Nippon Life India Asset Management Limited
Q4 FY21 Earnings Conference Call

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Moderator:	**Mr. Jignesh Shial - Emkay Global Financial Services**
Management:	**Mr. Sundeep Sikka - Chief Executive Officer**
	Mr. Prateek Jain - Chief Financial Officer
	Mr. Saugata Chatterjee - Co-Chief Business Officer (Distribution)
	Mr. Aashwin Dugal - Co-Chief Business Officer (Institutional Business)
	Mr. Arpanarghya Saha - Chief Digital Officer
	Mr. Hiroshi Fujikake - Nominee, Nippon Life Insurance

Moderator: Ladies and gentlemen, good day and welcome to Nippon Life India Asset Management Limited Q4 FY2021 Earnings Conference Call, hosted by Emkay Global Managing services. 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 end of today's presentation. 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 would now like to hand the conference over to Mr. Jignesh Shial, Research Analyst of Emkay Global. Thank you and over to you Sir!

Jignesh Shial: Thank you Rutuja. Good evening everyone and thanks for attending this call. On behalf of Emkey Global, I would like to welcome the management of Nippon Life India Asset Management and we thank you for giving us this opportunity. We have along with us Mr. Sundeep Sikka who is ED and CEO, Mr. Prateek Jain – CFO, Mr. Saugata Chatterjee, Co- Chief Business Officer Distribution, Mr. Aashwin Duggal, Co-Chief Officer for Institution, Mr. Arpanarghya Saha, Chief Digital Officer and Mr. Hiroshi Fujikake, who is Nominee Nippon Life Insurance Director with us. Thank you very much gentlemen for giving us this opportunity, I will now hand it over to Mr. Sundeep Sikka, ED and CEO for his opening comments. Over to you Sir!

Sundeep Sikka: Thanks a lot. Good evening and welcome to our Q4 FY2021 Earnings Conference Call. We have with us - Prateek Jain, Chief Financial Officer, Saugata Chatterjee, Chief Business Officer, Aashwin Dugal, Chief Business Officer, Arpanarghya Saha, Chief Digital Officer and Fujikake-san, Nominee of Nippon Life Insurance from Japan.

Overall industry assets grew at a strong pace in FY2021 driven by rise in equity markets, and increased retail participation. We expect industry to maintain the positive momentum in the next three year to five years. Despite the challenging macro environment, I am happy to state NAM India recorded its highest ever profit of Rs. 6.8 billion in FY2021.

At Nippon India Mutual Fund, our priority is to be future ready and capture the long-term opportunity. We continue to focus on four pillars to execute our profitable growth strategy with the "investor first" philosophy at its core. The focus areas include superior fund management, comprehensive product offerings, business de-risking through higher share of non-mutual fund segments and, robust digitech architecture that provides wide reach and best in class customer service.

In FY2021, we added over 9 lakh unique investors as compared to 20 lakh for the industry, and increased our market share to 30%. SIP and STP folios rose by more than 1.1 million on a gross basis. Also, measures taken in the past quarters have had a very favourable impact on the short-term fund performance. We expect to raise the bar for ourselves in the future. Today, Nippon India Mutual Fund offers the industry-best suite of products in the passive category. We consolidated our portfolio through the launch of 8 NFOs in FY2021, including 5 in Q4. With the passive assets gradually gaining prominence, Nippon India Mutual Fund is ready with its ecosystem in this segment, and is far ahead of the industry, in terms of investor base and mind share. Post consolidation in the last few years, we expect to grow our existing funds and expand into new categories of AIF and PMS. Along with the government mandates, we managed assets of Rs. 1.3 trillion in non-mutual fund segments. The offshore business has assets of Rs. 103 billion under management and advisory. Leveraging Nippon Life's global network, we continue to ramp up our international presence. During this month, we signed a Letter of Intent for an exclusive strategic collaboration with Cathay SITE, Taiwan's largest asset manager. We are the only asset management company to offer investment opportunities to Indian investors into Japan, Hong Kong and Taiwan. We will continue to create such "expressways" and, offer domestic and foreign investors more value accretive avenues to diversify risk and generate sustainable returns. A continuous and a consistent pursuit of our digital ready environment and robust infrastructure enabled Nippon India Mutual Fund to come out of COVID-19 crisis as a stronger and tougher digital business entity. From being a digital leader in AMC space, Nippon India Mutual Fund is now moving towards being a digitech incubator. The goal is to drive class lending digital innovation to create competitive advantage and disrupt the investment space with solutions that keep today's digital savvy millennium consumers at heart. Nippon India Mutual Fund's mature digital framework, catering to various segments and business lines, has not only helped to achieve robust and steady growth, but also helped drive many new age industry first pioneering solutions for our investors and partners. Nippon India Mutual Fund has three proprietary applications and seamless integration with over 100 partners including fintech players and traditional brokers, who use our APIs for investor onboarding and transactions. With IBM being our strategic technology partner and tie ups with other best in class service providers, we have a strong digital ecosystem in place.

In FY2021, we on-boarded 350 institutional investors. We continue to have one of the largest retail AUM's in the country at Rs. 643 billion. The contribution of retail AUM to total AUM is amongst the highest in the industry at 28% compared to 22% for the industry. We continue to be amongst the leaders in the beyond top 30 cities category. This category contributed an AUM of Rs. 413 billion. 18% of total assets are sourced from these locations as against 16% for the industry. As on March 31, 2021, 66% of our individual assets have a vintage of greater than 12 months. The annualized systematic transaction book is at Rs. 79 billion. During Q4, new digital SIP registration grew by 46%. In volatile markets folios with low ticket size have demonstrated higher vintage and better stickiness. As is evidently clear from 9 NFOs this year, including the largest digital NFO of Nippon India Multi-Asset Fund, online and digital assets have become a key source for investor acquisition and communication. Digital assets contributed to 53% of our total new purchase transactions. 1.8 million purchases were executed through digital assets - an increase of 31%. In the ETF segment, we are one of the largest players with market share of 13%. In this segment, Nippon India Mutual Fund manages assets of Rs. 373 billion. Excluding ETF allocations which goes to 2 PSU on mutual funds, we would be the largest ETF player in the country. The gold ETF is the largest fund in the category, with over Rs. 54 billion in assets. Nippon India's share in Industry's ETF folio stands at 42%. In FY2021, we added 1.4 million investors in the segment against 97,000 in the previous year. Nippon India ETF has 72% share of ETF volumes on the stock exchanges. Nippon India ETF's average daily volumes across key categories are by far the highest in the industry. In our AIF business, we manage category 2 and category 3 AIF across various asset classes. Nippon India Digital Innovation Fund has committed funds of USD 100 million and has initiated investment activities. As on March 2021, Nippon India AIF has raised commitments in excess of Rs. 37 billion across all funds.

Nippon India Mutual Fund has diversified and nimble distribution base. As on March 2021, we have approximately 78,400 distributors empanelled with us. The mutual fund distributors base rose to over 78,100. Also, we have ongoing tie ups with over 20 prominent digital partners. Direct channel contributed to 54% of the MF AUM. Of the distributed assets, share of mutual fund distributors was 57%. 83% of the distributed assets are contributed by individual investors. Nippon India Mutual Fund has wide presence through approximately 290 locations across the country. We continue to review our existing branch operations and future expansion plans. Given the new normal our marketing efforts are increasingly focused more on digital channels which are more cost effective as against offline.

Now, on our financial performance.

For the year ended March 31-2021, profit after tax was Rs. 6.8 billion - an increase of 64%. As on March 31, 2021, AUM was Rs. 2,218 billion - an increase of 36% against March 2020. Overall operating expenses decreased by 14% to Rs. 5.4 billion. Consistent focus on cost optimization and rationalization over the last two years has resulted in reduction in cost across all segments. Operating expenses, as a ratio of average assets and the management, reduced from 30 basis points in FY2020 to 26 basis points in FY2021.

We continue to grow organically through our physical and online channels in active, passive and non-mutual fund segments. Additionally, we remain open to evaluate investments for inorganic opportunities and strategic partnerships to enhance the capability across mutual funds, alternate segments and distribution. Due to non-availability of inorganic opportunities at the appropriate valuations, which could complement NAM's existing business, no actual acquisition could be done during the last year. Also, the non-mutual fund segment saw slow growth heightened by slower economic growth and COVID. Given this situation, we will not push into expending the available resources unless we see an opportunity to add profitability and complement our existing businesses, and ultimately is in the interest of the minority shareholders. Board proposed a final dividend of Rs. 5 per share. Including the interim dividend of Rs. 3, this is the highest ever dividend payout, announced by the company.

NAM India has initiated the process to become a signatory to PRI world's largest voluntary corporate sustainability initiative and, adopt ESG processes across investments, funds and the company as a whole. As a responsible asset manager, we will continue to enhance capabilities to carry out a stewardship responsibilities and give voice to minority shareholders who participate in our mutual funds. At NAM India, investor centricity remains our key theme. We strive to deliver a complete product suite customized to the investors' needs, superior fund performance and efficient client servicing, based on comprehensive digitech ecosystem. We are confident to continue our trend of profitable growth in the coming quarters.

Before concluding I would like to also welcome our new board members Mr. D. Shriram, who is a Banking and Financial Services veteran having a rich experience of 37 years and Ideguchi-San, Member of Board of Directors of Nippon Life Japan. We are sure, with the induction of such esteemed individuals, we will strengthen our board and we will continue to gain from the valuable guidance specifically in the areas of finance, risk management, governance and business growth. With these comments, we are happy to take your questions. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchtone telephone. The first question is from the line of Viraj from Security Investment Managers. Please go ahead.

Viraj Kacharia: Thanks for the opportunity. Just have a couple of questions but before that I had a humble suggestion. I mean if we can keep a day's gap between result release and the concall I think that will be little more helpful in terms of going through the stuff and making a more quality contribution, so just a humble suggestion. On the questions, first question if you look at our past and say last year we clocked an AUM around Rs. 2 lakh crores and even after that our overall operating profitability was around Rs. 160 crores, Rs. 170 crores kind of range and operating profit EBITDA. Now, if you look at this year despite a higher AUM, we still are in that range itself. So, if you look at the other expenses and other things at what shades will you see gains from operating leverage kind of kicking in for us and in this quarter also we have seen some kind of spike in our expenses so, is there any one off and there is any color you can provide, so that is one. The second is if you can just provide some color in terms of market share both on absolute and incremental basis in T30 and B30 cities for us? That is second.

Prateek Jain: I will take the first one. In terms of the overall revenue from the operations, this year the average equity AUMs were lower because, last year we started with the lower base and therefore, at the overall equity average annual AUM was down by about 10% to 12% and correspondingly revenue was accordingly down by about 8% to 10%. But, from an operating profit perspective, expenses last year were at Rs. 633 crores, while this year it is Rs. 542 crores. In the last quarter, there has been marginal increase. But these are one-off expenses. Otherwise, expenses used to be 30 basis point of AUM, while today it stands at 26 basis points. In terms of the overall realization also, we are at about 52 basis points on the net operating revenue. So, we are in line with the industry.

Viraj Kacharia: Just coming on the operating profit. The reason I am asking is if I compare to say March quarter of last year right, there is overall equity and if I hybrid as well somewhere around Rs. 67,000 crores kind of AUM. This year we clocked somewhere close to around Rs. 90,000 crores kind of AUM, equity and balance. Still one would think that the operating profitability from the side of?

Prateek Jain: If you see quarter-on-quarter, then operating income wise, we are Rs. 152 Crores versus Rs. 150 Crore last year. When you will try to compare this AUM, which is quarterly average AUM with annual results, probably it may not give you the right results. So, for the comparative quarters, we have revenue of Rs. 280 crores versus Rs. 255 Crores and an operating income of Rs. 152 Crores versus Rs. 150 Crores.

Viraj Kacharia: The one-off expenses in other expense, what are these for?

Prateek Jain: Yes, as mentioned that during COVID times, we have been investing into our digital and technology infrastructure. So, the marginal increase is towards that one-off expenses and also, we have transitioned out from Reliance Capital environment, and we have created a separate data center as well as our own infrastructure. So, there has been some cost associated with these two elements.

Viraj Kacharia: Okay, and on the market share if you can talk about it?

Prateek Jain: These were the corresponding decline which we have seen over the past one to one and a half years-two years. It predominantly started with the group related issues, but the decline has been broadly arrested. Also, we have seen our performance come back sharply. Last quarter, we were broadly flat in terms of our market share and, we look forward to improving our performance from here onwards.

Viraj Kacharia: Second question is, if we want to better understand the construct of AUM growth in the domestic Mutual Fund business over the next three to five years, the growth would largely be coming for us largely in terms of higher incremental share in flows than the industry or is it largely from existing scheme size is getting better. Why I am asking this question is we have already seen other large mutual funds, where there is stagnancy in terms of growth especially in major flagship scheme, and it feels there is underperformance as well. So, when we say in a domestic mutual fund business, how are we looking to drive growth over?

Prateek Jain: As I mentioned to you earlier, and also by Sundeep in his initial comments, this year was a good year for us. We added almost 9 lakh unique investors compared to 20 lakhs in the industry. These 9 lakh investors are unique to us but may or may not be unique to the industry. These numbers speak a lot about how investors are coming back to us.

Viraj Kacharia: But if I look at last six month to seven months, the FII flows into markets in India has been very strong, but when you look at flows or book scale in our international business, it has been relatively lower. So, just want to understand why is that? one of the feedbacks we just wanted to give is that somehow the agility or aggression in terms of leveraging parent network or launching new products to tap flows seems to be slightly less. So, in last one year we have seen several new products been launched in passive, active space by other funds which could have naturally come to us. So, what are we doing on that front?

Sundeep Sikka: Again, coming to leveraging the parent, last 18 months after name change, 12 months have been our lockdown, COVID scenario and the focus has been a lot more to regain and to reestablish ourselves. We have been trying to leverage the parent on various trends, which could be beyond the products and the AUM. Having said that, we have launched two real estate funds in Japan. We have the digital innovation fund. Our recent tie up with Cathay is also because of the parent, and you will see a lot more happening. The last 12 months across the globe, all asset managers and across all asset owners have been going through a different challenge. So, the last 12 months should not be seen as a benchmark. There is a lot that is happening, and you will continuously be updated on lot of initiatives that we are driving in the international markets and leveraging the strength of our parent to get new things into India.

Viraj Kacharia: I will come back in queue. Thank you.

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

Amit Nanavati: Just a question on opex, if I look at operating expense for the full year and just try and knock off the one-offs that were sitting in the base or either with the new regulation netting off in the revenue itself now. It seems like employee cost and other expenses are more or less flattish on a YoY basis, basically your employee cost is down but largely we had a Rs. 50 crore of ESOP sitting in the base, and probably the outsourced expenses and the brokerage and incentives now netting of in the revenue. Just adjusting for that it looks more like a flattish opex. Is that a fair way to look at it?

Prateek Jain: Yes, you are right, Amit.

Amit Nanavati: Right, so all the adjustments that needed to be done either because of the whole regulatory changes or because of whatever one-offs we had in the base is largely behind and what one should expect from hereon is more a normalized trend in opex that is the way to look at it, right?

Prateek Jain: Yes, absolutely.

Amit Nanavati: Second thing I just wanted to check on the ETF front right, so just wanted to understand broadly we have been more active and much more focused in terms of building a large ETF product suite. Just wanted to understand what the yield gaps are between say our more liquid ETF versus in relatively illiquid ETF. The reason I am asking is basically just wanted to understand if liquidity becomes a right to win in this product and to that extent the profitability trends could be meaningfully different. While it may still be much more lower than the active funds, but the profitability versus say liquid Nifty ETF for us versus and illiquid Nifty ETF for someone else may be very different?

Sundeep Sikka: So, Amit if you were to go over to slide 22 of our presentation, that will tell you about the volumes and the liquidity. For a minute if you forget the profitability. Let us not see from our point of view but from investors' point of view. For the investor, if there no liquidity there is an impact cost which could as high as 2% to 3% between an ask and a bid and defeats the objective of coming into ETF. So, I will not say liquidity is the only thing that is required to win, but liquidity is a prerequisite. So, if you were to look at the slide 22 you were to look at some of the ETFs by name which are there. I mean if somebody was to invest even Rs. 1 crore in some other ETF, for the bid-ask, the difference can move to 3% to 5%. So, I think liquidity is a prerequisite for this and, this is one segment where I think the volumes will drive volumes. So, today if you have to buy Rs. 1 crore of ETF and the total liquidity variable is Rs. 5 lakhs. you cannot do anything. So, we are happy to share if you look at the Nifty ETF (ex-Nippon ETF), we are 41 times the industry average. If you still look at the banking ETF, we are 27 times the industry, Gold we are 11 times the industry, and liquidity ETF we are 56 times the industry. So, I think it is a very big advantage.

Amit Nanavati: Yes, but just wanted to understand if that can lead to any pricing differential, say versus what a competitor with a low liquidity may be charging versus what you would be charging in a like for like product?

Sundeep Sikka: To win this game, we have to see the investor first. For us whether the few basis point plus-minus will not make a difference. I think ETF is ultimately going to be the volume game and how do you build up volume is more important. So, rather than getting an advantage of 1 or 2 basis point in ETF, I think the key is can you multiply at 10X and that is where you will see it. From our perspective today, ETF AUM is Rs. 37,000 crores and the blended yield is about 19 basis point. If I were to link it with the earlier question, the first question that came on the blended yield, this is a segment which adds about Rs. 50 crores to the profitability. If you see the blended yield, you might say that the realization has come down, but if you see in isolation, this segment is adding Rs. 50 crores to the profitability. If it was not there, the profit would not be there. We have always maintained that we will be launching products, not thinking what is good for the balance sheet. We will be launching product categories which are good for the investors, and in due course of time, it becomes good for all these stakeholders including the shareholders.

Amit Nanavati: Understood, last thing just on the distribution mix, banca is coming off meaningfully right, in the last three quarters-four quarters. Any reason specifically why is that happening 28%-30% to now 22%?

Prateek Jain: What is happening Amit is that, on one side from a bank perspective, there is not much left from their fee-based income, and therefore they are trying to push other products where their revenue realization is higher per product or per SKU. On the other side, many of these investors have become smarter and they are coming into the direct. So, if you see last year, our average was about 15% of direct in the equity alone now that has gone up to about 17% to 18%. So, what is happening many of these investors are now also coming direct and also with the advent of the RIAs, they will also eat up into the bank augmented assets going forward.

Amit Nanavati: Understood, that is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Kashyap Jhaveri from Emkay Investment Managers. Please go ahead.

Kashyap Jhaveri: Good evening. Thank you very much for the opportunity. I have just one question on the market share which was discussed earlier. If you look at even particularly this quarter AAUM of roughly about Rs. 2,286 billion odd and versus the market or let us say the industry AAUM of about Rs. 32 trillion odd, I mean still we lost about 5 basis points market share even in this quarter versus the previous one and over last couple of quarters you have been highlighting that it would be plateauing out and probably we would get back to getting some market share. In terms of quantitative number, if you could highlight as to what is the strategy in place in terms of probably distributor, RIAs or products which would help us do this. If you can give a quantifiable numbers on this that would be really helpful. That also continues on the equity side also where now probably we would be less than about 7% market share now?

Prateek Jain: From a quantitative perspective, it is very difficult to put across. If you see, the trend in the decline that has plateaued. In the last two years, powered by both, some bit of underperformance from our side as well as the group related issues, we saw especially on the debt side lot of asset moving out of our assets. But what we have seen is in some of the categories, especially with respect to the ultra-short term and short-term category, we have started getting back the traction and our market share has improved. In the areas of liquid as well as some of our flagship equity schemes, this is slightly lower. But with the recent improvement in performance, going forward, we will see some improvement in our market share.

Kashyap Jhaveri: In terms of unique customers what you mentioned was the number was about 9 million unique customers that is the number that you mentioned, that was over what period, the 9 lakh customers?

Prateek Jain: This is in the last one year. In the last one year, we have added 9 lakh new unique customer versus overall industry added 20 lakh unique customers.

Kashyap Jhaveri: Okay.

Sundeep Sikka: As coming to your question on market share, the retail execution is always more difficult and a large share of the new incremental industry investors coming to us is a very positive sign. After the downfall, which has been arrested over the last few quarters and retail coming back, we clearly see the growth trajectory will start soon.

Kashyap Jhaveri: In terms of market share if you were able to split up between let us say Insti and retail, would the numbers be I am not saying the percentages but the reduction which has plateaued out in overall AUM as well as the equity AUM, would it be the same behavior in both segments Insti as well as retail or what would have probably been better in the other?

Sundeep Sikka: Normally, Insti is never equity, but, from an overall AUM point of view, normally the institution investors are the first one to come. I think we have seen about 350 institutional investors, some of them are marquee names in the country, come back. Number two, coming back to retail and HNI, we had one of the lowest market share for the HNI. We have seen a lot of that recovery and especially coming back to the passive products and, retail, we have already shared the numbers with you. So, across the board, we have seen green shoots and may be over the next three quarter to four quarters, you will see that a lot of these things that are happening have a lag effect, and you will see a positive lag effect on the market share.

Kashyap Jhaveri: Sure. Thank you so much.

Moderator: Thank you. The next question is from the line of Kunal Thanvi from Banyan Tree advisors. Please go ahead.

Kunal Thanvi: Thank you so much and congratulations on a good set of numbers. I had two questions, one was if you look at the market share when we look at that AUM data it has two components, one is your flow data and one is the stock. Stock, I understand, will of course be impacted by the market performance as well. So, wanted to understand any color on flows, how we have been looking at it. The reason I ask this question is because when we look at the SIP number vis-à-vis the industry for this quarter, we continue to cede market share there. So, any color on what is happening there on the flow side both in terms of SIP and overall. The second question is slightly from a longer-term perspective, if you look at the bank-led AMC, they have been growing very rapidly in fact this year also we saw them doing exceptionally well. So, how do we look at that and what do we think is the counter strategy to arrest the lost opportunity because we are not affiliated, to drive the mutual fund business?

Sundeep Sikka: Let me take the second question first. We are not affiliated or sponsored by a bank, but we do not see that as any disadvantage. We have one of the diversified distribution setup, and again this is what I mentioned earlier, when you were talking about ETF and products and other things. Ultimately what is good for the investor is going to be good for all the stakeholders. You cannot have a situation that you have one bank, I mean the bankers are sponsors and if you can only push your product. Beyond a point, it has to be a customer centric approach. So, I do not see that the advantage of being a bank can be there forever. We rather would like to have a more diversified distribution coverage, and, while we have presence at all private sector banks, public sector banks and the foreign banks, but IFAs remain one of the strongest. We have a diversified and de-risked distribution model, which is more important than having one primary distributor, whether it is parent or anybody else, which can be good in short-term but from a long-term point of view, we do not see any added advantage of that. This business is very different from insurance. Banca may have a very big advantage in insurance but cannot have a long-term sustainable advantage, as far as the mutual funds are concerned. Because you will have to have an investor centric approach, and no portfolio can be created by just one fund.

Kunal Thanvi: Sir, I understand and appreciate that. But when we look at the bank led AMC, they are not just about the distribution, right, it is also about the brand or the trust that new investors typically would have over a standalone AMC for that matter. Because that is how they entered the market, that is the target audience for us right, so from that perspective over a longer-term how does that impact. I understand that is the trend that is seen across the industry of a longer period of time. From the brand and perception perspective, how do we look at it?

Sundeep Sikka: Clearly, that advantage for the brand can be there for some time But, like I said, if it is a new start up AMC, the gap is too high. For established AMC of the scale and size that we are, and the parentage of Nippon, we do not see it as very big differentiator. I will not be able to comment on behalf of the entire industry and for other asset managers, but for the scale and size and the brand and the parentage that we have, we do not see that as a big differentiator.

Kunal Thanvi: Sure. Thanks. My question on SIP and flows?

Sundeep Sikka: As far as SIPs are concerned, over the last two-three months, there were few holidays in the starting of the month, and the data got to changed. But from our point of view, we have remained consistent. We are roughly having an annual flow of Rs. 8,000 crores from about 33 lakh SIPs. Again, from our perspective, one of the biggest advantage that we have is that the SIP sizes are lower than the industry which adds to the stickiness, because we remain very active in smaller cities and towns. The stickiness will play out, especially even more during the volatile markets. That is what we saw, especially during the last two-three years, even when there were one of the promoters group issues or during the volatility, the stickiness of our SIPs was very good.

Kunal Thanvi: I will come back if necessary. Thank you so much. All the best.

Moderator: Thank you. The next question is from the line of Ajox Frederick from B&K Securities. Please go ahead.

Ajox Frederick: Thank you for the opportunity. Sir, my question is with respect to ETF philosophy. Obviously, we are very clear on the direction. So, from the customer perspective and distribution perspective, so my question is let us say, incremental one HNI is coming back to us and it is put in or taken off between Rs. 100. So, do we see ourselves in the question where players will probably invest

Rs. 50 in our ETF and the other Rs. 50 in the competitors active fund, given the fact that we are pushing ourselves to be very dominant players and let us say a competitor is positioning to be very strong and active. Of course, I understand the incremental benefit that coming from ETF but the delta, is there any possibility of that scenario playing out?

Sundeep Sikka: I would like to just clarify that for us, it is not ETF versus active. The approach that we are taking is the customer centric approach. Let the investor decide what he wants to do. For us, active funds remain our bread and butter, and we will continue pushing it. Even today, 90% of revenue comes from active funds. I think the ETF is a part of being future ready as investors' behavior can change. We take pride in the fact that we are one of the few asset management companies or may be the only one, which is in the state of readiness, if the investors were to move towards ETF. So, first I wanted to just try to address that it is not active versus ETF. Coming to number two, as far as ETFs are concerned, unlike active funds, where an investor normally likes to diversify between four to five funds, in ETF, he does not do that, because the underlying is the same. So, if he is coming in Nifty ETF, he is not going to be going four ETFs and dividing it. He will typically come to one, and that is exactly the reason, this size and the volume, what I mentioned earlier in the slide 22, will give the story. So, like I said, we are very clear that active remains our core, but we do not want to say we will only push active even if the investor wants ETF. So, we leave this choice to be made by the investor and we want to be in a state of readiness. If he wants to go to ETF, we are a super market and we will be ready with that.

Prateek Jain: Just to add Ajox, to what Sundeep said in terms of data. The developed market has about 40% of the money in ETFs, while in India, it is 10%. The other important data is that, in India out of that 10%, 85% comes from the institutional investors. So, not every retail investor is gearing up for the ETF. The ETF growth has come predominantly from the institutional side. So, once that trend changes, which is 40% in US, and we are future ready for that change to happen.

Sundeep Sikka: If you were to go to yesterday's ET Wealth. In the large cap, three out of the top five are ETFs. So, we let the investors choose. We are not here to push what we want or what we feel is good for us. It is the investor who has to make that call.

Ajox Frederick: Got it sir. From our distributor's angle, let us say an IFA, same ETF philosophy. Will we be threatened given the fact that now lot of new launches are happening and that can be this side or that side will be in comparison to competitor as launching and active fund. Have you faced that kind of question when you do multiple calls with IFAs?

Sundeep Sikka: **A**s a passive strategy, I would not like to only restrict it to ETF. So, I think there will be set of investors who like to come for ETF and there are different set of advisors, distributors, who will prefer ETFs. For a conventional distributors, we have launched passive funds. So, technically speaking, the underlying could be an ETF, but actually, it is a passive fund. So, like I said, it is not A versus B or A or B. I think both will co-exist. From our perspective, whether it is active and passive, both will co-exist. I think we need to be present in both. Similarly both online and offline will coexist. So, from our perspective, we are being where the investor is, whatever the investor wants.

Ajox Frederick: That is from me sir. Thank you.

Moderator: Thank you. The next question is from the line of Prayesh Jain from Yes Securities. Please go ahead.

Prayesh Jain: Good evening Sir. Great set of numbers. Firstly, clarification on the opex. When you say that we had exceptional items or one-off items in Q4, do we mean that the run rate of Q2 and Q3 should be the ideal number that we should look at or in some sustainable trajectory point of view?

Prateek Jain: Prayesh, on overall basis, our opex is down by about Rs. 90 crores as compared to last year. So, we keep working on improving our operating efficiency, but we do not look at quarter-on-quarter numbers as much. This was a one-off investment, in terms of our technology and digital ecosystem, to make it more robust, given the current scenario. Hence, the numbers are slightly elevated. But broadly, we have seen further reduction in the normal run rate expenses, and we still continue to do so.

Prayesh Jain: Second question is slightly of a longer-term nature. How do you see the market share trajectory in B30 and your share of assets in the B30, and what could be our strategy to grow that segment in the next three to five years?

Sundeep Sikka: It is very difficult to put the number to it. From our perspective, one of the biggest trends has been execution in smaller cities and towns over the last 15 years. That is what we have been doing. Last two to three years, we had a slippage for whatever reasons. The fact that today, we talked about 9 lakh new investors coming to us. Whether the retail is in B30 or is in top 20, does not matter. It is the retail which is the most critical part and we will continue focusing. One thing remains that it is very easy to replicate institutional. It is very easy to replicate other strategies, but retail is not very easy. The entry barrier is too high to go to the small cities and towns. IFAs, our relationship, everything plays a very big role. So, we are very confident that retail, small cities and towns, and further a digital ecosystem that we have built up, and also there are lot of things that we keep doing with small IFAs, like geo tagging, different campaigns, which was one of a different priority. We are trying to support the distributor advisors in smaller markets. We are trying to have very positive mix of physical presence, physical relationship, and digital infrastructure. I am very confident that in the next two-three years, you will see us gaining market share. But these markets are all about execution, it is nothing about strategy and the execution will hold the key here.

Prayesh Jain: Thank you sir.

Moderator: Thank you. The next question is from the line of Dhruv Shah from Ambika Fincap. Please go ahead.

Dhruv Shah: Good evening. I just have one question on your SIP flows. We have seen industry growing on quarter-on-quarter basis almost close to 9% but we have been flat. We have reduced the market share in the SIPs and we normally are very strong on retail side. So, can you just elaborate on the same, why have been SIPs flow on quarter-quarter basis flat?

Saugata Chatterjee: This is Saugata Chatterjee. When it comes to SIP, it is very directly correlated to the equity performance. If one has observed in the last four quarters, our performance has started improving from Q3 onwards. The near-term performance is worth seeing, and the reason why the flows of SIPs has now started plateauing in the last two to three months, and which is the clear indication that henceforth, as the performance sustains, these SIPs will come with higher longevity and higher stickiness, and will continue to remain with us for long periods of time. So, it has a direct correlation to the performance. Now on the other side, we are getting very deep into retailing, with our focus that will also lead us to get more and more incremental SIPs coming into our forte. The third part is the digital piece. I think, we have really gone strong on digital acquisition as well as increasing the digital footprint. We are finding a very, very strong traction of equity investors coming through our digital assets, which will again add to the volumes as we go ahead. So, it is a combination of three, four factors which will now lead us to start getting the SIP book retained as well as show a growth from here on.

Dhruv Shah: Thank you. Thank you so much.

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

Kunal Shah: Congratulation on a good set of numbers. I have two questions; the first is on the revenue, is there any one off in the revenue for Q4?

Prateek Jain: No, in revenue, you cannot because the way we have structured is that the majority of our fees come from mutual funds, and typically, most of it is accrued on a daily basis. So, per se there is none, but what makes you think there is one off?

Kunal Shah: The thought was regarding carry. We had this sovereign fund mandate. I thought if there was some carry over there, that carry would reflect in the revenue?

Prateek Jain: No, as of now, there is nothing. While we do have but, if it will ever come, we will make appropriate disclosure to that.

Kunal Shah: Second question is regarding ETF. Sundeep Sir mentioned that 19 basis points kind of yield we do. Can you share the opex in terms of ETF how is it versus the company average or broadly something?

Prateek Jain: Most of the expenses have to be borne by the scheme itself that is as per the new SEBI regulation. So, per se, besides what we have in their related administrative expenses, there are no expenses. So, what we are talking about the net yield, we get is in the range of about 11 to 12 basis points

Kunal Shah: Thank you.

Moderator: Thank you. The next question will be from the line of Kashyap Jhaveri from Emkay Investment Managers. Please go ahead.

Kashyap Jhaveri: Thank you for another opportunity. You mentioned about 9 lakh unique investors acquired versus about 2 million for the industry. If I look at on quarter-on-quarter basis that implies about 7 lakh customers out of 1.3 million with the industry added. Anything unique that would have happened in this quarter because that run rate is significantly higher than what we have seen in the past for us as well as industry?

Sundeep Sikka: From our perspective, the digital infrastructure that we are building up, things are falling in place. It is very difficult to attribute any one particular reason. But it is a mix of multiple things which are happening.

Kashyap Jhaveri: Thank you.

Moderator: Thank you. Ladies and gentlemen, due to time constraint this was the last question for today. I would now like to hand the conference over to Mr. Jignesh Shial Emkay global for closing comments.

Jignesh Shial: Thanks a lot once again to the entire management of NAM India and also thank you very much all of you for participating in this call. Thanks once again and have a nice day. Thank you.

Moderator: Thank you. On behalf of Emkay Global Financial Services that concludes this conference. Thank you for joining us. You may now disconnect your lines.