



Ref/No/HDFCAMC/SE/2022-23/58

Date – October 21, 2022

National Stock Exchange of India Limited Exchange Plaza, Plot C/1, Block G, Bandra Kurla Complex, Bandra (East) Mumbai – 400051.	BSE Limited Sir PJ Towers, Dalal Street, Mumbai – 400001.
Kind Attn: Head – Listing Department	Kind Attn: Sr. General Manager – DCS Listing Department

Dear Sir/Madam,

Sub: Transcript of Earnings Call

Please find enclosed herewith transcript of Earnings Call for the quarter & half year ended September 30, 2022, conducted after the meeting of the Board of Directors on October 19, 2022 which can also be accessed on the website of the Company at: <https://www.hdfcfund.com/about-us/financial/shareholders-presentation>

Kindly take the same on records.

Thanking you,

Yours faithfully,

For **HDFC Asset Management Company Limited**

Sylvia Furtado
Company Secretary

Encl: a/a

HDFC Asset Management Company Limited

A Joint Venture with abrIn Investment Management Limited

CIN: L65991MH1999PLC123027

Registered Office : "HDFC House", 2ndFloor, H.T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai-400 020
Tel.: 022 - 6631 6333 Fax: 022 - 6658 0203 Website: www.hdfcfund.com email: shareholders.relations@hdfcfund.com



“HDFC Asset Management Company Limited
Q2 FY-23 Earnings Conference Call”

October 19, 2022



**MANAGEMENT: MR. NAVNEET MUNOT – MANAGING DIRECTOR (MD)
AND CHIEF EXECUTIVE OFFICER (CEO)
MR. NAOZAD SIRWALLA – CHIEF FINANCIAL OFFICER
MR. SIMAL KANUGA – CHIEF INVESTOR RELATIONS
OFFICER**

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY'23 Earnings Conference Call of HDFC Asset Management Company Limited. From the management team, we have Mr. Navneet Munot – Managing Director; Mr. Naozad Sirwalla – Chief Financial Officer, and Mr. Simal Kanuga – Chief Investor Relations Officer.

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 this call over to Mr. Simal Kanuga who will give us a brief, following which we will proceed with the Q&A session. Thank you. And over to you sir.

Simal Kanuga: Thanks, Steven. Good evening, everyone. The Results along with business update presentation is available on our website and also on the website of the exchanges.

As usual, we'll begin with a quick overview of what has happened in the industry during the quarter. So, industry closed the quarter with an AUM of Rs.38.4 trillion and equity AUM of Rs.19.3 trillion. Quarterly equity net flows for industry continue to remain strong at Rs.504 billion. Of course, that was lower as compared to Rs.783 billion for the quarter-ended June '22 and Rs.685 billion for September 2021. We would like to definitely qualify that equity flow number includes index funds and currently index funds include both equity and debt index funds. However, we can get some perspective from AUM of debt index funds. The AUM of debt index funds stood at Rs.575 billion for quarter-ended September '22, increasing from Rs.417 billion at the end of last quarter, that's the June quarter, a net addition of Rs.158 billion to the AUM. As this is fixed income, large part of this growth is through inflows. If we net this number off from inflows, quarterly inflows into equity and

equity-oriented funds, including equity index funds, but excluding AUM growth in debt index funds was Rs.346 billion for quarter-ended September '22. The comparable number for quarter-ended June '22 was Rs.642 billion. Of this number of net flows, excluding debt index funds, which is 346 billion, NFOs contributed to the tune of Rs.104 billion.

On the debt mutual fund front, we continue to see outflows. Industry lost Rs.293 billion in the current quarter as against Rs.1,178 billion in the previous quarter. We should add debt index funds and debt ETF numbers here. So, for the current quarter, debt funds, including debt index funds and debt ETF, outflow number was approximately Rs.60 billion.

Liquid funds witnessed net inflows of Rs.191 billion and others as a category which is ETF, arbitrage, fund-of-funds investing overseas saw inflows of Rs.71 billion.

Individual investor folio now stand at 137.3 million, and individuals as a category are contributing to the larger part of the AUM and now account for 57%.

In terms of AUM, B30 contributed 17%. But if you look at equity AUM, the number is 27%. SIP flows for the month of September remained robust at Rs.129.76 billion.

Now we move to us, we closed the quarter with an AUM of Rs.4,222 billion. Our market share in quarterly average AUM on overall basis, and excluding ETF was 11% and 12.3%, respectively, more or less similar to what we saw at the end of June 2022.

In terms of actively managed equity-oriented AUM, our market share stood at 11.5%, same as that of quarter-ended June 2022, and this is despite a flurry of NFOs during the quarter. We did not have any NFO in this category. Of the industry net sales that came in during the quarter, nearly Rs.104 billion was contributed by NFOs.

We propose to launch a Thematic Fund, Business Cycle Fund sometime in November. Our quarterly average market share in debt and liquid category was more or less constant at 13.7% and 13.2%, respectively.

Our systematic transaction book saw a healthy growth. We processed 3.91 million transactions, totaling to Rs.14.3 billion in month of September 2022, up from 3.73 million transactions, totaling up to Rs.12.8 billion in month of June 2022.

We continue to enjoy a favorable asset mix as compared to that of the industry, and also favorable ratio in terms of AUM from individual to non-individual investors.

Before we move to financials, a quick update on new launches during the quarter. As we have stated in our previous calls, we are in process of expanding our product range on the passive side. During the September quarter, we launched six ETF, including a Silver ETF. Even in the current month, we actually closed two more Smart Beta ETFs.

We now have couple of strategies live on PMS side and also recently launched our CAT-II AIF fund-of-funds, which is investing across VC and PE funds.

Now, we move on to financials. For the first six months of the current financial year, we have reported revenue of Rs.11,818 million and profit after tax of Rs.6,783 million. Revenue growth of 3%, with operating revenue rising by 2%. Total profit degrew by 2% while the operating profit from core asset management business was flat.

It would also be pertinent to mention that the employee benefit expense includes non-cash charge, the number for the current financial year is Rs.212 million, and the corresponding number for last year was Rs.343 million.

In terms of quarterly numbers, revenue from operations was flat while profit after tax has seen an increase of 6% on YoY basis. Our operating profit margin as basis point of AUM, stood at 36 basis points for half year ended September 2022, with operating revenue margin at 50 basis points.

Thank you, we'll be happy to open up for questions now. As Stephen mentioned, both Navneet and Naozad are very much in the same room.

Moderator: We will now begin with the question-and-answer session. The first question is from the line of Kunal Tanvi from Banyan Tree Advisors. Please go ahead.

Kunal Tanvi: So, I had two questions. One was on our revenue yield. If we see sequentially, there has been some improvement from say 50 bps to 51 bps in this quarter. Wanted to understand the key reason behind it, is it expansion of TER in debt or equity, or it is simply because of the better equity mix that we have seen in this quarter? Second is on overall debt side of the business. If we see for the industry and for us, we've been seeing a lot of outflows. If you could share your thoughts on what are the factors that are leading to this kind of outflow for the industry and for us? And last one is on SIP market share. Again, like we've seen last two quarters after bottoming out, in 4Q FY'22, we've seen some improvement in SIP steady flow there. So, if you can put some comments what are the reasons behind it, what is the difference we are doing in terms of distribution? We understand that performance has improved in the last one and a half, two years. Apart from performance, are there any other levers that we are working to improve the SIP and overall equity markets?

Navneet Munot: Hi, Kunal. On the margins, I think you rightly mentioned, it's due to the better asset class mix, equity proportion in the overall AUM has gone up and that has resulted in the margin improvement. Your second question was on the overall outflows in the debt market. I think if you

have a rising interest rate environment, that's when you get outflows from the debt fund historically. We have seen that in past as well. But if you ask me going forward, I see a great opportunity emerging out of this. Once rate starts stabilizing, as we have stated in past, this could be start of acceptance of debt funds by retail investors. I think if we look at the industry progress over the last couple of years, I'm talking about the retail investors or the individual investors, there has been tremendous focus on the equity funds, ownership among retail investors has gone up. Not so much on the fixed income side. But I think with yields where they are currently, over a period of time, I think there is tremendous potential for us to reach out to large number of individual investors and offer our debt products. Simal also mentioned in his opening remarks, it's important to see the number of the debt outflows in conjunction with flows into the debt ETFs and the debt index fund. So, if you add these two numbers, net outflow number would come to approximately Rs.60 billion or so. So, there are outflows from the open-ended debt funds, but there are inflows into the debt index funds and debt ETFs. Your third question was on the systematic transactions. As you know, systematic transactions at our end includes SIP as well as STP. We used to be a pioneer in that space over the last several years. HDFC as an AMC has been investing very heavily in promoting the concept of SIP. In last couple of years, of course, we lost some bit of market share for variety of reasons that we would have discussed over the last several quarters. We have stepped up our efforts a couple of quarters back. I think it's a mix of variety of things, including better engagement with our distributors, our partners, our enhanced marketing and communication efforts, our strengthened digital platform, our transition from client services to client delight, which I've been talking about for last several quarters, of course, the improved performance, which is getting recognized by investors and our partners, I think, a combination of all of these things. But as a house again, as I mentioned, we used to be a pioneer, we lost market share, but across all channels, there is

tremendous focus on getting our market share back on the systematic transactions.

Moderator: The next question is from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain: Just a few questions from my side. Firstly, just extending the point on the yield front, while definitely the mix that would have played out, is there any trend that we've seen early on the debt yield is moving higher with regards to charges or possibility of charging a better TER? Secondly, our OPEX-to-AUM ratio is possibly higher than what we've seen in the past on 13-plus bps. What is the outlook going ahead with regards to this number? I understand you all have guided in that range only, but it's still just beyond that range. Do you think that we can see a better number out there? Thirdly, what's the strategy on the alternate assets have been, like last few quarters, you have mentioned that you have formalized the strategy and expect scale up in this space, so what is the kind of traction we've seen, and what are the plans going ahead? And my last question will be on the tax rate, which is slightly higher at 26%-plus. Any thoughts around this?

Navneet Munot: First, on the yield on the debt side, I think it's been pretty stable, there's hardly any change on that front. Second, on the overall expenses as percentage of AUM, so yes, it's been like that 13, 14 basis points, maybe over a period of time as AUM increases, there would be scope for improvement there, but otherwise, as we have been guiding that there are a few items like technology, people, business promotion, as the travel is back, some bit of expenditure has gone up and we are investing in future, we are very optimistic about the industry in general and for us to gain market share over a period of time, so we would be very keen to invest at this point in time. On the alternative side, I think as Simal mentioned earlier, there are multiple things we are doing on that front. You will see enhanced level of activity in alternative space over the next several quarters. We have it on our radar and look forward to building a

state-of-the-art alternative business that I've been mentioning over the last several quarters. We launched our Category-II AIF Fund of Funds this quarter and going forward we will further expand our portfolio on that side. Just related to that, PMS business and we are fairly clear in our mind on how we want to build that business. And in line with this, we launched India Ascent Strategy in addition to the All Cap Strategy that we launched last quarter. So, on the non-mutual fund business side, I think both PMS and alternatives we have ambitious plan over the next several years.

Naozad Sirwalla: On the tax front, it's about 26% So, there's nothing materially different there, it's in line with 25% rate, which is prevalent.

Prayesh Jain: Navneet, could you just give some thoughts on how do you see the yields? In the previous quarter, when the yields moved up possibly after a long time, you mentioned that it was not something which is structurally any change in the yield structure. But we've again seen an increase in this quarter. We are happy to see that number. But how do you see this going ahead?

Navneet Munot: That's a result of the asset mix changing as we've mentioned earlier. On the fixed income side, it's been pretty stable. On the liquid side of our business, that's been pretty stable. On the equity side, I think we have discussed this earlier, maybe I'm just repeating what we would have said earlier, that one, increase in AUM as per the formula of the sliding scale of TER gets adjusted over a period of time as we moderate commissions for new flows to an extent. And over the last couple of months, a couple of our scheme AUM have surpassed the Rs.5,000 crores multiple and that would have had impact of a couple of basis points. As we have been guiding continuously, our book margins are at a substantial premium to the flow margin, and the new business is happening at lower margins. Of course, we are seeing some green shoots in terms of how NFOs have been priced as compared to where it was in the first half of the last financial year. Statistically, the pace of dilution of yields may slow down

going forward as the gross flows as a percentage of AUM may be lower as compared to the last year. Otherwise, as we have always maintained the loss in yield should get compensated by favorable asset mix, which we have seen in this quarter. And furthermore, the growth in our business over longer term should more than make up for fall in yields.

Moderator: The next question is from the line of Amaya Gawande from Metaverse. Please go ahead.

Amaya Gawande: I just have a couple of questions. First is from five years perspective. As industry is growing and evolving at a fast pace and has a lot of space, what will be your strategy in this competitive environment for growth in the market share and achieving the operating leverage?

Navneet Munot: Over the last five years, we have seen the pace at which SIP book has grown. We have seen the way the overall equity AUM has grown. I think the financialization of savings is a trend which has just picked up, but we have a long way to go. Whether you look at our AUM as percentage of GDP, whether you look at our AUM as percentage of market cap, whether you look at as percentage of money that we get as proportion of the overall household savings, I think we have a long way to go, but mutual funds are clearly becoming one of the preferred vehicles for investing for large number of investors. I think the number of unique accounts has grown very substantially in last 15, 18 months from little over like 2.5 crores to almost 3.5 crores. To us, this is just beginning, and as we have mentioned, I think in some of the earlier calls that we have set a very ambitious mission for ourselves which is to be the wealth creator for every Indian, and I said that as of now there are just like little over 3.5 crores unique investors, but if you look at the number of people who have PAN, people who have passports, of course the bank account numbers are much, much higher, but over a period of time we believe that the total addressable market for the industry is very large. Within that strategy for us, I think we have the best-in-class product range. We have one of the best long-term performance track record of several of

the funds within that. We have continuously been expanding our product bouquet to ensure that we remain a one stop solutions for investors. Whether it's on our distribution side, we have outstanding franchise across the country with 228 branches and the number of distributors that we serve. Across all channels, we remain highly focused to have the best possible market share across all channels. I think we are investing heavily on the digital side, technology and marketing and in all of these spheres to ensure that we make the most of the opportunity that industry presents.

Amaya Gawande: Also, I would like to have your thoughts on the risk due to global economic environment, whether it may be inflation, interest rate hikes, geopolitical tensions, how it might hamper the business and the mitigation part?

Navneet Munot: So, you're talking about the fixed income part of our business, because the yields are going up and globally, liquidity is tightening?

Amaya Gawande: Yes.

Navneet Munot: Of course, I think we have seen outflows from the fixed income funds. But the interesting part that we mentioned earlier is that we are clearly seeing interest of retail investors in debt index funds and debt ETFs. And going forward, of course, given the higher commodity prices or the higher inflation, the accelerated tightening by the major global central banks, they are putting upward pressure on yields, and then going forward maybe higher supply of state development loans, which has been muted till now is likely to pick up in coming quarters. So, this can put further upward pressure on yields given the high SLR holdings of banks and robust credit demand. On the other side, we are seeing financial conditions tightening globally with US yields rising for particularly post the Jackson Hole Symposium. But I mean, as I mentioned that on the fixed income side over the last five years or so if you see the fixed income AUM as percentage of bank deposits, I think

that percentage hasn't really gone up. We have seen significant growth in the industry on the equity side, but not so much on the fixed income side, maybe elevated yields will give us an opportunity to present that asset class also to a much larger set of investors than what we have currently.

Moderator: The next question is from the line of Saurabh from J.P. Morgan. Please go ahead.

Saurabh: Just two questions. One is, the scheme performance has improved. So, have you seen any market share improvement on a flow basis happening towards HDFC AMC? And the second question is, on the margins, you did mention that the flow margins are lower than the back book. But I was wondering that, I mean, you've kind of reverted to your 35 basis points long cycle level. So, how would you think about the degradation in margins going ahead?

Navneet Munot: So, on margin, one, two basis here and there as we have been saying I think it all depends on the asset class mix and depends on flows into certain funds, NFOs versus some of the older funds, so on and so forth. On the scheme performance, of course, I think with the improvement in our scheme performance across the board, we are seeing uptick in market share and flows, I think both in the SIP as well as in the lump sum flows, across all channels, so whether it's the MFDs, whether it's large nation distributors, banks, fintechs, I think across all channels at the margin we are seeing improved market share.

Saurabh: And we should see this reflected in your overall equity market share maybe with a quarter lag, hopefully next quarter?

Navneet Munot: Yes, yes. So, this quarter also the market share is more or less flat over the last two quarters, but you have to keep in mind there was a large amount that was gathered through the NFOs, and in the last quarter, we did not have an NFO in active equity. We will have a business cycle

fund in this quarter. But last quarter, a couple of other NFOs that collected over Rs.10,000 crores, Rs.100 billion and we did not participate. Even adjusted for that if you see our market share, it's pretty visible that we are improving across the board.

Moderator: The next question is from the line of Mohit Surana from CLSA. Please go ahead.

Mohit Surana: In terms of your employee OPEX ex of ESOP cost for the past two quarters it's up 21% if I compare 2Q of this year versus 4Q of last year. So, just wanted to know where are we investing more in terms of our manpower cost or I'm reading it wrongly that the 4Q base was very low to start with. Just wanted some thoughts over there.

Navneet Munot: First, you will appreciate this is a people business. That's I would say a key focus for me to ensure that we retain our people, we are able to attract the best possible talent in our company. I think if we look at overall numbers, I think for six months ended September '19, that is pre-COVID, our employee cost was 1,145 million, as against that the employee cost for six months ending September '22 is Rs.1,618 million. So, for the first six months of the current year, if we take out cost of ESOP, then the number is 1,406 million, which is an increase of 23% absolute or 7% on a CAGR basis. And as I said that we have to invest in our people. I mean, the growth in financial services sector has led to healthy demand, especially for high quality talent. And it would not be prudent to let good talent go away. So, we will try our best to balance between the two. If you look at the overall sector, this is not exceptional. And at the cost of repeating. I think we have to ensure that we retain our quality talent.

Moderator: The next question is from the line of Ronak Chheda from Awriga Capital. Please go ahead.

Ronak Chheda: You mentioned about debt ETF, partly taking share from debt schemes on industry level. As I understand for HDFC, that might not be the case, and hence we must have lost a higher share than the industry. What are your thoughts, and how do we address this issue going further?

Simal Kanuga: What we are doing is, we have got approvals to launch various debt index funds, so we'll be doing it. So, actually, these debt index funds or debt ETFs are more of target maturity plans. So, it is equivalent to what in the erstwhile era, we used to call it as an FMP. So, this is obviously open-ended index funds, but all of them have kind of predefined maturity. And because of the predefined maturity, a lot of investors are not worried. When they're looking at holding till maturity, they are pretty much okay that they would more or less make up equal to the YTM or the entry levels. So, we will have a number of debt index funds coming out of our stable over the next quarter or two.

Ronak Chheda: Till that period, we would be losing a higher share on our debt side than the industry, that understanding would be correct, right?

Navneet Munot: In fact, if you remove the debt index, in rest of the categories our market share is pretty decent. We've been holding on to our market share. That's a category where we have not been present, but we'll be launching several products in next few months.

Simal Kanuga: Actually, even if you look at our presentation that is there, if you look at our debt slide, that includes the debt index funds also. Despite increase in debt index funds, our market share on overall basis has been fairly stable. We have not lost market share because of that.

Ronak Chheda: Sequentially, we might not have done, on a YoY basis, we might have lost share.

Naozad Sirwalla: So, I'll tell you on a YoY basis also, if you look at debt AUM, our share was 14.6 on quarterly average, as of now this quarter, we were on 13.7, so it's basically just about 1%. As you know, on the debt side, there are

large corporate, large treasuries, large institutional investors. So, they might kind of take some money out at various points in time. Plus, of course, we have seen some bit of interest rate, not exactly conducive to the debt funds as a whole. So, these are the couple of reasons. The margin loss in market share on a YoY basis. On a QoQ, it's been flat despite the growth that we spoke up on the index side.

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

Dipanjan Ghosh: Your SIP market share has obviously improved over the last two or three quarters. Just wanted to get some color on the channel of origination how much is led by Fintech channels? And how do you see the customer stickiness on SIP across these channels, any qualitative color will be useful?

Navneet Munot: We are improving across all channels and our focus is like ensuring that we get our fair share across all channels which includes as I said MFDs. If you look at like the first half of this year, MFDs would account for around 15% of the new SIPs, national distributors would account for around 20%-odd, direct would be like 10%, fintechs actually account for almost 1/3 of the new SIP that get created, and then you have some of the banks which have closed or guided architecture and then the other banks. We watch our market share across all of these segments and our endeavor is to ensure that we are getting our fair share across all of these channels and we are making incremental improvement across all of these channels. The number that Simal mentioned is systematic transactions which include both SIP as well as STP.

Dipanjan Ghosh: You mentioned the mix across some of channels for the first half of the current fiscal. If you can give some color on either on a YoY basis, how the key products changed or which channels are the places where you're actually gaining the market share?

Navneet Munot: I think across all channels, so which includes MFDs, national distributors, banks which have a closed or highly guided architecture, direct, small amount that comes from what we call (RIA), Registered Investment Advisors and fintechs. So, in all of these channels, we have improvement year-on-year from the base. The other way to look at is the top 10-entities account for around 60% of the industry total and I'm talking about the new SIP count and not the amount. And in all 10 of them, we have improved our market share. As I mentioned in response to an earlier question, this is one of the big focus areas at our end.

Moderator: The next question is from the line of Devesh Agarwal from IIFL Securities. Please go ahead.

Devesh Agarwal: I wanted to understand how big is this debt ETF market? And what potential are you seeing in this?

Simal Kanuga: Liquid and debt ETF adds up to 68,000 crores, of this 68,000 crores, one asset management company which runs the Bharat Bond ETF, they are themselves just about 50,000 crores. On the debt ETF side, that is the story. That is basically one asset manager. On the debt index fund side, the AUM stands at around Rs.57,500 crores.

Devesh Agarwal: Coming to the alternate, again, this time we have lost the AUM out there. Which fund have we lost, which led to a sharp decline in our PMS AUM and what was the financial impact of that?

Navneet Munot: One large institutional investor has taken money off the table, we had one large client relationship, a large global institution, they've closed the mandate. Of course, relationship with the institution is strong and we'll continue to engage with them. On the other side, we definitely are working through various modes to build on our international business. I mentioned earlier about our set up in GIFT. That will be a big step in that direction. And you'll hear more from us on this front over the next few quarters.

Devesh Agarwal: But any financial number that you can give around with this mandate that we lost, what would be the impact on the revenues?

Navneet Munot: If you look at our overall revenues, it's not material.

Devesh Agarwal: You did mention that you will see a lot of traction on the alternate products, especially with the launch of AIF-II funds and some of the PMS funds. Any number that you are targeting to increase your AUMs in this non-mutual fund business over the next two, three years?

Navneet Munot: Really premature to give out those numbers. All I would say is that, yes, that's one business where we have been investing. We have ambitious plans. We launched this Category-II fund of funds. We will be looking at other products there as well. On the PMS side, as I mentioned, we have launched the second product. So, on the non-mutual fund side, both PMS and AIF are going to be the areas where we are going to focus.

Devesh Agarwal: What would be the quantum for the ESOP expense for the full year this year? And by how much should we expect a decline in the next year?

Naozad Sirwalla: Total cost will be about Rs.40 crores for FY'23.

Devesh Agarwal: Next year, the likely decline?

Naozad Sirwalla: If the NRC decides to allot more options, that's a different discussion, we can't comment on that at this stage.

Devesh Agarwal: But on the current issued ESOPs?

Naozad Sirwalla: We don't give future numbers, it's mathematics, we can take it offline, but it's clearly reducing balances, that's how the IND AS accounting works.

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

Lalit Deo: Just wanted to understand on the HNI segment, which forms a significant part of our individual AUM. So, given the volatile market, how are the inflows shaping up over there and what will be the outlook over there?

Navneet Munot: If I remember correctly, 75% of flows are purely from SIP which means that lump sum flows have come down. So, maybe some of the investors who are putting the lump sum flows are not putting now. Markets are volatile. But I think we have to give it to the individual investors, retail investors in India, who have shown tremendous resilience against the backdrop of this heightened volatility that we have seen over the last seven, eight months. But yes, I mean, the lump sum flows have clearly slowed down. Earlier, we gave you the number of quarter-on-quarter as well as year-on-year. So, flows have slowed down a bit because of the volatility.

Lalit Deo: As you mentioned that on the SIP front, the new registrations about like 1/3 is coming through the fintech channel. So, could you talk about the persistency level and how much is retention ratio of those numbers from the fintech channel especially?

Navneet Munot: My assumption is that maybe persistency is lower on that channel relative to most of the other channels. We don't give that granular detail. At our end as I mentioned earlier, I reiterate that our share has been going up across all channels.

Moderator: The next question is a follow up from the line of Kunal Tanvi from Banyan Tree Advisors. Please go ahead.

Kunal Tanvi: I have just a follow up on the index fund that we were talking in response to the earlier participants. Wanted to understand what kind of yields are there in the debt ETFs, is it closer to the equity prices or is it closer to the active debt ones like, what's the sense there like if there's a structural

movement from say some part of the active debt to passive what is that we're looking at in terms of the yield compression on the debt side?

Navneet Munot: We are yet to launch products. But when we are looking at the industry, I think that's somewhere between 10 and 20. Over a period of time, there will be product innovation on that side. But you are right. I mean, that would be lower than what's the current blended yield on the overall open-ended debt schemes.

Moderator: The next question is from the line of Alokek Kumar from UTI AMC. Please go ahead.

Alokek Kumar: I just wanted to understand what has been the impact of the rising yields on our debt portfolio, and how do we look about the future of the yield market and our debt AUM?

Navneet Munot: As I mentioned earlier that there have been outflows from the debt fund over the last several months as yields have been inching up. This is in line with the trend and past as well. Over a period of time, once yields stabilize and given the elevated yields, we are hopeful that this would attract a lot of individual investors to the debt funds. I mentioned earlier that, while we have seen significant increase in individual participation in equities, particularly in the SIP side, but then in industry, we hardly talk about SIP in debt funds, I mean, all of us have grown in our childhood thinking about recurring deposits in banks. Something similar I think our industry needs to do as well, promoting SIP in the fixed income funds for investors who are hardcore debt or hardcore fixed income investors. I think yields at these levels with product innovation and some of the other efforts by the industry both on the investor education as well as marketing can lead to a lot more penetration of debt funds among the individual investors, there's lots of opportunity. I'm just repeating, I think I mentioned earlier, in case I didn't, if we look at the overall debt AUM in India in last five years, the industry has grown so much and the overall growth in the industry has been significant, but on

the debt side as a percentage of bank deposits or if you put any other metrics, I think we haven't really grown much on that side as industry, and I think there's a lot of opportunity. A large part of the savings remains in fixed income instruments in India. Apart from of course, real estate and gold where the significant proportion of household savings are, I think yields at elevated levels, some of the product innovation which is happening in the industry, and maybe some bit of other efforts from the industry can lead to a lot more penetration on the debt side. So, I remain quite optimistic. But when yields go up, when people see MTM losses or maybe the overall lower returns on their debt funds, we have seen historically some bit of outflows from the existing funds, but as yields stabilize at higher levels, they start attracting money.

Alokek Kumar: Any plans or any product where we can lock the investors fund at a higher yield given that the returns on the FD deposits also has not yet increased as much as the lending rates have increased, so any method, any way where we are looking at launching some product wherein we can lock in the funds at a higher interest rate for our investors?

Navneet Munot: That's what we talked about earlier. So, those are like target maturity funds. I think those funds where the underlying investments would be in GSec or SDL or highly rated corporate bonds with a specific maturity. They are similar to fixed maturity plan earlier, but fixed maturity plans used to be close ended, these are kind of open-ended index funds.

Moderator: Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to Mr. Navneet Munot for closing comments. Over to you, sir.

Navneet Munot: Thank you so much and wish you all a very happy, safe Diwali and a prosperous and blissful new year ahead. Last two years, I think the Diwali time wasn't as I would say jubilant given the overall pandemic situation. Now that thanks for the vaccination and thanks to everything

coming back to normalcy, I think there is a lot more joyful Diwali that everybody and every family is looking forward to. Thanks, again.

Moderator: Ladies and gentlemen, on behalf of HDFC Asset Management Company Limited, that concludes this conference. We thank you all for joining us and you may now disconnect your lines.