April 29, 2024

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort, Mumbai 400 001
BSE Scrip Code: 540767

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor, Plot No. C/1,
G Block, Bandra Kurla Complex,
Bandra (East), Mumbai 400 051
NSE Scrip Symbol: NAM-INDIA

Dear Sir(s),

Sub.: <u>Transcript of the earnings conference call for the quarter ended March 31, 2024</u>

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings conference call for the quarter ended March 31, 2024, conducted on April 24, 2024, for your information and records.

The above information is also available on the website of the Company:
https://mf.nipponindiaim.com/InvestorServices/pdfDocuments/Conference-Call-Transcript-for-Q4-FY-2024.pdf

Thanking you,

Yours faithfully,

For **Nippon Life India Asset Management Limited**

NILUFER GAURAV SHEKHAWAT

Digitally signed by NILUFER GAURAV SHEKHAWAT
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Date: 2024.04.29 13:02:42 +05'30'

Nilufer Shekhawat
Company Secretary & Compliance Officer

Nippon Life India Asset Management Limited
Q4 FY2024 Earnings Conference Call

April 24, 2024

MANAGEMENT:

- **MR. SUNDEEP SIKKA – EXECUTIVE DIRECTOR & CEO**
- **MR. SAUGATA CHATTERJEE – CHIEF BUSINESS OFFICER**
- **MR. AMOL BILAGI – INTERIM-CHIEF FINANCIAL OFFICER**
- **MR. ARPANARGHYA SAHA – CHIEF DIGITAL OFFICER**
- **MR. ARUN SUNDARESAN – HEAD OF ETF**
- **MR. ASHISH CHUGANI – HEAD OF AIF**
- **MR. AASHWIN DUGAL – DEPUTY HEAD OF AIF**
- **MR. SHIN MATSUI-SAN - NOMINEE OF NIPPON LIFE INSURANCE, JAPAN**

MODERATOR: **MR. SWARNABHA MUKHERJEE - BATLIVALA & KARANI SECURITIES INDIA PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Nippon Life India Asset Management Limited Q4 FY24 Earnings Conference Call hosted by Batlivala & Karani Securities India Private Limited.

As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Swarnabha Mukherjee from Batlivala & Karani Securities India Private Limited. Thank you and over to you, sir.

Swarnabha Mukherjee: Thank you, Dorwin. Good evening, ladies, and gentlemen. On behalf of Batlivala & Karani Securities, I welcome you all to the Q4 FY2024 Earnings Conference Call of Nippon Life India Asset Management Limited.

We have with us, Mr. Sundeep Sikka, Executive Director and CEO, along with the top management team of Nippon Life India Asset Management Limited.

I would now like to hand the conference over to Mr. Sikka for his opening remarks. Over to you, sir.

Sundeep Sikka: Good evening and welcome to our Q4 FY24 earnings conference call.

We have with us, Chief Business Officer - Saugata Chatterjee, Interim-Chief Financial Officer - Amol Bilagi, Chief Digital Officer - Arpan Saha, Head ETF - Arun Sundaresan, Head AIF - Ashish Chugani, Deputy Head AIF - Aashwin Dugal and Shin Matsui-san, nominee from Nippon Life Insurance (Japan).

Our detailed investor presentation and press release have been uploaded on the exchanges as well as our website. I would like to share some comments on the recent Industry trends and our performance, prior to addressing your questions.

I would like to start by mentioning that in FY24, NAM India has achieved its highest ever Operating Profit at INR 9.58 bn (up 26% YoY) as well as Profit After Tax at INR 11.07 bn (up 53% YoY). Further, in Q4 FY24, NAM India has achieved its highest ever quarterly Operating Profit at INR 2.82 bn as well as Profit After Tax at INR 3.43 bn. Further, as stated previously as well, our Equity Net Sales market share and SIP market share remain well above our Equity AUM market share, owing to the consistent efforts of the business teams. We also continue to focus on diversification with specific focus on Fixed Income, Alternatives and Offshore businesses.

Beginning with the markets:

Equity markets in Q4 FY24 showed a more moderate performance as compared with the prior quarter. The NIFTY moved up by 3% QoQ, while the NIFTY Mid & Small Cap indices rose by 4% & 2% respectively. The RBI held the repo-rate steady at 6.50%, while the 10 Year G-Sec yield moderated by 11 bps QoQ to 7.06%.

Coming to data on the Mutual Fund industry:

1. Industry QAAUM grew by 10% QoQ and 34% YoY in Q4 FY24 to INR 54.1 trillion.
2. Strong momentum in the Equity segment sustained, as the share of Equity in overall AUM continued to increase, ending at 58% for Q4 FY24, up from 52% for Q4 FY23.

Now, moving to Industry flows:

1) The Equity category (excluding index funds and arbitrage funds) witnessed a gross inflow of INR 1.94 trillion and a net inflow of INR 798 bn – both gross and net inflows were higher on a QoQ basis. Strong

inflows were witnessed across Sectoral/Thematic funds, Multi Asset Allocation funds and Large & Midcap Funds, while inflows in the Small & Mid Cap funds were lower sequentially.

2) Investments via the SIP route further increased, with the SIP contribution for the quarter being INR 573 bn, up 37% YoY and 11% QoQ.
3) Monthly SIP flows in Mar-2024 stood at INR 193 bn, which was another all-time high. SIP folios increased 10% QoQ to 84.0 mn.
4) The Fixed Income category i.e. (debt + liquid), witnessed a net outflow of INR 464 bn in a seasonally weak quarter.
5) The ETF category had a net inflow of INR 196 bn.

At the end of the quarter, unique investors in the Mutual Fund Industry increased to 44.6 mn i.e. an increase of 20% YoY, while industry folios increased to 177.9 mn.

Now moving to our business performance:

1) We closed the quarter with total assets under management of INR 5.24 trillion. This includes Mutual Funds, Managed Accounts and Offshore Funds.
2) Our Mutual Fund QAAUM grew 14% QoQ & 47% YoY to reach INR 4.31 trillion. We have had the highest increase in QAAUM market share both QoQ at 30 bps and YoY at 73 bps among all AMCs. Further, on a YoY basis, we have been the fastest growing AMC among the Top-10 players.

I would now like to share a few key highlights for the quarter:

1) Starting with market share - Our market share increased 30 bps QoQ to 7.97% with market share increases across all asset categories. This is the fourth successive quarter of market share increase that we have witnessed.
2) Our Equity market share also continues to improve. It increased to 6.76%, of which there was a 9 bps improvement in Q4 FY24 and a 58 bps improvement in FY24.

3) Through the course of FY24, we moved up two positions to 4th in terms of total Equity AUM - excluding Arbitrage.
4) The share of Equity AUM in our overall AUM continued to increase and stood at 49.2% for Q4 FY24, up from 48.6% as of Q3 FY24.
5) Performance of most of our Equity schemes remained strong, and this along with our distribution network, digital capabilities and strong risk management helped to deliver a near double-digit market share in net sales in the Equity + Hybrid segment in Q4 FY24.
6) On the segmental front – Our Individual AUM, which consists of Retail & HNI AUM, saw further market share improvement. Individual AUM grew 10% QoQ to INR 2,578 bn. Market share increased 8 bps QoQ to 7.74%.
7) Our Corporate AUM grew 16% QoQ to INR 1,842 bn. We have started to regain wallet share with large Institutional clients and this led to market share improvement of 70 bps QoQ to 8.49%. This is our highest market share in the Corporate segment since June 2020.
8) Our B-30 AUM grew 9% QoQ to INR 862 bn, which keeps us amongst the fastest growing large AMCs in B30 locations. Our market share improved 6 bps QoQ to 8.77%. This segment forms 20% of our AUM versus 18% for the Industry.
9) We continue to have the largest base in the Mutual Fund industry, with 16.5 mn unique investors. We are humbled to have over 1 in 3 mutual fund investors invest with us.

I would also like to touch upon some important aspects of our Systematic Book:

1) I am happy to share that there has been a continued uptick in our systematic flows over the last 11 quarters, which has led to an increase in market share.
2) Of the incremental SIP flows in the quarter, we had a market share of above 15%.
3) SIP market share increased by 305 bps over March 2023 to March 2024, ending at 9.1%.

4) Our monthly systematic book rose by 11% to INR 23.3 bn for March 2024 over December 2023. This resulted in an annualized systematic book of INR 280 bn.
5) On a YoY basis, the monthly systematic book grew by 109% over March 2023 when it was INR 11.2 bn, as against 35% growth for the Industry.
6) Number of systematic transactions for the quarter increased 19% QoQ - to roughly 18.1 mn.
7) 62% of our SIP AUM has continued for over 5 years versus 28% for the Industry.

Moving on briefly to the ETF Segment:

1) We continue to be one of the largest ETF players with AUM of INR 1,115 bn and a market share of 16.7% (which increased by 135 bps QoQ). The Gold ETF remains the biggest fund in its category.
2) Our share in the industry's ETF folios is 60%. We have 61% share of ETF volumes on the NSE and the BSE. Our ETFs' average daily volumes, across key funds, remain far higher than the rest of the Industry.
3) During the quarter we launched 2 new products to further strengthen our passive offering, namely – i) NIPPON INDIA NIFTY BANK INDEX FUND and ii) NIPPON INDIA NIFTY IT INDEX FUND.

Moving on to our distribution franchise:

1) Building a robust digital strategy has been a strong focus for NIMF. We are leveraging the ever-changing digital horizon to stay relevant and in-lines with the growing consumer expectations.
2) The engrained digital focus that we have built at NIMF has enabled us to continuously enhance our digital aspirations, be future ready and yet provide a lucid online experience for our investors and franchise.
3) Digital purchase transactions rose to 6.6 mn in FY24, up 100% YoY. We have witnessed close to a 40% increase in Q4 FY24 compared to Q3 FY24. The digital channel also contributed 60% to total new purchase transactions in FY24.

4) Our physical distribution base is well diversified, with a wide presence in 263 locations across the country.
5) We have over 1,01,400 distributors in total and added roughly 3,400 distributors in the quarter.

Now, I would like to briefly update you on our subsidiaries - namely the AIF & Singapore subsidiaries:

1) Starting off with AIF - As mentioned in the past, AIF continues to be an important focus area for NAM India.
2) Under, Nippon India AIF, we offer Category II and Category III Alternative Investment Funds and have a total commitment of INR 61.9 bn across various schemes.
3) The company has started broadening its focus across asset classes and strategies. Towards this end, we have recently launched a Performing Credit AIF and a Long Only Small Cap Equity AIF. Fundraising is currently underway, and both have undertaken their initial closing.
4) During the quarter, we have undertaken first closing of our Tech/VC AIF 'Nippon India Digital Innovation AIF Scheme 2A' - a direct Venture Capital fund targeting investments in early to growth stage start-ups.
5) Also, our Tech/VC FoF launched in 2020 is in the advanced stage of deployment with nearly 80% of commitment raised having been deployed across 12 Tech/VC funds.
6) On the Offshore front - We have witnessed good inflows in the quarter from various international geographies and we remain positive that this trend will continue in the future.
7) We will remain focused on fundraising from international markets and are looking at business opportunities with subsidiaries, associates, and the larger network of Nippon Life. Nippon Life, Japan also remains committed in supporting NAM India's Offshore operations.
8) We continue to see interest for India, from conventional markets like Europe, Middle East, Japan and from unconventional markets like LATAM, Thailand, Korea etc.

Now on to our Financial Performance:

- For Q4 FY24, Revenue stood at INR 4.68 bn, up 34% YoY and 11% QoQ.
- Other Income stood at INR 0.92 bn, up 132% YoY and down 14% QoQ.
- Operating Profit stood at INR 2.82 bn, up 41% YoY and 12% QoQ.
- Profit After Tax stood at INR 3.43 bn - an increase of 73% YoY and 21% QoQ.
- On a full year basis for FY24 - Operating Profit grew 26% YoY to INR 9.58 bn and Profit After Tax grew 53% YoY to INR 11.07 bn.
- As mentioned in the past, we have a stated dividend policy to distribute 60-90% of our profits to shareholders. For FY24, the Board of Directors have declared a Dividend Payout of INR 16.50 per share i.e. ~99% of net profit – this includes proposed Final Dividend of INR 11.00 per share.

Overall FY24 has been a strong year for the MF Industry and more so for our Company. We now look forward to FY25 and hope to achieve another positive performance.

With this, I would like to conclude my remarks and open the floor for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have the first question from the line of Lalit Deo from Equirus Securities. Please go ahead.

Lalit Deo: The first question was on, so like in this quarter with the strong growth on the AIF side, so we have seen some reduction in yield. So, could you give us a broad breakup of yield by segment and the reason for lower tax rates during the quarter?

Sundeep Sikka: Lalit, I will request my colleague Amol to answer this question, please.

Amol Bilagi: So, on the yield side, Lalit, we are seeing a 1 basis point quarter-on-quarter decline in the yield. If you exclude the ETF, the blended decline has been marginal at 0.5 basis point quarter-on-quarter. Segment wise yields, for equity - the yield stands at 63 basis points. On debt, we would be around 25 basis points. On liquid, in the range of 10 to 12 basis points. And on ETF, it would be around 15 basis points.

Lalit Deo: Yes, so on the tax benefit.

Amol Bilagi: Yes, on the tax front, lower tax rate for the quarter was primarily due to movement of some of the investment from short term to long term, which has resulted in the reduction of tax rates, and there has been a reversal of provision for previous years post the completion of the tax assessments. So, these are two factors which have affected the lower tax rates for the quarter.

Lalit Deo: And this ETF, 15 basis point includes your gold ETF also in it and the newer one which is coming on the ETFO side as well.

Amol Bilagi: Yes.

Lalit Deo: And this quarter we have done really well on the employee expenses side and there are some other expenses. So, going ahead for FY25 and FY26, what is our outlook on the expenses side?

Amol Bilagi: So, on the expenses side, very difficult to predict, but probably growth should be in the range of 8% to 10% excluding the ESOP cost for the fresh stock granted.

Lalit Deo: Are there any new plans for ESOPs on this?

Amol Bilagi: Yes. So, today the Board has approved a grant of some ESOPs and that cost would come over a period of four years, it would be around in the range of 85crores to 90 crores in total.

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

Madhukar Ladha: So, two questions. First on the ESOP cost that you just mentioned of about 85 crores, 90 crores over a four-year period. Can you give me a split over the next four years? Second, admin and other opex has seen a sharp jump both on a YoY and on a QoQ basis. So, what is happening over there? And similarly, even the fee and commission expenses. So, some sense on what the normalized run rate of them would be, that would be helpful. And third, even our other income this quarter, we didn't have any big movement in equity. So, we have been fairly sort of just about the 2.8% move on the NIFTY. And the yield have also been fairly stable. So, what has driven such a strong performance even on the other income? Some color of there would be helpful.

Amol Bilagi: Thanks, Madhukar, for the question. So, on the ESOP cost, we are expecting about 50% of the cost to come in the first year i.e. FY25, and then will taper down over the following financial years. In terms of admin expenses, out of the incremental cost QoQ, about 30-35% cost will be one-off expenses and the rest would be in normal course of business on account of marketing that we are marketing, IT spends that we are doing.

On the fee and commission part, this is directly linked to the business, including alternates and the PMS business. So, as the revenue grows, it also results in the increase in the brokerage cost.

And the last question was on the other income. So, other income is purely mark-to-market. There is no one-off or nothing to add on that.

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

Prayesh Jain: So, firstly, you know, if you look at your expense ratios to the basis points of AUM, that's come out pretty strong and pretty healthy in this quarter and this fiscal. How should we think about this from a, say two to three-year standpoint as basis points of AUM? How would the trajectory be in terms of spending and which element of the business are we really investing into kind of see any elevated expenses?

Sundeep Sikka: So, Prayesh, broadly from our perspective, we have been seeing in past also more operating leverage. As the AUMs grow, we do not expect any significant increase in expenses. Broadly, the only area where we will keep investing is going to be digital. We are investing. We will be investing substantially in digital and the brand. These are only two areas.

The other area that you may see us investing will be in the alternate business, which is at the consol level, not in our AIF where we remain open to acquiring new skill set wherever acquired. So, that again will be more on the human capital side.

Prayesh Jain: And sir, just as you alluded to the alternate fees, how do you see this business scaling up to say in the next three years' time frame? What AUM aspirations you would have for this segment?

Sundeep Sikka: Prayesh, it will be difficult to put a number for an AUM. Today about 90% of the revenue of the overall company comes from mutual fund so how do we keep reducing that and that will help by increasing the overall business coming from AIF and offshore. As we have been talking for in these quarterly calls, whether in mutual fund or AIF, we do not want to target AUM. Our focus will remain on profitability.

Prayesh Jain: And sir, on offshore piece, where are we in terms of different geographies? And what is the scale up that we can expect in ours? Are we in advanced stages in any of the geographies to launch new products? Where are we in that sense?

Sundeep Sikka: In offshore, let me admit, you know, while we have seen a very strong performance on the mutual fund side, a lot of new things happening on AIF. Offshore has taken a little more time than we thought. But there is a lot of work that is happening, and we believe over the next two, three years you will see some positive things because there is a lot of offshore, the returns become a binary 0, 1. It takes more time.

But from a geographical point of view we will continue highly focusing on our home base, which is Japan, trying to get more Japanese money into India. That will be our main focus area. Even the new fund that we mentioned about the AIF, the tech fund, the majority of the LPs that we are talking to are from Japan. So, Japan will remain as one of our focus areas. But other than that, India continues to track money from various markets. We have seen some money coming from LATAM this quarter and overall offshore AUM grew 52% in this financial year.

Prayesh Jain: And last question, out of the current SIP run rate, how much would be said, via the non-Nippon digital route? So, in a way, sourced not from Nippon's website but from outside. How much of the SIPs would be coming from that?

Sundeep Sikka: I will request my colleague Arpan to take this question, but I will just say as a philosophy, we do not want to differentiate between what is coming from our side and others because the idea is we want to create an ecosystem for the investor to have a good digital experience with us. But having said that, Arpan, if you could please take this.

Arpan Saha: So, the way we look at our digital over here at Nippon is that when we work with our partners, we have integrations in play and what happens with the integrations is, we always understand what is the platform of choice that the consumer wants to buy on, right. So, we have the storefront philosophy where we ensure that if our consumer is going to say X, Nippon products should be available on the storefront versus if the customer comes on our website, anyway, he is getting all the Nippon products. So, it's a proper 360 embedded philosophy where we believe that there is no single reason why a consumer would want to come to a website or would want to go to an integrated partner. It is all connected.

Moderator: Thank you. We have the next question from the line of Swarnabha Mukherjee from B&K Securities. Please go ahead.

Swarnabha Mukherjee: So, three questions from my side. First of all, just wanted to understand that the restrictions that we have put in terms of the SIPs and the STPs for the Small Cap fund towards the end of March, so do we see for Q1 going ahead, would we see any kind of change in dynamics in terms of the SIP flow considering that that particular fund would have been attracting a considerable amount of flows? So, wanted to understand from that point of view, how should we think about going ahead on our overall say SIP flow book? That is the first one.

Second is in terms of the competitive intensity in the industry, how are we seeing the payout levels? In order to garner business, do we require to pay out a little bit more to the distributors? If you could share what the current, what are you seeing in the landscape right now and if you could also give some color on where would be the flow yield vis-à-vis the stock yield particularly in the growth-oriented segment?

And thirdly, also given that we have been focusing on the HNI segment and that in this particular segment, the distribution happens through slightly larger distributions in distributors in several cases, can that also have an impact on our overall realizations as we go through them? So, these three questions.

Sundeep Sikka: So, I will request Saugata Chatterjee to take the first question on the SIP from the Small Cap and the competitive advantage point, I will come back to that after that.

Saugata Chatterjee: So, on the Small Cap piece, you know, though we are putting restrictions and twice we have brought in restrictions now, the good part is in the past and even after the second limit introduction, our SIP inflows have primarily been in the less than INR 10,000 bracket perpetually, wherein 75% to 80% of our SIP flows come from transactions in that space. And hence, after the introduction of the new limit also, we haven't seen any sizeable reduction in our flows which is what has been our strength historically. You know, whenever we have built this SIP book in our system, especially in the Small Cap fund, it has been in the smaller ticket space.

And on the other side, like we had mentioned in the previous call, we are seeing sizable inflows in our other schemes, like the Multi Cap fund, Large Cap fund. We have the value fund. There are multiple funds wherein we are getting now good inflows which is sort of de-risking our till towards Small Cap. And going forward this will be the way we will plan our business on the SIP side.

Sundeep Sikka: The second one, the competitive pressure coming because of new AMC is doing higher brokerages and all, the way we see it, as stated in past, our focus remains on profitable growth. We do not want to get into any price war. We are very clear that for us overall AUM, while it is important, but profitable AUM is more critical. And that's exactly the reason to also mix it with the second question. We will continue focusing on retail part even more. While HNI market share continues to grow for us, but retail we believe is more sticky and more profitable and more difficult to build.

Since we talked about the Small Cap fund earlier on this, so you will be happy to know, while there have been restrictions on Small Cap fund across the industry and for the month of March, February over March industry saw an outflow of about 4,000 crores. But while we are at ~19% of the industry size, what the outflow that we saw was only 2% of the industry because we have very, very highly retail and the top 10 investors in our Small Cap fund constitute less than 1%. So, retail adds stickiness and profitability, and our focus will remain to execute to go the difficult way of building business, which is retail, small ticket size, more sticky and more profitable for the long term point of view.

Swarnabha Mukherjee: Sir, any indication on the flow versus stock realization, what we are seeing right now?

Amol Bilagi: So, we do not disclose this data, but you can safely assume that the yields on the stock would be higher compared to the flows.

Swarnabha Mukherjee: Just to suggest, I think that has been the trend over the last few quarters. Just wanted to understand how the delta has moved, has it kind of widened or narrowed? If you could explain this?

Amol Bilagi: See, for us as Sundeep mentioned that we want to be on a profitable side of business. So, probably we have not increased the payouts as such. So, our yields on the new business have remained constant. And as mentioned last quarter also, we have rationalized our distribution cost in one of our larger schemes and this would help us in maintaining our margins on the new cost.

Saugata Chatterjee: Just to add, you know, if you see the behavior of our net sales, which is what we articulated in the opening speech, we have a much healthier net sales than the industry and hence our old assets are still intact which is giving us better margins always.

Swarnabha Mukherjee: Sir, just last one quick question. When you mentioned about the HNI segment in your disclosures, is that on the basis of how MFI defines the HNI segment?

Saugata Chatterjee: Yes, very much.

Sundeep Sikka: Yes.

Saugata Chatterjee: 2 lakhs plus.

Moderator: Thank you. We have the next question from the line of Shreya Shivani from CLSA. Please go ahead.

Shreya Shivani: Most of my questions have been answered. I just wanted clarity on the staff cost, did you mention that it's the major increase that will happen next year onwards will be on account of ESOPs and not really any addition to the staff counts, right? I should assume the staff count to remain at the 1,000 level for the next foreseeable future. Or will there be some additions on that side as well?

Sundeep Sikka: Yes, your understanding is correct. Broadly the number of staff will not increase substantially other than the fact that in our subsidiaries, we may add some more to grow our business to invest or acquire certain skill sets. But broadly, your understanding is correct and the overall mutual fund business together at 1,000 plus, that number will not change substantially.

Shreya Shivani: And just also on the admin cost, is there anything? The pickup for the last two years has been strong on this cost. Is this in line with the growth in business or was there anything incremental that has happened?

Amol Bilagi: Hi, Shreya. Amol here. So, just going back on that employee cost, so there would be normal increment that you would see in the employee cost. So, that would be there. On the admin cost, probably the net run rate would continue, and this is mainly due to the investment that we are making in our digital assets. And probably we may add some branches in this financial year, but that would not have a major impact on our overall.

Sundeep Sikka: Because it will be the smaller cities and towns. We are already 263 locations. So, the smaller cities and towns, the cost will not be high.

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

Lalit Deo: Sir, just one correction. Like what will be the ESOP cost for this year and in this quarter as well?

Sundeep Sikka: Are you talking about ESOP cost?

Lalit Deo: Yes. What was the ESOP cost for FY24 and as well as quarter four?

Amol Bilagi: So, what I mentioned the expected cost of the ESOP over a period is going to be in the range of 85 to 90 crores. Of that 50% of the cost would come in this financial year FY25.

Lalit Deo: No, that one is for FY25. I was asking for FY24, like in the current year cost.

Amol Bilagi: So, in FY24, the ESOP cost was around 7 crores.

Moderator: The next question is from the line of Madhukar Ladha from Nuvama Wealth. Please go ahead.

Madhukar Ladha: Can you comment a little bit about our slow market share, how that has been? Q2 was very strong. In Q3, there was a little bit of moderation. So, Q4, I wanted to just get a sense of whether that is sustaining or not? And you just mentioned the ESOP cost number for this. So, can you just repeat that actually?

Saugata Chatterjee: So, yes, on the flow side, Madhukar, after Q3, \Q4 continues to be in the similar range. So, from equity net sales point of view, we are in the double-digit space still and like we had mentioned earlier and Sundeep did mention small cap, large cap, you know, these are certain categories where we have been able to continue to have double-digit net sales. When you take the entire year FY24 into aggregate - we conclude the year with the double-digit net sales market share.

Madhukar Ladha: Congratulations again. And on the ESOP cost number for FY24, can you repeat that?

Saugata Chatterjee: Just to clarify, all these net sales what we mentioned is ex of arbitrage.

Amol Bilagi: So, Madhukar, on the ESOP cost, there are two or three things that we need to consider. First is that we have come up with the ESOP grant after three years of period. Three years. So, the last ESOP was in 2021. So, that’s why the ESOP cost for FY24 was only 7 crores. However, this year it would be substantially higher given that there is a fresh grant that is happening. And also this would help us in retaining the talent and that would help us in ensuring the fixed cost does not increase beyond a certain limit.

Moderator: Thank you. We have the next question from the line of Raunak Singhi, an individual investor. Please go ahead.

Raunak Singhi: Congratulations for achieving this highest operating profit this year. So, my first question is that given the increased marketing spend in that attracting the younger generation alongside with your growing investment in maintaining the data base and all in the artificial intelligence space to analyze the investors behavior, I would greatly appreciate if you could provide a breakdown of the SIP contributions by each group, young versus old generation? Because I am interested in understanding the percentage of HNI contributions coming from the young investors versus the old investors since this marketing campaign, it's being targeted towards the younger generation more.

Sundeep Sikka: Raunak, if I could understand, your voice was a little faint, but I would like to just share with you a lot of things that you mentioned, we are using internally the artificial intelligence, demographic features and how to market to investors. And one of the reasons for a strong sales and digital presence is that because that cannot happen manually. So, we have been using a lot of these tools internally. And to the earlier question which was asked by one of the to the earlier questions regarding future investments, this is an area we will continue investing for in future also. We do not give breakup of the age, background of this of all our investors and SIPs in the presentation, but I want to share with you we use it for business for sure.

Raunak Singhi: So, my next question will be, sir, since you said the number of staff has been increased, but I can see the slight reduction in the employee expense cost on QoQ basis. So, is it due to outsourcing?

Amol Bilagi: So, it is mainly due to the PLI provision that we keep on doing on QoQ basis. So, that could be the reason for that.

Sundeep Sikka: Reversal of provision.

Raunak Singhi: Pardon, sir. I cannot hear you.

Amol Bilagi: So, we keep on reviewing our performance incentive QoQ and based on the number, we keep on adjusting the provision. So, the downside could be because of that.

Raunak Singhi: I just want to clarify what provision we were talking about because of the reduction in the internal expense cost basis?

Amol Bilagi: So, this is basically the performance incentive or the bonus that we give out to the employees. So, we keep on reviewing QoQ basis and based on the management estimate, we keep on adjusting for that. So, the decline QoQ is due to that reason.

Moderator: Thank you. The next question comes from the line of Bhavin Pande from Athena Investments. Please go ahead.

Bhavin Pande: Just wanted to understand what sort of growth are we looking at both in the MF space and in terms of alternate space as well in terms of the numbers, if you could give out in terms of AUM growth?

Sundeep Sikka: Bhavin, we would not like to comment on the future growth. We believe we are in the sunrise industry. The industry will continue to do well. As a management team, we believe our job is to continue to execute and our focus will be on profitable growth. So, I do not want to, you know, because it would be unfair to put numbers at this point of time, because ultimately this business is also cyclical because of the capital markets, a lot of things keep changing. And the purpose, the reason of saying this is because when we are very good for the future, we should be conscious of the fact that market cycles also have an impact. Mark-to-market revenue, everything that we do has, you know, so this share of the business has been good. There has been a very strong tailwind of the markets and we have been executing well. So, we will continue focusing on our execution and focus on profitable growth.

Bhavin Pande: Secondly, in terms of product offerings, is there anything on cards, both especially on the MF side product to maybe offer more products in large or mid category?

Sundeep Sikka: So, from our product suite point of view, we have a very good product suite at this point of time. If you have seen over the last three, four years, we have not been coming out with NFOs. We believe in focusing on our existing schemes and scaling them up. Having said that, in the passage we will continue launching a few themes, which we believe can help the investors from a long-term point of view. But pure active mutual funds, our focus will be to scale up and capitalize on the great fund performance and the track record that we have and build on the existing schemes.

Moderator: Thank you. We have no further questions, ladies, and gentlemen. I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Amol Bilagi: Thank you for coming for the call.

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