May 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 and year ended March 31, 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 and year ended March 31, 2022 conducted after the meeting of Board of Directors held on April 26, 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-Q4-FY-2022.pdf

Thanking you,

Yours faithfully,

For **Nippon Life India Asset Management Limited**

**Nilufer Shekhawat**
**Company Secretary & Compliance Officer**

# Nippon Life India Asset Management Limited
# Q4 FY22 Earnings Conference Call

## April 26, 2022

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|---|---|
| **Moderator:** | **Mr. Sameer Bhise - JM Financial** |
| **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 - Nominee, Nippon Life Insurance** |

**Moderator:** Ladies and gentlemen, good day and welcome to Nippon Life India Asset Management Limited Q4 FY2022 Earnings Conference Call hosted by JM Financial. 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. Sameer Bhise from JM Financial. Thank you and over to you Sir!

**Sameer Bhise**: Thank you Neerav. Good evening everyone and welcome to the 4Q FY2022 earnings conference call of Nippon Life India Asset Management. From the management team of Nippon Life India Asset Management, we have Mr. Sundeep Sikka, Executive Director & CEO, Mr. Prateek Jain, Chief Financial Officer, Mr. Aashwin Dugal, Co-Chief Business Officer, Mr. Saugata Chatterjee, Co Chief Business Officer, Mr. Arpanarghya Saha, Chief Digital Officer and Mr. Hiroshi Fujikake, Nominee from Nippon Life Insurance. I would now like to hand over the floor now to Mr. Sikka for his opening comments post which we can open the floor for Q&A. Over to you Sir! Thank you.

**Sundeep Sikka**: Thanks Sameer. Good evening everyone and welcome to our FY2022 earnings conference call. We have with us our CFO, Prateek Jain, Co Chief Business Officer, Saugata Chatterjee and Aashwin Dugal, Chief Digital Officer, Arpanarghya Saha, Head of Elite Partner Group, Nitin Gupta and Fujikake-san, Nominee of Nippon Life Insurance from Japan**.**

Overall industry assets remain stable in Q4 driven by rise in passive and equity segments offset by decline in fixed income assets. The industry continued to see steady interest by retail and HNI investors. The industry's unique investor count grew by 10% to 34 million in Q4. The strong growth in investor base and overall assets indicate confidence by long-term investors in mutual funds. We expect the industry to maintain its growth momentum in future also. At Nippon India Mutual Fund, our priority is to be future ready and capture the long-term opportunity. As stated earlier, we are confident of regaining our market positioning as well as recreating or reinventing by continuously innovating and disrupting ourselves. Towards these goals, I am happy to share with you the key performance highlights for this fiscal. NAM India recorded its highest ever profit of Rs. 7.4 billion in FY2022. Our overall mutual fund market share rose by 26 basis points to 7.38%. AUM increased by 24% to Rs. 2,833 billion. Along with the steady increase in AUM market share, Nippon India Mutual Fund added more than 7 million investors and has now the largest investor base in the industry. We increased our share of unique investor folios to 36% with a base of 12 million investors. The growth was driven by superior fund performance, comprehensive product portfolio, strong governance framework, robust presence in the passive segment and granular distribution network. In line with our 'Investor First' philosophy, we keep expanding our product suite to cater to the investors' varied and diverse needs. In FY2022, we launched several innovative and industry-first products. Across seven NFOs, Nippon India Mutual Fund garnered assets over Rs. 40 billion from 275,000 investors. Other such unique offerings in the pipeline include S&P EV index fund, the innovation fund and the Artificial Intelligence Fund of Fund. In total, 11 schemes have been filed for regulatory approvals. These products will give investors more value accretive avenues to diversify risk and generate sustainable returns. Here, I would like to reiterate that even in the future, we will focus on strong asset growth but never at the expense of profitability. With a key retail focus, we have one of the largest retail AUMs in the industry at Rs. 764 billion. The contribution of retail AUM to total AUM is amongst the highest in the industry at 28% compared to industry, which is 23%. We are amongst the leaders in beyond-30 city category. The category contributed an AUM of Rs. 478 billion. 17.2% of the total assets were sourced from these locations against an industry average of 16.6%. As on March 31, 2022, 70% of the individual assets have a vintage of more than 12 months. The annualised systematic transaction book is at Rs. 88 billion. On a gross basis, systematic folios rose by 1.6 million in FY2022. Our systematic AUM rose by 30% to Rs. 514 billion. 48% of our SIP AUM has continued for over five years vis-à-vis 21% for the industry. Also, in volatile markets, folio with lower ticket size had demonstrated longer vintage and better stickiness. 12% of our SIP folios have continued for more than five years against the industry average of 8%. Today, Nippon India Mutual Fund offers an industry-best suite of products in the passive category. With the 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. 558 billion and have a market share of 14%. Excluding the EPFO allocation that goes to two specific mutual funds, we would be the largest ETF player in the country. The gold ETF is the biggest in this category with Rs. 66 billion in assets. Nippon India Mutual Fund's share in industry ETF folios rose to 58%. In this fiscal, we added 6 million investors and accounted for nearly 70% of the total ETF folio additions in the industry. Nippon India had 68% share of ETF volumes on NSE and BSE. Our ETF average daily volume across key funds is higher than the rest of the industry. As a well-diversified asset management company, we have begun to grow our non-mutual fund business segments over the last few years. With the government mandates, we manage assets of Rs. 682 billion in non-mutual fund segments. The offshore business has assets of Rs. 114 billion under management and advisory. Leveraging Nippon Life's global network, we continue to ramp up our international presence. Multiple products, which are in approval stage with the regulator, are a step in that direction. In our AIF business, we manage CAT 2 and CAT 3 AIFs across various asset classes. As of March 2022, Nippon India AIF has raised commitments of Rs. 45 billion across all funds. Online and digital assets have become a strong source of investor acquisition and communication. Keeping our millennial investor in centre, we have a $360^0$ integrated framework for acquiring, on-boarding and gauging and reengaging with such digital investors. Beneath this framework lies the science that has been created and improvised overtime with digital power houses like Google, Meta, Adobe suite of products.

The focus is towards creating a digital experience that is friendly, futuristic and frictionless for our partners and investors. In FY2022, digital platforms contributed 58% of our total new purchase transactions. Over 3 million purchases were executed through digital assets - an increase of 63%. Nippon India Mutual Fund has a well diversified and a nimble distribution base. As on March 2022, we have over 84,300 distributors empanelled with us. The MFD base rose to approximately 84,100 - an addition of over 500 distributors during this quarter. Also, we have ongoing tie-ups with 20 prominent digital partners. Direct channel contributed 56% of the mutual fund AUM. Of the distributed assets, the share of MFDs was 59%. 81% of distributed asset are contributed by individual investors. Nippon India Mutual Fund has a wide presence through 270 locations across the country. We continue to review our existing branch operations and future expansion plans. In recent quarters, our marketing assets are increasingly focused more on digital channels, which are more cost effective as against offline advertising. Now on our financial performance. For the year ended March 31, 2022, the profit after tax was Rs. 7.4 billion - an increase of 9%. Operating profit increased by 46% to Rs. 7.6 billion. Operating profit, as a ratio of average assets under management, rose from 25 basis points in FY2021 to 28 basis points in FY2022. Our aim is to create sustainable value through growth across asset classes, and cost optimization initiatives resulting in an expanding and favorable operating leverage. We continue to focus on increasing the diversity in our revenue streams. Towards this endeavour, I am happy to state the revenue from non-mutual fund business rose by 19% in FY2022 and contributed 11% of the consolidated core revenue. We continue to grow organically through physical and online channels. Additionally, we remain open to evaluate investments in strategic opportunities that add value to the profitability or complement the existing businesses and, ultimately are in the interest of the minority shareholders. The board has approved the final dividend of Rs. 7.5 per share. This is in addition to the interim dividend of Rs. 3.5. With this, it is the highest dividend announced by the company with a total of Rs. 11 during the financial year. As a signatory to UN-PRI, the world's largest voluntary corporate sustainability initiative, NAM India aims to create and nurture a world class performance driven and socially responsible ecosystem. Integration of ESG aspects into strategy, operations and risk management will help us outride the dynamic markets and build long-term relationship with our stakeholders. We have introduced a formal ESG framework in FY2022. We intend to develop responsible investment strategies to build a resilient portfolio that will not only provide superior return to our investors but will also have a positive environmental and social impact. In line with the stewardship responsibility, we continue to monitor and engage with all our investee companies, in the best interest of unitholders. In FY2022, Nippon India Mutual Fund voted against more than 620 resolutions in our investee companies, in the interest of our unitholders. To sum up, I would like to reiterate that, at NAM India, investor centricity remains the key theme. We strive to deliver a complete product suite customized to the investor needs, superior fund performance, efficient client servicing based on the comprehensive digital ecosystem. We are confident to continue a trend of profitable growth in the coming quarters. Before concluding, I would also like to welcome our two new board members from Nippon Life - Kimura Sun and Yao Sun. Kimura Sun serves as Managing Executive Officer, Head of Global Business at Nippon Life. He has an extensive experience in asset management operations on a global scale. Yao Sun is the Regional CEO of Asia Pacific Nippon Life. He is an industry veteran with over 25 years of experience in insurance sector. We are sure with the induction of such esteemed individuals, we would strengthen our board and we will continuously gain from their valuable guidance, specifically in the areas of planning, risk management, awareness and synergies with Nippon Life Global operations. With these comments we are happy to take any questions. Thank you very much.

**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 Viraj from Securities Investment Management Private Limited. Please go ahead.

**Viraj:** Thanks for the opportunity and congratulations for good set of numbers in such a challenging environment. I just have a couple of questions. The first is if you look at our B30 share as a share of our own AUM and if they compare it to the industry trend, the gap between us and the industry seems to be shrinking and that is the trend that is evolving and if I also look at a broader launch pipeline which you have shared in the presentation, most are in the passive space. So you have ETF or index fund and not much in active equity space per se. So just trying to kind of understand how we are kind of looking at increasing our market share especially in the active equity space where there has not been much success in terms of gaining share per se for us. So just trying to understand the broader perspective there and a related question to that is if you look at the yield. That seems to be further moderating and if I look at the last 15 days also, there is a very sharp fall in the yield. So would pricing be a major lever to drive the AUM growth? Just trying to understand the equation between or the interplay between pricing and market share especially in equity? Thank you.

**Sundeep Sikka**: Viraj, I will take a part of some of the question and for balance, I will invite Prateek. Firstly, let me take your question on B30. We continue focusing on execution and the fact that we have added nearly 70 lakh new investors is a testimony towards that. While the gap that you talked is on the AUM, we continue building on retail and there may be a lag effect. With these new investors, you will see them topping up in times to come. Number two, your question on equity. Yes. Last two years, we had a little pressure on equity. As you would appreciate and, you can see, our equity performance has been improving and normally for equity performance, whenever there is one year improvement and three year keeps improving, I think the flow starts increasing. Just to put things in perspective, if I was to divide this entire financial year into four quarters, in the first quarter, because the equity redemptions were high, we had a negative number. But every quarter after that, the number kept improving and the net positive number for Q4 was in excess of Rs. 2,000 crore. So, the positive trend is already visible, and from our perspective, we will continue to keep focusing on execution. We believe that, like fixed income and overall market share has gone up, in equity also, the trends seem to be positive and the on-ground pulse that we get tells us that you will see, with the lag effect, in three to four quarters, the equity market share also moving up. As far as the new products are concerned, we have always believed to be more investor centric and trying to complete our product suite. I think that the approach is not to see whether it is active or passive. I think we continue to keep evaluating products which can add value to the investors and they may happen to be active or passive. So, we continue working on completing our product suite. As for the realization, Prateek, if you could just throw a little light on that.

**Prateek Jain:** Viraj, the change in the last week of March is more to do with the compliance part of it. I think we mentioned it last year as well. What happens is that we have to ensure that all the expenses pertaining to the scheme have to be accounted in the scheme and we cannot measure it to the last decimal. Therefore, what happens is, in certain schemes where expenses are reduced or where expenses have increased, we need to just give these notices and, therefore there is a small change. But then those are resurrected back in the first week of April itself, so those are just to make sure that we are fully compliant with the regulation that all expenses of the schemes are borne by scheme itself. Therefore, you will see there is some dip in the management fees, not the TER realization. So that is one thing. But if you look at the overall basis, our regular realization stands at about 49 basis points as against 52 basis points. Yes, of course, there has been pressure on the yields. Obviously, as I mentioned in my last call also, there are multiple reasons including the mix, the size of the funds, and the rates which competition is offering, etc., and also because the old AUM is getting replaced with the new AUM. So, there has been slight pressure on the yields. But, if you see on a PAT to AUM basis or rather on the operating income basis, we have made about 28 bps of realization as against 25 bps last year. This clearly demonstrates that despite a decline in the overall revenue to AUM yield, we have been able to improve our net yields and therefore operating yields are better as compared to last year.

**Viraj:** Just two follow-ups, one is on the B30 strategy. Sometime back, we had put physical expansion, center expansion on hold and our thinking was, we will kind of wait and focus more on digital. Is there now clarity in terms of what route we are taking in coming years regarding the B30 expansion? So anything further you can elaborate in that sense and the kind of investments will be needed to support that? That is one and, the second is, why I talked about the yield part is because the competitive intensity is still by and large the same and there are players who kind of are willing to operate at a much more lower profit spread in a bid to gain share? Relatively the performance has also been much better for them if I look at one, three, and five year basis, so just trying to understand what will be our pricing strategy, given that operating environment?

**Sundeep Sikka**: Viraj, as I mentioned in my opening comments, I think our focus will be on profitable growth. We are very focused that we will not be doing any business at a loss. So we will not be swayed by even if competition is going to be charging less or paying more.

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

**Mohit Surana:** Congratulations on the results. The first question is in terms of dividend policy. This year you almost paid out 90% kind of a payout on dividend. So what will be the policy in terms of dividend payout going forward? Secondly in terms of revenues, our revenues are flat quarter-on-quarter whereas if you see the markets as well as AUM, there is hardly any growth. So I just wanted to know if there is any lumpy revenue that is included in this quarter?

**Prateek Jain**: For the second part Mohit, last year also this question had come. This quarter has actually two days less as compared to the previous quarter, and the average AUM actually has fallen on the equity side because of the mark-to-market. So, obviously, since equity contributes for a large part of it, there is a flat growth. But effectively if you take the two-day more revenue, you would have seen some improvement in the revenue as well. So that is one answer for it. I will ask Sundeep to talk on the dividend policy piece here.

**Sundeep Sikka:** Mohit, as we have demonstrated in the past, as per our dividend policy, we have been rewarding the shareholders with high dividend. This year, on a standalone basis, it is 96% actually, not 90%. 96% of the standalone profits have been given back as dividend. I think we will continue a similar policy of rewarding the shareholders with higher dividend. We, at this point of time, have adequate capital net worth to explore all M&A activities, which is a continuous part of our journey, and which we keep doing. So, I think as far as the profits are concerned, broadly 100% of the profits will be distributed as dividend going forward also.

**Mohit Surana:** Thanks a lot. Thank you.

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

**Prayesh Jain:** Good evening again and congrats on a good set of numbers. Sir, could you just explain the point on the yield discussion. So you mentioned that you think legacy assets to newer assets transition has created an impact. So, firstly, what would be our mix today in terms of share of those legacy assets in the portfolio which will be the lower trail, and that will be helpful if you could give some color there? Secondly, do you think that the intensity of this transition would reduce going ahead, given that the bulk of the asset will reduce going ahead, especially for the direct equity scheme. So that is one part, and secondly on the other income bit. Basically, we have seen an increase inspite of the yields rising. Could you give some color on the other income front?

**Prateek Jain**: In terms of ageing, we do not disclose the exact composition of the ageing. But if you see the last few years, we have seen significant amount of outflows. So all the assets, which will be remaining, are sticky assets. The recent assets, what we have got in the last two years, have been the new assets. In terms of the overall, I would say that still it would be in the range of closer to 50:50. But I do not see that the old assets to go out because most of them are now part of the SIP area, and hence those assets will continue. You are right that incrementally whatever assets we gain, will be on a lower yield. But again, as I mentioned, our focus remains on PAT to total revenue ratio. If we are clocking about 50%, we will try to manage around that. We will try to maintain a base of 50%. Whatever decline in yield would be there, the operating leverage will take care of it. So that will be the whole thought process and that is how we will be driving our pricing strategy as well, to ensure that we have a sustainable growth.

**Sundeep Sikka:** 70% of the individual assets are more than 12 months. So obviously, most of the assets are already one year old now.

**Prayesh Jain:** Got that and another question on the other income? Essentially, sequentially, the other income increased in spite of the fact that the yields had hardened. So what was the reason for the increase in the other income?

**Prateek Jain**: Predominantly, it could be the asset increase. Most of our assets now are in our own fixed income mutual funds. We have brought down our equity exposure and, in terms in the fixed income also, broadly most of our assets are in the one-to-three year category.

**Prayesh Jain:** But still I did not understand the reason for the increase in the other income sequentially considering that the yields had hardened so much during the quarter?

**Prateek Jain**: Correspondingly, it is about Rs. 34 crore versus Rs. 31 crore. So I don’t think there is any significant difference. Predominantly, it is the impact of mark-to-market and that too was on the last day. This mark-to-market is on the last date, so we have to see it as of December 31 versus March 31.

**Prayesh Jain:** Just slipping in one more question on the debt side. You have seen a lot of outflows for the industry this year, how do you see the debt flows going ahead for the industry as well as Nippon?

**Sundeep Sikka**: I will request Aashwin Dugal to take this question.

**Aashwin Dugal**: I think this year what we envisage overall is that yields will continue to harden. The FED policy and central banks, all over the world. Hence, most of the flows should come into the shorter end of the curve. So consequently, we would see some outflows from long-end category and more consolidation in the liquid and ultra short-term category. So, at overall levels, we do not see overall numbers going down on debt, but the construct of the flows could change. Because corporates and some other entities will continue to raise money, hence you could see money coming in for more cash management purposes, and we could possibly see the long-term investments being postponed to end of this year or next financial year, depending on how the interest situation plays out.

**Prayesh Jain:** Thanks. That is helpful.

**Moderator**: Thank you very much. The next question is from the line of Viraj from Securities Investment Management. Please go ahead.

**Viraj**: The question I had asked on the B30 strategy in terms of physical versus digital and the investments, I think got missed. So just wanted an update on that?

**Sundeep Sikka**: I think, broadly at this point of time because we are present at 270 locations, there will not be a lot more expansion, new branch expansion. Even if we do, it would be very minor. So there will not be any major investment into that. But we will continue investing in the digital space. We have already gone vernacular in that. So that strategy of investing in digital will be continuous. But, at this point of time, we are in 270 physical branches. After 270 branches, we feel maybe few could be added, but it will not be any significant number.

**Viraj**: What kind of investments we are making in the digital, just generally to get a perspective?

**Sundeep Sikka**: We will not be able to give a specific number on the investments in digital. But the only investment that we are doing at this point of time has been the substantial investment in the digital space, because I think, we are investing in the ecosystem, creating a lot of our proprietary stuff. Also, we have hired for data scientists to work on few things. So a lot of things. It will be difficult to put an exact number, but it clearly remains a very important focus area for us.

**Viraj**: What I was trying to get at is, is it a lot of investment capital-led?

**Sundeep Sikka**: I do not think that from a capital point of view, at this point of view, it will not make a meaningful impact in the profitability in the years to come.

**Viraj**: Just one last suggestion on some of the ESOP plans we have. They have an exercise price of somewhere around 370 – 390. The current price is 330 and some of the days it is actually even lower. I mean, why do not we just explore at buying shares from the market and meeting the ESOP obligation. Just a suggestion something we can think on that. Essentially, we are sitting on a sizable surplus cash. We can use some of that to buy from the market and probably with that meet the ESOP obligation which we would have. So this is the suggestion, something we can explore on that front?

**Prateek Jain**: We have taken your suggestions. The board will appropriately take this matter up because this is more to do with the capital markets and shareholding. It is the prerogative of the board as well as the shareholders, so we will take your recommendations and we will put it across the board.

**Viraj**: Sure, and for the ESOP, is the bulk of it now done? Should we expect that to kind of moderate going forward or how should one look at it?

**Prateek Jain**: Obviously, largely, most of those have been accounted. Obviously, there will be more new ESOPs grant, which will be vesting in the next four years, but this will not be as significant as what we have given originally.

**Viraj**: Thank you.

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

**Kunal Thanvi**: Thank you and congratulations on good set of numbers. I had broadly two questions. One was on our SIP market share. While you did mention that we have started seeing inflows but still our market share continues to trend down. Any thoughts on that, and secondly while you did talk about the fact that the falling yield in equity would be taken care by the operating leverage that we see in the business. Whereas if you look at an overall basis, the recent launches and the upcoming launches would be on the passive side of the business, right? So, if one were to look at the overall yields from a three to five year perspective, how does one look at it because, of course, the passive would have a lower realization, revenue realization. So how the overall realizations would look in the next three to five years on a structural basis, because at one side, we will see equity is coming down, and the second side, we will see the share of passives going up, which again are lower yielding. These are two questions that I had.

**Sundeep Sikka**: I will request Saugata Chatterjee to take the first question and after that, Prateek will come back for the second question please.

**Saugata Chatterjee**: With regard to SIPs, if you see the trend line this year, quarter-on-quarter, our SIP market share, both from the SIP addition point of view, which is the actual SIP numbers coming in and, the SIP input value, have seen an increasing trend. As we speak, we are also tracking the market share we are getting in that space. Going forward, the way our trend line has been reflecting in the last two to three quarters, it clearly shows that the market share growth on the SIP side also will start happening because they are correlated. The equity gross sales, net sales growth and the SIPs market share, they are all correlated and, like Sundeep mentioned earlier, the trend line clearly shows that, going forward, with increasing SIP flows coming into our funds, the retention improving, the net SIP market share also will start growing. So, the trend line is clearly positive and hence we are optimistic about the flows going forward. Did that answer your question?

**Kunal Thanvi**: I got it.

**Prateek Jain**: From a business model perspective, obviously due to the composition of ETFs or passives, the overall yields will be under pressure, but we do not see in that way. What we do is we segment active versus passive differently, and in active also, equity, fixed income and other areas separately. So, obviously, what we need to do is we need to keep working on each of these segments and ensure that our yields remain steady. We continue to grow on an absolute basis and if you see, in the last two - three years also, we have seen a compression of two to three basis points in the yields. But I think, broadly that is getting offset because of the growth, so that will continue. From the passive perspective, what one has to see is that this is a new set of AUM which is coming in and, the recent growth is a classic example that assets have started growing much faster. I think the asset growth will take care of the absolute profitability. So going forward, you will continue to see asset growth is faster than the revenue growth, that is likely to happen.

**Kunal Thanvi**: Thanks. One last question if I can try and squeeze is on the overall competitive situation in the market. Since we have seen some softness in the NFO on the active side and, of course two problems. One, the newer assets were coming at a lower yield, but again there was a lot of distribution commissions that were being paid out across the industry because of the NFO season. With that softening, are we seeing any normalization in the distributor commissions?

**Sundeep Sikka**: Kunal, as I mentioned earlier in the opening comments, every company will have a different strategy. I think our focus remains on profitable growth and we will not be acquiring business, which is not profitable for us.

**Kunal Thanvi**: Got it. All the very best and thanks a lot.

**Moderator**: Thank you. The next question is from the line of Jignesh Shial from InCred Capital. Please go ahead.

**Jignesh Shial**: Thanks a lot. Just wanted to reconfirm. Did you say that in case the yield softens further from hereon, you will be able to manage expenses and accordingly revenue to profit should be somewhere around 50%? Is my understanding correct?

**Prateek Jain**: In terms of the operating revenue, net operating revenue to the revenue is about 58%. So that is what I have mentioned and, if assets keep growing and there is no incremental cost, whatever we are earning on an incremental asset and, there is no incremental cost, operating revenue goes up by that much. So we have that much flexibility at this point of time, given that opex growth will be more or less in line with the inflation and thereabouts, while asset growth would continue to be in excess of 20% to 25%. So even if you see the last decade, the industry has grown in excess of 20% CAGR despite the volatility in terms of COVID or the geopolitical situation. Except for the one quarter, there was no decline in the industry AUM, which speaks volumes. Also, the SIP input value, which declined a bit in the first half, has come back from an 8,600 crore of total SIP book to about 12,300 crore odd. Both these things show that the industry is on a secular trend and, given the fact that we are so underpenetrated at just about 18% of GDP, we have a long way to go. If the asset growth remains at this pace and our cost increment remains more or less constant, then we will be able to manage these ratios.

**Jignesh Shial**: Understood, so basically operating leverage is going to play out a good business?

**Prateek Jain**: Absolutely.

**Jignesh Shial**: Understood. Second, also from the debt and liquid concept. Is my understanding correct that liquid flow will still be slow at least in the near term, till the time we do not see a clarity or this interest rate rising regime gets settled out? We will see a momentum in liquid more compared to debt, is that understanding correct?

**Aashwin Dugal**: To some extent, you are right. So we are still in the first quarter, first month of the first quarter. But, at the same time, I would like to mention that a large part of the action that is anticipated by the central bank has already been built in into the yields, both in India and overseas. So, going forward, whatever action happens, you would see a knee-jerk reaction, but from hereon at least, it would be shorter for the next one quarter. In one or two quarters, you will see some inflows in the liquid plus ultra short-term funds, but thereafter, as things start playing out, the trends might change. It will be beyond the first two quarters.

**Jignesh Shial**: Absolutely. I just want one number. Can I get the gold ETF number, if possible? Gold ETF AUM, last time, was somewhere around Rs. 6,500 crore.

**Sundeep Sikka**: Some 7,000 crore. The exact number will be a little sub of 7,000.

**Jignesh Shial**: This is more like a strategy kind of a question that I had. One, I am glad to see that a couple of our schemes are really coming up pretty well and that is somewhere we are also building in that active equity share should see a rise. Apart from this anything specific you want to mention, specifically on the marketing or on the sales side. How we are tackling it up as far as equity AUM share is concerned i.e. if you want to highlight something more on it and number two, how do you see consolidation happening in the AMC industry in general. I mean we are definitely getting into a segment where our people despite having a lot of uncertainty due to COVID, people kept on investing in mutual fund. So how do you see next three years kind of view? Do you see more consolidation happen, large players dominating more, or branded guys are able to dominate more? Just couple of lines from your side would be really helpful.

**Sundeep Sikka**: You have asked too many questions. I do not know how I will be able to answer in this call. What I will try to do in the next two or three minutes is to give you some granularity. From our perspective, broadly, we have always mentioned that this industry is a very simple industry. The key to success is execution and, we are going to continue executing. Most important part of the strategy is what to do and also what not to do. So one thing we have decided is that, for us, retail remains a very, very important part because it is not very easy to execute, and we have been able to get that secret sauce right. The fact is that during the year 70 lakhs investors were added. If you look at the data, what has been added is more than the investor base of many mutual funds in India, which have been there for more than two decades. We also clearly believe that once an investor comes, he will only keep topping it up. As in India the per capita income goes up, other avenues to invest the money into capital markets, through mutual funds, will keep increasing. To your other point about what has happened in the last 2-3 years during COVID, we saw a lot of investors come into capital markets and also to the mutual fund industry. We believe both complement each other. If anybody comes into the capital markets in one form or the other, this money eventually will also come into mutual funds. Work from home is over and everyone has to go back to the day job. The trading will go away, and people will have to invest for long term. We clearly see that once you have been exposed to capital markets, you will come into mutual funds and, finally when we look at our own data, we have seen there is a convergence, they have crosspollination. We see ETF investors also move into active and active move into ETF. So, from our perspective, we are very strong on both the sides. I am very excited about the next three years. As far as the strategy you asked, the strategy remains exactly the same and execution is going to be the key. To your final question of consolidation, India can have many more asset management companies at this point of time. Also, the percentage of unique investors is less than 3% - 4% of the population. But the winners are going to be the ones who can execute and, execution in the smaller cities and towns will hold the key.

**Jignesh Shial**: Absolutely, really thankful. That is really helpful. Thank you and all the best.

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

**Ronak Chheda**: Just one question Sir, if I heard you correctly, did you say that the transition of the AUM to full trail has been 50%? is that what I picked up when you were answering to an earlier participant?

**Prateek Jain**: It is not transition because our overall assets have grown. So, as of March, we were close to 62,000 crore. Today, we are about Rs. 1,15,000 crore odd. There has been substantial market increase as well. So, if I capture that number and there has been addition to the AUM and, of course, there has been outflow happening. So, predominantly at this point of time, the old assets would be about 50% odd of the total equity assets.

**Ronak Chheda**: Got it, so just to get a sense qualitatively as well. So, of the total AUM, what percentage or what share would be based on trail fee and what would be that number. Not a specific one, just a ballpark?

**Prateek Jain**: Today, 100% of the assets are on full trail because upfront trail is not allowed at all. So 100% of the assets are on the trail model now.

**Ronak Chheda**: Stock AUM as well?

**Prateek Jain**: Yes.

**Sundeep Sikka**: But those trails are what they have been at that point of time. So, the trail has not been increased, the past trail remains the one what we have committed at that point of time.

**Ronak Chheda**: I am asking more from the new trail fee?

**Sundeep Sikka**: After 2018, there is only trail. The assets which were acquired prior to 2018, will continue to get the trail, whatever was committed in those years. So, let us say, there was commitment of zero trail, then those are on zero trail now.

**Ronak Chheda**: My question is of the AUM as on March 31, what would be the percentage of AUM was on trail model?

**Sundeep Sikka**: We do not disclose that data.

**Ronak Chheda**: Anything qualitatively also would be helpful. I understand that cannot be 100%, but anything qualitatively, more than 50%, less than 50%?

**Prateek Jain**: No. We do not comment on that data. But we have taken your suggestion. We will evaluate, going forward if any additional disclosures required to this fact.

**Ronak Chheda**: Okay. Thank you so much.

**Moderator**: Thank you. The next question is from the line of Siji Philip from Mirae Asset. Please go ahead.

**Siji Philip**: Good evening Sir. Congrats on a good set of numbers. Most of my questions have been answered. Just one question, the company's passive fund strategy has been playing out quite well, so any proportional limit in mind for the passive fund as a percentage of the AUM?

**Sundeep Sikka**: From our perspective we see it in isolation. I think these are different business lines and the investors will decide. We do not have this thing that what percentage can be passive and active. We clearly believe both active and passive are taking care of different needs of investors and have opportunity to grow multiple times from here.

**Siji Philip**: Okay. Thank you, sir.

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

**Prayesh Jain**: Thanks for the opportunity again. Just a couple of questions on the cost front. So, if I look at your other expenses, that is like at the lowest level for past many quarters. So are there any one-offs or this kind of run rate can sustain? Secondly, on the fees and commission expenses, those are at a significantly higher level, I mean, is there any one-offs there?

**Prateek Jain**: This is just from PMS and AIF side. When we pay some expenses related to the acquisition of assets, those get accounted in here, whereas for all the mutual fund expenses, it is completely on trail model. So no expenses are accounted in this line item.

**Prayesh Jain**: Number two, on other expenses if I look, we have been continuously seeing us sustaining a decline in this number and there are Rs. 30 crore. Is the run rate for this quarter, do you think, sustainable?

**Prateek Jain**: No. I have been mentioning it for the last two or three quarters now that going forward, we will try to reduce our expenses as much as possible, but the headroom available now is very, very limited. Also, given the inflation, expenses from here are likely to increase. But what we will do is we will keep looking at opportunities in terms of automation, in terms of outsourcing, wherever possible. We will try to bring our cost of operations down, but any kind of further significant decrease from here, is not envisaged at this moment.

**Prayesh Jain**: Thank you so much.

**Moderator**: Thank you. The next question is from the line of Ravi Purav from ICICI Securities. Please go ahead.

**Ravi Purav**: Thanks for the opportunity. I just wanted to confirm one thing that the dropping yields in Q4, was purely because of managing the TER and, the Q1 of next year we are seeing better investment yields?

**Sundeep Sikka**: The revenue has declined because of the two days. The TER change is to comply with the SEBI regulations where all the expenses of the scheme have to be borne by the scheme itself, and therefore, for the entire year, we keep reviewing it. So there will be cases where there will be something deficits, there will be cases where there will be surplus. So cases where we have a buffer, we will take up the additional management fees and cases where we have a deficit, we have to decline or reduce our management fee.

**Ravi Purav**: In Q1 FY2023, in the month of April, are we seeing some reversals on this number?

**Prateek Jain**: That is right, yes. If you go and see in terms of disclosure, you will see that those are being restated back. Someone had asked this question in the month of October itself. There have been some changes like that for certain schemes. All of those communications are there in the public domain. If you look at it, they were restated back.

**Ravi Purav**: Got it. Thanks.

**Moderator**: Thank you very much. Ladies and gentlemen that was the last question for today. I now hand the conference over to Mr. Akshay Jain for closing comments.

**Akshay Jain**: Thank you everyone for joining this call today and thank you to the team, Nippon Life India Asset Management for giving us this opportunity to host the call. Thank you and goodbye.

**Sundeep Sikka**: Thank you everyone. Thanks for joining.

**Moderator**: Thank you very much. On behalf of JM Financial that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.