"HDFC Asset Management Company Limited Q2 FY-21 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to HDFC Asset Management Company Limited Q2 FY '21 earnings conference call hosted by JM Financial Institutional 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 call, please signal an operator by pressing '*' 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, Nirav. Good evening, everyone, for joining this call today. Also big thanks to the management of HDFC Asset Management Company for allowing us to host this call. Without much ado, I would like to hand over this call to Mr. Simal Kanuga, Chief Investor Relations Officer from HDFC Asset Management Company. Over to you, Simal.

Simal Kanuga: Thanks, Sameer. Good evening, everyone, and thanks, team JM, for hosting this call. I hope everyone is doing well in these unusual times. The presentation is available on our website as well as that of exchanges. I have with me here both Milind and Piyush. So I will just start off with a quick overview and then follow it up with questions, if any. Let us start off with an update on the industry. QAAUM for the quarter that went by was Rs. 27.6 trillion as against Rs. 25.7 trillion for the quarter ended September 2019, a growth of 7.4%.

Equity QAAUM grew by 3% over the same period. Equity QAAUM saw growth of 14.7% on Q-on-Q basis, led by mark-to-market effect. In terms of net new flow during the quarter, equity-oriented funds witnessed outflows of Rs. 165 billion, debt funds saw inflows to the tune of Rs. 938 billion, while liquid funds saw outflows of Rs. 692 billion. On total MAAUM split between T-30 and B-30, it is 84:16. But when you look at equity MAAUM, the split is 73:27. So 27% of the equity-oriented AUM is from B-30 locations. Individual investors as a percentage of total AUM is now at 52%.

SIP flows as reported by AMFI continues to be resilient and added up to Rs. 78 billion for the month of September. (merge in previous para)

We will now move to us. Our quarterly average mutual fund AUM stood at Rs. 3,755 billion for the quarter ended September 2020, which is more or less equal to that of September of 2019. Actively managed equity-oriented QAAUM was Rs. 1,436 billion for the current quarter versus Rs. 1,610 billion for September 2019 and Rs. 1,293 billion for quarter ended June 2020, a Y-o-Y degrowth of 11% and a Q-on-Q growth of 11%. We have seen healthy growth in our debt AUM from Rs. 1,057 billion in September '19 to Rs. 1,212 billion in September of 2020.

The number for June quarter was Rs. 992 billion. So we have seen a year-on-year growth of 15% and a quarter-on-quarter of 22%. Liquid funds AUM dipped by 4% on a Y-o-Y basis and 16% on Q-on-Q basis. Our QAAUM is 39% in equity-oriented assets and 61% in non-equity-oriented assets. The split for the industry is 37.5:62.5. We service 9.3 million live accounts, 5.5 million unique investors through 65,000-plus distribution partners, 223 branches and 1,176 employees. Our customer base is spread across the country, covers 98% of PIN codes in India.

Over and above our mutual fund AUM, portfolio management services and separately managed account adds up to Rs. 98 billion. QAAUM market share for the quarter that went by: overall market share, 13.6%; actively managed equity-oriented market share, 14.1%; debt at 13.4%; and liquid at 18.7%. Individual MAAUM for us is 55.2% as against 52% for the industry. Our market share in individual AUM stands at 14.1%, which is highest in the industry. 26% of mutual fund industries' unique customers have invested with us.

For us, flows led by systematic transactions added up to Rs. 9 billion for month of September 2020. As we mentioned in the last quarterly call, the number that we are reporting is based on actual cash flows and not on registration. When it comes to market share in B-30, we continue to retain second position. We have given details of B-30 asset mix, et cetera, at industry level in the presentation also. We continue to further enhance our digital platform and have now created top of the line digital infrastructure. 87% of our transactions in the current financial year have been processed electronically.

This number is a bit higher as all transactions were processed digitally during the lockdown period. On an average, we see 50,000 logins per day on our MF online platform and over 50 new user registrations every hour.

I will now move to financials for the quarter ended September 30, 2020. Our financial performance in the first quarter had shown a worsening trend due to effects of COVID-19 on the markets. While there continues to be uncertainty regarding how the pandemic will ultimately pan out, markets have stabilized, and our financial performance this quarter has shown an improvement.

This is evident from sequential improvement in our profit parameters and even in our operating profit margin, which has gone up from 34 basis in quarter ended June 30, 2020, to 37 basis points in the September '20 quarter. While we usually compare numbers with similar quarters of the previous year, given the COVID-19 reset, we believe that the sequential comparisons are also equally pertinent and hence, have provided both. The operating profit of the company for quarter ended September 30, 2020, was Rs. 3,491 million.

While this is 7% lower than the operating profit of Rs. 3,765 million for quarter ended September 2019, it is 16% higher than the operating profit of Rs. 3,006 million for quarter ended June 30, 2020. Profit before tax for quarter ended September 30, 2020, was Rs. 4,628 million. While this is up by 8% than the profit before tax of Rs. 4,275 million for quarter ended September 2019, it is 22% higher than the profit before tax of Rs. 3,804 million for quarter ended June 30, 2020. Profit after tax for the quarter ended September 30, 2020, was Rs. 3,379 million.

While this is 8% lower than the profit after tax of Rs. 3,683 million for the quarter ended September 30, 2019, it is 12% higher than the PAT of Rs. 3,024 million for quarter ended June 30, 2020. Due to change in taxation rate, in the quarter ended September 30, 2019, an approximate tax benefit of Rs. 343 million pertaining to the quarter ended June 30, 2019, was factored in the subsequent quarter. Accordingly, the normalized profit after tax for the quarter ended September 30, 2019, was Rs. 3,340 million as compared to Rs. 3,379 million for the quarter ended September 30, 2020.

This results in an increase of 1%. Move to the half yearly financials. Operating profit for the half year ended September 30, 2020, was Rs. 6,497 million as compared to Rs. 7,580 million for half year ended September 30, 2019, a fall of 14%. PBT for the half year ended September 30, 2020, was Rs. 8,432 million as compared to Rs. 8,574 million for half year ended September 30, 2019, a decrease of 2%. PAT for the half year ended September 30, 2020, was down by 3% to Rs. 6,403 million as compared to Rs. 6,600 million for half year ended September 30, 2019.

Before we open up for questions, I would like to add two more points. On our last call, Milind had mentioned that we intend, and we have been trying to prune costs further down. Our total expenses for the first 6 months of the current year were Rs. 2,180 million as compared to Rs. 2,444 million, a reduction of Rs. 264 million. This includes a reduction of Rs. 95 million in fees and commissions, which is due to the fading amortization of the old upfront commission and hence, will not recur. In this quarter, our total costs were Rs. 1,071 million as against Rs. 1,215 million for the quarter ended September 2019, a saving of Rs. 144 million.

Secondly, you would have noticed the higher other income in this quarter or for that matter in the first 6 months of the current financial year. As you are aware, the company holds certain nonconvertible debentures of the Essel Group that are secured by a pledge of listed equity shares. On fair valuation of the NCDs, as at September 30, 2020, the unrealized gain recognized in the results for the half year ended September '20 stands at Rs. 649.21 million, which includes Rs. 91.21 million for the quarter ended June 30, 2020.

The carrying value of these NCDs as at September 30, 2020, was Rs. 943.43 million. The value of the collateral as at September 30, 2020, is Rs. 1,347.75 million. I will take a pause here. Milind, Piyush and I are happy to take questions, if any.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Saurabh Kumar from JPMorgan. Please go ahead.

Saurabh Kumar: Sir, just two questions. One is on this other income of Rs. 110 crores. This quarter, you recognized Rs. 55 crores from the NCD fair valuation. Is that correct?

Milind Barve: Yes, that is right. Yes. Approximately, Rs. 56 crores, yes.

Saurabh Kumar: Okay. So effectively, your cash yield works to about 6% odd. I mean, the other income on your cash will be 6%, right?

Milind Barve: Yes. On the total book, our income, excluding the revaluation or excluding the gain from the mark-to-market of the Essel exposure is about 5.7% or 5.8%, at least net of tax, yes, which is pretty healthy.

Saurabh Kumar: Okay. And the second, sir, is on your market share. I mean, if you can just comment, so we have seen your market share decline, again, both quarter-on-quarter, even year-on-year in individual active management and even in the SIP book. I mean if you can just comment on what are you seeing there?

Milind Barve: Yes, let me take it in the three asset groups that we deal in, which is equity, debt and liquid predominantly. In the equity funds, we do have a little bit of a fall in our market share year-on-year. It is partly due to fund performance, I think, is not exactly what people expect of us, and I will speak about that in the course of other questions or even now.

But I think we still remain the largest manager of actively managed equity funds with a reasonable gap with the #2 player in actively managed equity funds. We still have a fairly decent sort of a market share of our book on the AUM. The second part where market share is important, where the volume of the equity of the industry AUM is relevant is the debt or the fixed income business. On the fixed income side, in the first quarter, we had a little bit of a challenge on market share because as you know, because of an issue of one of the fund houses, there was reasonable redemptions in credit funds for the industry as well as us.

Now that challenge has abated, and is no more there. And we have actually had a very good catch-up on market share in this quarter on the debt or the fixed income product range. So as you will see, both on a sequential quarter and on a year-on-year quarter, our market share in the debt products has remained fairly stable, and it is actually quite high. In the third category, which is the liquid fund, there is a small dip in the market share, but you have to keep in mind that last year, our market share had gone to 20% plus.

And the reason for that was, this was about one year after the IL&FS sort of crisis sort of came upon us into the financial markets. And people had really shifted a lot of money into liquid funds and there was a flight towards quality and safety, and we were big beneficiaries of that. Now I think more money is getting allocated to different fund houses. Having said that, we still have an 18%-plus market share in the liquid fund, and our liquid fund is, by far, the biggest in the industry. My understanding, it is more than Rs. 15,000 crores higher than the #2 size of the liquid fund.

So we have a very dominant position in the liquid fund industry market share. So to summarize, yes, we have some catch-up to do on the market share on the equity side. In debt, we have stable to and improving market share in the last quarter, so we are quite okay. In liquid funds, we are, by far, the largest. There might look like a little fall in the market share which we are quite comfortable with because we are still, by far, the largest.

I mean you can imagine a 20% market share is not easy to retain or maintain. So it has just slipped to 18%, we do not see much of an issue on that. So coming to the first question, yes, we do have some challenge on the market share on equity products. We think equity fund performances like cycles in the market do pass through certain cycles where fund performances lags behind not just benchmark or sometimes the peer. I think we are in that phase where equity performances in some of our large products is a little soft.

Having said that, we understand and are very confident that over a period of time, this we will see a return.

We have been in this situation in 2007, in 2000, in 2013, when some of the key calls that we made did not work. So we believe that with what we are working on, and I will come to that upfront and will probably answer some of the questions that we can anticipate. Couple of things to deal with investment performance of our equity fund. Number one, we have embarked on a very clearly understood road map with our investment team to create a product range, which has diversification of style. I referred to that in my call in the previous quarter as well.

What I mean by diversification of style is for a large fund house like ours, if you have 7 or 8 or 9 different investment styles, apart from products like mid-caps and small caps, which have their own distinctive styles, own distinctive mandates, then it is important that we have at least 4 or 5 or 6 differentiated approaches in our fund products. The idea being that we hedge ourselves that at any point of time, we could have 2 or 3 which will do well, 2 or 3 might be in the middle of the pack, and indeed, 1 or 2 might be lagging.

So the whole idea is that over a period of time, we create a differentiated approach to investing in equity products in the different investment products that are placed in front of our customers. So towards these objectives, this is not something that we are talking in the air or mentioning it on paper. We have hired 2 fund managers who are new and who have come to our fund house with a very distinctively separate investment style. Even amongst our existing funds, one fund is in the process of it being significantly separated out over a period of time and another 2 funds, which are looking very similar, will also get separated in investment style over the next 1 or 2 quarters.

And we have other funds, which are, of course, category-specific, which are dealing with either mid-cap or small cap, so they have a certain mandate, which has to be followed. Having said that, so we believe that with this, in the more medium to long term, it may not happen by next quarter, but in the more medium to long term, we will set right the situation that we are in that a lot of our funds had certain views or certain sort of positions in funds, which seemed common. So we are also working on commonality of stock or stock holdings across our funds. And even there, we are measuring that and encouraging fund managers to have differentiated holdings across different funds. So I think we are on this journey of diversification by style.

We think that is the most appropriate thing for a large fund house like us to do. We have hired new fund managers. We are bringing different sort of perspectives to the way they are constructing portfolios. We are indeed we may be looking at hiring more people in the team. So we are in this process. It will take us a few quarters before we get there, but we remain confident that this fund performance will come back, will bounce back. And we should be able to regain our market share over a period of time. I am not trying to suggest or promise it will happen in 1 quarter or 2 quarters, but in the medium term, we remain optimistic that we should be able to regain the share that we have in the actively managed equity fund.

The other thing is that a lot of the industry or some part of the industry flows have also come from new fund offerings. In the course of today's Board meeting as well as earlier meetings that we have had with the Board, we have sought approvals for a number of new product launches. It would be premature for me to outline what they are. So we will have a pipeline of new product launches. It takes a couple of months to get SEBI approval and so on. So we have a pipeline, a very strong pipeline of product launches, almost one every month or every alternate month over the next maybe after a gap of 2 or 3 months when we get the required approval from SEBI.

So we will be launching a slew of new product ranges, which will have both thematic products as well as some product gaps that will get filled. So there is a lot of work that is being done to address the market share on equity. We are very mindful of the fact that our investors have high expectations from us. And I feel very optimistic that we will with the steps that we are taking, we will be able to address the concern on equity market share.

Moderator: Thank you very much. Next question is from the line of Ajox from B&K Securities. Please go ahead.

Ajox Frederick H: So my question is more fundamental. So what factors drive the TER, let us say, on a sequential basis, apart from fund size?

Milind Barve: You mean TER or you mean our margin of the product?

Ajox Frederick H: Yes, let us say, margin of the product.

Milind Barve: See, TER is simply defined by SEBI formula based on the size of the product. There is no other so the TER is basically computed by the operations department based on the SEBI formula that is prescribed, which is based on the size of the product. Yes. So what we do as retained margins, let us say, is basically from the TER, there are 2 types of costs. There is one which is the larger part, which is a distribution or customer acquisition cost or simply put commission cost paid to distributors. And then there are some other fund running expenses like R&T costs, custody costs and so on and so forth. So when you remove these two from the TER, you will come to what we call as retained margins.

So clearly, the retained margin is a function of the TER indeed, which is dependent on size of the fund and also the efficiency of how much we are paying out as commission to distributors and how well we manage the fund operating cost, which is like R&T cost and custody and trustee fees and things like that.

Ajox Frederick H: Sir, and one more question on other expenses. So this time, it was a good improvement sequentially as well. So what was driving that?

Milind Barve: So we have been tightening our belt on almost every head of expenses since the lockdown started. And I think it is not necessarily one single item that has saved us. Right from every rent cost that we are paying, there are almost 38 branches which we renegotiated rents. As we go down, we have 220. We have a long way to go. We will renegotiate rents.

We will keep a hawk's eye on every item of cost head, which we are kind of doing zero budgeting approach on. And that is how we are able to bring down the cost. And as we had said in our first quarter call, we continue very sort of strongly on that journey, and we are beginning to see some results. So we will maintain the cost. I do not want to give a guidance.

But as the number of branches begin to open as we go through more and more phases of unlock, I think overall, we will end the year with a meaningful saving in cost. So quarter-on-quarter to save the same amount might be a little difficult because more branches are opening and so on. And we do not want to sort of put unnecessary curbs. But having said that, when we look at the cost framework of our company vis-à-vis the size of the AUM that we manage, we are amongst the lowest operating cost fund manager in the country, and it is our intention that we will want to retain that position.

So we will continue to run an extremely tight-run ship as far as cost is concerned.

Ajox Frederick H: Got it, sir. Sir, on the SIPs, what is the sense you are getting from people on the ground more at a broader level?

Milind Barve: I think what is happening in the industry and this trend we have seen in the past that when markets have high volatility or when the markets go up. And when you see now 1-year return, 2-year return, even of the index, they are not very strong, as like not like double digit.

If you, of course, invested in the month of March, then you are seeing 30% return. But other than that, returns are a little soft. So what happens, and this is unfortunate, actually, in the time when people should be adding to their SIPs or increasing the size of their SIPs, people tend to sort of move away from SIPs or cancel SIPs. And that is happening in the industry. And that is why the result while there are new people adding there to SIPS and signing up or registering new SIPS, there is a number which is either reducing or canceling SIPs, which is, therefore, the total run rate of monthly SIPs that we are seeing in the industry is coming down marginally.

But we have seen this trend in the past when markets remain flat or the markets have some and clearly, there is an overhang about the pandemic, which people might be a little concerned about and the fact that markets have rallied a lot. So I think this is a passing phase where people will come back to buying more SIPs on a net basis. So I do not read and if you see the numbers for the industry as well as for us, it is not a very earth shattering number. It is not good to see numbers going down, but it is not something that is a very significant number of people simply stopping SIPs.

Moderator: Thank you very much. Next participant is Madhukar Ladha from HDFC Securities. Please go ahead.

Madhukar Ladha: Just a couple of quick questions. First, I think you explained the market share loss from the mark-to-market perspective. Can we get some qualitative comments on how the flows have been? And are we seeing some loss over there in incremental flows or additional outflows compared to other participants in the industry? Some color there will be helpful.

Milind Barve: I do not think we disclose flows at any time in the quarter or any time in the year. But it would be fair to say that the AUM movements for the industry as well as for us is a function principally of two things. One is the mark-to-market movements; and secondly, it is also flows.

But now let me put the flows in context. For example, if you take the financial year 2019-20, that is last year, the industry had net flows and people were happy, people were actually buying mutual fund. But the total flows for the year was about Rs. 67,000 crores.

So Rs. 67,000 crores was on a book of about Rs. 10.5 lakh crores of equity AUM for the industry. I am talking of actively managed equity AUM. So the entire flow of a particular year was about 6% of the book. So as you know, in our industry, there is a book and then there is a flow. So the flow was about 6%, let us say 6.5% of the book. While the market movement can be materially higher, and of course, as you saw in the month of March, was sharply down. So what happens now is given the size of the industry.

Now let us for example, a lot is made month-on-month, particularly in the media or in the electronic media because when people see negative or rather net outflows in equity funds month-on-month, and we have seen that through all of this quarter for the industry. Now what happens is that when you say a Rs. 5,000 crores month or let us say, in this quarter, as my colleague just mentioned, the industry had Rs. 16,000 crores of net outflow, let us say, Rs. 5,000 crores a month. Now Rs. 5,000 crores a month is less than 0.5% of the industry's book.

So while I am not trying to say that inflows are not important, they are indeed important, and we must continue to attract and grow this industry with new customers. A flow number of 1%, 2%, 3% in or out of the movement does not change the size of the book in a material manner. What is more important for this industry, and for us, of course, is that the markets remain healthy and the markets continue to sort of move positively upwards, so that people get a good outcome on the investment performance and continue to stay invested and increase their amount as we get new customers.

So you have to understand for balance the impact of flows and market movement on the AUM book. And not get carried away by flows when they become a little negative or because Rs. 16,000 crores is 1.5% of the industry's AUM book, which does not move the needle in terms of revenues or profitability for the industry. Again, I must say, one is not happy to see outflows, neither for the industry nor for us, but it does not move the needle.

Madhukar Ladha: Understood. Sir, and just a follow-up. Are we seeing better yields on equity and debt qualitatively? That is a question for Piyush. My calculation seems to suggest that equity yields sequentially have sort of improved.

Piyush Surana: Madhukar, big picture, there is not much of a difference between the yields on equity. Debt, of course, yields have kind of gone down because of the fact that the credit risk fund, which used to yield us a higher management fees, has become a smaller proportion of the debt AUM.

Moderator: Thank you very much. The next participant is Kunal Thanvi from Banyan Tree Advisors. Please go ahead.

Kunal Thanvi: So my question was, again, I understand while flows do not in the overall scheme of things, where flows are not very important function, but historically, what we have seen is when after a market crash when market reaches to the pre-crash level, say, in our case, in this context, it is say 12,000 NIFTY Level, we have seen the retail investors exiting at that point of time.

So any sense that we are sensing on that front, like we fit from our past experience or the current experience, like does it make sense like is it right to conclude that the outflows could accelerate when market is testing the pre-COVID levels, pre-crash levels?

Milind Barve: No reason to believe that it will escalate. I mean a few thousand crores more in a month may or may not happen, to be honest, and very difficult to project. See, but one has to keep in mind that there is a certain overhang of the pandemic. So people are maybe concerned about their incomes, their wealth in terms of equity value, book value might have got restored. But people still may have concerns about their incomes, their future cash flows, had might have become a little bit more risk averse.

For example, just look at it, while we are seeing bank deposit rates at historical low numbers bank deposit growth is a 4-year or 5-year high. I mean it is a 9.5% to 10% even when rates are among the lowest. So I think there is probably an aversion to risk or risk asset for some time because we are dealing with this once a century kind of an event. So I think there could be an overhang of a little bit of risk aversion to equity as an asset class. I think we believe that this will be a transitory period.

Difficult to say how long this period will last. I do not think for example, what matters to us and in our company and the way we look at it, we are still driven by the fact that equity fund or equity product ownership in India, whether through mutual funds or directly is so significantly low. But there could be a phase when people are not buying new right now. People might wait for some clouds to clear and then they will come back. So when I put all of these numbers together, it does not surprise me when I see unusual increase in bank deposit at low interest rates when consumer inflation is still high.

Equity fund performances might be I mean markets might have recovered to pre-COVID level so a little bit of a more risk aversion before putting money to equity asset. So the driver of this business will continue to be the under penetration of fund products, in general and equity products, in particular. I mean, if you still look at as we said, as we have consistently maintained, we own less than 5%, 6% of India's market cap.

So that is probably the lowest institutional mutual fund ownership anywhere as one amongst emerging markets. So that does not change. I mean this period or this phase of under, less buying or some concerns over putting more money might last for some more time.

Kunal Thanvi: My second question is basically few channels accepting it. What we have been realizing because many distributors are first with the TER cut and now with subdued performance for quite a long time. The distribution channel is not very happy, and they seem to push other products over, say, HDFC and I understand it is a transitory period in terms of performance.

How has the management team and the marketing team, we are dealing with the distribution channel because to make sure that they are with us in this transitionary period?

Milind Barve: So we are very committed to long-term relationship with the distribution channel, and we want to build that relationship in a manner that is mutually beneficial. We are extremely committed because we have almost 80% of our equity business comes from our various distribution channels, which is IFAs, banks and national distributors. So we are very committed. In fact, they are the backdrop on which our distribution and marketing model is based.

Like my understanding is that it is very important that we deliver what customers want in terms of investor experience on performance apart from just paying money to distributors.

Let me put it this way, that I have seen a stronger correlation to flows and fund performance as compared to flows and distribution payout. So you simply cannot flog a fund which is not giving good investment performance just by paying fees, and it is wrong for the customer to even buy it.

So it does not mean you just keep giving money more to distributors to make them buy, I think make customers buy. So my sense is that we will always balance that. And I think, for example, we have just announced a festival kind of a promotion campaign where we have increased commission payouts for certain selected products. So we will keep doing this to engage with our distribution fraternity.

For example, our objective of launching new products is also to keep the HDFC fund brand high in people's mind, launch new product ideas, where commissions could be a little bit more attractive, higher than what we are paying on our old products. So the idea is to keep the interest of the distribution community in our products as well as in our relationship, and we are confident that as a team, we will achieve that.

Moderator: Thank you very much. The next question is from the line of Vinod Rajamani from HSBC. Please go ahead.

Vinod Rajamani: I had a few questions. You alluded to the fact that you are hiring few new fund managers. What proportion of equity AUM will they manage in terms of your overall, say, total equity AUM? Also on these new product launches, is it going to be largely equity funds that you are planning to launch? Or is it going to be hybrid or is it largely debt?

Some color on that would be helpful. And the third question was that with people getting back to work, there is this view that some of these DIY investors who have invested directly in equity, they may come back to buying funds. Are you seeing some early signs of that as the unlock is kind of taking shape?

Milind Barve: Yes. So let me if I remember your first question was, how much money are the new fund managers managing. It is a fair question. Right now, they have two fund managers. The market feedback on both of them is positive. We may look to hire at least 1 or 2. The more important criteria, as we look to increase the strength of our team, is that they have come with differentiated investment approach from what we already have. And I think finally, the allocation of funds will settle over a period of time of who will manage how much.

So right now, it is not that we take a new manager and give him a Rs. 20,000 crores fund to manage immediately, that may or may not happen. And it depends on the person also, what type of skill sets he brings to the table. So I think the eventual allocation of money between new and old, and we are not really looking at new and old necessarily of how much they manage, that is not the way we look at it.

We are seeing the different fund product range that we have, and we are trying to manage the skill of that person, the individual who is joining us and see where he fits in. For example, if somebody is a specialist in a certain type of approach or a certain category of market cap, then we will try and allocate him into that type of category.

That is more important to us than simply trying to divide the total AUM amongst the number of fund managers. So I do not think we are having a view like that. The second question, can you come back with that?

Vinod Rajamani: Yes. So this was regarding those product launches. Any color you can give into what types of products you are planning to launch? Is it largely equity? Is it a mix of equity, debt? Is it debt? Is it liquid?

Milind Barve: No, it is predominantly, I would say, are all equity. And some of them are straightforward funds like filling a gap, like we do not have dividend yield fund, and there are a number of stocks right now giving exceptionally high dividend yield. So we believe that is one thing that might work.

There are others which are different, most of them I think, are thematic, they are all equity funds. They are not debt funds, or I do not think they are even hybrid funds.

Vinod Rajamani: And thirdly, on this back-to-work employees, are you seeing any signs that people are coming back to funds? Just because either direct investors might have had a bad experience doing active fund management and also, they may not have enough time on their hands to kind of play the market. So are you seeing any early signs that people are moving to mutual funds now?

Milind Barve: See, let us put it in context. There was a period when the market had an incredibly sharp fall in the month of March. And in the month of April, most people believed that this whole epidemic or pandemic will pass in a matter of few months. And people were stuck at home, had nothing to do, could not or probably could not access mutual fund or could not access a distributor or an adviser. And they went into this mode of trying to buy with the number of them buying on their own. So the number of DMAT account increased, even the trading accounts of broking firms increased and so on, so forth.

I am not trying to undermine the skill or ability of people to buy stocks. But I think when you look at the large section of the Indian population who do not have exposure to equity, I think the number of people who are enlightened enough to buy equity directly is a fraction of that proportion. And majority of the people need to be in diversified products which mutual funds offer. There could be some who understand, analyze or get good advice to go and buy stocks directly. I am not trying to deny that.

But when you look at the people that we are targeting in the medium to long run, I mean, as we have said, I remember saying this in our IPO road shows, we are driven by the dream that every Indian must have a mutual fund product, and one of them should be ours. And when I look at that, I find that 95% of the people or more are not equipped to buy their own equity shares directly in the market. And sometimes people get carried away. For example, if you had sat at home and bought something in the month of April at the bottom of the market, you would think you are a great fund manager because the market is so good it has ran up so much.

But if you have bought in the markets later on and whether you are consistently going to get this kind of returns, one does not know. So having said that, this is not to undermine, as I said, the ability and the skill of people to select stocks and buy them directly and they may well do that. But I think there are a multiple number of people who would like somebody like a distributor, adviser-driven mutual fund approach to the equity markets. And we are there to cater to that segment.

Moderator: Thank you very much. Next question is from the line of Rahul Nandwani from Centrum Broking. Please go ahead.

Rahul Nandwani: Sir, last quarter, you had mentioned that you had appointed a search for finding your successor. So any progress on that?

Milind Barve: So yes, it is not appropriate for me to give any color or details. See, we have a nomination and remuneration committee, which is like also acting as a search committee for my successor. It is fully engaged in the job of evaluating both internal and external candidates. Once they arrive at the right person, they will, of course, discuss this in the Board, and we will make an announcement once that particular process has been completed. So I think we are in the midst of that process. And whenever the committee and the Board is ready, I think there will be an announcement that the Board will make.

Having said that, I just want to assure you that I have been in this business for about 20 years. I do not own the company, but have been its founder CEO from day one and over this period, I have been really blessed by an incredibly strong and outstanding set of people who are today heading all our functions. I do not want to name any particular individual or function. But we have people who have been manning these functions for some of them for 15, 18, 20 years and some are even day one employees who are still there.

So I feel very confident that we have an extremely well-established team of professionals, very committed and dedicated who have sort of been a part of this journey for me along for all these 20 years or a majority of these 20 years. And so we are very well-established in terms of where we are as a team. They are very motivated.

They have been driven by what we want to achieve, what we have achieved so far and want to build on it further. So of course, the leadership is important. I am not trying to say that leadership is not important. I am very sure and confident that the remuneration or nomination committee along with the Board will find a suitable candidate. And they will announce it once that process is complete.

Rahul Nandwani: One more question. What is your outlook on the equity yields given the quarterly average now being stable at? Given the NIFTY levels have been above 11,000, do you see equity yields rising given the mark-to-market gains? Probably your equity contribution.

Milind Barve: Yes. See it is very difficult to project index level in the very short run. But as I said earlier in answering another question, I think people will be driven by an asset allocation approach. And as though they are planning by a goal-based asset allocation approach, there are just a huge number of people who are under allocated, underinvested in equities. So equity will find or will need to certainly find a place in their allocation. So in that respect, the interest in equity as an asset class, we are still scratching the surface.

I mean there is a long way to go where people will say that so we are very different from developed markets where every household through their 401(k) plan or through some government program has some exposure to equity. There are some they are probably 10, 15 years away from that. So I think there is the appetite for equity will remain. We may pass through phases when the appetite is a little high or low, but that fundamental ownership of the person's wealth or allocation is in his personal portfolio is very low, and we will continue to find interest.

Rahul Nandwani: And one last final follow-up question. So structurally, given that you have one of the lowest share in ETFs, does that help us on that margin front. But when I see your long-term pricing, do you see yourselves getting into more of ETF as a proportion of the overall AUM. I think more perhaps will be making some acquisition?

Milind Barve: No, we could launch ETF, but as you see the majority of the AUM, and my colleague will answer this a little bit more in detail, but most of the AUM in equity is only in NIFTY or SENSEX ETFs, number one. Number two, the majority of the money that has come has come from EPFO where they have a mandate to invest only in directly or indirectly directly owned government-owned asset management companies. So it is unfortunate but a reality that private sector asset managers like us will not get any part even if we have a very efficiently run ETF.

So that is the reality, that it is only a large part from institutional EPFO money. And then there have been some disinvestments done through ETFs like Bharat 22 and so on, where the margins were very low. So I think the ETF business has still not found the kind of same sort of acceptance by retail

Indian investors who are long-term investors. So my sense and maybe my colleague can add a little bit more color on these ETF numbers. But my sense is that secondly, we are such an underpenetrated population who are looking to invest in different things apart from bank deposits, which will remain popular.

Now how does one reach a product to this investor? One of the largest challenge that we as an industry face is how do we reach our product to the customer and the distributor is the most important sort of leg in that process. We cannot reach the population that we are looking to reach by simply opening offices. Can you imagine, we are among the largest, we have 223 offices, where State Bank of India has 25,000 branches. We have 223, and we are talking about having a share of bank deposit money. It is not possible.

We need distributors. And what happens is the distribution community today is not a seller of ETFs. So whatever reason it be, the commercials of an ETF do not allow for any distributor to get any interest to sell ETFs. So the reality is that for a simple average investor, he may buy a simple product, he may buy a hybrid product, he may buy a debt product. But he is most likely to come through a distributor or an adviser. ETF has its obvious advantage that you do not take fund manager risk, your costs are amongst the lowest.

So if you want to do. But we would look at so for example, to answer your question, we would look at ETFs. If we find there is enough, if we can create ETFs where impact costs are low or we may have to come with thematic ETFs, where they have some theme to it, and then we ask for where we work with the index providing companies to create a thematic index, and then we launch ETFs based on that.

Simal Kanuga: So just to add to what Milind stated, just a couple of data points on what we have done. So, for example, gold ETFs are close to Rs. 13,600 crores in terms of the industry AUM. We have Rs. 2,000 crores in that. Banking ETFs are Rs. 13,600 crores. We have recently launched our banking ETF, just during the course of the quarter. We already have the SENSEX and the NIFTY ETF, which is very much in place. So if you look at excluding this EPFO kind of money, just about Rs. 6,000 crores, Rs. 7,000 crores is in that space. We already have a product in that space. So that is just like so we are already present. As and when the market really kind of gains traction, we are happy to kind of further expand in that space.

Moderator: Thank you very much. Next participant is Piran Engineer from Motilal Oswal. Please go ahead.

Piran Engineer: I just have a couple of specific questions. Firstly, in the hybrid funds over the last 4, 5 quarters, the AUM has been consistently declining, is now down 25%, 30% from the last year so. Yes. So my first question is on hybrid funds. Over the past 4 or 5 quarters, our AUM in hybrid funds has been on a steady and sort of consistent decline. So is there some sort of reclassification? Or if not, then why is there this decline?

Milind Barve: I think if I understood your question, yes, it is true. If you see the size of the hybrid funds even in the industry, and there seems to be a steady decline in the size of the industry. In one of our hybrid funds, we were paying dividends. I think we were paying monthly dividends. And now with the change in the tax law, which came in the last budget, the dividends are now taxed at your marginal tax rate or the tax rate applicable to the individual as compared to a favorable tax rate of about 10% plus surcharge plus CESS.

So that has made dividend unattractive for any mutual fund, actually. So any equity fund for that matter so that has probably impacted some of the balanced funds for the industry and also for us also. That is my guess. But yes, I agree that overall hybrid funds are somehow losing some bit of connect with the investors. They are either saying that I will have my own allocation between equity and debt rather than choosing a hybrid product.

Piran Engineer: Sir, my second question is, and I probably did not hear you all correctly, but did you say that you will have increased distribution commission to select distributors?

Milind Barve: No. We have said we have launched a festival sort of a program where, on some select mutual fund products of ours, we are giving higher commission for higher trail fees, that is. We are giving than what we are not really paying. We have increased the trail fees on those few products for the new business that they will bring during this, I think, festival offer or something like that. It is not select distributors. It is on select products of ours.

Piran Engineer: Sir, my last question is, if I compare your top line yield, which is basically revenue from operations divided by quarterly average AUM, pre-COVID, it was closer to the 55 bps mark, it is come down to 49 bps this quarter. And even if I adjust for a lower share of equity and a higher share of debt, this 49 would have probably been 51, 52. But still, our top line yields have been a bit weak even after adjusting for the change in product mix.

Milind Barve: No, that's not right. I will tell you it is only because of the product mix. It is also one, of course, is equity in the total, which used to be 44%, is now 38% in the averages. So that makes a fairly large impact because the difference. See I do not know how you can calculate it unless you know the exact yield on our equity and unless you know the exact yield on our debt and liquid funds.

Without knowing that, you cannot calculate your revenue income on your own or calculate the fall. So our equity products actually earn a very healthy sort of retail margin. So any fall in the equity and product mix does impact the top line, number one. Number two, there has been some fall in the debt margin also, largely because at one time, we had this credit risk fund, which was almost, if I remember right, Rs. 13,500 crores and now it is come down to Rs. 6,000 crores, Rs. 6,500 crores approximately.

So we had a huge Rs. 7,000 crores on a higher-margin debt fund, which went out in the course of May after certain events in a particular fund house. So that also brought the overall yield on the debt business down a little bit. So these are the two things that have impacted it, though my colleague can add a little more specific, but Piyush, is there anything else to the fall?

Piyush Surana: No, you have covered it, Milind, that these are essentially the two factors. And Piran, like Milind said, it is a little bit more complicated because even within the debt, there are different schemes, which give you different contributions, similarly in equity. So if, let us say, a particular category of asset goes up or down, and you are getting a different contribution from that sort of scheme, then that would also affect the mix.

Piran Engineer: So it is just product mix and nothing else?

Piyush Surana: Yes, absolutely.

Milind Barve: Yes, absolutely.

Moderator: Thank you very much. Next participant is Hiral Desai from Anived Portfolio Management Service. Please go ahead. We do not have response. We move on to the next participant. Next question is from Manjeet from Solidarity Advisors. Please go ahead.

Manjeet Buaria: I have two of them. The first one is, when you look at the landscape today of the mutual fund industry, right, what would be the lead indicators which you would be tracking, which would suggest that incrementally a shift to index funds would happen on a much more broader basis? So if you could throw some light on what are these lead drivers you track?

And my second question, I wanted to understand is, I just wanted to get a sense when we open branch offices in multiple cities, how is it different from what maybe outsourcing to an agent like CAMS be because even they seem to have branches in multiple cities. So what is the overlap of functionality or maybe non-overlap of functionality in these branches? These two are my questions.

Milind Barve: Yes. So the first lead indicator I would look at is that is people's more recent experience in equity products positive. And unfortunately, what happens is that when markets are a little flattish or down, people actually do not invest, and when markets are in the momentum upwards, people want to buy, which is exactly opposite of what they should be doing. So one of the things we look for is that is the fund performances or what is delivered by the industry in terms of fund performance, reasonably attractive in absolute terms, not necessarily benchmark.

You have to remember that the real benchmark in the Indian investors' mind is neither the NIFTY nor the SENSEX, but it is a comparable bank deposit interest rate, or let us say, some other alternative product that you may have in mind. But to my mind, for the average small Indian who is the first time investor investing through an SIP, his benchmark is neither NIFTY nor anything complicated that the industry does. His real benchmark is bank deposit rate. As long as we have delivered returns in absolute terms of a bank deposit, he will continue to believe that and rightly so that he is better off in an equity mutual funds, apart from the fact that because in addition, the capital gain that you get on a equity mutual fund, for example, has attracted a much lower tax rate if it is long term. And even the short term is taxed at a lower rate.

So I think that is the one key lead indicator I would look for is- are we as an industry delivering absolute returns, which are competitive or superior to bank deposit return? If the answer to that is yes, and over a period of time, which is 1, 2 or 3 years. We cannot say 10 years. So as long as the answer to that is yes, then people will come back into equity funds. So that is my answer to your first question. The second question on branches. The real reason for having a branch is not to do the servicing of the customer. Our branch is a combination of servicing customers who walk in but equally important and sometimes more important, it is servicing the distribution community in that region. Now we do work very closely with CAMS Offices in all their branches where they may be dealing in physical form and so on and so forth. And we are actually I must tell you that apart from our branches, our products are sold in more than 223 of our branches through the CAMS branches. But CAMS does not service our distributors.

I mean if a distributor wants to have a discussion on a product or he wants to meet a sales executive to understand what is the new product, what is the new positioning or some understanding of our product strategy, he needs to have a discussion with our salesperson. So our branches are really manned by a mix of people who provide client services. Most important, they are people who are of sales and marketing who help to provide services to the distributors. So I think the function is not that of while CAMS can do only one of these two functions, while our branch will do both of these two functions.

Manjeet Buaria: That was very helpful. Can I have one follow-up on the first question, please?

Milind Barve: Sorry, what is that?

Manjeet Buaria: Sir, can I follow-up on the first question on index funds?

Milind Barve: Sorry, on the index funds. Sorry, what is the question on the index funds? Sorry, I might have missed this.

Manjeet Buaria: No. So I have a follow-up there. A lot of literature now that is published in terms of how large stock funds in India really do not deliver much over index. And while the broader market may not look at index in terms of an SP or anything, right? They are reading literature around how the index fund would have a lower expense ratio while delivering similar returns to any actively managed equity funds over a 3-year period or 4-year period. So is that something which worries you? Or do you think it is still too small to be worried about?

Milind Barve: No, I would not say it is worried. And I am not trying to say that an index fund or an ETF is a bad product at all. If you want a fund that wants to just and you are happy that it tracks the market in the most efficient way at low cost, then you are well served in an ETF or an index fund. But if you want to generate returns better than index, also, the range of indices that are available for it through ETFs and index fund is only, as I mentioned, the NIFTY and the SENSEX or maybe somebody has a fund called the Next50 and so on and so forth. There is no index fund on the mid-cap fund, there is no index on a small-cap fund.

So if you want a flavor of a product in that category, you cannot go and buy any index or ETF at all. So there are many funds which are thematic. For example, there are hybrid funds. There are funds which are large and mid-cap, there are multi-cap funds. There are dynamic funds. There are hybrid funds. But there are no indices on that, and there are no, what you call, ETFs or index funds on that. So yes, if you are interested only in large cap and you are happy to be following or tracking, say, a NIFTY or the SENSEX, then there is nothing wrong in coming into an index fund or buying an ETF at low cost.

But if you are looking for alpha in the long run, then you may but I am not at all trying to make a point about ETFs being not good or not suitable to people. It can be as attractive to people who want to simply track the index. My sense is that right now, people are concerned more with absolute returns rather than a comparison with the benchmark. That is my sort of simple understanding of how a small, average, retail Indian investor thinks about his investment.

Moderator: Thank you very much. Next question is from the line of Hiral Desai from Anived Portfolio Management Service. Please go ahead.

Hiral Desai: I just wanted to check, given the underperformance that we have seen in some of the large equity schemes that we have on the popular ones. Has the average period for which the money stays in your equity scheme come down over the last 3 to 4 years?

Milind Barve: Not really. I mean, yes, I would put it the other way that some of these funds… see, you cannot deny the fact that the growth of a particular product is very closely linked to the fund performance. Now some of these large funds that we have, have grown to the extent of mark-to-market gains that the markets have done over the last 2 or 3 years, but will grow by much lesser amount by flows. As I keep saying, the size of an AUM is a function of mark-to-market and flows. The book is equal to flows plus mark-to-market.

So in some cases, if the fund performance is not very strong or competitive, I would say, the more appropriate word, then the flows can be a little less, but there can be sometimes small redemptions. But mark-to-market will continue to make it grow. So let us look at our Rs. 20,000 crores fund. If the market grows by 10%, it grows by Rs. 2,000 crores. So we benefit from the large size. I mean, let us just take a Rs. 145,000 crores size of our equity AUM.

If the market flows where the market grows by 10%, we will grow by Rs. 15,000 crores if we are close to the market. Now that is the not even the flow of the whole industry. So the point that I am trying to make in our earlier question is that the performance of the market is as important as flows.

Hiral Desai: And the other thing is, since we have a disproportionate share in the small and mid-cap AUM within the overall equity AUM, what are the challenges of being able to launch a small-cap index fund in India? Because currently, there are no real options available for a lot of investors who actually want to take that exposure, but it is really not available.

Milind Barve: You are absolutely right because it is almost impossible to create an index on small and mid-cap because the impact cost of it is just out of box. I mean the impact cost of trying to create an index in mid-cap itself is very challenging with 150 stocks. And in small cap, it is really very, very tough. So to create an index this is exactly the point I was making a little while earlier that if people want to buy a small or mid, they do not have the option of buying an index fund or an ETF.

They have to necessarily come into actively managed either mid-cap or small cap depending on what they want. I am mindful of the fact of the question you asked is that we have a significantly large mid-cap fund, which is close to about Rs. 19,000 crores, Rs. 20,000 crores. And a reasonable size of a small-cap fund also, which is Rs. 6,000 crores, Rs. 7,000 crores. And we will always be very careful that we will not increase or take new funds into these flows.

Whenever the fund manager gives a signal that I am running out of ideas to invest in this category, we will stop new flows into both either the mid-cap or the small cap, either both or either of them. So I understand the challenge that these funds have to grow consistent to the opportunities available in the market and not by and that decision is not driven by simply our desire to keep selling these ones.

Hiral Desai: Got it. And lastly, the unique customers that you have of about 5.5 million right now, these are the active customers who currently own an HDFC Fund, right?

Simal Kanuga: That is right, yes.

Milind Barve: That is right.

Hiral Desai: Okay. So what would be the total base of customers that you would have, so people who would have been past invested in an HDFC fund but currently do not own any of the HDFC funds?

Simal Kanuga: So we do not look at data in that fashion because we just look at active customers and this unique customers is basically as per the PAN numbers.

Hiral Desai: Okay. And any study that you guys have done in terms of customers who have left HDFC AMC in last 3, 4 years? Apart from performance, any other reasons that they would have left the fund?

Milind Barve: No, I do not think there could be any other reason. And I do not think that people leave the fund also necessarily because of fund performance. We are talking about market share. People sometimes will not put more money into a fund. If they are not happy with the performance, they will look for something else. Because I still feel that, see, we still have largest market share in the equity AUM of actively managed AUM in the industry. We still have highest stake of our individual investors' wallet in equity funds even today.

So in spite of the recent relative sort of underperformance, we still have. We are the highest manager of equity actively managed equity funds. So we still have and all these people are not necessarily going to leave us. Yes, of course, that does not mean we have to sort of sit back and do nothing about it. That is not at all true. We are working and getting the right sort of formula of the funds back with us. And as I said earlier, we remain optimistic of being able to achieve that.

Moderator: Thank you very much. The next participant is Aditya Jain from Citigroup. Please go ahead.

Aditya Jain: On the cost, I hope I did not miss this. But in 1Q, you had talked about taking out Rs. 35 crores to Rs. 40 crores of costs over 12 months. Is that still the target? Or after the appreciation in the market and maybe better equity performance, is there a change in the thought process on this?

Milind Barve: No, I think see, we are talking about the fixed cost of operating expenses. I think we are very focused. All I said is that we have achieved, if I am not wrong Rs. 26 crores of savings in the first 6 months. It may or may not mean Rs. 52 crores for the whole year. That is all I am guiding for. It may be Rs. 35 crores or Rs. 40 crores or Rs. 32 crores or Rs. 37 crores. But we will continue to maintain an absolute hawk's eye on cost, and that is something that we will not leave. So one of the things I want to just definitely mention here, and I think my colleague mentioned that.

The important thing to look at when you look at this quarter performance, it will be one way to look at it is what people often do quarter-on-quarter, which is year-on-year. And there is some fall in that, obviously, because our equity AUM has not reached that, not reached the last year's level. But having said that, it is more important to look at our operating profit sequentially. And as my colleague just mentioned, the June quarter operating profit was Rs. 301 crores or Rs. 302 crores. Piyush, correct me if I am wrong. And our operating profit for the second quarter is at Rs. 349 crores.

So on a sequential quarter, it has grown by almost Rs. 48 crores. So I think what we are seeing is that the operating profit, net of everything, the market gain, market share gain, saving and expenses, the change in the product mix with lesser equity, all that notwithstanding, our operating profit has improved from Rs. 301 crores to Rs. 349 crores. And I think, as I mentioned, to answer your question, the short answer, yes. We will maintain control on the cost. But we will do it in a manner that remains supportive of growth in the business.

Aditya Jain: And on the equity yields, so there was a question earlier on more long term. But if you look at equity yields more long term, so there are two pressures, right? So one increase in size of schemes, which lowers the TER cap and maybe movement due to a higher trail commission on new assets relative to the old assets. So all else equal, if you were to imagine a 15% type appreciation per year in equity AUM longer term, then do you see a like 1 to 2 basis point steady decline in equity yield from that alone, mix and all apart?

Milind Barve: Yes. But the way I would look at it, this will be a good problem to have because we might have to lose 1 or 2 basis points, but the absolute revenue from the equity business which is so healthy today, will benefit the bottom line because costs are not going to go up in the same proportion. See this business is a lot about very high operating leverage.

So if you are able to get higher revenue from the equity business at higher AUM, in basis points, it may be 1 or 2 basis point less, but in absolute amount, it is a materially good number to get. So it is a good problem to have that we have 1 or 2 basis point lesser yield, but the size of the equity AUM has become bigger because costs are not going to go up in the same proportion.

Aditya Jain: Got it. And lastly, sir, on the dividend payout this year was lower. Longer term, it could be something like 70% on a more normalized basis?

Milind Barve: To be honest, I do not want to prejudge the Board, but I can just say one thing, is that we had a meeting this year, if I am not wrong on the 8th or 9th of May, the meeting and some of the discussions around that were happening in the last week of April or the first week of May. We were probably in the beginning or the peak of the worst kind of lockdown before any unlock process had started. We wanted to be conservative. We looked at sort of a worst-case scenario about what could happen if we remain in a very strict lockdown.

Fortunately, we have seen series of unlocks happening. And many of the lead indicators on the economy as well as apart from recovery in the market, the lead indicators in the economy are looking positive. We, of course, still do not have a vaccine, which will solve our health problems. But I think we did this decision-making of the last dividend at probably the peak of the worst times of this pandemic where uncertainty about the future was at the highest.

I think when the decision is made about the next dividend, things will be a little bit much better than what we were in the frame of mind in the last week of April and first week of May. And that and I hope will guide the Board decision on what the next dividend would be.

Moderator: Thank you very much. Ladies and gentlemen, we will take the last question from the line of Prayesh Jain from Yes Securities. Please go ahead.

Prayesh Jain: Most of the questions have been answered. Just recently, one of the announcements that I have come across is there is a possibility that the mutual fund subscriptions or mutual fund inflows will also be subject to the 0.1% TCS. Any color on that? And how would that play out for the industry?

Milind Barve: I understand that our industry body, which is AMFI , has made a representation to sort of seek a clarification that it should not attract that TCS. I cannot predict the outcome of that. So I do not know that, that will. So it is. I do not think I can give you a satisfactory answer on that, but I am aware that the industry body has made a representation that it should not be made applicable.

Moderator: Thank you very much. I will now hand the conference over to Mr. Sameer Bhise for closing remarks.

Sameer Bhise: Thank you, everyone, for joining this call, and thanks a lot to the management of HDFC AMC for allowing us to host this call. Thank you, everyone.

Milind Barve: Thank you for your interest. Stay safe. Thank you.

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