our overall strategy, we are focusing on building the retail portion in both B30 and T30 cities as our contribution from B30 today stands at about 16%. Over the past few months and quarters, our business has been actively pursuing strategic initiatives that have yielded positive outcomes.

Let me just quickly elaborate on the significant measures that we have taken to improve the overall performance of the organization, which I'm sure as we progress further, will start reflecting. One, on the investment side, we continue to lead in Fixed Income Funds with our robust performance and consistently strong market presence that we have created. On the equity side, our funds have witnessed a performance turnaround over the last few quarters. I expect the same momentum to continue in the coming quarters. And most of our schemes barring a few have not only beaten the benchmark in the respective category on a one-year basis, also have beaten the peer average with a higher margin compared to the last few quarters, which I believe that would help in terms of building our equity as we move forward with the recent improvement, we are witnessing which will start reflecting in the long-term performance as we move forward.

We have further strengthened the investment team with process enhancement and bolstered the team's capabilities. We have also added sector specialists and realigned fund management responsibilities in order to give them higher responsibilities. Playing to their strength, while enabling the necessary resources has also brought in sharper focus, and we have started to witness the green shoots of such change in the investment team, which is reflecting on the overall improvement in the performance.

Our decision to implement the Focused Fund Offer (FFO) in order to drive our equity sales in retail, as a targeted campaign has seen result, garnering favourable outcomes, and generating considerable traction within the market, which we measure in the form of gross sales volume improving in some of these funds offers that we have created. And hopefully, shifted the ball rolling for the subsequent period as well.

We have developed a specialized segment, which caters to the High Net Worth Individual (HNI) segment. Through this, we provide a comprehensive range of services and sales offerings tailored specifically to meet the needs of our valued HNI clients. Our dedicated CARE facility ensures that HNI investors receive personalized attention and exceptional service to optimize their investment experience.

Furthermore, we've extended our range of Value-added products to include offerings such as Sampoorna SIP and Turbo STP in order to build our retail as well as increase the overall customer base.

Over the past financial year, we have been dedicated to expanding the size of the Passive and Alternate Investment Fund. In fact, our passive product offerings grew by over 2x to around ₹28,700 crores. The expansion of our passive bouquet has been equally noteworthy, now encompassing about 40 products and attracting a growing customer base of around 5 lakh folios.

On the PMS and AIF front, we have raised commitment of ₹893 crores in the current quarter by launching the CAT III Indian Equity Services Oriented Fund by leveraging our multi-channel distribution footprint that we have established. During the quarter, we launched ABSL India Special Opportunities Fund CAT III AIF and ABSL India Equity Service portfolio under the AIF category. We also received a SEBI clearance for launching an ABSL India Equity Services Funds Series 2 in CAT III AIF as well.

There's, in fact, the renewed focus we are giving on building our alternate business has already started yielding results, where we collected the first ₹893 crores. I'm sure the subsequent pipelines will also help in building further augment our asset class in this space.

After setting up of GIFT City, we are pleased to announce the launch of ABSL Global Emerging Equity Fund, an industry first fund domiciled in GIFT City which is in Gandhi Nagar, Gujarat. This fund will strategically feed into the ARGA Emerging Market Equity fund, allowing our investors to access and benefit from emerging market opportunities.

In fact, as we have taken this price to the market, we have seen reasonably good response in terms of the innovative product that we're offering as a solution to the investors in India under the LRS category as well as NRI investors, who can potentially part in an emerging market through our GIFT City product. This is the first product, we have launched in the mutual industry space, and I'm sure, more such products will come in the pipeline in the next few quarters.

On the real estate front, we have successfully deployed two investments for the Aditya Birla Real Estate Credit Opportunities Fund. We're also seeing the pipeline of upcoming proposals are many. At the same time, our efforts to build our engagement with the BGO should start delivering result soon.

In light of our performance, the overall improvement that we are witnessing in equity, we acknowledge the positive outcomes but also remain ever cognizant of the business dynamic one must steer through all the time. The markets we operate in are ever-changing and dynamic in nature. And the industry landscape is also bound to encounter fluctuations and transformation in the foreseeable future. With that in mind, the only thing that we can speak with certainty is our steadfast commitment to our vision and long-term objectives and we shall diligently adapt to the evolving circumstances and proactively navigate potential challenges. Our unwavering dedication to excellence and strategic foresight that will be instrumental in charting the course that aligns with the stakeholder interest. I just want to mention that as a fund house keeps making the course correction, what was needed to build our overall client to the next level.

Moving on to the financials for the quarter. Our earnings for Q1 FY24 was at ₹388 crores versus ₹273 crores in Q1 FY23 up by ~42% YoY. Profit after tax for Q1 FY24 was about ₹184 crores in Q1 FY24 versus ₹102 crores last year in Q1 FY23 which is again up by 79% YoY. Of course, this number includes other income numbers. With this, I would like to conclude and open the floor for any questions that you may have.

Moderator: Thank you very much. Our first question is from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain: Sir, firstly, on the SIP book, if I look at all the all the fact that are given on Slide 11. So, with the number of outstanding live outstanding SIPs, new SIP registration or the SIP book for that matter, all have been on a declining trend in a sequential basis. Even for the industry, we saw some stagnation in the month of June with respect to the overall SIP volumes.

So is there a challenge in that sense to get new SIP registrations or how do we kind of change this value that we always talk about penetration being very low in the country. And so -- but how do you kind take this forward going so...

A. Balasubramanian: I think thanks, Prayesh for this question. The SIP in general, the trend that we have seen since the time the market started getting into the completely different zone. We generally have seen the registrations versus cancellations versus expire SIPs in general, have seen some rise in the cancellations and expiries.

And that primarily reason why not only for the industry, the gross number, which is around ₹14000 crores number that you saw for the industry is generally the net inflow as a result of these expiries, generally number is low. This again, for the whole industry and for us as well, we saw some kind of stagnation as a result of that.

Second, which also, of course, came in the last 3 months, I think there are certain regulatory changes which came especially on the SIPs, which you need to get triggered in the form of OTP-based verifications which is more operation-related issues , but also would have – though I don't know the data for this, but I'm saying from more from behavioural point of view also have resulted in some of SIPs getting dropped as a result of that. These were two primary reasons as a result of that is something which I would say.

And in terms of registration, which is about ₹14000 crores number is I always feel proud about that. I think while expiries and cancellation are not in our control, but getting new customers in our control, that's what something has been rising. And for us, whilst it has remained stagnant at close to about ₹1,000 crores, so our vision has been to take it ₹1,200 crores. Some of the efforts that we take is in the form of launching new goal based SIPs, convenience-based SIPs, like Sampoorna SIP I mentioned about, Turbo STP I mentioned about. Some of these initiatives we are taking are more with the intention to make customers to look at SIPs as a long-term investing not for short term.

And then the last piece that I want to say is while the digital platform has been, I think, a good amount of SIPs in terms of new customer addition. But as I must also mentioned that those SIPs generally get registered for low ticket, small ticket. And second is that it come for sometimes 3 months, sometimes 1 year. So, the drop rates in that segment is little higher than what one generally pursues to be. I think the combination of multiple things.

But clearly, from a longer-term point of view, for us, especially having built the business in the last 10-12 years where we take pride in building a strong retail franchisee through the SIP book. I think that continues to remain as a big focus area, though we may face some temporary challenges, but that's not something is being taken away from our radar.

Prayesh Jain: Got that. And on the yield front, like there's been a drop both sequentially and Y-o-Y. Could you explain that? And how -- what kind of trajectory do we anticipate for the rest of the year?

Parag Joglekar: Hi Prayesh, good afternoon just on the yield side, on the asset class wise yield remain more or less same like equity remains in the range of around 70 basis, debt in the range of around 22 to 25 basis and liquid remains in the range of around 12 to 13 basis. So those numbers more or less remain same, but change has happened due to the mix, which has changed and entered within the asset class.

And there is a growth in liquid and liquid plus scheme, which we have seen in the last quarter, resulting in a slight drop in the mix of equity, which has resulted in a drop in the overall blended yield for the company. Otherwise, the overall yield remain at asset class more or less similar.

Prayesh Jain: Okay. Great. And lastly, Bala sir, any thoughts on new formidable player getting into the market in the likes of Blackstone with the kind of expertise that they have globally, especially on the passive side, via their platforms, Aladdin or iShares for that matter. What is the kind of growth or challenges that you might anticipate? I know it's too early days, but any initial thoughts that would be great to hear from your side.

A. Balasubramanian: Yes. Thanks Prayesh. Of course, given the fact, I'm a firm believer of Indian Mutual Industry, passing ₹100 lakh crores size in the next years to come. And I also firm believer that we personal households will have a mature fund investment in India. So going by that, I think there is a space for more people to do the hard work for expansion of the industry. I'm sure as the industry expands as a wallet shares increases, and that will, of course, go to established players in the mutual fund industries like ourselves.

Just to give you an analysis to give you. When of course, when we started 25 years back, 30 years back, we were close to about 3 or 4 fund houses. Today, we have 44 mutual funds and 80% of the mutual assets under management coming from the top 10 and top 5 contributes about 53% of AUM. So therefore, I would assume a similar trend will emerge as we move forward. But of course, more players coming in, establish player coming in will bring in new practices, no doubt it'll bring in new product offerings that could come will also bring in some competitive space and only strengthen our alertness to actually, both in terms of product offering as well as an expansion of the customer base. Those will become more than a challenge; we need to also probably be more aggressive on that space as well. But otherwise, I would only assume it will only help in expanding the market.

Prayesh Jain: Great. Thank you and all the best.

Moderator: Our next question is from the line of Lalit Deo from Equirus Securities.

Lalit Deo: Sir, I have two questions. So firstly, like during the quarter, we have seen some increase in our employee expenses. Anything to read into that? And also, could you also qualitatively talk about like how has been the gross inflows in our equity schemes during the quarter as compared to the previous 2, 3 quarters?

Parag Joglekar: So, Lalit, on the employee expenses. Employee expenses actually are more or less than around that number only. In last quarter, there was a slight drop due to some provision -- true down in the provision of variable pay and bonus and that is why there was a slightly drop in last quarter. Otherwise, the people remain sightly in the similar range. Obviously, there are some recruitments and backfills which we have done which has slightly increased the number, plus we are strengthening our team on the alternate asset side, which is also increasing costs slightly.

A. Balasubramanian: Yes. With respect to your second question on gross sales. I think we divide this into two parts. Though we don't disclose the numbers broadly. But I think the way I see the trend, the focused fund, which I just mentioned about, which are driving it more with intention to drive those schemes which are relevant from the ownership point of view. At the same time, the sales team point of view, they remain focused in building volumes.

In those focus funds, we are seeing actually increasing gross volume going up as is about 7% to 7.5% kind of range from a normal range of about 4.5% to 5% to which we have dropped there. And which I see is some sense of improvement in the overall productivity, which should gain the momentum with the reasonably good backup of equity performance, which I just mentioned about the earlier comment also is now supporting. The feel is now, is also being felt in the ground level. I think all combination put together; we should see that improvement now getting set.

Lalit Deo: And sir, just last question on the alternate side, like we are share, growing it well. So, like what is our vision over the next 3 to 5 years, like where do you see the overall AUM size in the alternate side? And how much of it should it contribute to our overall revenue and earnings?

A. Balasubramanian: Yes. Broadly, this one area where we are keeping our focus Lalit, as you have seen this ₹ 893 crores we rise after briefing up the team in the AIF side. We've seen a first success, in fact, this has helped in two ways: one, reaching out to all the market players and we could communicate both on the mutual fund progress that we are making. And second, our vision for the AIF and that has helped in terms of raising ₹900 crores. If they don't have confidence on either from AMC, even the ₹900 crores would not have come. So that I see is a reflection of confidence of people to give their money on the AIF side. We have created, of course pipeline of product within AIF within the equity, we have a pipeline of product on the credit side. And just to put there given the fact this segment will also help in improving our overall profitability as a contribution is something has remained as a big area of focus.

Right now, we are working with what seven-member team in equity. We have time to beef up our fee income capability in terms of managing credit-oriented funds in this space. I mean these two-combination put together, I think the road map is being kept to bring in a sharper focus on this piece. In fact, we have given a separate KRA for entire existing sales teams to promote our AIF product because the team is one, but at the same time, they can actually sell multiple products as it suits for the customers.

So, the very clear vision we are setting in for want of this thing, I'm not giving the number per se. But clearly, sharper focus we are bring on this space.

Moderator: Next question is from the line of Devesh Agarwal from IIFL Securities.

Devesh Agarwal: First question, if I heard it right, you said on equity side, our yield is around 70 basis points. versus last quarter, you had mentioned of around 74 basis points. So, there's a good four basis point decline, while our equity AUM remains flattish on a QoQ basis?

Parag Joglekar: So, Devesh, the yield was in the range of around 70-72 basis, it is a mixture of various schemes within the equity, which we are promoting and depending on the size of the scheme which we are growing, including arbitrage or tax relief and the other scheme. That change, but there is no big drop. It was in the range of around 72-70 odd basis.

A. Balasubramanian: There is a no big drop, Devesh. More or less the same, except on a few schemes, would have gone for drop for that too very minor drop would have been there. Otherwise, broadly the number remains the same.

Devesh Agarwal: Understood. And sir, on the passive side, what is the yield that we are making?

Parag Joglekar: So, on passives, generally on ETF, it will be in the range of around 10 odd basis, and on the index side, it will be slightly higher. It will be in the range of around 20 odd basis.

Devesh Agarwal: Okay. So at least on a passive portfolio, it would be closer to 15-16 basis points.

Parag Joglekar: It is depending on how it moves.

A. Balasubramanian: But of course, we also have a product within the passive where we charge higher expenses given the fact that we are bringing in some value added in terms of frequent monitoring of portfolios as well as reshuffling the portfolios depending upon index, right, which lies such as Nifty 50 equal weight index, we charge higher expenses. Then smaller mid-cap index we charge higher expenses.

Though the expenses are higher as it stands today, therefore any volume increase could help in increasing the revenue, but we have been pushing it like NASDAQ fund, we do have, I think as it starts seeing the volume increase on this product, we'll probably see the margins improving on that basis. Though we are currently charging higher than the normal ETF, our passive funds will charge us roughly about 10-12 basis points. This product, we are positioned like that and with the intention to improve their contribution as well in the future.

Devesh Agarwal: And sir, when we see the passive AUM numbers, we were seeing QoQ growth until last quarter, and it was a very healthy growth, especially in the index fund. But if we see the June quarter on a sequential basis, the number looks very flattish. So, was there any particular product like a target maturity, which was doing very well until last year or last quarter? And this quarter, there was some moderation in the flows into those categories.

A. Balasubramanian: Sure. I think you rightly pointed out, Devesh. One, in the ETF equity category, we have seen growth, we have seen participation arising both in terms of customer additions as well as on institutional customers coming in, in view of our plan, both in the NIFTY and index and the banking ETF. As far as the target maturity fund is concerned, it comes into a passive category, those AUM got closed from the passive, but they have come to the actively managed debt funds. It was shifted there because it came for maturity. They all have to get rolled over. In the rollover, we can't do it in the target maturity space unless the customers want to go for it. So those rollovers actually got shifted to the mutual fund to an extent about 50% to 60%. And that's the reason why in the mapping, they would have gone out of the passive space.

Devesh Agarwal: So, you're saying that is now getting into the actual debt funds of fixed-income funds?

A. Balasubramanian: In fact, we saw a shift from the Target maturity fund to a floating rate fund in the mutual fund space.

Devesh Agarwal: Okay. And sir, lastly, if I see the distribution channel mix, especially on the equity side, the share of the Bank channel is kind of continuously coming down. If you compare on a YoY basis, it has come down from 13% to 10%. So, is there any specific reason with some bank who has stopped selling a product or it's a general fall?

A. Balasubramanian: I think, it was largely because of the mix actually. I must admit that this quarter, we saw significant momentum on our fixed income space in terms of growth, which we saw in the last quarter of last year, we saw a dip. Basically, we gained back, and we gained more. That's primary I think, otherwise, the banking channels more or less remain adjusting for that. In terms of product being part of the recommendations, there are certain channels where the product were part of the recommendations, but of course got dropped. But again, that keeps going up and down because some of the people have changed their model of not more than recommending two products kind of things or three products kind of things. Therefore, it all comes in bits and pieces, but otherwise the relationship engagement with the entire banking channel remains very, very strong both as a brand, as a people as well as the product relevance. Therefore, that is not something which I see as a gap area.

Devesh Agarwal: Okay, sir. Thank you so much.

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

Dipanjan Ghosh: Hi, good evening, sir. Two questions. First, on the cost side, you've been mentioning for a few quarters of investment in alternates and employee additions or expanding your distribution capabilities. So, just wanted to get some sense of, let's say, from a medium-term perspective, how should one think of the cost ratios from here onwards, the core prospects of ESOPs?

Second, on your overall flow trajectory, you mentioned that you're trying to push some of the select schemes and equities where you feel that the flows can be better. So, if you can give some colour in this preferred scheme, what would be your flow share or how that has been shaping over the past few quarters? Has this been on an increasing trend or a downward trend?

And lastly, two data-keeping questions, if you can quantify your ESOP expense for the quarter and your outstanding SIP AUM?

A. Balasubramanian: On the first question on the cost front, I think only in the case of alternate space and direct space, these are the two areas where we are looking at the beefing up the team, We're also carving out the people from our existing retail team to all the larger responsibility on building Direct. Therefore, they'll have a little increase in cost, otherwise not significant. As for the AIF concerns, of course, you have to increase our team strength in the fixed-income space. We're looking at adding one or two Individuals who could help us building our feature on the credit related funds where we see it as a great opportunity, both in terms of building size and customer segment is also quite hot on this space and third, of course, the margin could have to be high.

As far as the investment concerns, while we have done all the beefing up on the investment side, both in terms of restructuring the current responsibilities of team and given growth for the existing team of senior analysts to become a fund manager that also because the status is changing from senior portfolio manager to the fund manager. Therefore, also a marginal increase in cost because they have to be map to the market. These are the three areas which I see as a driver for the cost increase, which is not anyway significant, but broadly these three items would lead to marginal increase in cost. Though, I can't quantify in number, but that's why I see it.

And the second is gross sales, we have chosen four funds, which is basically frontline equity in the large cap and the Balanced Advantage Fund in the hybrid category and the third one is Multi-Asset allocation and Balanced advantaged funds. These are the three funds we have put. And even as the fund house we started promoting multi-asset allocation fund, given the fact we are reasonably that's come in the top three in terms of AUM size, which we believe that in the current market condition, the multi-asset allocation fund could be one of the drivers and that's something we are pushing. We are seeing these three funds on a month-on-month basis, improving gross sales volume.

Even I talk to my sales guys, I ask him how is the business going, he will say my focus fund offerings, we are seeing an improvement in gross sales, which is nothing, but the language of people is coming in, I'm saying. Under the last, which I think I'll ask Prakash to answer.

Prakash Bhogale: So, Dipanjan the SIP AUM for this quarter is ₹57,543 crores, and ESOP is ₹ 6.6 crores.

Dipanjan Ghosh: Sure. Thank you, sir and all the best.

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

Abhijeet Sakhare: Hi, good evening. Sir, you mentioned on SIP front, you mentioned some sort of stagnation at an industry level, so is it possible to share some colour maybe for ABSL or at an industry level in terms of what is the nature of the SIP closures or the slowdown that you're seeing, whether it is really the recent additions that have happened in the last one or two years that is now sort of seeing some redemptions or is it really the old book, which is sort of booking some gains because of market gains and sort of relatively more healthy in nature?

A. Balasubramanian: So, two trends. One, what has been coming in the last one or two years, especially the millennials, where we have been seeing some deep margins for the industry as a whole. The old book generally, they don't redeem, they stay invested for long term, given the fact they have gone through the cycles, the experience is good and in SIP, generally, there is no tendency to book profit. Therefore, that, I think, is more or less continues. So, mostly the online platforms whatever as you have seen in the case of demat closures, right, in the demat market.

Yes, similar trend is assuming witnessed as far as the millennials are concerned, that's been the general trend that we have witnessed. In fact, the AUM that has been coming through the MFDs and generally, their tendency for long-term is high. The third area where we have seen general drop even for us, we've seen a marginal drop in SIPs in terms of cancellation, only on one or two schemes where, maybe the performance will not have been to the satisfaction of the investors, despite they being invested for long term. We saw some kind of closure on that which I see is something which is not unique to us, general industry trend, we always seen even in the past as well. That's something we drive it through it. We have a system called SIP Win Back and how we actually call back the customers, make them understand this SIP, nothing to do the performance. It is something to rupee cost average we take care, if you go with the principle of SIP we are investing, that's something we make people understand again and again. If performance is bad and therefore redeemed, that doesn't mean you'll be able to catch up rather, we're saying stay invested, you know, the same thing, you'll be able to catch up, given the fact we all put an effort to turn around on the performance also on those schemes as well. So that's something we try and do it through the call win back kind of strategy that we have.

Abhijeet Sakhare: Got it sir. Thanks a lot.

Moderator: Thank you. We have a follow-up question from Mr. Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain: Thank you for the opportunity again. Firstly, it's more of a strategic question. Is there a customer behaviour change over the past, say two or three years in the B30 where with the advent of the tech driven like we have seen even online brokers or discount brokers kind of getting into the distribution more aggressively. So, is there a different approach that even the AMCs, like you guys can adopt, and direct reach can help you scale up AUM there? Is there a different customer behaviour that is expected here, that has been seen in the last couple of years?

A. Balasubramanian: Prayesh. I think B-30, when I go back to history B-30 special attention was given by giving extra incentives to the markets. Since the time the extra incentive has been stopped, we have seen a reduction both in the increased customer addition as well as an increase in AUM from the B30 market. That's something which we have witnessed as a change in trend, whether it is the large fund houses, small fund houses, that's there.

As far as the digital platform concerns, of course, technology usage is not today restricted only to the urban cities, even rural India, a semi-urban India or maybe most of the cities, which are well penetrated, the usage of technology platforms have been rising and some of the platforms we have come have been increasing their reach to the market. Naturally, the digital onboard or transaction coming from the deeper part of location, B30 cities also have been rising.

One of the trends that, of course, normally witnessed in these platforms is they normally give higher weightage for the decency of performance and also they don't look at which schemes that they do buy even in our own case, I have seen a large flow is coming in our Digital India fund about 6 month to 8 months back when the performance was extremely good, and that is all coming through the online platform. We saw inflows coming in our infrastructure fund because the performance are very good beating benchmark by the substantial margins. And I think I see online platform provides their own differentiate between thematic versus the regular schemes. That's something is a trend I see. In fact, we identified firepower schemes which fall in thematic category, but diversified equity portfolio, but the performance has been extremely good. Then we also felt that maybe as a fund house, we can actually position this kind of product as part of allocation of investors and making it available in the online platform. But this is something which I see as a trend in online platform and also behaviour of buyer behaviour, I would probably say giving more importance for this kind of thing. But otherwise, I don't see a significant buying behaviour changing or maybe selling behaviour also changing.

Prayesh Jain: Got that. And sir you mentioned that there is a movement from target maturity funds to floater funds. So, how does that impact our yields? And do you think that this could further move to longer duration asset, say, possibly 3 months to 6 months down the line once the trajectory of interest rate is more clear?

A. Balasubramanian: Yes. Basically, the way it works Prayesh is one is even the FMP days we have seen this, whenever these gains come for maturity, we give the rollover facility to investors as for the regulation is permitted where the investment can continue for long term. In fact, we tell most of the investors. If you don't need this money in order to avail the longer-term tax benefit, which otherwise you'll lose it if you redeem and put the money back again. So, we always encourage investors to stay invested in whichever scheme to which they switch and stay for longer term as much as possible to postpone your tax, unless you need this money. This is something we normally advise we always give to the investor, rather we give this insight. Basis is, when the money moved from target maturity fund which gives me about 20 to 25 basis points into the floating rate fund or any other funds, but naturally anything than liquid, liquid plus the target that we have is little higher than the target maturity fund. Therefore, ideally speaking, it should lead to an increase in margins on such kind of switches. We also encouraged the switch should be ideally speaking, should be 100% unless until the investors need the money during that period of maturity. This is what we normally do, but in our case, we see roughly about 60 to 65% success in terms of that money moving to the funds, which we ideally position for the switch.

Prayesh Jain: Okay got that. Thank you so much.

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

Mohit: Yes. Thank you for the opportunity. So, just one question. If you look at the market share, we have reversed the trend and now we have seen an increase in the market share of the overall AUM, but if I look at equity, we have seen a little bit of decline and there is a trend that is going on. So, any special steps that we take to see that equity AUM also increases going forward?

A. Balasubramanian Sure. Thanks, Mohit, for asking this question. In fact, we did go through some period of continuous decline, especially in few of our schemes, where the performance did have an impact on our growth. There's no doubt on that. In fact, the steps that we have taken in the last six to nine months, as I mentioned earlier, both in terms of the shuffling of responsibilities on the team within the existing team and giving emphasis on more opportunity actually to manage the fund. And change of responsibility for some of the fund manager is going to take some other responsibilities, basis which brought some changes that's definitely reflecting on the performance improvement that we have seen on the one-year and two-year, and three-year basis.

Both with respect to the competition, peer group as I call it, as well as to the benchmark. And that changed as the impact has created some kind of positivity in terms of our first level of discussion, which ideally speaking should help us in getting in more momentum on the equity space, which is what gives me confidence that the changes that we've brought in. The level of communication that we have to step up and more level of push on the ground level, which currently is being done unless we sound positive in the market, definitely, the overall momentum cannot be built. I'm quite happy in the first quarter business, momentum that we have built, ideally speaking, should help us in more in that direction.

Mohit: Great. Yes, perfect. Sir, secondly, what are the schemes that you are intending to launch in FY24, specifically on the thematic side, is there any pipeline or if you can name a few of them?

A. Balasubramanian: There is one fund where we already got an approval which, of course, we have to look at the timing of the launch, which is the logistic fund under the thematic category. We got the approval, and we'll have to, of course, plan the launch may be in the second quarter if everything goes well. But in addition to that, we have of course, few products on the AIF side, as I mentioned earlier, the AIF side, perhaps there has been a good experience in buying our PMS products and those products are now also being offered under the AIF side that we see some momentum coming in. And third, which I mentioned in my opening remarks, we have launched first time ever in the country as a fund in Gift City, where all of us, under individual can put under LRS limit is USD 2,50,000 and all of us individuals can put in India and that's something we are now going aggressive in terms of promoting it, to invest in global markets using the LRS limit, which also should see some traction. The initial pillars are very good, and I don't have to put a number at this point of time. Going with the feel, it looks like, it may also see somewhat of good traction, both in terms of the customer base as well as the AUM, except that we have a constraint here that the minimum ticket size has to be ₹1 core 20 lakh. This is the minimum ticket size, one has to put, therefore, predominantly helping building HNI base in this space there.

Mohit: Lastly, anything on the branch expansion in this year, do you intend to increase your branches?

A. Balasubramanian: See, incremental branch expansion, we are doing it jointly with Aditya Birla Capital, which we call it as One ABC branch. So we have to start prolonged strategy, one, existing branches, how we can collaborate with One ABC branches. Therefore, we all become one, as One ABC as a strategy, that something has been working quite well in terms of getting more customer traction, in terms of doing cross sell, upsell. I'm sure, more you will hear that as we start seeing the real outcome of that.

And second is, wherever we have identified an emerging market about 85 locations that we have, some of the branches are matured in terms of size. We're also looking at opportunity of converting them into a full-fledged branch. As we convert them into full fledge branch, we'll actually add more emerging market, which we are doing as an on-going process.

Mohit: Thanks and wish you all the best.

A. Balasubramanian: Thanks.

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

A. Balasubramanian: Thank you, everyone, and thank you for tuning in. And with this, we conclude our Q1 FY24 earnings call and do feel free to reach out to our IR Head, Mr. Prakash Bhogale for any queries that you may have. Thank you.

Moderator: Thank you. On behalf of InCred Equities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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