November 2, 2023

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 September 30, 2023

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 September 30, 2023, conducted after the meeting of Board of Directors held on October 30, 2023, 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-Q2-FY-2024.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
4th Floor, Tower A, Peninsula Business Park, Ganapatrao Kadam Marg, Lower Parel (W), Mumbai - 400013 | CIN : L65910MH1995PLC220793
Tel: 022 6808 7000 | Fax: 022 6808 7097 | https://mf.nipponindiaim.com

Nippon Life India Asset Management Limited
Q2 FY24 Earnings Conference Call

October 30, 2023

MANAGEMENT: **MR. SUNDEEP SIKKA – EXECUTIVE DIRECTOR & CEO, NIPPON LIFE INDIA ASSET MANAGEMENT LIMITED**
MR. PRATEEK JAIN – CHIEF FINANCIAL OFFICER, NIPPON LIFE INDIA ASSET MANAGEMENT LIMITED
MR. SAUGATA CHATTERJEE – CHIEF BUSINESS OFFICER, NIPPON LIFE INDIA ASSET MANAGEMENT LIMITED
MR. ARPAN SAHA – CHIEF DIGITAL OFFICER, NIPPON LIFE INDIA ASSET MANAGEMENT LIMITED
MR. ARUN SUNDARESAN – HEAD OF PRODUCT & IR, NIPPON LIFE INDIA ASSET MANAGEMENT LIMITED
MR. SHIN MATSUI-SAN – NOMINEE OF NIPPON LIFE INSURANCE, JAPAN

MODERATOR: **MR. ANSUMAN DEB – ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Nippon Life India Asset Management Limited Q2 FY24 Earnings Conference Call hosted by ICICI Securities.

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 the 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. Ansuman Deb from ICICI Securities Limited. Thank you and over to you, sir.

Ansuman Deb: Good evening, ladies, and gentlemen. On behalf of ICICI Securities, it is our privilege to host the Q2 FY24 Results Conference Call of Nippon Life India Asset Management. We will have an initial management commentary followed by a Q&A.

Without further ado, I now hand over the call to Mr. Sundeep Sikka - Executive Director and CEO. Over to you, sir.

Sundeep Sikka: Thanks. Good evening and welcome to our Q2 FY24 Earnings Conference Call.

We have with us our Chief Financial Officer – Prateek Jain; Chief Business Officer – Saugata Chatterjee; Chief Digital Officer – Arpan Saha; Head of Product and IR, Arun Sundaresan, and Matsui-San – Nominee of Nippon Life Insurance, Japan.

Our detailed "Investor Presentation and Press Release" have been uploaded on the exchanges as well as on our website.

I will break my comments in three parts:

1) Industry Overview.
2) Performance.
3) The Way Forward.

Starting off with the markets:

Equity markets of Q2 FY24 showed divergent performance while the Nifty 50 increased only 2%, Nifty mid cap and small cap indices rose by 13% and 16% respectively. RBI held the repo rate steady at 6.5% while the 10-year G-Sec yield increased by 10 basis points quarter-on-quarter with 7.22%.

Coming to the data on Mutual Fund Industry:

The industry grew by 9% quarter-on-quarter in Q2 FY24 to INR 47 trillion. This is the highest quarterly growth since Q2 FY22. On a year-on-year basis, the quarterly average AUM grew by 20.3%.

Moving to Flows:

1) The equity category excluding index and arbitrage witnessed a gross inflow of INR 1.55 trillion and a net inflow of INR 492 billion. Both gross and net flows were higher on quarter-on-quarter basis. Strong inflows were witnessed in sectoral, thematic, small cap, flexi, and mid cap category.
2) Investor interest in investing through systematic investment plans has further increased with the SIP contribution to the quarter being INR 471 billion, 25% higher than Q2 FY23 and 9% higher than Q1 FY24.
3) Monthly SIP flows in September 2023 stood at INR 160 billion, which was an all-time high. The SIP folios increased 7% quarter-on-quarter to 71.3 million.
4) Arbitrage funds also witnessed strong inflows of INR 297 billion.
5) The fixed income category that is debt plus liquid witnessed a net outflow of INR 594 billion after large inflow we witnessed in Q1 FY24.
6) ETF flows were moderate at INR 49 billion.

At the end of the quarter, unique investors in the mutual fund industry increased to 40.4 billion, while the industry folios increased to 157.1 million increasing financialization, higher awareness, better reach through new-age tech platforms and distribution networks should see continued growth for the industry going forward.

Now, moving to our Business Performance:

1) We closed the quarter with assets under management of INR 4.35 trillion. This includes mutual funds, managed accounts, and offshore funds.
2) Our mutual funds quarterly average AUM grew 12% quarter-on-quarter and 23% year-on-year to reach INR 3.51 trillion.

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

1) Starting with the Market Share. Our market share increased 18 basis points quarter-on-quarter to 7.46% with the market share increasing across most asset categories.
2) During the quarter, we moved up one position to 5th in terms of total equity AUM, our equity share also continues to grow. It has increased from a low of 6.18% to 6.53%, of which there was a 26-basis point improvement in Q2 FY24. It is important to note that this market share improvement has happened even after we stopped lump sum inflows into a small cap fund in July 2023 in investor’s interest.
3) Apart from equity, we also gained market share in other segments including 33 basis points quarter-on-quarter improvement in the liquid segment and 16 basis points quarter-on-quarter improvement in ETF segment.
4) We continue with balance growth both in terms of asset class as well as investor category. On the segmental front, our individual AUM, which consists of retail, HNI AUM, saw market share improvement for the seventh straight quarter. Individual

AUM grew 14% quarter-on-quarter to INR 2,094 billion, market share increased 29 basis points quarter-on-quarter to 7.45%.

5) Our B-30 AUM grew 13.9% quarter-on-quarter to INR 719 billion, which keeps us amongst the fastest growing large AMCs in B-30 locations. Our market share improved 25 basis points quarter-on-quarter to 8.58%. This segment forms 20% of our AUM versus 18% for the industry.
6) The performance of our large equity schemes remained strong and this, along with our distribution network, digital capability, and strong risk management, helped us deliver a double-digit market share in net sales, in equity plus hybrid segment in Q2 FY24.
7) We added 1.2 million investor folios in the quarter and continue to have the largest base in the mutual fund industry with 14.6 million unique investors. We are humbled to have one out of three mutual fund investors in India.
8) During the quarter, we also completed the NFO of Nippon India Innovation Fund as at the end of the quarter, the AUM in this fund stood at INR 9.6 billion.

I would now also like to touch upon the important aspects of our systematic book:

1) The systematic flows are a stable and a key driver for industry's long term equity flows. I am happy to share that there have been a continued uptick in our systematic flows over the last 9 quarters, which has led to increase in our market share.
2) Our monthly systematic book rose by 42% to INR 17.3 billion for September 2023 over June 2023. This resulted in an analyzed systematic book of INR 208 billion.
3) Number of systematic transactions for the quarter increased by 20% quarter-on-quarter to more than 12.8 million.
4) 64% of our SIP AUM has continued for over 5 years versus 26% for the industry. This bodes well for the volatile markets where folios with low ticket size have demonstrated longer vintage and better stickiness. 16% of our SIP folios have continued for more than 5 years against an industry average of 12%.

Moving on briefly to the ETF Segment:

1) At Nippon India Mutual Fund, we offer an industry best suite of passive funds with an ETF ecosystem, which is already in place and far ahead of the peers in terms of investor base and mind share. We continue to be one of the largest ETF players with an AUM of INR 808 billion and a market share of 14%. The Gold ETF fund is the largest in the category, having assets of INR 78 billion.
2) Our share in the industry's ETF folios is 61%. We have a 67% share of ETF volumes on NSE and BSE. Our ETF's average daily volumes across key funds remain far higher than the rest of the industry.
3) Last quarter, NAM India was appointed as one of the four AMCs for managing EPFO corpus for ETF investments. These investments commenced in the beginning of July 2023, and we are seeing approximately one-fourth of the incremental EPO flows going forward.

Moving on to a strong Distribution Franchise:

1) Our digital strategy remains focused towards enabling better reach and leveraging technology advancements to provide frictionless experience.
2) As digital and technological landscape is continuously evolving, the perpetual beta thought process has led to constantly strengthening our digital ecosystem and enabled simple and easy investment experience across the ecosystem for our investors and partners.
3) Digital purchase transactions rose to 2.55 million in H1 FY24, up 64% year-on-year. We have witnessed close to 50% jump in Q2 FY24 compared to Q1 FY24. The digital channel contributed 56% of the total new purchase transactions for H1 FY24.
4) Our physical distribution base is well diversified and with a wide presence through 265 locations across the country.
5) We have over 95,600 distributors in total and added roughly 2,600 new distributors during this quarter.

Now, I would like to briefly update you on our subsidiaries, namely AIF and Singapore subsidiary:

1) Starting with the Nippon India AIF. As mentioned in past, AIF continues to be an important focus area for NAM India.
2) Last quarter, we appointed the new Head of AIF business, Mr. Ashish Chugani. This quarter, further, to strengthen the AIF business, we have internally moved a Senior Resource, Mr. Aashwin Dugal as a Deputy Head of the business.
3) Under Nippon India AIF, we offer category 2 and category 3, alternate investment funds and have commitment of INR 57.8 billion across schemes.
4) We had launched our Tech Fund of Fund in 2020, which was anchored by large Japanese institutional and corporate investors. The fund is in the advanced stage of deployment.
5) The Company has started getting into multiple business lines. Towards this end, we have recently launched our Credit AIF and a Long Only Equity AIF for which the fundraising is in progress.
6) On the offshore front, we will continue to focus on fundraising from international markets, looking at business opportunities with subsidiaries, associates, and large network of Nippon Life Japan. Nippon Life Japan remains committed in supporting NAM India's offshore business.
7) We continue to see interest for India not only from the conventional markets but are also getting initial positive inflows and interest from LATAM market.

In terms of regulatory environment, not much has changed since the prior quarter. SEBI had come up with the consultation paper in May 2023 regarding the review of the year charged by the AMCs. We continue to await details regarding the revised paper post incorporating industry feedback.

Now, on our Financial Performance:

1) For Q2 FY24, revenue stood at INR 3.97 billion, up 20% year-on-year.
2) Other income stood at INR 0.78 billion, down 5% year-on-year.
3) Operating profits stood at INR 2.33 billion, up 25% year-on-year and 20% quarter-on-quarter.
4) Profits after tax stood at INR 2.44 billion, an increase of 19% year-on-year and 4% quarter-on-quarter.

As a part of our capital allocation strategy, we would like to reiterate that we have a stated dividend policy to distribute 60% to 90% of our profits to our shareholders. In FY23, we distributed 100% of our profits. Further, the Board of Directors has declared an interim dividend of Rs. 5.5 per share along with the Q2 FY24 results today. In addition, we also remain open to evaluate investments in strategic opportunities that can add profitability or complement our existing businesses.

Briefly, moving onto ESG:

1) As a signatory to UN-PRI, we are integrating ESG spreads into various aspects of planning, operations, fund management, risk, and governance.
2) Our ESG ratings are amongst the best in the financial services industry with NAM India now rated 'Low Risk' as per Sustainalytics.
3) As a responsible investment manager, we are building a resilient portfolio that will provide sustainable returns to our investors and have a positive environmental and social impact.

In Conclusion:

We remain excited about the business opportunities going forward. This includes both domestic markets, where mutual funds have become a preferred investment route as well as global markets where we would be aided by the network of Nippon Life Japan. We continue to focus on sustainable profitable growth for our shareholders in the backlog of our distribution network, institutionalized processes, and strong risk management.

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. First question is from the line of Swarnabha Mukherjee from B&K Securities. Please go ahead.

Swarnabha Mukherjee: Sir, my first question is related to the yields, I just wanted to understand that, sir, when I look at the standalone business, I see that there has been slight sequential dilution in this, while at a consolidated level there has been expansion in the yields, so if you could highlight what would be the reason for this and what impacted the mutual fund business because of which there is a slight reduction in this and whether outside the MF business we are seeing higher level business? That would be my first question. Secondly in terms of gross inflow if you could highlight how our market share is shaping up because you provided these two numbers compared to the industry flows, I think we have seen a very strong expansion in that number if the market share is coming close to 10%, so how are we in terms of gross flows given that we have stopped the lump sum investments in the small cap fund? So, how is that shaping up overall? And the second question, probably in terms of the equity of inflows, so if you could highlight what is the quantum of inflows we are receiving every month or every quarter and what is the economics of scale in terms of how are the realizations and how much of that is going into the bottom-line and how should we think about the yield trajectory from this perspective given that this is related to lower margin product compared to there are other products? So, how should we think about the blended yields going forward?

Sundeep Sikka: You have three questions. I will request Prateek to take the question on the yields and then Saugata Chatterjee on the gross flows, but I would like to just touch on the last part on what you talked about the EPFO. Broadly, EPFO would be investing about Rs. 15,000 crores, per annum per AMC. This is going to be coming into distinct funds, so whatever the fees that we have been charging even before the EPFO mandate that will continue. It is right now coming in Nifty ETF, and we are at this point of time charging ~4 basis points. To your other question, the blended yield will come down going forward. I would request you not to see as a blended yield. The EPFO money will be coming separately, and you should not mix it up with the overall yield because that may not give you the right picture. So, broadly from our perspective, if you do the rough calculation, EPFO mandate will give us approximately Rs. 15,000 crores per annum and the bottom line of net about Rs. 5-6 crores per annum. Prateek, if you could take the question on yields.

Prateek Jain: So, Swarnabha, in terms of the overall yields, broadly, it has remained the same as we had mentioned in the last quarter. Despite the change in mix, which has slightly improved, but overall, our size of the equity AUM has grown and what we have seen is our growth on the quarter-on-quarter basis is almost 17% and half yearly basis is 26%. This is both because of the higher inflows which I will ask Chatty to share with you both in SIP as well as on the lump sum basis, but also in terms of the total new increase of the assets, what you see this year itself what we have seen is our annualized run rate net sales for this quarter was almost 3X of what we have done in the entire last financial year. Therefore, our assets have been growing much faster and because of this SEBI related formula, there has been some compression out there and therefore if you see, the yields have not moved up, but the thing is that on an average basis, we are at the same realization what it was the last quarter. In terms of our other lines of businesses, as we mentioned that those businesses, we operate more from a profitability perspective and those rates are more in line and are better than the competition. There are various asset classes where we are present and the yields are very different, but more importantly, the net yields are in the range of 66 basis to 100 basis points.

Swarnabha Mukherjee: Sir, I just want to follow up on this, if you could call out the category level yields which you share every time and for equity, stock versus flow?

Prateek Jain: Yes, we don't give the yields on the net new flows, but on the segment wise yield in terms of our book, we are almost about 70 odd basis point on the equity, debt would be in the range of 25 to 30 basis point, liquid in the range of 20 to 15 basis point and ETF in the range of 15 to 20 basis points. This includes gold, so yes.

Saugata Chatterjee: Just to continue the question on flows, for this quarter what we find is our gross flows is in the range of 7% and from a net perspective, we are around 11% if you take the last quarter flows, it keeps varying every month, but we are in the double-digit net sales every month. So, what happens is if our net sales are better than the market share, we tend to grow our market share and that is the way the trend is being seen for the last 3 quarters. Even on the SIP side, our market share is higher, when it comes to the number of SIP's and the contribution to the net incremental SIP book, which is happening in the industry. So, both these components add up to the overall net sales growth in equity.

Swarnabha Mukherjee: This flows that you shared, this is for the equity category, right?

Saugata Chatterjee: Yes, overall equity category.

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

Mahdukar Ladha: Just wanted to get a sense on quarter-on-quarter basis, has there been any significant movement in the yields across categories, so that is one thing I just want to get a sense on that?

Prateek Jain: So, as mentioned, there has not been a significant movement on the yield side of it. The overall yield has remained about 41 basis points and on the segmental one as I mentioned to you that because of the size impact and because of the new flow impact on the equity, there has been a decline in sum for the overall equity realization. This is because this is governed more by the SEBI formula because if you see Quarter 2 itself our annualized net sales is 3X of what we did in FY23. So, we are getting a very disproportionately high share of net sales and the overall AUM has also grown about 17.5%. So, both of this has accounted for the higher AUM and getting into the newer slab and hence because of the new slab rates our yields are lower. However, from our perspective, we have not made any changes to our distribution commission in terms of payout, etc.

Madhukar Ladha: Just wanted to also understand what has driven other income this quarter?

Prateek Jain: It is purely mark to market for our total investment surplus. As you are aware the company has a total net capital of about Rs. 3,500 crores, which has been deployed in our own mutual fund schemes broadly about 85% of that has been invested in our own mutual fund scheme. There are another into FD's and tax saving bonds and this is entirely based on mark to market impact on these investments, 92% of this net worth is invested into financials or other financial investments, which are our own schemes as well as FDs and bonds.

Madhukar Ladha: There is no unusual element in it, right? No one off?

Prateek Jain: No one off.

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

Lalit Deo: Sir, I just have one question on the distribution side, so like as you mentioned that we are seeing like about 7% market share on the gross flows, so but across channels could you give us more color like where we are seeing the highest pickup in this flows and which are the segments where we want to see more pickup in this distribution channel?

Sundeep Sikka: Broadly, it is across the board we are seeing the increase in market share, but from our point of view, as always, we have articulated our strength lies in retail and it also makes economic sense because retail flows are stickier. So, we continue focusing on segments which can give us sticky assets and typically what we have seen smaller ticket size and SIPs have been stickier, but broadly our market share increase across all these segments have been equal.

Lalit Deo: And sir, just two data keeping questions, so like you mentioned that this quarter we have a net addition of 70 basis points on the equity, so like what was it during the last quarter, could you quantify?

Prateek Jain: Yes, so it was in the range of about 74 to 75 basis point because as I said, because of the size issue and because of the inflow's issues, we have seen some contraction in terms of the yields.

Lalit Deo: And sir, like what would be the new SIP registrations during the quarter.

Saugata Chatterjee: For us, we are doing on an average of 4.5 lakh SIPs every month gross, so roughly about 12-13 lakh SIPs we are getting every quarter.

Moderator: Thank you. Next question is from the line of Abhijeet Sakhare, please proceed.

Abhijeet Sakhare: The first question is, is it possible to give some color on the mix of the SIP book in terms of how spread out it is compared to your overall portfolio mix? Just asking this in the context of last few months or quarters seeing extraordinary activity in the small and mid-cap fund categories as such?

Saugata Chatterjee: So, the good part is in our case, we have more or less equal distribution amongst the 5 market caps, large cap, multi cap, mid cap, small cap, and the flexi category. So, we have a quite equal spread because what we have seen is our fund performance in the last 1-2 years has been across the market caps and hence the de-risking of our business is quite visible from the SIP flows which are coming into our fund.

Abhijeet Sakhare: And just again from the perspective of flows, the observation is that our representation or market share in some of the larger categories such as large cap, balance advantage, we are a little bit under-represented, so just any thoughts on improving share of those schemes across different distribution counters as well?

Sundeep Sikka: As a money manager, our thought process is to continue producing best quality returns and let the investors decide. From our perspective large cap, multi cap, small cap, growth, all are doing very well. Hybrids is a growing category, and every asset management company has found a different niche that they want to grow, but to answer your question, we would like to be represented equally. Wherever we feel our market share is a little lower, we will continue building upon that.

Abhijeet Sakhare: Last one, just a question on OpEx, like this quarter, we had the benefit of strong operating leverage despite double digit expense growth, but looking ahead, do you see any possibilities of cutting back on expense line if the AUM growth turns out to be a little more volatile for the next 12 months and subsequently any guidance or indication on projected cost growth as well?

Prateek Jain: So, Abhijeet if you look at it from a quarter-on-quarter perspective, it is quite flat. If you look at our employee expenses for the last 5 years, it has been pretty flattish and it is just that as I mentioned last time around to future proof ourselves, we have upped our investment into 3 or 4 areas, specifically, marketing spends, you would have seen we are more visible in terms of our marketing. We have increased our spending in terms of IT, we mentioned that we are working on developing Data Lake around which entire artificial intelligence will work on. The third part is that we have been outsourcing some of our processes. We have been keeping a tab on our employee cost, therefore there is some spillover of that is on to our other outsourced or other consultant cost. So, these are the three areas which has contributed largely to this increase which are predominantly I would say that can be switched off on a tap, if things are not moving right, if the market corrects sharply, then these are the ones which are more discretionary and which can be switched off on tap and then there have been a few one off expenses, last quarter we had some few one-off and this year also we have some one-off cases which also are very discretionary. Those costs can be again as and when we do not want to spend them, we can cut them off. So, I would say that largely the increase what you are saying is on the discretionary spend, we are very conscious of increasing any kind of fixed expenses including our employee cost that as we have mentioned in the past.

Moderator: Thank you. Next question is from the line of Shreya Shivani from CLSA. Please go ahead.

Shreya Shivani: Sir, I had a question on following up with the last question, on the employee expense and the employee count, so probably if you can help us understand there has been a reduction in the employee count and is it correct that the outsourcing of the process that you are talking about has led to the reduction in employee count, just a clarification on that?

Prateek Jain: No, there has not been a significant reduction. If you see from the peak, we were about 1200 odd people, it was in 2018-19, we are now about 985, 15-20 people here and there. So, that is from last year to now, so we have not had any significant increase or decrease in our total employees. When it comes to outsourcing, any kind of non-core work instead of hiring people if we can put it out and give it to an outsourced agency to carry out that is how we have been working on. It is not related to the significant reduction in that cost.

Sundeep Sikka: From our perspective, there has not been any conscious effort to reduce the headcount, rather, we continue investing in our people with a lot of digitalization that has taken place across and this leveraging technology, definitely the backend there have been certain processes which are more efficient with the higher use of technology. So, the reduction in numbers is more, which is one of the reasons which is also helping us to increase our operating leverage.

Shreya Shivani: So, I am just clarifying that the reduction in employee count is also the outsourcing of the processes and the digitalization which reduces the need for people, right need for manpower?

Sundeep Sikka: Perfect. You got it right.

Moderator: Thank you. Next question is from the line of Mohit from Bob Capital. Please go ahead.

Mohit Mangal: Sir, just to reiterate, I was just seeing your presentation and now you are present in 265 locations versus 275 last year in Q2 and 270, so this is also a result of digitalization or is something else?

Sundeep Sikka: There is no change in strategy. We have articulated in past also, we strongly believe both digital and physical will remain our strength going forward. We do not want to have a strategy of only digital. We believe physical is going to support our digital business. So, you will continue seeing our size of branches plus minus and it could be whatever reason clubbing of branches, there could also be going to a bigger, having multiple branches in one city and clubbing them together, so there could be different reasons for that, but broadly the strategy remains as in the physical part remains a very important of our long-term strategy.

Mohit Mangal: My next question is towards the unique investors, we have got 36% market share over there, so in your experience, just wanted to understand how is the behavior of these customers are they very sticky and what age group they are, if you could just throw some light on that, that would be very helpful?

Sundeep Sikka: As Prateek mentioned, we are investing a lot in Data Lake, trying to understand the behavior of the investor. One of the earlier questions which was there, the expense going up is exactly we are investing a lot on data science, understanding the behavior of people. We will not be able to touch too much because every investor is unique, but broadly what we have seen is the young investors who are coming in, the starting point for them is systematic investment plan. The other part is basically what we have seen is smaller the ticket size the more sticky it is, but at this point of time, we will not be able to share with you a lot of analytics that we are working on our data because today the fact remains it is having 20 million investors and for some of these investors, we have a history of more than 10, 15, 20 years, this is going to be a very important part of our strategy going forward how do we put this data to use.

Moderator: Thank you. Next question is from the line of Jignesh Shial from Incred Capital. Please go ahead.

Jignesh Shial: I just had one more like a macro kind of a question, there had been a change in the tax norms for these insurance companies and thereby the non-PAR which is a savings product can be now being executed to what mutual fund or typical FDs would be, are you seeing flows shifting, broad level, do you see that kind of flows which will be shifting or the investor minds are shifting or getting more linear towards mutual funds with long-term mutual fund investments and all, just as your thoughts if you have any? That is the only thing I wanted to know?

Prateek Jain: So, Jignesh, see if you go by the initial assessment this has come in, I think industry has not witnessed too much money coming into the debt segment while ultra short term and liquid has seen some money coming in, but on the longer tuner, the money has not come in, so here they are understanding and grabbling is because here the tax break has been taken away. On the other side, if you would have seen that there is a good amount of money which has gone into the senior citizen saving scheme, so obviously as Sundeep mentioned that this is also to be seen in a longer-term context rather than just in a short view, but what we understand is in the last 6 months, also what you will see that money getting into the hybrid funds category. From an industry perspective, it would be both from a realization, from investor's long-term benefit perspective, it is much better that he comes into hybrid category and takes the advantage of indexation as well, therefore, you will see some diversification happening, however, HNI as well as the senior citizens beyond their investment into FDs, they will keep coming into the longer-term. Also, the market has been bit volatile, therefore industry is also not going and pushing that hard, so this is combination of all of these things.

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

Prayesh Jain: A couple of questions, firstly, on the outlook on yields, can you give some outlook on yields, so how could the yields have moved from here in the second half or specifically, you have a steady kind of a market scenario? Secondly, on the NFO yields - how has been the market behavior and what is your product line up for the second half?

Sundeep Sikka: If I understood Prayesh your question because your voice was not very clear outlook on yield and the other one is our own pipeline for NFO?

Prayesh Jain: Yes.

Prateek Jain: I would say that the competitive pressure which was there once on the yields have reduced and we are seeing higher revenue on the new NFOs, like these are in excess of our current book as well, what we are earning on the new NFOs. Also, with regards to the trajectory going forward, it will be a bit difficult because if we continue to get this kind of significant flows, then obviously the yield compression can be as high as what we have seen in the last quarter, but I am sure this will not remain as high and I could say jokingly that look last one month has been something where market has corrected. Once the AUM goes down, we start earning slightly higher, so I would say that looks difficult to predict per se, but if you go, in a longer term as we said that look there would be some 2-3 basis point yield compression which will happen on an average basis on every year basis. This will continue for the next 3-4 years before the yields get stabilized. In terms of product line up, we have been consciously not been coming out with large new NFOs as Sundeep in his conversation has mentioned last time also that we will only bring in NFO when we believe that it is a very good opportunity for an investor, and it is something which is unique. Hence per se, we do not have too many products lined-up but would request Chatty if we want to add something.

Saugata Chatterjee: No, nothing.

Prayesh Jain: Can I just slip in one more, so just on the international flows into India, typically Nippon Life support to the AMC, what kind of growth it would be preferred, whether that GIFT City route would be preferred, or direct investment would be preferred or what is the outlook there, when can we expect real sales coming there?

Sundeep Sikka: So, broadly, to answer that it is difficult to specify which route you prefer. Just to clarify, we are not talking about Nippon Life investing in India. What we are highlighting is Nippon Life helping us to get flows from other investors across the globe and Nippon Life other companies associates, example like we have launched with the company in Europe, we have launched India Bond fund. We have a couple of funds in Japan, so some are advisory, some are coming, all funds or institutions are different and then they are taking a different route to come to India. Again, I would like to clarify so that it is not misunderstood, nowhere in the discussion we have mentioned Nippon Life will be investing, it is Nippon Life helping NAM India to get a global distribution strategy to get flows from different companies where we have invested or where we have any strong relationship.

Moderator: Thank you. Next question is from the line of Gaurav Jain from ICICI Prudential Mutual Fund. Please go ahead.

Gaurav Jain: Just a follow up on the previous question around systematic flows, when we say it is equally spread, do we mean it is equally spread across the 5 schemes of large, mid, small, multi cap, flexi cap is one? And second, given it is a 38% quarter-on-quarter growth on systematic flows, is there an element of small cap, lump sum having moved, and this number expected to see a dip eventually if people decide to stop small cap, etc., and also if you can help us understand the SIP STP split here, sir?

Sundeep Sikka: So, while we cannot give data on individual funds, these top 5 funds are getting 80% of the sale. We will not try to get into the individual category which is coming or not and as you have seen our business model whether it is at the investor, whether it is a fund level, it is a devious business model where we do not want any city, any distributor, any particular fund to get disproportionate shares. So, broadly we can say, as I mentioned top 5 funds get 80% of assets.

Arun Sundaresan: And Gaurav, small cap stopped in July, but despite that this quarter overall systematic flows have been strong, which we have noted that is number one. Second, apart from small cap, the other strategies like mid cap, large cap, multi cap, some of the hybrids are also getting flows. Yes, historically small cap has been the larger contributor, but over a period it is spreading across other funds as well.

Moderator: Thank you. Next question is from the line of Saurabh Patwa from Quest Investment Advisors Private Limited. Please go ahead.

Saurabh Patwa: On industry linked question, the last few quarters have seen the larger bank led you are the only one who has been doing exceptionally well in terms of performance and with the merger of one of your peers with parent bank, which was not the case historically, how do you see the competitive intensity moving on?

Sundeep Sikka: So, broadly the way we see it, we have never been sponsored by a bank and we have always believed it is all about execution. It is a reality we are not sponsored by other banks, but that is also a positive for us. We have an open architecture with all the banks in the country. So, all the banks sell us, we have a very granular IFA network. The Indian Mutual Fund is very highly underpenetrated while we have about now roughly about 50 players, there could be scope for another 50 or 100 and ultimately, it is not about whether you have sponsored or you are part of the bank, because there have also been some bank led as per our AMCs which could not scale up. The key lies in the execution and our focus will continue to be on execution and execution for profitable growth.

Saurabh Patwa: And sir, second question was on the Passive, we have been the leader in that due to liquidity, but how are you seeing the other AMCs coming into that and it is like more differentiated or with a broader universe, how do you see that panning out?

Sundeep Sikka: Saurabh, the execution is the key. As and when regulations allow, we will also continue expanding our product suite in the ETF. The only difference I would like to give you is just seeing the global trend unlike active wherein you always have a lot of segmented players. Globally, if you look at the passive business, typically the top 2-3 have a substantial market share and then there is a very long tail. So, we need to see how it works out, but like any business, it is going to be the execution and the key is to keep responding to the needs of the investors and as and when differentiated products are allowed by the regulator, we will also continuously be focusing on it.

Moderator: Thank you. Next question is from the line of Bharat Sheth from Quest Investment Advisors Private Limited. Please go ahead.

Bharat Sheth: Sir, in earlier question, when replying on the declining yield, so you said that is it fair understanding that increase in AUM because of new net inflow as well as increase due to the market related activity also?

Prateek Jain: Yes, both. You are right, absolutely.

Bharat Sheth: So, in that slab, so at what slab we are, I mean when we are saying that pressure will remain for 4-5 years, so which slab we are, if you can give, suppose our inflow increased substantially, then decrease in the yield will be much faster?

Prateek Jain: No if you look at it that every Rs. 1,000 crore of AUM increase, you lose 1 basis point and till the time your scheme reaches Rs. 1,00,000 crores, you will keep losing it out. And, it works on your total book. So, your book is at X and then it suddenly becomes X+1000, you will lose out on 1 and that impact will be on the entire value, entire basket. So, that is one. So, secondly, if this keeps going up, the reason for going up could be either your net sales or due to market appreciation. Both these combinations will lead to higher increase AUM and because of the increased AUM, you will have lower chargeable TER and because of the lower chargeable TER, you will be earning less.

Moderator: Thank you. Next question is from the line of Arushi Shah from Sushil Finance. Please go ahead.

Arushi Shah: So, I just wanted some clarity, when you said that the hybrid funds are now going to gain more traction, so the hybrid fund yields are more like the active fund yields or more on the ETF side like and going further, how could the yield for the hybrid fund shape up?

Prateek Jain: When we say this, so one I am saying in the context of Jignesh's question on a macro basis because the tax break has been taken away on the debt side of it and therefore, we will see more money coming over the period on the hybrid side. As far as the hybrids are concerned, those we earn on an equity slab, so those are considered anything which is having more than 65% equity or earning on an equity slab basis.

Moderator: We have lost the line of the current questioner, so we will move to our last question of the day from the line of Anthony John, an Individual Investor. Please go ahead.

Anthony John: Sir, I would like to know is that towards the end of your statement, you have said some strategic sale could be there in the offing, in the future, could you just explain on that**?**

Sundeep Sikka: What I mentioned was that we continue to remain open for strategic opportunities, wherever it adds value to our existing businesses and is accretive from profitability point of view. It is again clarified nothing to do with sales, it is about acquisition.

Anthony John: So, which means you would be looking into acquisition of some AMCs?

Sundeep Sikka: I would not like to qualify that, we remain open for any acquisition which adds value, whether it is on the business, AMC, mutual fund, or any other part of the business that the regulation allows, which can increase the ROE for the business.

Anthony John: So, is there any timeline for that, sir?

Sundeep Sikka: We keep evaluating various opportunities. As and when we have something, we will be coming to and informing through this Stock Exchange.

Moderator: Thank you very much. Ladies and gentlemen, this was the last question of the day. I would now like to hand the conference over to the management for the closing comments.

Sundeep Sikka: So, thank you all for joining this call. We call it an end to this conference. Thank you so much.

Moderator: Thank you very much. On behalf of ICICI Securities, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.