“HDFC Asset Management Company Limited Q3 FY ’20 Earnings Conference Call”

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MANAGEMENT: **MR. MILIND BARVE – MANAGING DIRECTOR,**
MR. PIYUSH SURANA – CHIEF FINANCIAL OFFICER,
MR. SIMAL KANUGA – HEAD SALES, CLIENT FUNDS,
HDFC ASSET MANAGEMENT COMPANY LIMITED

MODERATOR: **MR. SAMEER BHISE, JM FINANCIAL INSTITUTIONAL AND SECURITIES LIMITED**

Moderator: Ladies and Gentlemen, Good Day and Welcome to the HDFC Asset Management Company Limited Q3 FY '20 Earnings Conference Call hosted by JM Financial Institution and Securities Limited. 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, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sameer Bhise from JM Financial. Thank you and over to you, Sir.

Sameer Bhise: Thank you, Raymond. Good Evening Ladies and Gentlemen. Firstly, I would like to thank the management of the HDFC Asset Management Company to allow us to host this call. Without much ado, I would like to pass on the call to Mr. Simal Kanuga. Along with him he is joined by Mr. Milind Barve, – Managing Director; Mr. Piyush Surana – the Chief Financial Officer of the company.

Simal Kanuga: Good Evening everyone and thanks Sameer. We have uploaded our presentation as well as the results on our website ie hdfcfund.com as well as on website of the exchanges, both NSE as well as BSE. As usual, we will start with a quick overview of the industry and our company in particular. We have Milind and Piyush here who will take questions thereafter. Starting this quarter, we have also included quarterly average AUM, we call it QAAUM, figures both for the industry as well as us, providing average AUM neutralizes impact of period end movements in AUM. It provides an overview of assets managed over the quarter and represents AUM on which fees are earned. So let me start quickly with the overview of the industry.

AUM of the industry as of December 31, 2019, stood at Rs. 26.5 trillion as against Rs. 22.9 trillion as of December '18, a growth of 16%. Equity-oriented AUM also saw an increase of over 13% during the same period and is now at Rs. 10.9 trillion as against Rs. 9.7 trillion as of December 2018. The corresponding growth in QAAUM was 13% both for overall AUM as well as that for equity. Equity-oriented funds saw much lower net new flows to the tune of only Rs. 46 billion during this quarter. The silver lining here is gross flows. During the quarter, gross flows for the industry added up to Rs. 725 billion which was similar to that of the previous quarter, that is, September 2019. The comparable number for quarter ended December 2018 was Rs. 651 billion. This leads us to believe that investors continue to have faith in equity as an asset class and equity mutual funds in particular. We would like to attribute higher redemption number to rising markets. The growth in the SIP book to Rs. 85 billion for the month of December 2019 has further strengthened our belief on continued equity flow. Individual investors now account for 53% of AUM.

We now move to HDFC Asset Management. Our QA-AUM grew by 14% and our market share remained more or less flat over the year at 14.3%. The lower market share in closing AUM as compared to that of previous quarter can be partially attributed to calendar year end outflow the liquid fund. Our total AUM as at end of December 2019 stood at Rs. 3.69 trillion split in the ratio of 46:54 for equity to non-equity AUM. The QA-AUM for the quarter ended December 2019 was Rs. 3.82 trillion materially higher than the closing AUM. We have retained our position of being manager to the largest mutual fund in India. We also continue to maintain our leadership position and actively managed equity-oriented AUM. Our market share in actively managed equity-oriented QA-AUM is now 15.8%. Individual investors account for 59.5% of our AUM as against 53.4% for the industry. We continue to be the most preferred choice of individual investors with market share of 15.5% in Individual AUM. Over 5.5 million unique customers identified by their income tax permanent account number have reposed their faith in us. The number of unique customers for industry is 20.3 million. This would mean that well over one out of every four mutual fund investors have invested with us. Our market share in B30 AUM is 12.6%, which is the second highest in the industry only after SBI Mutual Fund. During the quarter, we have added seven more branches all of them in B30 location. We now have total of 220 branches of which 144 branches are in B30 location. Our systematic transaction flow for the month of December 2019 was Rs. 12.2 billion across 3.42 million transactions. We will now move to financials.

Financial highlight for the quarter ended December 31, 2019, as compared to the quarter ended December 31, 2018:

The operating profit of the company for the quarter that went by was Rs. 3987 million as compared to 3127 million, an increase of 28%. Profit before tax for the quarter was up by 27% to Rs. 4660 million as compared to Rs. 3683 million. Profit after tax for the quarter was Rs. 3525 million as compared to 2433 million resulting in an increase of 45%.

In terms of the nine-month period, so basically nine-month ended December 31, 2019, compared to nine-month ended December 31, 2018:

The operating profit for the nine months was Rs. 11,567 million as compared to 8,397 million, an increase of 38%. Profit before tax for the nine-month was up by 38% to 13,234 million as compared to 9,601 million. Profit after tax for the nine month was Rs. 10,125 million as compared to Rs. 6,544 million resulting an increase of 55%. Our operating profit margin as a percentage of average AUM for the nine month ended December 31, 2019, is 41 basis points as against 37 basis points for the financial year ended March 2019.

We would just take a pause here. Happy to take any questions. Milind and Piyush are very much available for the same.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Omkar Kulkarni who is an Individual Investor. Please go ahead.

Omkar Kulkarni: My question was regarding higher depreciation and amortization cost this time, what led to that?

Piyush Surana: You would have read the note on the application of Ind-AS 116, , it is the leases that we have, they start getting depreciated now. So we do not book the rent expense now after Ind-AS 116 kicked in, and out of the expense of depreciation that you see on the quarter, 8.5 crores is attributed, out of the 12.72 to the depreciation on leases.

Omkar Kulkarni: In terms of dividend payout, would you like to maintain this or would you be hiking our dividend payout given the surplus position of cash?

Piyush Surana: Currently, we have nothing to report on dividend payouts at this stage.

Omkar Kulkarni: I would like to know the thinking of the management regarding this, as of now there is nothing that is fine?

Milind Barve: It would be premature for us to judge what the Board will decide in terms of the dividend policy. Once anything is decided it will get communicated, it will be premature for us to sort of pre-empt the Board on what the dividend policy would be.

Omkar Kulkarni: Given this current equity market conditions, what do you think would be the sustainable AUM growth you can achieve?

Milind Barve: We do not want to give a guidance on AUM growth, but we do believe that Indian investors are significantly under allocated to equity as an asset class. That is why you see that there is in every sort of every month there is a consistent flow in SIPs. There is also consistent flow into equity funds. The flow maybe sometimes little higher or lower depending on at the level of which the market is, and the view of the investor to invest at that particular point of time, but we are basically driven by the fact that equity ownership in India is very low, there is a huge headroom for growth for the industry as such including for people like us who have created a very strong foundation for the equity business.

Moderator: Thank you. The next question is from the line of Yash Khandelwal from Deutsche Bank. Please go ahead.

Yash Khandelwal: Milind, this is my question for you, my question is regarding the passive space I do not see the passive numbers on the presentation, if you can talk about what is our market share in the passive space as well as any products which we are in the pipeline to launch in the ETF space?

Milind Barve: Just to mention to you the passive space is largely dominated by one large investor which is the EPFO which allocates money in the passive products or ETF. From what we understand, about 75% of the allocation goes to SBI Mutual Fund's ETF and 25% is allocated to UTI Mutual Fund ETF, this is what we believe is the situation but we do not see any active interest from retail investors to buy into ETF, so the ETF number in some sense is correct in terms of the size of the ETF business, but it is misleading in terms of it representing the retail investors interest in ETF business. It is largely dominated by EPFO investment in ETF and it is also to some extent driven by the disinvestment programs like , if you are aware the Bharat 22 program and the CPSE divestment programs take place through ETFs. Most of the ETF number comprises these three sources of money, which is the EPFO, the Bharat 22, and the CPSE disinvestment which is done by the Government using the ETFs. If you are looking for a specific number maybe we can let you know later because apart from these three sources of money in ETF, the number is really not material.

Yash Khandelwal: I have one more question, so this is not related to asset management per se but is really to do with technological tools which you have in the company, so my question is related to the fact that do we develop tools regarding portfolio management or risk management or settlements within the company for day-to-day operations. My question is because typically we see a lot of revenue for global asset managers like Blackrock or for that matter D. E. Shaw comes from the tools which they develop and the proprietary tools which they outsource to other asset managers, do we have any such thing in the pipeline and what is your view on this?

Milind Barve: There are a number of tools that we use, most of them are used in our risk management function where we analyze and track risk and create risk budgets and so on and so forth. I do not think India still has an active quantitative approach to fund management. It is very much driven by fund managers and their overall approach to managing and stock portfolio and construction and so on. At this stage, it would be fair to say we are not using any sort of algorithm-based or technological tool based approach to portfolio construction.

Moderator: Thank you. The next question is from the line of Madhukar Ladha from HDFC Securities. Please go ahead.

Madhukar Ladha: On Slide 11, we see that the SIP transaction value has actually fallen in the December quarter from 12.8 to 12.2 billion, any particular reason this is happening?

Milind Barve: There is a very small dip, we do not see much into this dip in the SIP, it is a very small dip. Some systematic transactions are not SIPs, they are what are called STPs or Systematic Transfer Plans that people have signed and whenever the period for STP is over that money stops coming in, so it is not a material drop, so we do not see this as really a long-term trend, so we believe that we have a reasonably good high market share in this whole systematic investing within the Indian mutual fund industry space and we think our focus in building this will continue. To some extent, I want to attribute it to some stoppages in the STPs that would have either come to an end or they would have been stopped by some customers; and sometimes this STPs are of a higher value. They do not necessarily represent the interests in the overall SIP book.

Moderator: Thank you. The next question is from the line of Manish Ostwal from Nirmal Bang. Please go ahead.

Manish Ostwal: Sir, my question on the overall saving growth rate in the economy and the income trend, so from that perspective how do you see the equity flows whether that trend is deteriorating or still because of the lower allocation to this asset class, the flows are continuous so how do you see the economic slowdown impacting flows to the business?

Milind Barve: If you look at four or five-year trend in growth in the mutual fund industry, and I will come to the equity allocation also in a minute, if you look at the bank deposit growth in the last five to six years, it has averaged barely around 9% to 10%, while the mutual fund industry has grown at over 20%. So what we are seeing is that there is a greater acceptance of mutual fund products amongst the retail investors, a large part of the growth has been driven also by retail investors. So I feel very confident that there is a significant headroom for the mutual fund industry to grow if you compare it with the size of the banking deposits in the economy. Yes, there are months based on where the market cycles are where retail investors either are allocating larger amounts towards equity and some quarters like we have seen in the last quarter. New flows into equity-oriented products which includes balance funds has been relatively lower than the previous few quarters, but we think this is only a matter of time where these flows will start beginning to pick up because overall, we are of the belief that the retail investors allocation to equity as an asset class is itself very, very low, and therefore, people's interest in equity as an asset class to ownership will continue to grow.

Moderator: Thank you. The next question is from the line of Madhukar Ladha from HDFC Securities. Please go ahead.

Madhukar Ladha: The fees and commission line item has grown significantly, it is back at 7 crores in this quarter versus just about an 18 lakh amount in the last quarter, any particular reason for this, ideally this amount just have gone down?

Piyush Surana: Madhukar, so on the fees and commission, you are right when you say that it should have gone down because the amortization cycle of mutual fund commission is coming to an end, however, this also includes commissions paid on our segregated account business and our PMS business, so there has been a payout on that, that is why that amount has gone up.

Madhukar Ladha: Any guidance on how this number should be typically or given that now there is no upfront commission?

Piyush Surana: We do not see this to be a material amount and do not see it to be a material amount going forward.

Moderator: Thank you. The next question is from the line of Amit Jeswani from Stallion Asset Management. Please go ahead.

Amit Jeswani: Sir, my first question is IDFC is on the block, this is pretty much public information, they do about 75 crores odd revenue per quarter, so are we open to like an acquisition because we can simply buy them out and carve out lot of cost, so are we looking at an inorganic growth, that is my first question? The second question is do you see distributors moving away from HDFC AMC because other mutual funds are offering a larger commission?

Milind Barve: On your first question, my limited point would be that we are not looking at any particular target acquisition at the moment. We always are open minded and looking at opportunities of acquisition in going forward and we will look at whether there is any particular synergy in having to make these acquisitions. I do not have anything to comment or support on a particular specific AMC that you mentioned about. Your second question is that we do not think distributors are moving away, our sales teams are actively engaged and I think they have very deep and meaningfully strong relationship with our distribution fraternity. We think we will continue to get rewarded based on our distribution reach and the strength of investment, sort of, offering that we have and there is no reason to believe, if we look at the sales number that we have seen here today for the industry as well as our sales on equity products on year-to-date basis, there is no reason to believe that the distributors are going away from us.

Amit Jeswani: My second question is what kind of cash are you comfortable being on the balance sheet because our dividend payout ratio last year was 66%. We do have a lot of cash on the books, so what kind of cash do you think that this cash is more than enough above this, I am going to give out 100% dividend payout or 80% after dividend distribution tax?

Milind Barve: I think I do not want to as I said earlier in the reply to another question, I do not want to prejudge what the Board will decide on dividend, but the Board is mindful of the fact that we have significant cash in the AMC balance sheet and as you have seen from the trend that we have presented that there is a trend of sort of a fairly high dividend payout ratio that we have been giving, so I think the Board will be mindful of this fact that we would like to have a healthy payout ratio, like we had 66% the last time. What that payout ratio will be for the current year and going forward would be difficult to prejudge what the Board will decide.

Amit Jeswani: One more thing why are we not so active on the EPFO market while other AMCs are, like is it that only Government AMCs get that, is it something like that?

Milind Barve: You are absolutely right, I think the EPFO allocation of the ETF money that comes every month to them as what we understand is that they have a policy of giving it only to Government owned mutual funds or asset management companies, and therefore, as per our understanding 75% is going to SBI Mutual Fund and 25 to UTI, but clearly it is not going to any private sector asset management company.

Amit Jeswani: Any new pension opportunity that we are tapping, we did something like last quarter, new pension money is that something we are looking at aggressively like global pension money because now one of our competition is a large player, Nippon I am speaking about the pension market, is that something you are tapping aggressively?

Milind Barve: No, we will continue to focus to grow our international business, wherever we are able to we are in dialogue with a number of prospective people who could be looking at providing us mandate. Our international business is about $ 1.8 billion and what we are pleased is that it has come from very high quality sovereign fund, university endowment, and institutions, so it is a part that we will continue to sort of focus on the growth. It appears they are reasonably small compared to our overall size of the assets under management, which is almost 53 billion plus US dollars, but we have a meaningful amount of 1.8 billion or thereabouts in our international mandates where we are managing or advising the client on their India investments.

Amit Jeswani: Sir, my last question what is the typical BPS that we get from pension fund, is it like if you can give a broad range that will also be enough, what is the typical yield that we get on international money?

Milind Barve: Each of the mandate is very different. In some cases there is a fee, in some cases there is a lower fees and there is a performance fee attached with it, so almost every case is very unique in the way based on the size of the mandate, based on what type of strategy they want us to sort of pursue. I think is very difficult to put a number on as an average because in many cases it is a mix of performance fee and flat fee and in some cases it is just flat fee and sometimes some of the international money has also come in to our existing mutual fund product in which case they pay the normal TER that we charge in our mutual funds maybe in the direct plan.

Moderator: Thank you. The next question is from the line of Piran Engineer from Motilal Oswal Securities Limited. Please go ahead.

Piran Engineer: I just have a couple of questions, firstly is our redemption rate in equity mutual funds lower than that of the industry, if you could just broadly guide us to where you all would be because I believe the industry is at about 20%-25%?

Milind Barve: I think you are right, if I look at the year-to-date flows in our funds and compare our market share in gross flows and share in redemption and then look at our share in the net flows, I am pleased to find that our share in the redemption is lower than the industry and that is why our share in the net flow is reasonably strong.

Piran Engineer: Would it be meaningfully lower?

Milind Barve: I do not know what you mean by meaningfully lower, but no it is not marginal, it is meaningfully lower.

Piran Engineer: Sir, my second question, it is probably a bit technical but I noticed that your yields have improved, your revenue margins have improved QoQ, but if I go back and look at your schemes and see in which scheme you all have increased TER or cut TER, I notice that over the last few months you all have cut TER more than increased TER yet your weighted average revenue margin has improved QOQ, so I am a bit puzzled by this?

Milind Barve: I think our operating profit margin has remained at 41 basis points is that what I mentioned.

Piran Engineer: No, I meant the top line margin, if I just calculate your operating income divided by quarterly average AUM, it has improved despite TERs having been cut in some of your large funds like balanced advantage or hybrid equity, so I am just trying to think about it bottoms up as to what explains the dichotomy?

Milind Barve: The fee income also includes the fee that we get on our portfolio management or segregated account management business, which includes the PMS business and that fee sometimes is not very sort of evenly spread in every month or every quarter, it comes about either in the calendar quarter which is the last quarter of the calendar year and so on.

Moderator: Thank you. The next question is from the line of Nikhil Valecha from Sundaram Asset Management. Please go ahead.

Nikhil Valecha: Sir, I just needed a small data point, what was our net new sales in the equity?

Simal Kanuga: We do not disclose our net new sales numbers, nobody in industry does it and for that reason we also do not disclose those numbers.

Nikhil Valecha: Can you share our strategy in the B30, I am looking at numbers and our share is marginally increasing in the B30, so what is our strategy over there is it because, are we able to earn more yields over there or is it more helping in our growth?

Milind Barve: No, I think we do believe that under penetration or under ownership of mutual fund in the B30 is very, very strong in the sense that the opportunity to grow business in B30 is very strong and just to let you know that we have about 219 branches of which about 144 branches are in the B30 towns, so we have almost 65% of our branch network in the B30 geographies and we feel that it is an important part of our strategy to focus on business from the smaller towns where I think both strength of our brand and our distribution is very high and we have very strong market shares in a number of small towns. In fact as you heard from my colleague, our AUM from the B30 cities, we are number two and we are number two only to SBI Mutual Fund.

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

Nischint Chawathe: Actually partially answered my question, but just to get a clarity, revenue from operations, there is almost a swing of 25 odd crores and I think your AUMs have broadly been sort of stable, so from quarterly revenue run rate of 505 to around 500 odd crores you have kind of moved up to around 525, so I am just sort of saying that broadly this 20 crores may have come in on account of PMS, is that a fair way to get it?

Piyush Surana: Yes, you are probably around the number.

Nischint Chawathe: This kind of tends to be kind of come in once a year right, so maybe if all things remaining similar next quarter you might still be kind of closer to 500 odd crores?

Piyush Surana: That depends on a number of things, how the market behaves, what are the flows like sort of other things.

Nischint Chawathe: The limited point is that this quarter you had PMS, is there anything else that comes in the next quarter, any other specific line item or whatever which can be kind of swing the numbers by 4% to 5%?

Piyush Surana: We do not have any sight of anything yet and I do not think we want to make any specific comment on that.

Moderator: Thank you. The next question is from the line of Amit Nanavati from Nomura Securities. Please go ahead.

Amit Nanavati: Sir, I know you do not disclose your flow information, but if you can just qualitatively share across distributor segment or be it banks, IFAs where you are seeing gaining market share, losing market share, I understand looking it from an AUM perspective, the fund performance also is at play here, but broadly if by and large manage market share and maintain market share barring whatever performance-related assessment I would want to make and to look at bank's AUM per se, YOY basis you would not have grown, the bank AUM would not have grown, so if you can give some color on that?

Milind Barve: I will make a few quick observations on what we see and some of it may not be necessarily a trend and some could be, so as you know there are four distinct channels. We have the IFA channel, we have the bank channel, then we have national distributors, and the fourth which is not a channel but the way to call it is where people invest directly. If you look at the first three channels by and large their shares have been consistent in the past, I would probably attribute a small dip in the share of the banking channel for the industry. For us it is not so noticeable, but for the industry the contribution from the banking channel has indeed dipped, for us I do not find it very strongly noticeable. In our case I do find two quick observations on this and it is an interesting question, I do find that there are more and more investors investing directly into mutual funds for the industry in general and that rate of the industry AUM which is in direct plan is growing every year on year. As far as the share in the gross flows, the industry has an increasing trend of flows which are coming in direct plans and that is something which might be a sense of a trend, for example, as per our understanding from what data that we have seen, we have almost 18% of the gross flows now coming into the direct plans for the industry. For us, the share of direct business coming through our gross flows and I am talking only of equity products, this is 23%, so this seems to be an increasing number of the direct sales in the total gross sales clearly for the industry, but very much strongly evident in our case.

Amit Nanavati: Sir, so just a followup, if you can just give some color on profitability of our direct channel versus distributor led channel, I understand the commission difference is kind of netted off basically through your TER, but beyond that is your profitability, given that the scale has yanked up in direct yield, better than the regular channel, and for the commission payouts?

Milind Barve: Basically, the difference between the direct plan and the sort of the regular plan or the broker plan is really the commission, so effectively the margin on whether money comes through the direct channel or through the broker channel, the margin is more or less the same.

Moderator: Thank you. The next question is from the line of Sagar Jethwani from Phillip Capital. Please go ahead.

Sagar Jethwani: Sir, my question is basically what would be the difference between equity schemes and non-equity schemes - the fees percentage?

Milind Barve: You are talking about percentage of fees?

Sagar Jethwani: Yes, percentage fee charge on equity.

Milind Barve: Okay, I will explain it differently in the way which might help you better. Broadly, margins in equity are between 80 to 90 basis points, I am giving you a broad range and I am not mentioning any specific number. The margins on debt funds are anywhere around 35 to 40 basis points, so that is the difference. And the margins in liquid funds vary between7-8 to 10 basis points.

Moderator: Thank you. The next question is from the line of Shubhranshu Mishra from Bank of Baroda Capital Markets. Please go ahead.

Shubhranshu Mishra: Sir, two quick questions, one is with respect to the market share in liquid funds, we gained quite a bit of market share after the ILFS crisis and we now have been shedding some more market share. Just want to understand what would be a stable market share for us if we have to look at it from a 12 to 18 months perspective, that is my first question?

Milind Barve: It is very difficult to make a projection on future market share because the investments in the liquid fund is usually more from the institutional or corporate sources, so they tend to be little lumpy. If you look at our market share - while on the closing AUM our market share has dipped a little bit on a year-on-year comparison, but if you look at average AUM of liquid funds managed by us in the October to December quarter of '19 as compared to October-December quarter of '18, we have maintained our market share. It has not come down on an average basis because I generally believe actually that the average AUM number is a more robust number because it tells you the business volume done over the 90-day period for the average. It also tells you the number on which the fees are charged, so on an average AUM basis, our liquid fund market share has actually remained stable year-on-year basis.

Shubhranshu Mishra: Also my second question was different, my limited point here is that it will be institutional flow which will be largely chunky, so if you look at the average number it will give you an aberration, right?

Milind Barve: No, there are large investors who come in but then there are large investors who go out also, so on an average it does move by 4000-5000 crores over a week or 10 days, but by and large if you take a slightly longer period like a quarter's average, it tends to remain reasonably stable because there are people coming in, but people going out as well also.

Shubhranshu Mishra: My second question is more to do with NJ Invest which happens to be one of our largest distributors, they have got a PMS as well as MF license, of course it will take time to scale up, but then how do we look at the relationship with the NJ Invest specifically going forward?

Simal Kanuga: Shubhranshu, we have a great relationship with NJ and that continues. The PMS business of theirs has been there for quite some time. As we understand for whatever has been made public by NJ when it comes to mutual funds, they are planning to do some bit of passive and some bit of smart beta strategy, so in our opinion and I think they have been pretty vocal about it, this is not going to be conflicting with their existing business, so we do not see that to be a challenge as such. They are one of our largest partners, they have been so for last 19 odd years of 20 years of our existence, we have great relationship with them.

Shubhranshu Mishra: So that remains unchanged?

Milind Barve: Absolutely.

Moderator: Thank you. The next question is from the line of Nitin Rao from Alpha Ideas. Please go ahead.

Nitin Rao: Sir, this is regarding different kind of channels and you mentioned how there is a mega trend playing out with more and more direct force coming in, so if you look at the sister companies in the HDFC Group like HDFC Bank or HDFC Life they have invested aggressively in technology, partnering with fintech, in fact HDFC Life had a Tech Day also, so what are we doing to expand opportunities in the retail space to attract millennium, are we doing something different over there?

Milind Barve: If you look at our digital offering, today you would be happy to know that almost 69.1% of these transactions that are coming, they are coming on some digital channel and this includes the digital channel that we have on our own, which is the HDFC MF online and we have a mobile application of that version. So I think combined with our offering of HDFC MF online and other Fintech company sort of applications, close to 69.1% of our flows are coming electronically. So we do see more and more acceptance of the electronic channel as a method of doing business. We see that as a trend, even if you look at the nine-month for the last period, it has grown from 65%-66% to 69% and that percentage will only continue to grow, so we are investing heavily in technology and I will share the exact number separately subsequently with you, but we are investing in technology. We have a 17 member strong digitization team which is looking at expanding our digital sort of footprint and trying to create applications and processes which helps people for both on-boarding them as well as to provide them ease of making transactions or entering into transactions with us, and we are seeing the benefits of that in the terms of the consistent increase in the flow of transactions coming on our own platform.

Nitin Rao: Sir, one more follow-up is are there any product innovations we can go to target because like in insurance can we use our digital heft to create some kind of a new kind of products which cannot be copied by the competition or we have an edge over there, is this something you can do along those lines as well?

Milind Barve: It is true that basically any product that we launch, first needs regulatory approval and it has to be in line with what the SEBI guideline on product launches are and there are different categories of funds. Within each category, we are required to have only two plans which is like a broker plan and a direct plan, we cannot create a third plan which is something else for only digital investors or something like that because we have to follow the principle of consistent treatment for all the unit holders in terms of not providing any particular benefit of one type class of unit holder or another class of unit holder. Given that background, I do not see that innovation is not possible, but it is to create a different product is not something that we see as easily practical now, because it will get anybody will be able to replicate that product based on anything that we do, but as I said our focus is to continuously invest on our digital footprint and see that we are able to increase the ease of transaction for clients who want to sort of deal with us digitally and we are happy to say that the trend is consistently increasing.

Nitin Rao: Sir, one last question we have seen China and other companies, mega big companies disrupt the traditional asset management companies, do you think that is possible in India say Amazon launches something or even WhatsApp, WhatsApp is launching its payments this year, do you think because they already have a large set of users and hundreds of millions of subscribers, you foresee that as a threat or do you feel that the trust of the HDFC Bank in the regulatory framework ensures that we continue our dominance?

Milind Barve: I think it is a combination of number of things, I do not think people would want to invest other than the brands that people have trust with and I am not saying HDFC is the only one, there are number of others as well but it will be very difficult to be disruptive simply on the basis of technology because people, there are number of very successful Fintech companies which are offering different, but they are all various transaction-oriented applications, they are not offering differentiated products because anything that is done by one can be replicated by the other. I understand your question, but I find it hard to believe that something like that disruptive sort of presence can be made in the Indian context.

Simal Kanuga: Even globally that hasn't happened, right, the Blackrocks and T-Rowes and the large global players continue to be the largest.

Nitin Rao: But Alipay has done it in China.

Simal Kanuga: Alipay has been very very niche only in the Money Market Funds.

Moderator: Thank you. We will take that as the last question, I would now like to hand the conference back to the management team for closing comments.

Milind Barve: I would just like to thank all the people who have been on this call for their interest in our company and thank you very much from myself and my team at HDFC Asset Management Company. Thank you.

Moderator: Thank you very much. On behalf of JM Financial Institution and Securities Limited, that concludes the conference. Thank you for joining us, Ladies and Gentlemen, you may now disconnect your lines.