Nippon Life India Asset Management Ltd

August 04, 2022

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.: Transcript of the earnings conference call for the quarter ended June 30, 2022

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 June 30, 2022 conducted after the meeting of Board of Directors held on July 28, 2022, 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-Q1-FY-2023.pdf

Thanking you,

Yours faithfully,

For **Nippon Life India Asset Management Limited**

NILUFER GAURAV SHEKHAWAT

Nilufer Shekhawat
Company Secretary & Compliance Officer

Nippon Life India Asset Management Limited
Q1 FY23 Earnings Conference Call

July 28, 2022

Moderator:	**Mr. Jignesh Shial - InCred Equities**
Management:	**Mr. Sundeep Sikka - ED & Chief Executive Officer**
	Mr. Prateek Jain - Chief Financial Officer
	Mr. Saugata Chatterjee - Co-Chief Business Officer
	Mr. Aashwin Dugal - Co-Chief Business Officer
	Mr. Arpanarghya Saha - Chief Digital Officer
	Mr. Hiroshi Fujikake - Chief Planning & Business Excellence Officer

Moderator: Ladies and gentlemen, good day and welcome to Nippon Life India Asset Management Limited Q1 FY2023 Earnings Conference Call hosted by InCred Equities. 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. Jignesh Shial from InCred Equities. Thank you and over to you Sir!

Jignesh Shial: Thank you Michelle. Good evening everyone. On behalf of InCred Equities, I welcome you all for this earnings call of Nippon Life India Asset Management Limited. On behalf of the management, we have Mr. Sundeep Sikka and the entire management team of Nippon Life Asset Management. I will now hand it over to Mr. Sundeep Sikka, CEO of Nippon Life Asset Management. Over to you Sir!

Sundeep Sikka: Thanks. Good evening and welcome to our Q1 FY2023 earnings call. We have with us our Chief Financial Officer Prateek Jain, Co-Business Heads Mr. Saugata Chatterjee and Mr. Aashwin Dugal, Chief Digital Officer Arpanarghya Saha and Fujikake-san - Nominee of Nippon Life Insurance.

Our detailed investor presentation and press release have been uploaded on the exchanges as well as on our websites. Before we take your questions, let me share with you some comments on the recent industry trends and our Q1 performance. This quarter has seen significant market volatility owing to the continued geopolitical uncertainty, high crude oil prices, increasing inflation and weakness in currency coupled with FII outflows. In the past too, we have witnessed that global sentiment and local economic indicators had an impact on the Indian asset management industry. The industry assets declined marginally by 2% in this quarter after witnessing a positive momentum for seven quarters. The decrease was mainly due to the fall in equity as well as fixed income assets, while ETFs rose. However, the secular trends, in terms of investor additions, continue to remain steady. The industry further expanded its base of unique investors, which grew by 1.6 million in this quarter, representing a 5% increase over March 2022. The growth in the investor base and consistently higher quarterly SIP flows indicate investors' preference for mutual funds as an avenue for long-term wealth creation. At Nippon India Mutual Fund, our priority is to be future ready and capture the long-term opportunity. Our overall market share rose by 16 basis points to 7.40%. AUM increased by 16% to Rs. 2,794 billion. At Nippon India Mutual Fund, "investor interest" remains our only constant. We added 1.3 million investors in Q1 and continue to have largest investor base in the mutual fund industry. We increased our share of industry's unique investors to 37%, with a base of over 13 million investors. In line with the "Investor First" motto and prudent governance philosophy, Nippon India Mutual Fund is committed towards an institutionalized approach towards fund management. As on

June 2022, no category of equity has more than 16% of the total assets. Majority of the funds are jointly-managed, and no individual fund manager manages more than 23% of equity assets and, that too is spread across funds which have other co-fund managers. Systematic flows are a stable and a key driver for industry's long term equity flows. Nippon India Mutual Fund's annualised systematic transaction book is at Rs. 97 billion. Quarterly flows increased by 30% to Rs. 23 billion. On a gross basis, over 383,000 systematic folios were added in Q1. Our systematic AUM Rose by 7% to Rs. 482 billion. 51% of SIP AUM has continued for over 5 years vis-à-vis 22% for the industry. Also, in volatile markets, folios with lower ticket size have demonstrated longer vintage and better stickiness. 13% of SIP folios have continued for more than five years as against the industry number of 9%. Today, Nippon India Mutual Fund offers industry's best suite of products in passive category. With strong growth in industry's passive assets, our ETF ecosystem is already in place and far ahead of its peers in terms of investor base and mind share. In this segment, we manage an AUM of Rs. 601 billion and have a market share of 14.1%. Excluding the EPFO allocation, which rose to two specific mutual funds, we would be the largest ETF player in the country. Our gold ETF is the biggest fund in the category with assets of Rs. 68 billion. Nippon India Mutual Fund's share in industry's ETF folios rose to 60%. In Q1, we added over 1 million investors and accounted for 83% of the total folio additions in the mutual fund industry. Nippon India Mutual Fund has 74% share of ETF volumes on NSE and BSE. Our ETF average daily volumes across funds remain far higher than the rest of the industry. Nippon India Mutual Fund always had an unwavering focus towards building a digital centric business. With a futuristic vision and a clearly articulated strategy in place, digital has become one of the key stones of a long-term growth and sustainability. In Q1, digital platforms contributed 55% of our total new purchase transactions. Over 750,000 purchases were executed through digital assets - an increase of 25%. Nippon India Mutual Fund has a well-diversified and enabled distribution base and a wide presence to 275 locations across the country. As on June 2022, we have over 85,500 distributors empanelled with us. The MFD base rose to 85,300, with an addition of 1,200 distributors during this quarter. Now on our financial performance. For the quarter ended June 30, 2022, the profit after tax was Rs. 1.1 billion - a decrease of 37%. Operating income rose by 1% to Rs. 1.7 billion. Operating profit, as a ratio of average assets in the management, was 25 basis points in Q1 FY23 as compared to 28 basis points in Q1 FY22. In the past, the Company has followed a consistent dividend policy. In FY22, NAM India distributed the highest ever dividend, with a payout ratio of 96%. Over the last eight financial years, NAM India has distributed a cumulative dividend of Rs. 34 billion. As we grow organically through a physical and online channels, we remain open to evaluate investments and strategic opportunities that add to profitability or complement our existing businesses and, ultimately are in the interest of minority shareholders. As a signatory to UN-PRI, we have already begun to integrate ESG aspects into areas of strategy, business operation, investment management and governance. We have introduced a formal ESG framework in FY22 and, have disclosed our vision, objectives and progress in the annual update. Through a combination of responsible investing approaches of screening, ESG integration and active ownership, we remain committed to build a resilient portfolio that will not only provide sustainable returns for investors but also have a positive environmental impact on social impact. To sum it up, I would like to reiterate that, at NAM India, investor centricity remains the key theme. We strive to deliver a superior performance and sustainable returns to our investors and, in the process, add value to all stakeholders. We are confident to continue our trend of profitable growth in coming quarters. 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. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Sameer Dalal from Natverlal & Sons Stockbrokers. Please go ahead.

Sameer Dalal: I had a question regarding your other income loss. You have shown a loss this time of about Rs. 17 Crores. When I look at your breakup of your investments, only Rs. 250 Crores is in equity, about Rs. 2,500 Crores in debt in the mutual fund schemes. So has the debt side also underperformed that badly that the overall returns are showing a negative? I just want to understand, given most of it is in debt, how we reported a loss for this period in the other income?

Sundeep Sikka: I will request my colleague Prateek to take this question please.

Prateek Jain: Actually, as you mentioned, there is Rs. 250 Crores of equity exposure and, broadly the market has fallen about 12% to 15% and, because of the mark-to-market impact, our schemes have declined in the same range of 10% to 12%. So, broadly, the major MTM impact is coming from there. Also, the yields in the 10-year G-sec has gone down by about 50 basis points in this one quarter itself and, that has had an effect on the shorter end of the curve as well. So, on an overall basis, there has been some decline on the fixed income side also, and you have to understand that because of the skin-in-the-game requirement, we have to invest into all our debt schemes across the portfolio. That may have also resulted in MTM impact on the fixed income side. Therefore, the overall impact is about Rs. 7 Crores on the standalone basis and about Rs. 17 Crores on the consolidated basis.

Sameer Dalal: Will it be possible to share how much of your portfolio is into long-term debt, short-term debt and give a breakup of that, because the short term debt really even if the interest rates move up, the impact is not much, it is basically the long term that have taken a hit, I am guessing?

Prateek Jain: 70% of our debt is into the short term category.

Sameer Dalal: So given that 70% is in short term, I am just still again trying to extrapolate. It does not matter, it is a small amount, but net-net that is affecting your profitability for the quarter, right, if you look at it. Second thing is your fee income has also gone down a bit, as a percentage of total assets. So has there been any change in certain structures of brokerage given out or commissions given out that have affected your earning income?

Prateek Jain: This is the complete accounting impact. If you look, the markets were almost at a peak April 4, 2022 or March 31, 2022 was the time where the market was at its peak. Markets have recovered significantly now, but on June 30, 2022 when the accounts were drawn, the market was dropped. So what happens is this is a balance sheet date. So when we were preparing our financials for the quarter of March, the valuation was at the peak and when we were making the balance sheet for this quarter, it was the lowest. Therefore, that has to be accounted in other income.

Sameer Dalal: Yes but that still affects your yield. So any particular reason why the yield is down?

Prateek Jain: On the yield side again, because of the mark-to-market impact on our equity schemes, the realization was comparatively lower. The equity assets have declined to the extent of MTM impact and also, the growth into our assets have come into the more low-yielding assets which is liquid and ETF. That is the reason of the lower yield.

Sameer Dalal: Okay fine. I will come back in queue. Thank you.

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

Lalit Deo: Good evening Sir. If you look at the increase in total folios, majorly, it has been driven by the ETF segment. So I just wanted to understand the new folio additions on the equity side and how has the trend been over the last 12 months?

Sundeep Sikka: They are very high percentage that have come in ETF. We have also seen over 375,000 new SIPs getting added during the quarter. Again, in case of ETF, new investors are coming and, in active, it is a mix of both new investors whereas the existing investors are also going for top-ups.

Lalit Deo: Sure Sir thanks and, with respect to operating expenses, there have been a sharp increase in the other operating expenses sequentially. So what are the reasons for the same and with respect to operating leverage, so apart from the increase in the AUM, what are the other levers for us to have better operating leverage?

Prateek Jain: In Q4 FY2022, we had expenses of Rs. 138 Crores which is now at Rs. 145 Crores, so I would not call it as a sharp increase. There is a Rs. 7 Crores increase on overall basis and, predominantly because if you look at the last two years, we have not given much increment to our employees. Last year was, from a profit perspective, one of the best years for us and therefore, we have given inflation-linked increments to our employees, so that is one reason. Secondly, the economy has completely opened up now and business is as usual and normal. So, there are certain expenses which are related to that, which have gone up. Also, the fact that we carried out certain marketing initiatives, which you would have witnessed both in terms of our television campaign as well as the newspaper campaign, and which is again a part of our future readiness and investment for the future. So those expenses have resulted in this increase. However, we will remain committed to continue to work and operate this company with utmost frugality, and that has been our approach for the last three to four years and, we will continue to operate in that fashion. Also, as Sundeep mentioned in the call, the way we have diversified in terms of our fund management, etc., even if the asset has to grow one-and-a-half to two times, no significant investments or expenses would be required and, that is where the operating leverage will come into play.

Lalit Deo: Sure Sir. Thank you.

Moderator: Thank you. The next question is from the line of Mital from HDFC Securities. Please go ahead.

Mital: Good afternoon Sir. Thanks for the opportunity. Now the first question was around yield. There is a sharp drop in equity yields in this quarter, whereas when we look at the equity for the other players, we have seen that for them the yields have sort of improved in Q1 after the normalization in the environment. But, for us, even in Q1, there has been a very sharp drop into the yields. So if you could explain, what has been the reason?

Prateek Jain: There has not been a sharp decline. In terms of our overall yield, some of our fixed income or debt assets have seen shrinkage and those money has come in terms of ETF as well as the liquid. So our market share as well as our overall composition is skewed. While we have maintained our equity composition of 42%, debt has declined and has gone into ETF and liquid. Therefore, there has been some change because of the impact of this composition. Also, because of the mark-to-market impact, there has been an impact on the overall yield.

Mital: Because of mark-to-market, your assets go down but ideally your yields should not be going down, right? Ideally, the yields should improve if the absolute assets go down. My question is around yields, actually, because even if I do understand that the share of the debt has gone down, but even then, the drop in the yields seems quite high on a sequential basis actually?

Prateek Jain: From our perspective, we start the year anticipating what could be the cost likely to come in. So we preempt that expense now. What we have done is we have anticipated what is the likely yield, which will be going to be the end of the year and, we start building up on that basis. So that is in compliance with the SEBI circular. So what has happened in the last few years is that there has been higher intensity of competition and a lot of new money has come through, which has been at a significantly higher cost basis. We have pared our realization basis the expected new inflows and the expected new cost, and basis that, you see some decline in our yields on our equity assets.

Mital: From what I understand is that the yields are charged on a daily basis. So is it something that we are charging some estimated yield?

Prateek Jain: Because what we have to do is that, as per the SEBI requirement, you have to charge expense on equities, keeping the average expected brokerage. So we always try to estimate what would be the yield, what would be the average brokerage cost and what would be the average margin, which will be realized, and based on that, we peg our fees.

Mital: Some outlook on the yields front because if yields continue to dip at such a rate then any operating leverage play out seems quite unlikely in our business because the yields have been falling at such a fast pace. So, if you can give us some color around outlook on the equity yields?

Prateek Jain: This downward pressure on yields will continue for some more time because there has been a slew of new players who have come in and, also, while in the last two quarters we did not see many NFOs, but we have seen NFOs coming in the past. Therefore, there has been a tendency from the distribution fraternity about the money they will get or rather these pressures would be there on the yield, so that is one reason. Secondly, as you mentioned, when the asset grows up from here, obviously there would be a decline in the realization. The third bit is that, from the overall yield perspective, the composition has been changing, both on the debt and the equity side. A lot of new money has started coming in on the passive side, so we have seen a good amount of inflows on the passive side both on the equity as well as fixed income side. So, all of these are putting some pressure on the yield and which is likely to continue for some more quarters, before it comes down because of the base effect. But more importantly, what we also expect that, once the yield curve reaches the peak, from thereon when the yield curve changes or when the interest rate cycle changes, lot of money will come into the long tenure and the credit side of the fund and, that will lead to the change in the asset mix again. So, there is a flight-to-safety at this point of time. Then again, we have seen that when the money will flow into those asset categories where we have a propensity to a higher yield, you will see that there will be an overall increase in the yields. So, I think, this is cyclical in nature.

Mital: I agree that with the changing interest rates, flows into debt will return. But my point is that for how long this pressure will continue, because when we look at yields on a quarter-on-quarter basis, it is very difficult to make out until when will this pressure continue to remain? For one year or two years or five years?

Prateek Jain: From our perspective, we do not completely participate in the way the competition goes about and shares their fee income with the distributors. We have our own benchmark and we continue to maintain our profitability, which we will continue to do so. However, what we could not control was the outflows and the churn from the old assets to new assets. But what we have seen is that the pace has significantly come off. So from December 2018 till about December 2021, we have seen significant outflows from our schemes. There was gross outflows which was happening. Despite getting lot of AUMs, there was a net outflow that has been now arrested and, we are seeing net positive AUM. Also, the overall redemptions have gone down, which means the vulnerability to those old assets getting churned has now come down significantly. Hence, the impact going forward will not be significant unless we also start sharing a significant portion of our fees with the distributor. So what we could do is to proactively not share significant amount of all fee and the second was the redemption, which was beyond our control.

Mital: Got it and on the passive side, given that most of these new vintage companies are coming up with a plan to launch schemes on the passive side and given that these schemes are sort of quite easily replicable by the other AMCs, what sort of innovation do you see on the passive side going ahead again, like we are seeing in this segment?

Prateek Jain: Clearly, India still remains highly underpenetrated and I think there will be more players and more competition. More than innovation, on one side, we continue to launch new products especially on the passive side. On the active side, we have already articulated in the past that we will not be launching new schemes for the sake of launching, till the time we see they can be scaled up. On the passive side, we will launch a few schemes but ultimately, like anything else, the key focus is going to be an execution. We believe that on the passive and the ETF side, we have the ecosystem in place and, we will continue the strategy of execution. New players coming, not coming, what competition is doing, we will keep an eye on that. But our core focus remains on what is best suited for the investors' interest and what is best suited for the portfolio. We will continue launching schemes based on that.

Mital: Could you help us with the schemes which are already in the pipeline for the next six to 12 months?

Sundeep Sikka: It is in slide number 11 of our presentation. Entire details are there.

Mital: Got it thanks. That was all from my side. Thank you.

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

Kunal Thanvi: Thanks for the opportunity. My question is again on trying to understand where Nippon India stands in terms of profitability, market share because if you look at equity and that in both the categories, we have been not able to gain back the lost market share. The market share is either stable or we continue to lose it, but at the same time, if you look at our yields, we are seeing one of the fastest compression in the revenue yields compared to peers both listed and unlisted. So what is happening out there. Like as we said, we are not participating in giving high commissions. Then also, our realizations are coming down and, at the same time, we are not gaining market share as well. Can you help us understand the sharp fall in the yields from say 4Q FY2022? Our revenue yield was at 48 bps, it is at 45 bps. The change in asset mix do not explain this kind of fall, right? We are seeing this kind of change in asset mix in previous cycles as well and, what is happening out there, because at one hand, you are losing yields, and at the same time, we are not seeing increase in market share. So, if you can explain how one looks at market share versus yield phenomena because when you look at other AMCs, there is a clear inverse relationships. You give more commission and get higher market share. But, in our case, on both ends, we are seeing pressure on the both sides?

Sundeep Sikka: Kunal, I will give some initial comments, then hand it over to Prateek. Firstly, you talked about market share. We have seen a rise in market share for five quarters. It has been going up, which asset class, again, I will stay out of that, right now, because it is already in the presentation. We do not want to repeat it. But, for five quarters back-to-back, the market share has been increasing. Number two, we clearly believe when you talk about market share, one of the most difficult things to execute in this industry has been retail. In the retail market share, our retail folio count market share has been increasing. Having said that, I will go to the last part of this thing that different AMCs will have different strategies. One strategy that we are very clear is that we are not going to be doing any business, which is going to get a loss. The change that you are seeing is due to product mix number one. In equity, over the last five quarters, we have started seeing better inflows. With the improvement in performance, we are seeing the gross flows are getting better, while the redemption has stopped. Clearly, we believe there is going to be a lag effect and I think the composition of equity assets will increase further in the next few quarters. As far as the realization is concerned, Prateek, you want to take that one.

Prateek Jain: I have already spoken about the yield part of it. But you are right that what has happened is the recent increase in the market share has come through the low-yielding assets, which is passive and liquid. But what you have to see is that the pace of decline of our equity assets and the net outflows, which we were witnessing, has been arrested. The kind of depletion in our equity market share, which we were witnessing, has been done away with. Obviously since the time we have actually started exiting our past group and from thereon till about December 2021, we were seeing continuous outflows coupled with some not-so-great performance. But if you now see, the one-year and three-year performance has come up and, in the last six-odd months, we have been able to arrest that decline. Also, on the fixed income side, large part of the money which has gone out is the FMPs, which we had. Obviously, there are time bound and, while we have got them back, that has come into the low yielding assets. So those assets have matured, and they have come back to us. I think, at the appropriate time, we will be able to migrate them to the higher yielding assets. Again, as Sundeep mentioned, the philosophy has always been "investor first" and importantly, during these times, the best strategy from the fixed income side is to be on the shorter end of the curve. So large part of our assets, even in the fixed income category, has come into the shorter end of the curve. Therefore, growth has come in liquid, ETF and shorter end of the curve and, that has an impact on the realization. Importantly, we had been witnessing decline in the equity assets, which has now got arrested and, in the last six months, we have seen decent amount of positive inflows. We will like to build on that momentum and, going forward, we are likely to see higher market share in the equity asset as well.

Kunal Thanvi: Sure. Just a follow up on that one. If I get it right, the large part of the yield fall is because we are gaining market share in lower yielding assets. Second part of the question was if you can help me with average equity yields that we had in Q4 of FY2022 versus this quarter?

Sundeep Sikka: We do not give individual breakup of the yields, but largely, the decline is in line with the industry. If you see the various schemes, whatever distribution commission we have been paying, it is lower than most of our peers because of the mix. Since large part is coming through IFAs, our average brokerage is lower and that is where we will continue to do so. But we are admitting that we saw a lot of outflows, so a lot of the old assets which were higher yielding or which were at low trail, has been replaced by the new trail.

Kunal Thanvi: Okay thanks. All the best.

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

Dipanjan Ghosh: Good evening. Just one question from my side. If you can give some color on your wallet share across top distributors in the banking category or MFDs or national distributors, more from the equity flows perspective, as we see, in the last one or two quarters?

Saugata Chatterjee: I will just share data from the last two quarters. Broadly, the equity market share, from a flows perspective, when it comes to MFDs, is roughly around 7% to 8% of the industry. From banks and the larger wealth counters, we will be slightly less, maybe around 5% to 6%. From a blended perspective, it will be around 6% to 6.5%. As a company, that is where we stand today. We have a very high SIP concentration. In the SIP flows, we will be close to double digit. That has incrementally gone up over the last eight quarters. Hence our net sales has started becoming positive in the last three quarters.

Dipanjan Ghosh: So just to confirm 5% to 6% was on the banking channel, 8% to 10% was on the MFD channel, 7% to 8% was on the national distributors or the large distributed channel and on a blended basis around 6% to 6.5% is that correct?

Saugata Chatterjee: Yes. Our larger share of the wallet comes from the IFAs, even in absolute terms.

Dipanjan Ghosh: So just maybe a follow up on this wallet share that you gave across the IFAs. If you can segregate your overall flows through the IFA or the MFD channels, between, let us say, the top 500 IFAs versus the rest and, not maybe from last two quarters but maybe whatever trends you have seen let us say for the past one, two and three years out there?

Prateek Jain: We do not comment on these granular data in terms of our engagement with the individual distributors or group of distributors. But I think whatever disclosures are required and which are available on the industry or the peers, is made available through our presentations too.

Dipanjan Ghosh: Sure that helps. Thanks and all the best.

Moderator: Thank you. The next question is from the line of Akshay Jain from JM financial. Please go ahead.

Akshay Jain: Good evening Sir. So I have two questions. Number one, can you please share some broad range of yields across segments. Specifically on the equity side, maybe if you can give some color on what you are making on the old stock versus what you are making on new?

Prateek Jain: It is in the same range. We earn 75 to 80 basis points on the equity assets. In terms of the old one, again it all depends in which asset class, which category, at what time the investor has come in. But the good news is that we have almost 30% of our assets which are more than four year old now. All the money which could have churned, would have been churned by now because the pace of churn has come down dramatically. So this is the asset which has continued to yield a good yield for us. However, as we continue to grow from hereon, the share of this asset will keep reducing and, hence, there will be a pressure on the overall yield. But from a competition perspective, this will insulate us as our yields are not going to drop as much as compared to others, because now that the outflows have been arrested, the yield drop will not be as significant compared to some of the players, who will continue to see this churn happening. The other good news is that because our fund performance has also come significantly up the curve. That will also arrest the churn and, also, we will see some decent amount of inflows back into our equity schemes.

Akshay Jain: Understood Sir and, about the range in debt and liquid and others?

Prateek Jain: I can share with you that even in the last two years, when this shift of the debt assets from credit to a more safe assets started in 2018 September. From that period, if you look at it, the average blended yield on the debt would have come off for the industry as well as for us by close to about 10 to 12 basis points.

Akshay Jain: Understood Sir and, on the second question is on the tax rate. So your listed peers have benefited from two things, one on the deferred tax which have been reversed on say MTM losses and, number two, the benefit of indexation on the investments, which they receive. But in Nippon's case, we are not seeing any benefit of the tax side, so any comment on this?

Prateek Jain: What we do, and we have commented in the past as well is that, we have created ETR. So what is the effective tax rate which would be there, not considering just this quarter. The accounting standard requires us to anticipate that, so we have not taken the impact. We assume that market is going to be flat for the year and, basis that, we have accounted for the profit and that is how we have calculated the ETR. What we are assuming is that whatever income we are earning, we will continue to earn irrespective of this one time mark-to-market impact on the equity scheme, because we assume the market will become flat. So neither the appreciation nor the decline is being considered, while we are calculating the ETR for the full year. Based on that, we are calculating and, therefore the effective tax rate is 24%.

Akshay Jain: Understood and what about the indexation benefit?

Prateek Jain: From our perspective, till the time we do not sell, or we do not trade, we do not offset any kind of long-term or short-term capital gain on our equity investments.

Akshay Jain: Understood Sir. Thank you.

Moderator: Thank you. The next question is from the line of Krunal Shah from Enam Investment. Please go ahead.

Krunal Shah: Thank you Sir. Most of my questions have been answered. Just one question. What are the blended yields in ETF?

Prateek Jain: ETF would be in the range of 11 to 12 basis points.

Krunal Shah: Okay, done. Thank you so much.

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

Mohit Surana: On one of the previous answers that you gave on your share in gross inflows of various distribution channels, if you could also, if you have the data handy, you could also tell us your share on gross direct inflows which is like non-distributed and also your share on redemptions?

Prateek Jain: Mohit apologies but what has been disclosing in our investor presentation is what we can comment on, at this point of time. However, as and when we believe that such data needs to be disclosed, we will definitely take up the lead and start disclosing it. But, at this point of time, we do not disclose the individual shares of gross flows from particular segments in terms of distribution. However, total distributed asset as well as our share of assets from IFAs, bank distributors and national distributors has already been provided in our presentation.

Mohit Surana: Understood Sir, and the second question is with regards to the operating expense. Now you have mentioned in one of your previous responses that there are some increases on account of higher activity, etc. So do we assume this is a kind of a new normal and a new steady state and if there is any outlook that you want to share for the full year growth and operating expenses? That is all from me.

Prateek Jain: From an employee expenses perspective, all was supposed to be accounted in Q1 itself because the increments and the provisioning, etc. If you have seen, we have been consistent and will continue to be consistent, so this will be the steady run rate unless there is a significant change in our profitability. Based on that, if it is a good year, we may decide to share some more variable or if it is not a good year, which as you have seen in the past, we may work on our variable payout. So that is the one case. But that lever has always remained with us and that is completely contingent on what kind of profit we make. But at this point of time on our anticipated profit basis, we have already provided adequately, and we do not see a significant change in the numbers going forward. In terms of the other expenses, there has been a marginal increase in terms of two broad regions. One is the marketing spend. We will continue to invest into marketing because we are seeing good traction and our performance has been good and, these are the right times for an investor to invest. So obviously, we will reach out. We have seen good traction of new investors coming in and, therefore, we will continue to invest into the marketing spend and barring that, for all the other non-discretionary spend, we will continue to keep tighter controls and we will try to see that how much we can squeeze out of it or at least not let them grow from here on.

Mohit Surana: Okay understood, and just a follow up, do you foresee any seasonality in terms of spends across the quarter?

Prateek Jain: As I told you, there are only two things, which we have said in the past, that we will continue to invest in the future. So, one is marketing, given the traction and given how our scheme continues to do and how we want to spend, so that is one area. The second area is digital. We have seen significant increase in the activity on digital and, that is one area, we believe that we will keep investing. But in case of all these investments, while as a part of conservative accounting we have accounted in the same quarter where we spend, the benefit is likely to accrue in future as well. So this is how you have to see and, the details of these expenses are also available on our annual report. So you can see that how we have been spending and, going forward also, these are the two areas where some higher allocation may happen.

Mohit Surana: Understood Sir. Thank you.

Moderator: Thank you. The next question is from the line of Abhijeet from Kotak Mahindra AMC. Please go ahead.

Abhijeet: Good evening. I have one question of the new retained ETF customers that you are seeing for the last one year. Would you have a sense of how many of these are starting their mutual fund investments through the ETF group or these are largely sort of already existing investors and sort of now experimenting with an ETF product as well?

Sundeep Sikka: At this point of time, we may not have that kind of a color, but we clearly see an opportunity going forward where we can cross sell and upsell various products. But it is very difficult, at this point of time, to give this answer. But our strategy will be to cross sell various other products.

Abhijeet: Sure got it. Thank you so much.

Moderator: Thank you. As that was the last question for today on behalf of InCred Equities that concludes this conference. Thank you for joining us. You may now disconnect your lines.