"Nippon Life India Asset Management Limited
Q4 FY2023 Conference Call"
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Moderator: Ladies and gentlemen, good day and welcome to the Nippon Life India Asset Management's Q4 FY2023 conference call hosted by Batlivala & Karani Securities India Private 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. Swarnabha Mukherjee from Batlivala & Karani Securities India Private Limited. Thank you and over to you Sir!

Swarnabha Mukherjee: Thank you Zico. Good morning, everyone. On behalf of Batlivala & Karani Securities, I welcome you all to Nippon Life India Asset Management Limited's Q4 FY2023 earnings conference call. We have along with us Mr. Sundeep Sikka, Executive Director & CEO along with the top management team of Nippon Life India Asset Management. I would like to hand over to Mr. Sikka for his opening remarks. Over to you Sir!

Sundeep Sikka: Thanks. Good morning and welcome to our Q4 FY2023 earnings conference call. We have with us our CFO, Mr. Prateek Jain; Co Business Officer, Mr. Saugata Chatterjee; Co Business Officer, Mr. Aashwin Dugal; Chief Digital Officer, Mr. Arpanarghya Saha, Head of Product Management and Investor Relations Arun Sundaresan and **Shin Matsui San** Nominee of Nippon Life Japan. Our detailed presentation and press release have been uploaded on the exchanges as well as on our website. I would like to break my comments into three parts, one industry overview, two about our performance and three way forward. Since this is only the financial year end most of the commentary would be for the whole year. For the fiscal year equity markets were volatile and ended the year almost flat. S&P BSE Sensex returned 0.7%, small cap returned negative 7%. There was an increase of 250 basis points based on repo rate while the 10-year GSEC yield went up by 50 basis points. Despite the mixed overall outlook in the beginning of the year the subsequent **lackadaisical** market returns. The asset management industry maintains its growth momentum driven by increase in financialization, higher awareness and improved access to mutual fund products across the length and breadth of the country. The industry AUM grew by 5.5% in the year and is currently at Rs.40.51 lakh Crores historic high. The equity category including index and excluding arbitrage funds witnessed a gross inflow of Rs.5.72 lakh Crores and net inflow of Rs.2.52 lakh Crores. Investor interest in investing through systematic investment plans was very high with the SIP contribution for the year being at Rs.1.56 lakh Crores, 25% higher than last year. The monthly SIPs touched an all-time high of Rs.14276 Crores per month while the SIP folios were at 63.6 million, rising by 20%. Debt funds on the other hand witnessed an outflow of nearly Rs.1.5 lakh Crores on the back of rising interest rates. ETF flows were healthy at nearly Rs.60000 Crores of net flows during the year. The consistent expansion of investor base and growth in the AUM driven by SIP and ETF flows indicate investors interest in the industry superior capability to fulfill them vis-à-vis other financial products. Growing financial awareness, differentiated and transparent product suite and innovative digital strategies are expected to be the key drivers for industry growth in future as well.

At Nippon India Mutual Fund our priority is to be feature ready and capture this long-term opportunity. As on March 31, 2023, NAM India assets and the management were Rs.3,62,981 Crores that is $44.2 billion. This includes mutual funds, managed accounts, and offshore funds. For the quarter ending March 31, 2023, our mutual fund quarterly average assets were at Rs.2,93,159 Crores, this is a flat quarter-on-quarter and increase of 3.5% year-on-year. In the previous meetings I emphasized on our equity market share. I am happy to share with you our equity market share excluding ETF has been stable for the least three quarters and is currently at 6.19%. Share of equity assets rose to 44% of our total assets compared to 42% last year. We added 9.6 lakh folios in this segment. With our strong on-ground presence and healthy management performance we hope to increase our equity market share in the coming days. At Nippon India Mutual Fund our core remains on investors’ interest. We added 2.6 million folios in the year and continue to have the largest base in the mutual fund industry at 13.5 billion investors. We have one of the largest retail assets in the industry at Rs.85,361 Crores. The retail assets contribute 29% of Nippon India’s AUM compared to industry average of 25%. Our B30 AUM is at Rs.55,680 Crores which has increased by 16.4% year-on-year. This segment from 19% of Nippon India Mutual Funds AUM compared to industry average of 17%. In individual AUM, that is a mix of retail and HNIs is at Rs.1,62,651 Crores an increase of 17% year-on-year. This segment contributes 56% of the Nippon India Mutual Fund AUM.

One of the areas of improvement I have highlighted in the previous calls has been our market share in the HNI category. I am happy to inform you that our HNI AUM increased from Rs.77,289 Crores up by Rs.15594 Crores which is 25% up year-on-year and our market share increased by 66 basis points. Systematic flows are stable and key driver for industry’s long-term equity flows. I am happy to share that over the last few quarters Nippon India Mutual Fund has seen strong growth and systematic investment flows and this has led to a sequential increase in folios and value market share. Our systematic book grows by 52% year-on-year to Rs.1,115 Crores. This increase results in an annualized systematic book of Rs.13,380 Crores. 60% of our SIP AUM has continued for over five years compared to 24% for the industry. Also, in volatile markets folios with lower ticket size have devastated longer vintage and better stickiness. 15% of our SIP folios have continued for more than five years against an industry average of 11%. At Nippon India Mutual Fund we offer best-in suite of products in the passive category. With strong growth in industry with passive our ETF ecosystem is already in place and far ahead of its peers in terms of investor base and mind share. We continue to be the largest ETF player with an AUM of Rs.70,024 Crores with a market share of 13.74%. Gold ETF is the biggest fund in the category and during this period even silver fund we are the largest in the industry. Our share in the industry ETF folios is 61%. We have a 70% share of ETF volume on both NSE and

BSE. Our ETF's daily volumes across key funds remain far higher than the rest of the industry. Under Nippon India AIF we offer category two and category three alternative investment funds and have a commitment of Rs.5615 Crores across various schemes.

Our digital centric strategy is one of the key stones for sustainable growth and profitability. Amongst various digital initiatives such as **cart-buying** which we took to enhance our partners and investor experience. We have rolled out Nippon India Mutual Fund WhatsApp channel a real time comprehensive transaction and service suite for our investors. Business Easy 2.0 App is aimed in driving more meaningful engagement, retention, and growth through advisories, detailed analytics, and smart insight. Digital purchase transactions rose to 33 lakhs, up from 30 lakhs last year. Digital channels contribute 57% of our new purchase transactions. While I talked about digital infrastructure at Nippon India Mutual Fund we have a well diversified physical distribution base, a wide presence to 270 locations across the country. We have over 91,000 distributors empanelled with us. The MFD base rose to over 90,800 an addition of 6,700 distributors during the year.

Now on the financial performance, for the quarter ended March 31, 2023, profit after tax is Rs.1.98 billion an increase of 13% year-on-year. The operating profit is at 1.99 billion which is flat year-on-year. In the past the company has followed a consistent dividend policy and we have followed last year's dividend payout which was 96% of PAT ratio and this year the ratio has gone to 100% of PAT for the current financial year. Over the last nine financial years NAM India has distributed a cumulative dividend of Rs.41 billion. As we grow organically through our physical and online channels, we remain open to evaluate investments and strategic opportunities that add to the profitability and complement our existing businesses and ultimately in the interest of the minority shareholders. As a signatory to UN-PRI, we are integrating ESG aspects to the various areas of planning, operations, fund management and risk governance. Our goal is to encourage higher adoption of ESG principles within the asset management industry. As a responsible investment manager, we are building a resilient portfolio that will not only provide sustainable return to our investors but will also have a positive environmental and social impact. We will also seek app at relevant disclosures on ESG matters from our investee companies.

To sum up I would like to reiterate at Nippon India investor centricity remains the key theme. We strive to deliver superior experience and sustainable returns to our investors and in the process add value to our stakeholders. Our endeavor is to provide sustained profitable growth in the coming quarters. We do hope that the interest rate scenario globally and domestically will be closer to peeking out if not already peeked out. This may be a positive scenario for capital market investments in both equity and fixed income asset classes and will encourage further reach of our investments. With these comments we are happy to take your questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Our first question is from the line of Mohit Surana from CLSA. Please go ahead.

Mohit Surana: Good morning, Sir. One question from my side. When we look at your equity scheme performance Nippon Mutual Fund has done quite well across top categories, but we have not seen that being reflected in market share as you said market share remains flattish so any thoughts on when the improved scheme performance starts to show up in higher market share?

Sundeep Sikka: Thanks Mohit. The way I would like to see it typically good performance I think there is always going to be a lag in performance in the inflows. From our perspective I would like to give you two data points which will help you to understand. Because our focus is highly on retail I think our systematic flows have already increased 50% during the year and from almost Rs.650 Crores have gone it is stretching more than Rs.1100 Crores on a monthly basis so all this will have a lag effect for the incremental net inflows into the company and also if you were to look at it throughout the year the market share was flat but for the last one or two quarters the net sale numbers are higher than the market share so both these indicate in the coming quarters slowly and steadily the market share will keep increasing.

Mohit Surana: Got it. Thank you, Sir.

Moderator: Thank you. Our next question is from the line of Prayesh Jain with Motilal Oswal. Please go ahead.

Prayesh Jain: Good morning, everyone. Firstly, on the yields front the sequential decline is just because of product mix or is there anything else that you would like to highlight out there?

Sundeep Sikka: Prayesh I will request Prateek to take that question please.

Prateek Jain: Prayesh in terms of the sequential quarters I think the yields are more or less flat but in terms of the overall if you look at the full year it has moved down from 44 basis points to 42 basis points on the NAV side which is typically we have been mentioning that it is because of the three factors which we have said in the past about the replacement of old asset by new assets, the cost of acquisition of the newer assets is higher as compared to the older assets and third is the increase in sizes; however, the pace of this decline which used to be higher earlier has come down for two reasons. One of course we are seeing a lesser churn now given we believe our equity performance has been good and the bulk of the replacement has already happened. The other thing is that we have also seen the competitiveness or the payout ratios to the distributors has now moderated what used to be in the last years with the slew of NFOs, etc., that has also moderated and therefore we have been able to contain this decline and that is where we see ourselves continuing. That is all from my side.

Prayesh Jain: Like in the past I think we have kind of alluded to the churn as the churn impacting the equity is the one or two basis points on annual basis do you think that is still there or we should assume that is kind of gone away and now it should be say much lesser and it should be more of a impact of the increase in AUM size rather than anything else?

Prateek Jain: As we said the again Prayesh that there will be a marginal decline which keeps happening; however, if you look at the debt yields that will see some kind of an uplift because the net return to the investors have gone up from what was about 4.5% overall returns on the shorter duration funds to about 6.5% this year obviously there is a flexibility for us to charge marginally higher and therefore you will see that the yield improvement on the fixed income side.

Prayesh Jain: Okay got that and just continuing on the dept part what you mentioned how do you read the impact of the taxation that was levied by the government of India, do you see that there is an opportunity in a certain hybrid category where the equity portion could be between 35% to 65% and how do you see the overall debt kind of close moving in terms of the near term?

Prateek Jain: What I will do is I will ask my colleague Aashwin to answer that but from a tax perspective if you just ask me the mutual funds still remain a superior product as compared to any other product in the market because of the flexibility by which one could redeem and get their money back and at the same time it provides a higher return to the investor and the taxation is also at the end when the person is kind of redeeming it. Therefore, during the holding period there is no taxation involved so there are few things which from a tax arbitrage perspective there still remains and I will ask Aashwin to talk about how he sees flows from the investors.

Aashwin Dugal: Thanks Prateek. So largely the shorter end of the curve which is up to one year essentially in our view will remain unaffected from flows, it is the value of the curve and beyond which is three, four years and beyond where we were seeing bulk of investments coming in from savers there we will be competing with some of the other savings products; however, taking a cue from what Prateek mentioned there are two very essential features of debt mutual funds one is diversification so with a very small ticket today the essential benefit of exposure into multiple debt instruments that can be derived from investment in a mutual fund scheme that continues to be a big benefit to investors. Number two tax deferments which Prateek mentioned I think that is one unique benefit that only mutual funds provide and that over a long investment period for retail or an individual investor can be very meaningful so I think some of these benefits will continue to be inherent to our mutual funds. Any which ways the population of investors who were getting tax benefits were smaller and I believe that once AMCs now focus on explaining these benefits of diversification and more importantly tax deferment in the medium term, we should continue to see large flow, so very, very confident of debt funds getting now longer-term AUM than what they have got in the last three years.

Prayesh Jain: That is helpful. Just a question on the financials here. The employee cost is down sequentially and Y-o-Y basis both what is this related to, and can you break down the full year expense in terms of ESOP and non-ESOP expenses and what is the outlook for say FY2024?

Aashwin Dugal: From our perspective we have not given any ESOP for the last two-and-a-half years and the bulk of that has been accounted for because in terms of ESOP accounting the cost is front loaded. As far as the decline is concerned it is because of our expectation in terms of growth and profit so we have been continuing maintaining certain provisions for the PLI and that has somewhat moderated from what our expectation were and therefore the numbers are slightly lower.

Prateek Jain: We like to highlight as a company we continue working on operational efficiency with a lot of digitalization that is happening at the backend, so we are clearly seeing an advantage of that also playing out.

Prayesh Jain: Just last question - any reason for the other income fall in this quarter because is there yield impact?

Sundeep Sikka: Yes, this was purely the mark-to-market. We carry almost Rs.2200 Crores of our networth into our fixed income schemes and this was predominantly the mark-to-market on these schemes as on date.

Prayesh Jain: Got that. Thank you so much and all the best.

Moderator: Thank you. Our next question is from the line of Lalit Deo with Equirus Securities. Please go ahead.

Lalit Deo: Good morning, everyone. Sir, just two questions. We have seen strong additions in our **passive fund** folios so like how incrementally are we looking to do something in terms of cross sell to these existing investors to like where they can subscribe to our equities schemes also and then we can see probably some increase in market share also?

Sundeep Sikka: Lalit you are right our focus has been to acquire newer investors. We strongly believe this long-term success of the industry or for any company will be if we are able to increase our investor base so by design, we are adding more and more investors and there is at the back end a lot of initiatives are being taken using DI and various initiatives have been done to cross sell and upsell different products.

Lalit Deo: Sure, Sir and secondly the question is on the yield side could you give us that segment wise yield as on March 2023?

Prateek Jain: Historically we have not been sharing the yields on a product basis but as in the past maintained that the equity yields are in the range of close to about high 70s to early 80s and on the debt side it has been because the most part of the debt has been on the ultra short-term categories so that has been around 23 to 30 basis points somewhere in that range and on the liquid it has been around close to about 15 to 20 basis points so this is where the overall yields have been.

Lalit Deo: Like last quarter we highlighted that we have seen some increase in yields in our passive funds so like are those yields holding up and do we see any other areas also to increase those yields?

Sundeep Sikka: Lalit, we keep evaluating wherever we can wherever there is a scope you have to juggle between how you are adding value to the investor, wherever we feel there is a scope we will do that so it will be very difficult to give a long-term projection how we will go ahead but whenever we see there is an opportunity we will keep working on it.

Lalit Deo: New SIP registrations which happened during the quarter?

Sundeep Sikka: Lalit we published this data about total systematic investments not only SIP because this is also structural in nature so for the month of March it was Rs.1115 Crores and for the quarter Rs.3200 Crores.

Lalit Deo: Yes, but in terms of folios?

Sundeep Sikka: Folios for entire year we have added 26 lakh total folios out of that systematic investment plan is we are adding about 120000 approximately plus or minus a little here and there. I think Arun can share this data with you, but I think it is for the full year about 12 lakhs to 14 lakhs kind of a number but exact number I think Arun will get back to you.

Lalit Deo: Thank you.

Moderator: Thank you. Our next question is from the line of Mr. Swarnabha Mukherjee with Batlivala & Karani Securities. Please go ahead.

Swarnabha Mukherjee: Yes, thank you. My first question is you have mentioned that the yields are flattish sequentially which is the case for the mutual fund business but if I look at it on a consolidated basis, we do see some amount of compression there so just wanted to understand anything which has played out on maybe the managed account side which is outside the mutual fund business?

Arun Sundaresan: No, it is broadly from our perspective outside the mutual fund business there has not been much growth. We saw some of our existing funds and they had to close down because they got matured and new fund launches got a little delayed but this is a temporary nature so I think we already have a certain new fund launches lined up and in the coming one or two years again you will see that picking up.

Swarnabha Mukherjee: Got it. In terms of this yield when we try to think about how it will play out over the next two to three years just wanted to understand how much of your old assets have already gotten churned into newer assets or maybe if you can break up your current say on the equity side the asset mix between capex holdings and three years and your relatively newer assets if you can give a ballpark number it will help us understand?

Prateek Jain: We only have about 30% of the old assets now which are in the old pricing, rest all already have churned so more than three-year-old asset would be about 30% of our total equity asset and most of it as Arun mentioned is part of our SIP book. The continuing SIP book so we do not see much of a change happening at that end.

Swarnabha Mukherjee: Sir would it be fair to assume that the realization that we are making on the stock is now relatively closer to the low levels right now in terms of mix?

Arun Sundaresan: As I mentioned to you that look the flows also depend on which category we are seeing the inflows and in certain categories our propensity to charge is slightly higher as compared to some of the other products. We said it is a function of competition or performance as well as the size of our scheme. As Sundeep mentioned, we keep evaluating all the opportunities available in terms of transforming the growth as well as at the same time maximizing our revenue.

Swarnabha Mukherjee: Last question I wanted to ask from the gold ETF side so how have the flows been post this taxation norms were announced in non-equity mutual funds?

Sundeep Sikka: Broadly the way we have to see this is that our gold ETF has been the largest in the country for about many years now. A lot of different investors come for short term tactical views and for long term there are different treasuries. This is too early to say what will be the impact but majority of the investors who have been coming for short term are less than three years and nothing changes for them. Overall, we clearly see gold and silver more allocations coming into it and one more trend that we have seen is a lot of HNIs family offices they keep taking tactical calls on gold and their silver and because of the volumes that we have ours is one of the most preferred ETF.

Swarnabha Mukherjee: Thank you so much Sir.

Moderator: Thank you. Our next question is from the line of Sahej Mittal from HDFC Securities. Please go ahead.

Sahej Mittal: Hi good morning all and thanks for the opportunity. Sir one question which is on the market share what seems to be likely the reason for diverging trends in SIP flows versus your lump sum flows, so on SIP side we are consistently seeing improvement in market share but on the lump sum flows there seems to be huge outflows so what seems to be the likely reason?

Sundeep Sikka: It is very simple. As an organization for us we have always been very strong in retail. There was a period when our fund performance was not so strong after the fund performance got stronger, we have seen the SIP number as you mentioned have been strong. To answer one of the earlier questions which had come 19 lakh SIP during the year was a number at that time the number was not available with us and that will definitely add value on a monthly basis if you are adding 1000 Crores, so this is technically speaking now we analyze the book. It is about 13000 Crores incremental inflows that will come into the company. If you go to the last five to six calls, we have been saying that we have been relatively weak, we were weak on HNI and now that is also improving. We have seen our HNI market share go up by 66 basis points, there has been an overall increase in AUM of 25% compared to the industry AUM of 11% so it will be the lag effect nothing specific. Once their basic core is in place it is all about execution but overall, the trend that we have seen in SIPs which started a little earlier you will see start seeing lump sum also and we remain positive with the next four to six quarters you will see equity market share going up.

Sahej Mittal: Got it. That is all from my side. Thanks for answering my question.

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

Mohit: Thanks for the opportunity. Couple of questions. First if I look at SIP it has declined sequentially from 583 billion to 580 billion so what explains that?

Sundeep Sikka: It has been mark-to-market nothing else. Overall, the monthly numbers have been increasing it would be just that nothing else. Both the number of overall monthly registrations, number of new investors and monthly inflow all have been increasing. As I mentioned earlier it has almost gone up by 50% in the last 12 months.

Mohit: Alright perfect. Second is in terms of the dividend payout side for the last two years we have given more than 90% but I believe that it will moderate going further or do you intend to make it more than 90% consistently?

Sundeep Sikka: This year we have gone for 100% almost, as per our present dividend policy anything between 60 to 100% depending on how the Board evaluates going forward decision will be taken but broadly the thought process is that we want to share the profits of the company with the shareholders, the minority shareholders. We cannot give a futuristic thing but as dividend policy and going with the past trend we will be similar to where we are today.

Mohit: Alright and my last question is in terms of the tax, if I look at the effective tax rate it is around 17% for the quarter primarily because of the deferred tax credit and even if I look at the entire year we had a deferred tax credit so prudent to assume that we will take this deferred tax credit going forward or a 25% tax rebate is something that we can assume for the future?

Prateek Jain: Mohit on our fixed income investments we get the long term benefit and as and when they turn long term so what we do when we invest with them and whatever gain is there we provide on the basis of short term rates till the time they become long term so the moment they become long term both on equity and fixed income we have to do the assessment of our tax calculation once again; however, even if we do not realize we have to do this adjustment and therefore you see the changes in the deferred tax. Significant part of our investments during the year has turned long term and on that the tax liability has to be adjusted based on the long term tax rate as compared to the short term and therefore you see in the fourth quarter there has been lower provision for the taxation; however, what we expect there is a part of our income which comes from other income so we expect our effective tax rate to be somewhere around 20 to 23% as against 25%.

Mohit: Alright perfect. Thank you and wish you all the best.

Sundeep Sikka: Your question on the SIP numbers have gone down. If you see slide number 29 of the presentation, actually the systematic book has grown from 50,000 Crores to 58,000 Crores so maybe for further clarification Arun will be in touch with you but slide number 29 gives you that data.

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

Abhijeet Sakhare: Hi good morning. Is it possible to share your net flow market share for the last couple of years?

Prateek Jain: Abhijeet we do not disclose the net flow market share; however, if you see in the last few quarters our decline on the market share has stabilized so we are seeing some positive inflows, our net sales are higher than our existing market share and you will see in coming quarters we will be able to improve the trajectory.

Abhijeet Sakhare: The flow market share is higher than the current AUM market share in the same period?

Prateek Jain: That is right.

Abhijeet Sakhare: The second one was a broad colour if you can share any colour on type of investors and channels that are bringing those investors between let us say the active equity versus the passive equity book that we have?

Sundeep Jain: From the investors point of view as we mentioned majority of our investors are retail even from AUM point of view while the industry has an average of 40% our institutional AUM the retail is the dominant one which is individual plus and HNI so that is one. So, majority of the investors which are coming are individual investors coming from across the country we continue because of our digital infrastructure, we are having nine purchase transactions per minute so there is a mix of digital savvy investors as well as investors coming from small cities and towns. As far as the channel mix is concerned the channel mix between active versus passive if I was to say in passive, we have seen many investors are coming direct, many or most investors are coming direct and many of these are also family offices, in active very high percentage still keep coming through IFA and national distributors.

Abhijeet Sakhare: Sorry are you also saying on the passive side are you also able to track if these new set of investors are first time investors in mutual funds or this is probably their second, third product on the mutual fund side which is becoming a passive product?

Sundeep Sikka: We will not be able to have that data but our sense says that many of the investors who are coming into ETF industry they are first time investors that is again like I said I do not want to put because these are some of the new investors which are coming, the fact that we have 70% of market share in ETF and one out of three investors in Indian mutual fund stays with us so the trend would be likely the first court of call for any new investors typically is Nippon whether it is ETF or this and there is value addition to the industry.

Abhijeet Sakhare: Got it. Thanks a lot.

Moderator: Thank you. Our next question is from the line of Bhavya Sanghvi with Fortress Group. Please go ahead.

Bhavya Sanghvi: My question is on the non-mutual fund piece, so I wanted to understand the business model although I get some flavor on the yields and the kind of margins that you make on managed

AUM which I think is reported at 673 billion there was an idea about the traction and the size of opportunity in this space and how is it different from the mutual fund piece in terms of operating numbers? Thanks.

Sundeep Sikka: We have already discussed a lot more in the mutual fund business and we clearly believe as far as the mutual fund business is concerned it is the scale of infrastructure and it is the execution capability that we have built up we clearly believe we should grow in line or a little better than the industry going forward. From the non-mutual fund business, yes, this financial year has not been very good for us. It is a mix of multiple reasons like I said some of our funds which were there, and they were close ended funds, they matured. Then after that we also went slow on real estate offerings and two to three new funds which are getting launched got delayed. From our perspective this opportunity is going to be divided in three parts, the domestic fund raising in the non-mutual fund, which is going to be both A real estate, B is going to be long short funds, B is going to be the international funds I think which we are working closely with Nippon Life to see the opportunity, get the investors into India from Japan. We already have three funds, two bond funds in Japan, one equity fund in Japan then two real estate funds in Japan. I think we are exploring how and what more we can do. There has been a little delay and I should admit this is something which has been a little slower than we thought but a lot of all that is happening and in the coming quarters you will see a lot of traction. As we have been mentioning in the past, we continue exploring opportunities for inorganic opportunities. We also continue looking at acquiring skill sets that complement our existing businesses to start new product offerings which we do not have at this point of time so the next three to four years as a company there will be higher focus on non-mutual fund business.

Bhavya Sanghvi: Sir can you give us a sense on the yields that you would make on this kind of business, retentions on mutual fund business or just a proportion would it be double of what you make on mutual funds and impact on the margins going ahead through this business?

Prateek Jain: We need to break this up into two parts, one is there is a government business which is the postal life business which accounts for almost 60000 Crores of assets where there is a very little margin of fees I would say that is a government mandate; however, on the PMS, AIF and the offshore businesses which accounts for almost like the offshore business is close to about $1.8 billion and on the AIF side the commitment which will be about 800 odd million so there I think what we make is on the AIF and PMS our net retention is close to about 100 basis points and on the offshore piece this would range about between 33 basis points to 67 basis points depending on whether we are sub advising or where we are managing and these are mostly institutional mandates what we are currently running. On the retail side and on the offshore side also we have net realization which is in excess of 100 basis points.

Bhavya Sanghvi: Sir $1.8 billion was for offshore business?

Prateek Jain: Yes.

Bhavya Sanghvi: Thank you Sir got it.

Moderator: Thank you. Our next question is from the line of Pritesh Chheda from Lucky Investments Managers. Please go ahead.

Pritesh Chheda: Sorry Sir if this question is repetitive but I just wanted to understand your directions on yields especially in context of the last full year whether for the industry as a whole as well where we had multiple challenges on yield whether with respect to mix or NFOs so any comment in terms of yield direction?

Prateek Jain: Frankly speaking it will be difficult to tell about the industry but as we have been maintaining that look we would like to continue to maintain the current levels going forward as well so wherein our net yields are in the range of about 40 to 45 basis points and there we clearly see scope because in the past few years we have seen a sharp decline in our fixed income yields because of the lower net carry to the investors; however, now the carry is higher. I think we will be able to and as an industry we will be able to improve our net realization on the fixed income side of it and that will give us some kind of a fillip. On the other side equity we will continue to see some marginal decline going forward as well because now this is linked to the size of the scheme as well as the old assets getting churned out so I think broadly our endeavor would be to maintain the current yields which I think in the last year also we had said that look the decline would be in the range of two to three basis points while we do not give any kind of projections for the future but for the next coming years also we would see that it would be in the similar range.

Pritesh Chheda: My second question is any comments on the competitive pressure on the NFO side if any in terms of easing or still remaining the same?

Prateek Jain: So you would have seen that look typically NFOs are not being there and also the regulations are very clear that you can launch only one scheme in each category and also I think from a distributor perspective or the investor perspective they have mostly realized that look because most of the fund which they launched big bang and somewhere in August of 2021 what had happened is that they went through a cycle where the return to the investors were not so positive so on the peak of the market when the funds were raised they have not given the expected returns and therefore both investors and distributors have learned this and they have been investing into the more established and performing category so we will see investor chasing returns in the categories where performance of the fund house has been good.

Sundeep Sikka: As a company we will not be as a philosophy we do not want to come out with too many NFOs. The whole last year we have not come out with any NFO, and our focus will be to consolidate, to build scale on back of good performance of our funds and scale them up.

Pritesh Chheda: Do you have your presence in the multi cap which was the last category launch?

Sundeep Sikka: We have a multi cap fund. We are the largest multi-cap fund which the industry has.

Pritesh Chheda: Thank you.

Moderator: Thank you. Our next question is from the line of Mr. Aniket from BMSPL. Please go ahead.

Aniket: Good morning. Thank you for the opportunity. My question was on the debt side and the regulations which have come into place previously on this call you said that you do not expect a large impact on debt funds in the longer term, but a lot of independent consultants have been telling us the business on the debt side has dried up.

Aashwin Dugal: I will just explain what I said earlier so what I have explained earlier was that the change in regulations have been mainly for investments that would complete three years and beyond so what I said was the shorter end of the debt curve which is investments which are essentially close to about one year they will remain unaffected and if you see the April flow thus far we have seen the flows have been close to about 60000 odd Crores at the industry level so very similar to what we saw last year in same period; however, what I had mentioned was that at the longer end we have some benefits that mutual funds enjoy diversification and tax deferment where we as an industry will have to make efforts to educate our stakeholders like investors and distributors to explain them in greater detail so what I mentioned was that in the medium to long term we feel that on these premises and strength some of the debt funds should be able to compete much better so that is our view on the longer end of the curve.

Prateek Jain: So Aniket this is yet getting digested, this has come just about a month back and also what you see immediately post the announcement lot of debt flows happened in the longer term to go and catch up the last minute tax breaks so there has been a good amount of money which has already got invested into longer term and therefore the amount available with the investors may not be much and as Ashwin mentioned that we have some as a mutual fund product we have lot of inherent advantages and I think just from a distributor or advisor whom you are talking about they just need to go and talk this to their end investors.

Aniket: Alright. Thank you for taking my question.

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

Prayesh Jain: Hi thanks again. Just on the debt index fund that segment has really picked up in the last one year so where are we standing there and how do you kind of see this in terms of yields in the debt segment or what is our outlook on this segment?

Aashwin Dugal: Prayesh on the roll-down products that you are talking about yes they have scaled up well in the recent past but going forward I think our focus will continue to be on active funds because we feel that in the longer run we are able to perform better; however, it is a growing category and even though last year we were slightly late in entering that category the last three months we have scaled up there as well so in the nutshell we will focus on active funds but we will continue to be present in the passive debt segment as well.

Sundeep Sikka: I would just like to add one thing to it. Unlike equity in debt a lot of these passive funds were on the backdrop of the tax advantage which was there so actually the way we see is debt will move back to active funds and organizations and companies which have a long-term track record of managing active and debt will benefit so that is the way we need to see how things play out but our first reaction is it is not going to be because of the tax changes it is going to be the AMCs which were highly dependent on roll down of passive strategy in fixed income they may get impacted but the AMCs which have a long term track record on active in fixed income may not be as much impacted.

Moderator: Thank you. Our next question is from the line of Nilesh Jethani from Bank of India Mutual Funds. Please go ahead.

Nilesh Jethani: Hi, good morning and thanks for the opportunity. Sir few questions on the fee and commission and other expenses I just wanted to understand with the impending issues with regard to TER on various aspects from GST, brokerages, etc., I wanted to understand your view with regards to fee and commission do we have any scope to squeeze this going forward and similarly on the other expenses the percentages of AUM what direction can we give on that side considering most of the NFOs, etc., are already out so next year are we expecting any further NFOs and any direction on the other expenses on the overall AUM?

Prateek Jain: In terms of the fee and commission expenses this predominantly pertains to our area of business where we used to pay upfront and I believe there are regulations going forward these will not be allowed and most of this will be paid from the scheme as a trail so therefore this line item will not exist going forward and also in terms of the NFOs as Sundeep mentioned that look as and when there is an opportunity to come out with a unique product where we can give a differentiated return to the investors we will work it out otherwise just for the sake of raising capital we will not be coming out with any kind of NFOs. As regard our overall other expenses those are in the range of about 17 to 18 basis points of our current AUM and as we expect our AUM to grow much faster than our expense growth so typically our expense growth has been in the range of 6 to 7% and that is what we expect going forward as well in line with the inflation and if we increase our AUM more than the expense rate then the operating leverage will come into play and you will see on our BPS basis this will trend downwards.

Nilesh Jethani: Got it Sir. Sir my question on this impending impact on the GST and brokerages, etc., to be included in TER any direction you can give us with regards to what could be our share or what industry could share and what could be reflected or passed on to the bottomline of the business?

Prateek Jain: These are certain things which we have also learned from the newspapers. I think these regulations are yet to come out and we would refrain at this point of time from commenting on those; however, if you go by the past whenever these changes have come our AMC has been more adaptable and flexible. We will pivot according to whatever regulation comes and we will work out a business model or it would be best for all our stakeholders.

Nilesh Jethani: That was really helpful. Thank you so much.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Sundeep Sikka for closing remarks.

Sundeep Sikka: Thank you everyone. Thank you for being there. If there are any further queries, please be in touch with Arun and from our perspective our focus remains on long-term profitable growth. Thank you very much.

Moderator: On behalf of Batlivala & Karani Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.