Ref: UTI/AMC/CS/SE/2021-22/070

Date: 5th May, 2021

National Stock Exchange of India Limited
Exchange Plaza Plot No. C/1
G Block Bandra-Kurla Complex
Bandra (East) Mumbai – 400 051
Scrip Symbol: UTIAMC

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai 400 001
Scrip Code/Symbol: 543238/UTIAMC

Sub: Transcript of the Earnings Conference Call on Financial Results for the quarter and financial year ended 31st March, 2021

Dear Sir / Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of the earnings conference call on financial results for the quarter and financial year ended 31st March, 2021.

The same has been uploaded on the website of the Company at www.utimf.com.

We request you to kindly take the aforesaid information on record and disseminate the same on your respective websites.

Thanking you,

For UTI Asset Management Company Limited

UTI ASSET MANAGEMENT COMPANY LIMITED MUMBAI

Arvind Patkar
Company Secretary and Compliance Officer

Encl.: As above

UTI Asset Management Company Limited
Q4 and FY 2021 Earnings Conference Call
April 29, 2020

Moderator: Ladies and gentlemen, good day and welcome to the UTI Asset Management Company Limited Q4 and FY21 Earnings Conference Call. From the management, we have with us, Mr. Imtaiyazur Rahman - CEO and Whole Time Director; Mr. Surojit Saha - Chief Financial Officer; Mr. Vinay Lakhotia - Head Operations and Mr. Sandeep Samsi - Head Investor Relations and Corporate Communications. As a reminder, all participants are 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 '*' and the '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Imtaiyazur Rahman for his opening remarks. Thank you and over to you, sir.

Imtaiyazur Rahman: Thank you Mallika for the wonderful introduction. Good afternoon friends. It is my great honor to welcome you all to this call on the financial performance of your company for the fourth quarter of financial year 2020-21 and for the financial year ended 2021. I trust that you and your families are safe and taking adequate care in these difficult times. As regards the present situation in the country, after a very difficult 2020, the year 2021 began with new hopes and there was a substantial reduction in the number of COVID cases in the country, along with progress in the vaccination drive. Unfortunately, the COVID-19 cases increased once again across the country, putting stress on our medical system. At UTI AMC, as we strive for growth, we are taking all possible steps for ensuring smooth business operations by enhancing digital experience, and for ensuring safety of all our stakeholders - whose well-being is always a matter of great concern for us.

We are witnessing that in spite of uncertainties, the markets are buoyant. With increased participation from retail as well as institutional investors, it is encouraging that IMF has recently raised its growth forecast for the Indian economy by 100 basis points to 12.5% for the financial year 2021-22. This growth projection is the highest amongst emerging and advanced economies. The World Bank also has scaled up its projection by 470 basis points to 10.1% with a strong rebound in private consumption and investment growth. This will make India one of the fastest growing large economy in the world. So far as mutual fund industry is concerned, the industry is steadily maturing with increasing geographical spread and broadening of investor base. We believe that AMCs that have a strong retail brand, large distributor network, and significant presence in B30 cities will have advantage for growing faster. I am glad that your company is well positioned on all these fronts to claim growth. The Indian mutual fund industry has grown from Rs. 5,92,000 crores as on March 31, 2011 to Rs. 31,42,764 crores as on March 31, 2021, more than five-fold increase in AUM growing at a CAGR of approximately 20% in a decade.

For the financial year 2021, the asset under management for the mutual fund industry grew by 41% to Rs. 31,42,764 crores. It is important to note that corporate bond funds were the biggest attraction for investors and witnessed a net inflow of over Rs. 69,000 crores during this financial year while credit risk funds witnessed continuous outflows. Within equity-oriented schemes, sectoral or thematic funds recorded a net inflow of Rs 9,800 crores. Net equity ETF inflows stood at Rs 39,800 crores thereby witnessing an 88% growth in assets over last year. Similarly, Gold ETF inflows were at Rs 6,900 crores witnessing a 78% growth in assets over last financial year.

So far as UTI is concerned, during the year, your company adapted to the changing situation and continued with business strategies and operations unhindered. As a landmark, we successfully completed the listing of the company and welcomed our valued retail and institutional shareholders in our company. We restructured the sales and marketing department, increased focus on distribution, increased our digital outreach, improved our fund performance, incorporated ESG processes and strengthened credit research processes and put in place policies & governance systems required for a well-run and governed company.

The National Stock Exchange included the equity share of UTI AMC in the Nifty 500 index with effect from 1st March 2021. The market share growth in comparison to the industry is better. We are gaining market share in equity category. This is visible in incremental market share, though it is impacted by net outflow for the industry and also maturity of the closed-ended scheme, but we have outperformed the industry. We witnessed stabilization and turnaround in income fund performance and regained lost market share, added investor folios, expanding distribution through bank and Fintech as well as through digital onboarding.

The NFO of UTI Small Cap Fund was a great success. We had also organized the UTI Colloquium which was successful and was attended by over 6,500 people. So far as UTI Mutual Fund AUM growth is concerned, it was a great good quarter in terms of gain in Quarterly Average AUM. The QAAUM of March 2021 stood at Rs. 1,82,853 crores as against Rs.1,65,359 crores as on December 2020. You are aware that our average AUM as on March 31, 2020 was Rs.1,51,513 crores. We recorded a quarter-on-quarter growth of 10.6% as compared to the industry of 8.1%. I repeat, we registered a quarter-on-quarter growth of 10.6% as against the industry growth of 8.1%. So far as yearly growth is concerned, we registered a growth of 20.7% as compared to the industry growth of 18.8%. This resulted in the gain of market share from 5.56% to 5.69% during the quarter.

UTI Mutual Fund QAAUM growth during this quarter was the second best in the industry among the top 10 mutual funds. The closing AUM as of March 2021 was Rs. 1,76,797 crores as against Rs. 1,73,708 crores as of December 2020 and Rs. 1,17,808 crores as of March 2020. The growth was 50% on year-on-year basis as compared to the industry growth of 41%, resulting in a gain of closing AUM market share from 5.29% to 5.63%. The QAAUM of our equity fund stood at Rs. 50,751crores rising by 16.2% on quarter-on-quarter basis and 32.9% year-on-year basis. Our market share in equity and debt fund has increased as of March 2021 in comparison to the last quarter. During the financial year 2021, UTI Mutual Fund was able to capture 6% of the overall industry net inflow and also saw a revival in the income category of the schemes posting a net inflow of over Rs. 1,203 crores as compared to the net outflow of Rs. 14,137 crores during the preceding financial year. The total inflow of UTI AMC continues to remain positive at Rs. 2,659 crores during the quarter excluding liquid funds, where we witnessed a net outflow.

An important development for us has been the high share of the percentage of our gross sales under equity funds This is the first time in almost eight years that in the month of March 2021, our equity gross sale as a percentage in the industry gross sales exceeded 6.5% as against the average growth of 3 to 3.5%. In order to pick up the sales momentum for our fixed income schemes, UTI Mutual Fund decided to open the subscription from June 2020 onwards under the few of our flagship funds which were affected by the credit issues. There was a visible improvement in the performance of our income schemes. As a result, we registered a net sales of Rs. 473 crores in the quarter two, Rs. 2,436 crores in the quarter three and Rs. 429 crores in the quarter four. Accordingly, we have witnessed positive net sales in income funds in all the quarter's post-opening of subscription in schemes impacted by the credit crisis. We are confident that with the improved performance and good distribution reach, our flagship schemes like UTI Corporate Bond Fund, UTI Short Term Income Fund and UTI Treasury Advantage Fund would be able to regain the AUM.

UTI Mutual Fund’s investors folios also grew to 1.10 crores as on 31st March 2021 as against 1.09 crores as on 31st December 2020. Individual investors contributed to about 48% of the total closing AUM and 92.5% of our equity closing AUM. We are happy to share that as of March 2021, 23% of our total MAUM comes from beyond 30 cities as compared to 16% for the industry and we continue to maintain our position in these cities.

UTI Mutual Fund added 5.52 lakh new SIP accounts during the year, a jump of over 62% in comparison to the previous year. We also would like to highlight that during the quarter, we added 2.42 lakh new SIPs as compared to 48.05 lakh added by the industry with the market share of 5.03%. UTI also saw traction in SIP gross inflows during the financial year 2021 to the tune of Rs. 3,192 crores witnessing an increase of approximately 8% as against industry degrowth of around 4%.

Our focus on increasing our share of wallet with banks and national distributor has started to reap results and we are seeing good traction on the background of good performance. Our alliances with PNB and Bank of Baroda have started yielding results.

So far as the company financial are concerned, our efforts to increase our market share along with strong net inflow and cost control measures has helped us to perform well during the fourth quarter. The company posted a consolidated net profit of Rs. 134 crores, rise of 626% as compared to the corresponding quarter of last financial year.

For the full year ended 2021, consolidated net profit was Rs. 494 crores as against Rs. 271 crores last year. Our operating profit margin has also improved to 13 bps as against 12 bps in the previous year. We are pleased to announce that along with our PAT margins, our Return on Equity has also touched 3 year high with RoE touching

15% for FY21. During the year, the company took stringent cost control measure due to which the standalone other expenses came down to Rs. 108 crores as against Rs.115 crores in the previous year.

Consolidated financial highlights:

During the financial year 2021, UTI's revenue from operations was Rs. 1,170 crore up by 37% from the last year. The profit before tax was at Rs. 603 crores up by 77% and the profit after tax was at Rs. 494 crores up by 82%. For the fourth quarter of financial year 2021 revenue from operations was Rs. 289 crores, up by 112% in comparison with the fourth quarter of the previous financial year. The operating expense was Rs. 101 crores lower by 12% in comparison to the quarter four of the previous financial year. The profit before tax also grew by 11 X and the profit after tax grew by 6.2 X.

Friends, I am happy to inform you that the board of UTI AMC has approved a payment of dividend for the financial year 2021. It is proposed to pay a dividend of Rs. 17 per share for the financial year 2021 as against Rs. 7 per share paid for the last year. I repeat, it is proposed to pay a dividend of Rs. 17 per share for financial year 2021 as against Rs. 7 per share paid in this financial year. In terms of percentage of PAT, it would be 61.29% for the financial year 2021 as against 28.70% for the last year.

We have uploaded a very detailed presentation on our website and the website of the stock exchanges of the country, BSE and NSE. Friends, we have the right processes in place, we have the right people in place and we are fully committed to deliver consistent performance to our investors. We are fully committed and working very hard to ensure that we capture the growth not only in the beyond 30 cities, but also in the top 30 cities. We have put in place a very strong digital framework and we are the only company which has got the board level digital transformation committee. We are putting in our resources to capture the growth which comes from the digital strategy. Our human resource policy is and will continue to be employee-friendly. We have decided as a company to increase the paternity leave for our young employees from 7 days to 15 days, (from 1 week to 2 weeks).

We are committed to work hard, to ensure that we add value to our shareholders and all stakeholders.

I have with me, as was introduced by the moderator, my colleagues, Mr. Surojit Saha - CFO of the company, Mr. Vinay Lakhotia - Head of Operations and Mr. Sandeep Samsi - Head of Investor Relations.

At this particular point of time, I wish you and your family, the entire country and the entire humankind, good luck and God must provide safety to us from corona virus. With this, I will stop here and we will be very happy to take any questions which comes to and thank you very much.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from Sahej Mittal from HDFC Securities. Please go ahead.

Sahej Mittal: Good afternoon Sir. Thank you for taking my question and congratulations on a great set of numbers. Firstly I was just going through your profit and loss statement and I see that while employee cost has reduced for a particular quarter, but other expenses have gone up sharply in 4Q. So just wanted to understand are there any one-off in this particular quarter or is this kind of trajectory we will be seeing in the future years? Second was on the PFRDA update**,** so we filed RFP in the last quarter, so what was the update on that and what are the yields we are seeing on that business? And thirdly was on the VRS scheme, you last time had highlighted that you will be taking a call in the March 21 board meeting, so any update on that?

Imtaiyazur Rahman: Let me take your second question first, which is very easy. We have been appointed as one of the fund manager of PFRDA and the fees is in the public domain, it is going to be a very good profitable business for us. We have been appointed as a fund manager. Hope this answer your question. So far as expense is concerned, these are administrative expenses and I see that our expenses have not increased at all if you compare with the previous financial year. Last year, our operation cost was 106 crores and it is 99 crores. My CFO will take this question, he will answer to that and the third question I will take. So CFO, on the administrative expenses, please answer the question.

Surojit Saha: Yes, your specific question was regarding Q420 and Q4 21, where you see a jump of around 17 crores. That is one off case, because you know that on the 21st of January 2021, the CSR rule came that unspent amount also needs to be accounted. So based on that Rs. 9 crores we had to charge to our expenses and apart from that due to some digital initiatives which we had taken; the annual payment for same came in March. These are the two reasons why you see increase in expenditure in Q4FY21 compared to Q4FY20.

Imtaiyazur Rahman: Mr. Mittal, in case of CSR expenses, earlier the accounting policies circular was that the un-spent should not be accounted for. This year, we have accounted the CSR expenses and therefore you will see the sharp rise. There is no other major expenses. If you see the line by line item which will be available there, you will be very happy to see we were in a position to control lot of expenses. Other than our expenses on our digital initiative, as Surojit has pointed out to you, we have invested in our investment operation. We have started using Bloomberg and that is the costly application to use, but we are proud to have that. So far as your point number three is concerned, we have no plan at this particular point of time about VRS. You know the world is facing a difficult issue, we have no plan at this particular point of time.

Moderator: Thank you. The next question is from Piran Engineer from Motilal Oswal. Please go ahead.

Piran Engineer: I just had a clarification from the previous question, my line was a bit hazy, so regarding the employee expenses now, how do we think about employee expenses going forward and was there a one-off which led to a sharp decline on ESOP expense not being there etc.?

Surojit Saha: Firstly, I will speak in general and then I will come to your specific question. The employee cost is on four pillars; that is managerial and non-managerial fixed cost which you know should be on a declining trend with respect to the natural retirement schedule. Variable pay is a direct correlation to the business growth and existing ESOP cost which you all know that will be there for FY 21-22 and FY 22-23 for an amount of Rs 13 crore and Rs 4 crores respectively. In respect of insurance & actual other cost, there should not be a material impact in the current interest scenario. For your specific question in respect of the fall, these are mainly because of the three reasons. One is last quarter, we had to take the ESOP cost during our IPO which came in on 16th December 2019, the ESOP cost was Rs 10.5 crores against which this current quarter we have considered only Rs. 3.5 crore because it has been amortized properly in every quarter. Variable pay, if you remember in the third quarter we considered around Rs. 45 crores. Since the actual KRA performance score has come and based on that our total amount which we reflected in our financials is Rs. 38 crores. So there is a reversal in respect of that. Our non-managerial provision which you remember in the last wage settlement, in March, we considered Rs 12 crores provision which is not there in this particular quarter. So the net of like Rs 10.5 crore from last year and Rs. 3.5 crore this year, so Rs. 7 crores in respect of ESOP expenses, variable pay, the net impact of the reversal is around Rs. 14.5 crores and the nonmanagerial provision which was not there of Rs 12 crores. This together is Rs. 33.5 crores which you see Q4 impact of Rs. 74 crores to Rs. 110 crores.

Piran Engineer: And going forward?

Surojit Saha: And going forward, as I already said in the beginning, it will have a declining trend because of our natural retirement schedule and obviously you all know that ESOP cost which is there in this particular financial is around Rs 30 crores which will be around Rs. 13 crores next year, so there will be a downtrend in the employee cost.

Imtaiyazur Rahman: We are trying our best to manage the employee cost and I can see the fixed cost there is stability now. The fixed cost is not increasing and variable pay will largely dependent upon the performance. I think as we performed better, we need to pay key employees better.

Piran Engineer: Sir, secondly, till last quarter, you all used to publish the quarterly net sales across different product, I could not find it in the PPT, you all plan to stop publishing it, because that was actually pretty useful?

Sandeep Samsi: It is there, if you see the presentation on the exchanges as well as on our website, it is there on page number 8. In an earlier version, when making the PDF it got cut off, but we have put a revised presentation there. If you refresh, you will get it.

Piran Engineer: And sir, just lastly one question now as you all are gaining scale in several funds and when you cross particular threshold, your TER automatically reduces, right. Now when that reduces, does everything get passed on to the distributor, do your margins remain intact with size or do you all have to bear that?

Vinay Lakhotia: I think the endeavor will be to pass on the impact of the TER reduction to the distributors and that may happen with a lag of a quarter and so, but the whole idea is to pass on the TER impact loss to the distributors in form of reduced sale commission only.

Piran Engineer: So we will not bear any hit?

Vinay Lakhotia: No.

Moderator: Thank you. The next question is from Madhukar Ladha from Elara Capital. Please go ahead.

Madhukar Ladha: First, just on the employee expenses part, I think you mentioned, some non-managerial reason and the amount was roughly about 13 crores, can you repeat that?

Surojit Saha: Yes, in last quarter of March 20, we had a non-managerial settlement for which we had to provide 12 crores in the books of accounts which are not there in this particular fourth quarter, so that difference is 12 crores.

Imtaiyazur Rahman: Madhukar, we have 5 years pay settlement with our non-managerial staff. That got over in December 2019 and therefore the negotiation was done and it was accounted for. This year, it has already gone into the system and no fresh provisioning for that.

Madhukar Ladha: So now the settlement did not have a fresh salary hikes in the non-managerial level for 5 years, is my understanding right until FY25 or that number is fixed?

Imtaiyazur Rahman: There is a wage settlement in fixed basis and no negotiation at this particular point of time. It is fixed for 5 years.

Madhukar Ladha: So the increment is fixed for 5 years, right?

Imtaiyazur Rahman: Yes.

Madhukar Ladha: Can you share a little bit of details around the employee numbers in FY20 versus FY21 and how fast can we see some more reduction happening over here?

Vinay Lakhotia: Madhukar, I think in our earlier call also, we have given a direction that within a period of next 4 years, we do see a cumulative saving of roughly around Rs. 65 to 70 crores because of retirement of our employees and this saving is even after considering the replacement cost that will be in form of management graduates**.** After a period of 4 years, we are looking at a reduction in the employee cost of roughly around 10 to 15% on an annual basis thereafter and that 10 to 15% on the current annual wage bill of around Rs. 300 crores.

Madhukar Ladha: So should we not be expecting this gradual reduction every quarter, so that the trajectory should be?

Vinay Lakhotia: It will happen, but that reduction may not be linear. It depends on the number of employees retiring in each quarter, but yes, over a period of next 2 to 3 years, on a year-on-year basis, you will see the reduction, but on quarter-on-quarter it may be a little bit erratic depending on the number of employees retiring.

Madhukar Ladha: I also wanted to know the amount of the interbranch service fees for the quarter, can you share that number?

Surojit Saha: Madhukar, in respect of that, I am just telling you for the annual for the time being, last year it was 26 crores and this year it is 27 crores for 12 months.

Madhukar Ladha: I can back calculate that.

Surojit Saha: Yes.

Madhukar Ladha: And can you also give me a closing AUM for the different asset classes like equity, debt, liquid, others?

Vinay Lakhotia: As on 31st March, our closing AUM is Rs.1.76 lakh crores. For equity it is Rs.51,985 crores, for hybrid fund is Rs.22,725 crores, ETF Rs.42,381 crores, income fund Rs. 23,325 crores and liquid fund Rs.36,381 crores, totaling to Rs.1.76 lakh crores.

Moderator: Thank you. The next question is from Ajox Fredericks from B&K Securities. Please go ahead.

Ajox Fredericks: Thank you for the opportunity. On the employee expense side, next year we will be saving Rs.17 crores because of the ESOP differential versus Rs. 21 crore and non-managerial side, we are saving around Rs. 12 crores this year versus last year?

Surojit Saha: No, Rs. 12 crores was provided in March 2020 in respect of the arrears for non managerial, whereas that provision is not there in the current financial year March 2021.

Ajox Fredericks: So just the ESOP thing which we have to factor in?

Surojit Saha: Yes, ESOP is different.

Ajox Fredericks: So probably we will get a saving of 17 crores from the usual run rate which we do?

Surojit Saha: Yes, in respective of ESOP, yes.

Ajox Fredericks: That is number one. Number two, sir, can you share the new customer addition you have done on the retail side in FY21 because some of our peers have told that they are adding almost 50% of the new industry customers, so what has been your addition?

Sandeep Samsi: Ajox, during the last financial year, we have added approximately 5.20 lakh new folios and in this quarter, that is quarter 4 we have added about 2.07 lakh new folios.

Ajox Fredericks: And these are not unique customers, right these are new portfolios, got it sir. Sir, I just have one more question. With respect to SIP share, they are telling me it was around 5.02% market share, given that we have a decent exposure in B30 and our market share is improving on debt and equity front, why is our SIP share not beyond the average share of our business?

Imtaiyazur Rahman: Our SIP's market share was 3%. From there it has gone to 5% one year. It is our focused area for business and we have a dedicated team in our office and they are driving these SIPs. We have various strategies to drive the SIP. SIP is our key focused area.

Vinay Lakhotia: Just to add one more, in terms of new SIP registered in number of counts, we have registered a growth of 62% in this particular financial year as compared to an industry growth rate during the same period at 20%.

Moderator: The next question is from Prayesh Jain from Yes Securities. Please go ahead.

Prayesh Jain: Firstly, on the retirement solutions business, as per the PFRDA document, only UTI retirement solutions has got 0.07% yield, everyone got 0.09%, so while the impact is very miniscule, but what was the reason for UTI getting that lower yield? And the second question on the UTI retirement solution itself is where do we invest the surplus money in that company? And lastly, on the employee cost for the overall company, could you give us the breakdown of the managerial fixed and non-managerial fixed and the variable component for last year and any take on the announcement by SEBI last night? Yeah, that would be my four questions. Thanks.

Imtaiyazur Rahman: Okay. So let me reply to our retirement solution. Your question is, if I got it right, why we have five bps and other have seven bps and nine bps, am I right?

Prayesh Jain: Yes, sir.

Imtaiyazur Rahman: Okay. See, there are various slabs up to 10,000, there are five, six, seven slabs. So our yield is the same as of our competitors. And we consciously decided for the first 10,000. In order to give and share our goodwill with our old investors, in retirement solution we will charge less that is the reason we have decided to charge less. As you may recall, we are the pioneer in this particular industry and therefore, we wanted to pay it back to the investor. That was the strategy.

Overall, it did not impact our profitability, so far. You were asking that how you are going to manage the cash of RSL? Is that your question?

Prayesh Jain: Yes, sir. Yes, sir.

Imtaiyazur Rahman: Okay. See, as of today it is 100% subsidiary of UTI AMC. So whatever the cash is there it gets consolidated to UTI AMC balance sheet and there is not much impact. Going forward the board of UTI will take a serious call and if required, give dividend to the company or the shareholders. And what was your third question?

Prayesh Jain: Sir, it was regarding the employee costs, can we get a breakdown…

Imtaiyazur Rahman: Surojit. Over to you, Surojit.

Surojit Saha: Yeah, what is the breakup of managerial and non-managerial and variable pay? So managerial salary is Rs. 168 crore; non-managerial salary is Rs. 66 crore; and variable pay is Rs. 38 crores, you wanted this breakup.

Prayesh Jain: Yeah. And also any take on what was announced last night SEBI announcement with regards to the 20% mandatory salary payouts in the form of MF units, Any take on that?

Imtaiyazur Rahman: I will not comment upon that. These are the SEBI's regulation and it is applicable not only to UTI but for all. And they are our regulator, I need to respect them. So I have no comments to offer.

Prayesh Jain: Sir, rather my question is pointing to the impact. So whether you will just give it in the form of units or what are you guys thinking in the sense of the employees might be getting impacted because of this, right?

Imtaiyazur Rahman: See, I am saying I have nothing to comment, it came around 8:30 in the night. The circular is in front of me. I can really look at here. But we need to analyze, understand this. We will go to the AMFI Board, AMFI will look into this one and accordingly, AMFI will give the best practices guidelines. So that is the only comment I can offer. I have no comments to offer on the SEBI regulations. They are the Regulator, we must respect them.

Moderator: The next question is from Hitesh Gulati from Haitong. Please go ahead.

Hitesh Gulati: Sir, on the other expense for Q4, we see that 55 versus 36 in Q4 FY 2020 last year. So, can you please let us know what is the reason for this? And also, sir, on the dividend payout, Is there any strategy to sort of increase the payout or any update on that?

Surojit Saha: Yes, in respect of the first question, last year other income was Rs. 36 crore and this year, it is Rs. 30 crore, It is mainly because the major expense in this is the GST, which is last year was Rs. 26 crores and this year is Rs. 27 crores. But in respect of last financial year, there was an exchange gain in the consolidated financials of 4.25 crore that is why it is Rs. 36 crores. And this year, there is a non-profit income where write-back was done, so accordingly, it is Rs. 30 crores. So main differences is because of the foreign exchange gain, which was there in the last year.

Hitesh Gulati: Just sorry, on the other expense it is Rs. 55 crores this quarter, right?

Surojit Saha: This quarter, I told you that.

Hitesh Gulati: Sir, Q4 FY 2021 is 55 versus 36 in Q4 FY 2020.

Surojit Saha: Yes, that is mainly because of that CSR expenses which came this particular quarter of around Rs. 9 crores.

Hitesh Gulati: Okay. Sir, and keeping on the dividend payout strategy?

Imtaiyazur Rahman: See, it was a very good dividend which the company has declared. We have gone up from Rs. 7 to Rs. 17. We have gone up from 28% to 62%. At this particular point of time, the board has approved this and as you know, this is the prerogative of the Board to approve on year-on-year basis. As per our policy, we have said that the Board may declare the dividend considering the other factors and the minimum dividend, Board can declare is 50% of our profit. That is really clear policy which we have laid out. At this particular point of time, I congratulate the shareholders, our investors. This is a very good dividend that our board has declared subject to the approval of shareholders.

Moderator: The next question is from Gaurav Jani from Centrum. Please go ahead.

Gaurav Jani: Harping a bit more on the employee side. So I think in the last quarter, we have added about 51 employees. So firstly, are these the management trainees that you are including, Sir? Basically they would be on a lower salary base, is that the correct assumption?

Imtaiyazur Rahman: Yes, the graduate trainees. Vinay, over to you.

Vinay Lakhotia: Yes, Gaurav, that is the correct assumption and we are a hiring these graduate trainees and management graduate also at lower level. So that is the guidance that we have given, that we will be hiring at lower level, where we will be saving a substantial amount of cost with the retirement that are taking place.

Gaurav Jani: Sure. So going forward, so is it a correct assumption that you could probably add about 50 odd employees per annum or this number will go up in the next year?

Imtaiyazur Rahman: No, I think we will see the stability on new hires now. I think, we have done the reasonable hiring in last three years and this number may not be required. And all depends upon how we are expanding our business. But I think, we have done enough hiring to ensure that the attrition which we see, the natural attrition because of retirement and all, we have enough resources to meet our business need. Significant hiring will not be there now.

Gaurav Jani: Sure. Sir, coming to your consolidated numbers are not just a bookkeeping question on that. The tax rate for the quarter was about 12% only and for the full year at 18%. So what sort of assumptions do we make forward is in? Firstly, the reason for lower tax rate in this quarter? And then what kind of tax rate are you seeing for the full year?

Surojit Saha: Firstly, let me just explain to you this March 2021 standalone effective tax rate was 23.19% and March 2020 was 17.84%. It was 17.84% as we all know because there was a reduction in the corporate tax and because of which there was a deferred tax advantage for us and that is why the March 2020, the effective tax rate was 17.84%. Now coming to the consolidated tax rate for March 2021, the effective tax rate was around 18.06% and March 2020 was 19.04%. Our consolidated effective tax rate is less mainly because of the UTI International, we have some accumulated loss and Guernsey as you know is tax free. And Singapore also there was some carry forward loss. That is why our consolidated effective tax rate is around 18% to 19%.

Moderator: The next question is from Aditya Jain from Citigroup. Please go ahead.

Aditya Jain: Thank you. Just on the UTI International Assets, in the presentation it is mentioned at one point there is 70% growth in those assets year-over-year. Could you just break that up into what is market value application related how much is flow and what all is driving that growth?

Imtaiyazur Rahman: I think, company has witnessed this great growth. Our IDEF, Flagship fund, is now $820 million, and we have seen the new subscription there. We have mobilized over $300 million in some other funds. We launched ESG product and we have mobilized $125 million. Mostly there is a new addition; new subscription.

Surojit Saha: Let us just say our IDEF fund from Rs. 2,000 crore it has gone to Rs. 6,000 crore in INR. And our JSS ESG fund, is around Rs. 900 crore.

Aditya Jain: How much is the market depreciation and the new…

Surojit Saha: Yeah, I got it, sir. That is the question, so we can answer it separately.

Aditya Jain: Got it, sir. And then from a data perspective, the quarterly average AUM, I hope I am not missing it. But I cannot find it in the presentation. I can see the portal and I can see equity plus the balance. But if you could give the quarterly average AUM by segment, that would be great help.

Vinay Lakhotia: Okay. So for the March quarter, we had quarterly average AUM for Rs. 1.82 lakh crores; equity Rs. 50,751 crore, hybrid Rs. 22,367 crores; ETF Rs. 42,581 crore, income fund Rs. 24,092 crores; and liquid fund Rs. 43,062 crores, totaling to Rs. 1.82 lakh crore.

Aditya Jain: Got it. Thank you. And just a last thing, so you have given a nice slide on digital platform flows. So that I assume will also include that website in the platform. So I am just curious, all these new app platforms like Groww and Paytm, ET Money and so on. How large the part would they be contributing to new client acquisition or to its flow, if it is possible to share?

Sandeep Samsi: Yes. Aditya, we have increased well with FinTech companies like Groww, Kuvera, Fisdom, Paytm Money, ETMONEY, etc. And we have seen an increase in our SIPs, as they are SIPs sellers, as you would know. We have grown from 53,101 SIPs in FY 2019 - 20 to around 1,39,000 SIPs now. That is an increase of about 162% and some of these, are really growing by leaps and bounds in the last one year and we hope to continue our sales through them.

Moderator: The next question is from Kunal Thanvi from Banyan Tree Advisors. Please go ahead.

Kunal Thanvi: So I had broadly two questions, one was on, like can you throw some color on how the distribution engagement that we have been trying to reach out and last six odd months have played out, our negotiations with SBI is still going on, we have seen any breakthrough there? And how we are looking to leverage the FinTech space in from the distribution point of view? That is point number one. Point number two is, sorry for the repetition, but there has been a lot of confusion over the call regarding the employee cost and other expenses in terms of you know, what is the right number to look at? So if we look at FY 2021, our employee cost is at say Rs. 380 crores and other expenses at say Rs. 169 crores - Rs. 170 crores. So how should one look at it from the sustainable basis, barring the one-time expenses that we had an FY 2021 on the account of ESOP, non-managerial settlement, performance linked bonus assets, etc., etc.? What is the sustainable run rate in these two expenses over say next two years?

Sandeep Samsi: So as I was mentioning Kunal, that FinTech's have really increased in the last one year and we are continuing our partnership with these FinTech's. Now, as you would know that, some FinTech's are very flexible and nimble footed and made continuous customization. So we have put in place a team at our digital marketing team to look at interaction with the FinTech and ensure that we have the API gateways as well as the interfaces that are required with the FinTech. So that is how we have been able to partner with the FinTech and grow our share in SIPs and other products through them.

Coming to the distribution partnership, this year, we have seen a good amount of growth though, it was a very challenging year even for the banks and national distributors, as the banks are not opening. Even during this period, we have seen our market share in the equity products go up from about 1.54% to about 1.71% in the equity products of UTI. So we have seen engagement in the banking channel. And Mr. Rahman had also mentioned in the last call that about your specific question on SBI, we are continuing to work with them and we hope that we will be there on their platform very soon. And as far as the other two banks are concerned, as Mr. Rahman mentioned, PNB and BOB, we have seen good sales from both of these banks in our equity products.

Kunal Thanvi: Sure. When you say FinTech, we have appointed our own team and working closely to make sure the API's match. Can you give some quantitative color how things have improved from the FinTech channel in last one year?

Sandeep Samsi: Yes. As I just mentioned earlier that in our FinTech's platform, we have about 139,367 live SIPs as compared to 53,101 SIPs that we had in the previous year. That is an increase of about 162% through the growth in the FinTech business.

Kunal Thanvi: Sure. That is really helpful, Sandeep. Yes, my second question was on the cost structure, what is the sustainable run rate in the employee cost and other expenses going ahead?

Vinay Lakhotia: So we will just give two directional number, first with respect to ESOP, the current expenses are in the ESOP is close to around Rs. 30 crores. Next year, the ESOP cost will come down to roughly around Rs. 13 crores, assuming no further ESOPs are being issued, so nothing as of now is planned. And thereafter, I think 2022-2033, roughly around Rs. 4.5 crores, so that is the run rate on the ESOP cost.

In terms of employees saving because of retirement, we have indicated earlier till 2023-2024 we see a cumulative saving of roughly Rs. 65 crores & odd on account of retirement. And these include the replacement costs as well. And thereafter, from 2023-2024 onwards, the employee costs saving could be roughly around 10% on our current annual wage bill on the annual basis of around Rs. 300 crores.

Surojit Saha: In respect of the other expenses, as we are very conscious of the cost control in our business operations from Q4 2020 onwards, we are strictly monitoring each item of expenses. The objective is to enhance our efficiency in the operations while controlling costs. In view of the stringent measures, we have been able to keep the expenses run rate around Rs. 24 crore in Q1, Q2, Q3 of 2021. However, for the Q4, the amount went up due to the annual payments of the digital initiatives which were important. While we are focused on increasing our distribution reach and digital outreach, we are taking a conservative approach as regards to opening more offices. We will be judicious in our approach, and we will open additional offices only it makes a business case for us. In the present scenario, we are enhancing our engagement with distributors and strengthening tie-ups with banks and third-party distributors. We have also sharpened our focus on BDAs. Going forward, we will continue to analyze each item of the expenditure to rationalize our cost on a sustained basis, like we are very hopeful of keeping this run rate.

Moderator: The next question is from Anand Laddha from HDFC Mutual Fund. Please go ahead.

Anand Laddha: Sir, I just wanted to understand on the pension funds. The regulator has increased this year fees.

Imtaiyazur Rahman: Yes.

Anand Laddha: Can you give some indications how much fees we will be charging in FY 2022 on the pension fund? And how much was fees charged in the FY 2021, sir? So what could be the increase in the fees? And what impact it would have on our top line or on PBT?

Imtaiyazur Rahman: See, it is a easy calculation, you please take the number which is already in the public domain and take the AUM and the number comes out for the future earnings. And for the past year, Surojit ?

Surojit Saha: Yeah. Last year RSL total income was around Rs. 15 crore. I do not know as a future statement I will be able to make any?

Imtaiyazur Rahman: No, hold on. Anand, is a very smart analyst, he can calculate.

Anand Laddha: So just as a simple thing, sir, last year we were charging 1 bp as a fees, this year we will be charging 5 bps as a fees.

Imtaiyazur Rahman: No, there are various slabs, they are five or six…

Anand Laddha: Yeah, but actually it comes to around 5 bps, sir.

Imtaiyazur Rahman: Yeah, you are right. And you know the AUM, you can calculate.

Anand Laddha: Sir, if I have to other subsidiary business be it UTI international, be it AUM of other subsidiaries. And the top line if I had to look at for this year. So effectively our excluding standalone performance, the subsidiaries has reported revenue of Rs. 80 crore for the full year and the OPEX of the subsidiary also similar, sir closer to Rs. 85 crores. So sir, if you can give some color like despite they have been achieving critical size, we do not make a lot of money on our subsidiary businesses. So by when do you think we will be able to have some core profit?

Imtaiyazur Rahman: Good question. Let me take the biggest subsidiary UTI International. UTI international is a very important subsidiary for us. And as you know, we had a very good product, in our fixed income but because of the credit issues, we lost a significant amount of an AUM. From $350 million, it came down to the $50 million. So that and plus a lot of challenges on the subsidiaries earning. The good news is from $200 million - $250 million the IDEF had crossed almost $800 million, it is around $820 million and above. So this business is very profitable and we are investing. We are investing heavily in our ESG strategies and we will continue to invest. When it will be very profitable? I believe that next year 2021-2022 and next year is going to be a good year.

Anand Laddha: Okay. Fine, sir. Sir, last question, on the dividend policy. Sir, if I had to look at our dividend payout and consolidated basis, it is less than 50%. So, just wanted to understand, what is the thought process of the Board, they wanted to pay dividend on standalone basis or they look at consolidated profit and pay dividend on that basis? That is final, sir.

Imtaiyazur Rahman: In this year, it is the standalone basis because the rules declared by Indian Companies Act Account. So we have declared on standalone basis. Going forward, policy stays on the standalone basis, it is a good question which you are raising, we will deliberate internally, Anand.

Moderator: The last question is from Viraj from Securities Investment Management. Please go ahead.

Viraj: I just have two broader questions. So process on the retirement solution business, just trying to understand this business, nature of this business a bit better, so there are couple of questions there. One is, in last couple of years, we have seen majority of the mandates which are given to government owned majority AMCs, including us. Now we are seeing a very increase intensity and competition, you know there are new players which have entered. So how should we understand our play in this segment? That is part one.

And part two is, if you were to better understand the existing book of around Rs. 1.6 lakh crores, this would be typically a three year or five year mandate, right? So if that is the case then how much of this book is up for rebidding in next one year? What are the factors that go for rebid? And what are the mix in terms of government and non-government mix in corporate right now?

Imtaiyazur Rahman: So one is, for how many years this would be there, it's all about the agreement and there is nothing like that in three years the entire business will go away. There has to be some continuity. I have no clarity at this particular point of time. But I believe that there is a continuity there. The breakup which means the government, non-government business, if my colleagues carries the data they will give it to you. It is going to be a very profitable business for us, extremely profitable. So part of the expansion of the new asset managers are concerned mutual fund managers, I think it is a welcome move by the PFRDA of empanelling more number of players. Competition is good and we welcome the competition. The large number of Indians do not have any pension options, now retirement benefits. It is good for our nation. And I am very happy that more number of participants has come. Surojit do you have breakup of the government and non-government business, what we have with us? Or we can give them the offline.

Surojit Saha: We have to give them offline, sir.

Viraj: Sir, just two things there. Usually these mandates when they are given to us, so when the mandate is given, it is more about the number of accounts or beneficiaries or it is rather on a total AUM basis. So the reason I am asking is this, annually we see, there is an annual contribution to NPAs in the light with which these beneficiaries they make, right? So there is a natural flow another addition to it. So, we manage the accounts per se or we manage the overall AUM in terms of that in quantum. So that is one. And second is, is there any change in cost structure we will have to so in other investments or anything you would have to make to support this growth in AUM which you are seeing?

Imtaiyazur Rahman: Okay, I will take the cost part and I am the Chairman of that particular company we have basically have the right resources. We have already put in place all the required resources in place. One or two competencies, we may have to add. Otherwise, this company is fully established with the right infrastructure, right offices space or IT infrastructure or the team is concerned. So I am not visualizing a very large structure so far as the infrastructure or team is concerned. So cost wise it is going to be similar. Another question, Surojit, you have any answer for that?

Surojit Saha: Yes, in respect of the next question where you want a clarification, whether it is on the transaction. The fees is based on the AUM.

Viraj: So what I meant is we manage the beneficiaries accounts, right. So every year the natural flow in terms of contributions.

Imtaiyazur Rahman: Allocation is based on the AUM.

Viraj: No, what I meant is the mandate which has been given to us, in the end you are managing those amount, which is a managing or managing those individual beneficiaries?

Imtaiyazur Rahman: No, we are not managing those beneficiaries, we are managing the AUM. So under this there is a beneficiary. So, we do not have the beneficiaries' detail, we only have the AUM of those beneficiaries.

Viraj: So annually when there is a contribution by those beneficiaries to NPS would that naturally come to us?

Management: Yeah.

Imtaiyazur Rahman: Yes.

Viraj: Okay. And there is last one part, you set the break up in terms of employee cost, managerial and non-managerial that roughly comes to Rs. 270 crores. Now, the total employee cost is roughly Rs. 370 crores. What is the difference?

Surojit Saha: Yes. The consolidated employee cost is Rs. 380 crore basically and out of that UTI AMC is Rs. 342 crores; UTI RSL it is Rs. 2.57 crores; UTI Capital is Rs. 5.85 crores; and UTI International is around Rs. 30 crores. So total employee cost is around Rs. 380 crores.

Viraj: No, what I meant is in terms of managerial and non-managerial, the variable breakup which you gave.

Surojit Saha: It is only in standalone, i.e. UTI AMC, that we have the managerial and non-managerial breakup.

Moderator: Thank you. I would now like to hand the conference over to Mr. Imtaiyazur Rahman for closing comments.

Imtaiyazur Rahman: Thank you so much for participating in this call. We are really grateful to you for your participation and asking questions. And I request all of you to take good care of your health, your family health. Stay safe and stay healthy. God bless all of you and thank you so much.

Moderator: Thank you. On behalf of UTI Asset Management Company Limited, that concludes this conference. Thank you for joining and you may now disconnect your lines.