Aditya Birla Sun Life AMC Ltd.

ADITYA BIRLA CAPITAL

ASSET MANAGEMENT

Ref. No.: ABSLAMCL/PS/31/2024-25

May 3, 2024

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street Mumbai - 400 001
Scrip Code: 543374

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

Dear Sir/ Ma'am,

Sub: Transcript of the Earnings Conference Call for the quarter and financial year ended March 31, 2024

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Earnings Conference Call on Audited Financial Results for the quarter and financial year ended March 31, 2024, held on Saturday, April 27, 2024.

The above information is also available on the website of Company at https://mutualfund.adityabirlacapital.com/shareholders/financials.

We request you to kindly take the aforesaid information on record.

Thanking you.

Yours sincerely,

For **Aditya Birla Sun Life AMC Limited**

Prateek Mahesh Savla

Digitally signed by Prateek Mahesh Savla
Date: 2024.05.03 17:53:52 +05'30'

Prateek Savla
Company Secretary and Compliance Officer
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Encl: as above

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CIN- L65991MH1994PLC080811

“Aditya Birla Sun Life AMC Limited

Q4 & FY24 Earnings Conference Call”

Saturday, 27th April 2024

MANAGEMENT TEAMS:

MR. A BALASUBRAMANIAN – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICE – ADITYA BIRLA SUN LIFE AMC LIMITED
MR. PARAG JOGLEKAR – CHIEF FINANCIAL OFFICER – ADITYA BIRLA SUN LIFE AMC LIMITED
MR. PRAKASH BHOGALE – HEAD, INVESTOR RELATIONS – ADITYA BIRLA SUN LIFE AMC LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 FY24 and FY24 Earnings Conference Call of Aditya Birla Sun Life Asset Management, hosted by InCred Equities. As a reminder, all participant lines will be in 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 star and then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Jignesh Shial from InCred Equities. Thank you, and over to you.

Jignesh Shial: Yes. Thank you, Yashashree, and good morning, everyone. On behalf of InCred Equities, I welcome all to Aditya Birla Sun Life AMC Q4 and FY24 Earnings Conference Call. Along with us, we have Mr. A. Balasubramanian, Managing Director and CEO; Mr. Parag Joglekar, Chief Financial Officer; and Mr. Prakash Bhogale, Head - Investor Relations. We are thankful to the management for allowing us this opportunity.

I would now like to hand it over to Mr. A. Balasubramanian, Managing Director and CEO of Aditya Birla Sun Life AMC for his opening remarks. Over to you, sir.

A. Balasubramanian: Thank you, Jignesh, and good morning to everyone. I hope you all had the opportunity to go through the earnings presentation, which is available on the stock exchange as well as on our website.

Before highlighting the broad economic outlook and providing an update on the Mutual Fund industry and ABSLAMC performance for the quarter ending March 2024. I'm happy to share that Aditya Birla Sun Life Mutual Fund, being one of the oldest private sector mutual funds in the country established in 1994, is gearing towards the completion of three decades of its presence as one of the pioneers in the Indian mutual fund industry. We feel proud to serve the growing needs of investors in the country and contribute to the largest success of the mutual fund industry as one of the highly committed, well-governed mutual fund players. On the 30th year of our operation, we have set aside our growth path to achieve new milestones in respect of all our business verticals and make this year as one of our memorable years for our employees, investors, stakeholders, and shareholders.

Let me now begin with the economic outlook and mutual fund industry update. We are in a dynamic global landscape with elections happening in numerous nations and territories, collectively representing over half of the world population. The global macro picture in the early 2024 presents a cautiously optimistic outlook with underlying dynamics influencing growth on one side and interest rates on the other side. We believe India will continue to remain in a bright spot with strong government funding in building infrastructure, and increased investment coming from the private sector, ably supported by high domestic consumption. As is known, the Indian economy continues to exhibit resilience with a healthy projected growth rate of over 7% in FY '25 supported by stable inflation, interest rates, currency, and rising forex reserves. The Indian equity market has consistently outperformed its global counterparts reflecting strong fundamentals of the Indian economy and the earnings potential of the companies across sectors.

One should not be concerned with the recent market volatility which largely stems from the regulatory and mutual fund industry initiatives on small and midcap segment disclosure, which are aimed at enabling investors to make informed decisions. India's strong structural drivers and economic fundamentals remain intact, encouraging investors to continue participating in growth potential. We also believe that widespread growth will continue to be the driver of our market sentiment.

With respect to the mutual fund industry, as of 31st of March 2024, the quarterly average AUM reached ₹54.11 lakh Cr., growing by 34% on a year-on-year basis as compared to ₹40.49 lakh Cr. as of 31st March 2023. During the quarter, the mutual fund industry witnessed equity net sales of around ₹1.16 lakh Cr. through new fund offerings as well as in existing funds. The total NFO collection was around ₹18,900 Cr. and the balance coming from existing equity schemes as well as hybrid funds, sectoral, thematic, arbitrage, and multi-asset allocation funds.

The industry SIP flows grew by 35% year-on-year from ₹14,276 Cr. in March 2023 to ₹19,271 Cr. in March 2024. The total number of mutual fund folios stood at around 18 Cr. with an increase of 22% year-on-year with a unique customer base of around 4.5 Cr. The individual average AUM grew by 43% year-on-year from ₹23.27 lakh Cr. to ₹33.31 lakh Cr. and contributed 61% of the total AUM. B-30 cities with an average AUM of ₹9.83 lakh Cr. Accounted for 18% of the total AUM.

Moving on to ABSLAMC performance, standing on our strong foundational pillars, our focus has been to strengthen our main levers of growth in the organization by bringing in the right talent and making strategic changes in current leadership roles. Infact our momentum in the last quarter is on the back of an uptick in equity performance coupled with well-established fixed income franchise, a robust growth in sales engine close to the ground connection, tech-enabled services, and a growing digital business network. Building on this synergy and energy, the business is on a meaningful momentum, and our team is geared to make the most of it. This has been witnessed during our annual investment conclave, which we called “Voyage”, attended by over 2,000 partners in Mumbai in the month February 2024.

In Q4 FY24, our overall average assets under management encompassing alternate assets, reached ₹3.46 lakh Cr. size, reflecting a 21% year-on-year growth. Notably, our mutual fund quarterly average AUM reached ₹3.32 lakh Cr., with equity quarterly average AUM standing at ₹1.52 lakh Cr. I'm happy to say that our SIP numbers during the quarter have witnessed good uptick moving from ₹1,005 Cr. in the month of December 2023 to ₹1,252 Cr. in March 2024, making a 25% quarter-on-quarter increase.

We have added around 6 lakh new SIPs with approximately 2.5 times increase compared to the previous quarter. As part of our endeavour to acquire new customers, we’ve added approximately 11.5 lakh folios in a year. Of these, around 7 lakh folios were added in Q4 FY’24, bringing our total serviced folios to around 86 lakhs. Individual investors with an average AUM of ₹17.3 lakh Cr. Now constitute 52% of our assets. Additionally, the contribution from B-30 cities stands at 17.5% as of March 2024. We have seen good momentum buildup in our sales numbers, reflected in our healthy retail growth. The impact of building a robust sales support ecosystem that consists of virtual relationship managers, Sampark for onboarding distributors, direct channels to service HNIs and family offices, digital distribution, and service to sales is coming to its full potential gradually.

Our enhanced engagement at the relationship manager level, increased satisfaction with service effectiveness, positive sentiment towards the fund performance, and an improved digital transaction journey have all led to positive sentiment and improvement in overall AUM momentum. I'm also happy to share that our MFD NPS score, Net promotor score around performance, and sales engagement have improved significantly during the quarter from 3 in Q4 FY23 to 28 in Q4 2024. On the alternate business front, to meet the growing needs of HNIs and family offices we have strengthened our team to enhance our PMS and AIF offerings both in equity and fixed income. We currently offer over 13 products in PMS and AIF. Our good investment performance experience across our current offerings in PMS helped us in getting our products being sold in some of the organized channels through the launch of ABSL India Special Opportunities Fund, which is a category 3 AIF where we are seeing traction coming from the HNI investors.

In order to further expand our AIF product offering, we have brought in a senior manager investment professional to offer Fixed Income credit related AIF to cater to both Institutional and HNI customers. We believe both equity and fixed income AIF product offerings will further strengthen our alternate business vertical business line.

Our GIFT City operation has gained momentum with the launch of a few products to invest in overseas markets under the LRS scheme. We launched the industry-first ABSL Global Emerging Equity Fund which strategically feeds into the 'ARGA Emerging Market Equity Fund,' enabling our investors to access and benefit from emerging market opportunities. We are now in the process of launching the CAT III AIF Feeder Fund in GIFT City, which will feed into ABSL AMC mutual fund scheme in India.

On the passive front, as of March 2024, our passive asset stands at around ₹28,900 Cr., and has built a strong customer base of around 6.85 lakh folios. To drive our passive business to the next level of growth, we have finalized a senior investment professional with extensive international experience to manage our passive business growth and he will be onboarded very soon.

Moving on to the financials. We are happy to inform you that we achieved our highest-ever probability in FY 2024. Profit before tax is at ₹1,008 Cr. up 27% year-on-year and profit after tax is at ₹780 Cr. up 31% year-on-year. For FY '24, our total revenue is ₹1,641 Cr. up 21% year-on-year. In Q4 FY '24, total revenue is ₹440 Cr. up 34% year-on-year. Q4 FY24 profit before tax is at ₹268 Cr. up 48% year-on-year and profit after tax is at ₹208 Cr. up 54% year-on-year. We are pleased to announce that the board has proposed dividend of ₹13.5 per share for FY2024. So, with this, I would like to conclude and open the floor for any questions that you may have.

Moderator: Thank you very much. We'll now begin the question-and-answer session. We will take our first question from the line of Swarnabh Mukherjee from B&K Securities. Please go ahead.

Swarnabh Mukherjee: Thank you sir, for the opportunity and congrats on a good set of numbers. Three questions from my side. First, on the top line yields that we have recorded. So, there is a sequential expansion. I wanted to understand the levers for the same, is it product mix or anything else that we can read into it from that expansion? Simultaneously, you can give some cuts on how are the yields in these specific product segments and maybe flow versus stock, how the numbers are panning out. So that would be the first question.

Second is the monthly SIP flow that has kind of seen a good jump in this quarter, wanted to understand in which schemes you were seeing the incremental flows and if you could also give some colour on what kind of distributors these incremental flows are coming from. And thirdly on the cost structure. So, this quarter vis-a-vis last quarter there was an increase in both employee expenses and other expenses. So, if you can guide us on how we should look at this number panning out in the next year and any one-offs in this, that would be helpful.

A. Balasubramanian: Sure. I'll ask Parag to take the first and the third questions.

Parag Joglekar: Yes. Sure. So, on the revenue side, the increase in the revenue is in line to a greater extent with the AUM growth that we have achieved and the mix of overall equity AUM and debt AUM. So that has resulted in growth plus the growth is also on the total revenue has been higher with the increase in the overall other income also. Those are the main reasons on the revenue side.

The other thing on the yield which you have asked, the yield on the equity is in the range of around 68 basis, and on the debt is in the range of around 23 to 25 basis. Liquid is around 12 to 13 basis. So that is on the yield side.

On the expense side, people's costs have slightly increased mainly due to some true-up on the V Pay (variable pay) or the bonus which has resulted in a slight increase on the V Pay side. On other expenses, the main increase is some of the, generally in the last quarter you will see some uptick in the other expenses in most of the last quarter of my earlier years also. The event in which we conducted the Voyage was a one-off in the other expenses that happened in the last quarter. So those are the main reasons for the uptick in expenses.

Swarnabh Mukherjee: Yes. Understood, sir. So, if I could just follow up on these couple of responses, and other expenses next year how should we build this I guess Voyage would be an annual event. So, should we then also factor in that it will again come in a similar cost will come in the fourth quarter of next year?

Parag Joglekar: Yes. So, the voyage will be annual, and it will come mostly – most probably we'll do in the same – similar quarter next year. I don't know what the format will be, but if it comes in the same format there will be a cost in mostly in the last quarter slightly jump up.

Swarnabh Mukherjee: Okay. And the cost inflation between this year and next year should we kind of build in a similar run rate as we have seen in FY'24?

Parag Joglekar: Yes, people side, it will be more of an inflation plus maybe if some of the recruitment which we do on the sales side or the passive which we are or alternate side which we are trying to build, there may be. But mostly, it will be inflation plus something a couple of the percentage up, yes.

Swarnabh Mukherjee: Thank you.

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

Lalit Deo: Thank you for the opportunity.

Moderator: Yes, please go ahead.

Lalit Deo: Sir, I was asking about SIP flows. So, we have seen some material improvement during the quarter on the flow side. So just wanted to understand which of the schemes we are seeing a higher growth also could you comment on the channel-wise growth on the SIP side?

A. Balasubramanian: Sure. So, one -- the uptick that we have seen in the quarter is one the renewed focus that we've brought in to build SIPs given the fact our performance, the improvement that we have seen across most of our schemes that gave the aggression to build SIPs in the last quarter. Second, the increased flows have come through our mix of products such as Flexi Cap Fund, Pure value fund, Digital India fund, PSU equity fund, small and mid-cap funds, and other mid-cap funds. These are the schemes in which largely we have seen flows coming into the SIP segment through the mix of both online platforms as well as on the IFA channels. I think IFA channels and MFD channels have seen a significant improvement over the previous quarter with the monthly registration going roughly about 2,20,000 kind of numbers which used to be somewhere around 75,000 to 80,000 for quite some time.

So, we have seen now an increase of about 2,20,000- 2,30,000 is that range. In that roughly about 45% to 50% have come through the online channel platforms and the rest have come from the distribution channels which is our traditional distribution channel. And within that, the dominant portion came from the MFD channel.

Lalit Deo: Sure. And sir like last quarter we highlighted that there were some redemption pressures in some of the core equity schemes. So, like how has that trend been in those particular schemes?

A. Balasubramanian: I think one of the things that I've seen is I think gradually the redemptions which to be a little higher for us at the beginning of the year. That has been coming down in some of the schemes which of course saw outflows because of the category generally not seen much inflows. Second, performance issues are also there.

With the narrowing of performance vis-à-vis the peer group, we've also seen a reduction in the redemptions pressure in most of our schemes. And improved performance in some of the categories, where flows have been coming in, is also compensated further as well. I think we are seeing both. I think, a reduction in the redemptions and increased the flows coming in a few of our schemes. That's been getting netted off.

Lalit Deo: Sure sir. And sir, just last one data-keeping question. Could you give us the SIP AUM at the end of the March number?

Prakash Bhogale: It is around ₹69,168 Cr.

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

Dipanjan Ghosh: First data-keeping questions. If you can give your ESOP expenses for the year? And how do you forecast it for, let's say, FY'25 and FY'26? Second, your employee count as of March 31st The third will be, that you've given your SIP flows for March, would be great if you can kind of give it for the past two, or three months also, will give us some colour of the traction and the pace of traction we are seeing in the channel. And lastly, in terms of the product pipeline, how does it stack up for the next few quarters?

Parag Joglekar: On the ESOP side, the expenses are in the range of around ₹23 -24-odd Cr.

Dipanjan Ghosh: This will be for FY24, right?

Parag Joglekar: Yes.

Dipanjan Ghosh: And how should we think of it for the next year?

Prakash Bhogale: Head count is around 1,449.

Parag Joglekar: Head count is in the range of around 1,400 plus, 1450.

A. Balasubramanian: 1,450, right.

Dipanjan Ghosh: Sure

Prakash Bhogale: What was the other question?

Dipanjan Ghosh: Sir, the other was on SIP flow for the last one or two or three months?

A. Balasubramanian: Yes. On the SIP flows, Dipanjan, while the number for the full quarter is close to about 6 lakh registrations, the monthly run rate is somewhere around 1.95 to 2.2 roughly, the range, I think each month there is an improvement. I think we are seeing each month the number is showing improvement. Even though I'm not -- even in April, too, we are seeing the trend is continuing. I think earlier the focus used to be somewhere around 2 lakhs to 3 lakh kind of number that we used to target which is now falling in place in the last quarter, and that momentum continues now.

Dipanjan Ghosh: So, sir, the thing that I'm trying to understand is here. If I look at your March SIP market share, that's around 6.5% on a flow basis compared to around 5.7% in December '23. So, you can give some colour on this movement between 5.7% to 6.5% broken up Jan-Feb? Or in case if you don't have the data, if you can at least shed some colour on how April is shaping up? It would be higher than 6.5 or we should expect a stable or lower range in terms of the flow market share on the SIP side?

A. Balasubramanian: Yes, the way we approach SIP is given the fact that this is to the agnostic performance, and it is also something that goes very well in terms of adding a new customer base as well as on goal-based investing. The idea is always to have somewhere in the range of about 8% to 9% kind of market share that's what we gun for it. Infact the peak though it's true -- was in the year 2019-2020. We used to have almost about 13% to 14% kind of market share in SIPs.

So that what little bit higher number that to expect now. Going by the renewed sales focus that is being pushed and also being agnostic to the market fluctuations, we'll definitely will continue to work towards making these numbers better each month. That's the whole endeavour.

Dipanjan Ghosh: Sir, you can give some colour on the product pipeline going into the next two to three quarters on the equity side?

A. Balasubramanian: In terms of the pipeline of products, we have a quant fund, we already have approval and plan to launch it post-election. We would have launched it in the current quarter in the beginning itself. Given generally the vacation month in the month of May, and plus election is also there, I think we will launch it before 30th June if possible that one product we have. It's going to be managed by the Co-CIO and Head of Equity, Harish Krishnan, along with one support person internally.

And we're also looking at filing one product, which is of course under the drawing board. And hopefully, that as well, but more in the thematic category. On the AIF and PMS side, we have seen some kind of increased traction, given the fact that our performance has been pretty good on the PMS side, and that is being noticed compared to the other peer groups in the same segment. We're also seeing onboarding of our PMS products in some of the alternate channels., I think should see some kind of increased flows on the PMS side.

Dipanjan Ghosh: Got it. Sir, if I can just squeeze in one more question on this particular point? You have previously also highlighted at the start of the year or the last year, that you expect your alternate and PMS business to become a meaningful portion of your revenue maybe three, or four years out. And probably today, you're laying the ground stone for that.

So, in terms of that, I mean, in terms of your investments on the alternate and PMS space, what should one expect that to be kind of elevated looking for a medium to long term and maybe in that sense your employee additions or your employee's headcount additions or your new fund launch-related expenses can kind of be a little high at least for the next, let's say 12 to 18 months?

A. Balasubramanian: On the AIF, our focus has always been to leverage the existing salesforce and relationship that we've built over a period of time as a franchisee to build our alternate business. While that strategy continues, each of the sales teams has a separate target to drive the PMS and AIF business, including fixed income-oriented products.

In terms of team strengthening, we already have about seven people in PMS sales as the main anchor. And they will, of course, work with entire salesforce under the Head of Retail as well Head of Institutional Business to build as part of the overall business. But we've also been building a direct HNIs team which is now close to about 30 people that we have. We intend to have close to about 40-50 people will have this year. That also will help us reaching out to the direct customers, including family offices. Again, we are creating a vertical under the sales team to cater to the growing needs of the family offices. All this put together, we believe the AIF and PMS segment should see incremental growth coming better than what you have seen in the last two to three years. That's something we are thinking but they do not have an incremental significant cost coming from people, but the benefit that will be accrue from the existing team would be the large focus.

And lastly, what we are also doing. Finally, this year, there are two areas where we're looking at building size, one is on the fixed income-oriented credit opportunity, which also is pretty big. We are now brought in a person, who have experience of having underwriting capability and managed assets for the last almost 15 years with a successful track record. He has come on board, and he comes with a high passion of building credit portfolios that can be offered to family offices, HNIs, and pension funds globally. That's one which I feel that we'll be able to build. Second, the Real Estate AIF, we have seen a reasonably good track record in terms of not only, of course, performing well, even giving back the money to the investors close to about 16% kind of range of returns that investor got over the last three years. We want to build on the base of this success that side as well this year.

Dipanjan Ghosh: Got it. Sir, just one small question. If I look at your SIP flow share now, that, as I said, has improved from around 5.7% to 6.5% between December and March. Can a similar assumption be made about the improvement in net equity flow market share, including SIPs and all other sorts of flows, lumpsum, and everything?

A. Balasubramanian: Yes. I think the SIP momentum will continue. I think that can be assumed, I will try and of course, build more momentum on SIPs. See, one of the things is the widespread acceptance for the entire sales team to drive on a single-minded focus on building this as a category is very much alive and that's being pushed accordingly.

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

Prayesh Jain: Hi Good morning, Sir. Just a follow-up on the previous question. How been the trend on the overall equity sale on a net basis? What has been the trajectory SIP has been doing well for us, but what has been the trend on the overall sales like equity sales for us and in the current quarter versus the previous quarter?

A. Balasubramanian: Yes. Overall sales, Prayesh, is improving on a quarter-on-quarter basis. This quarter we have net equity sales. Earlier, we used to have the redemption of equity equally used to be high, which as I mentioned earlier, that trend is changing. And in March quarter sales and net equity flow though we don't have the numbers disclosed generally, but that's something I've seen in the last quarter.

Prayesh Jain: In the last quarter again positive.

A. Balasubramanian: The flows are largely through a mix of our thematic funds as well as one or two actively managed funds, including funds like Flexi-cap, and Pure Value kind of funds and we're also seeing inflows coming in the arbitrage fund.

Prayesh Jain: Got that. And, sir, the momentum in SIPs that we witnessed, where is it coming from the online distributors, or is it across channels, could split that for us?

A. Balasubramanian: Yes, Prayesh, I just shared the number earlier in one of the questions. Broadly, it comes from -- roughly about 40% to 45% comes through the online channel platforms. About 55% to 60% comes through the traditional channels, within that dominant component comes from the MFD channel.

Prayesh Jain: Okay. Got that. And sir, on the yield front, you mentioned I think the yield would be about 68, 70 basis points on equity. And what is the trend in the equity yields in this quarter?

Parag Joglekar: So, yield is -- Prayesh, is 68 basis on equity, pure equity. The slight drop as telescopic pricing is there as the AUM goes up, there will be a slight drop, so there is a slight drop in the yield on equity also.

Prayesh Jain: Okay. Got that. And on the -- under the debt side, do we see any improvement in yields given possibly from the next couple of quarters or six months, or from year perspective that we could see some movement towards the longer duration effects?

Parag Joglekar: Yes. So, if the movement happens for a longer duration, the yields are generally high in those products. So, we should be able to see some uptick on that side. So currently, it is slightly showing some improvements, but still, there is a little long way to go, maybe another couple of quarters.

Prayesh Jain: Last question on my side. For FY24, what will be your revenues from the PMS and AIF segments?

A. Balasubramanian: Just hold on Prayesh.

Parag Joglekar: So, PMS and the alternate asset revenue overall will be in the range of around ₹ 100-odd Cr.

Prayesh Jain: ₹100 Cr. This alternate includes PMS, AIF, and…?

Parag Joglekar: Offshore.

Prayesh Jain: And offshore as well. Okay. Got it.

Moderator: The next question is from the line of Abhijeet Sakhare from Kotak Securities. Please go ahead.

Abhijeet Sakhare: Good morning, everyone. So, the first one on the yield, like for some of the peers, there's been some year-end adjustments true-ups as well. Has that also played into our yield moment for this quarter?

Parag Joglekar: So, Abhijeet, our yields remain more or less flattish. There is no per se any -- I understand what you are asking, but no, there is nothing of that sort. An increase in the overall AUM, which has increased if you are specifically asking about equity, is an overall increase in the AUM.

Abhijeet Sakhare: Yes. Got it. And sir, the second was the 40%- 45% contribution from online channels that you mentioned, could you just elaborate on whether this is on an count basis or flow basis, and are these like the Groww, and Zerodha, type of channels or are there any other digital online channels that are contributing?

A. Balasubramanian: Yes. Is on the -- on an account basis, I think value-wise will be a little lower, and value-wise the traditional channels that would have given higher. And in terms of online channels, mostly it's coming from of course, anyway, as you know, today the large volume generator is only about the top 3-4, which is Groww, Zerodha, ETMONEY, Kuvera, and Angel these are the large. So, these are the ones that gives the large flows. In this case, I think the large contribution would have come from top 3 platforms.

Abhijeet Sakhare: And Bala sir, generally qualitatively speaking on the next year, given that the redemption pressure is sort of easing off, do you foresee products getting included in some of the larger distribution channels and that sort of creating a stronger run rate of flow? And how close are we to kind of getting that done, so that the next year's flow run rate is probably substantially better than last year?

A. Balasubramanian: Sure. That's the endeavour. I think if you look back at some of the steps that we have taken to strengthen our -- on the people side, right, from investment to sales to rest of the functions. That definitely brings in a new vigour and commitment to focus on every segment of the business model. Investment performance is of course a key, which, of course, under the change that we have made and the existing team members who also got high responsibilities, performing quite well is being now noticed.

The gaps are narrowed quite significantly that used to exist maybe about 1 - 1.5 years back with respect to the peer group. And even in terms of upgrades of our teams from a ranking point of view, also we are seeing a quarter-on-quarter improvement. One of the reasons we've also seen pickup and higher recognition is also coming, which I just mentioned in the NPS score which I mentioned about. All this is a reflection of that.

I think one of the things that I witnessed, a big positive change, when we did our annual investment Voyage event in the month of February, we not only had more than 1,800 people turn out for that, but we also saw the reaction from the partners who came on board. They have been witnessing us growing substantially well. Then they have seen our period of challenge, our share of challenge period, I would say, and they have seen everything. And this time around, the feel-good factor which came on that event that we had also was quite promising.

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

Madhukar Ladha: Hi, morning and sir, 2-3 questions. First, can you give the number of what is the average SIP flow for the quarter? You've given for March, but can I get an average number?

A. Balasubramanian: Sure.

Parag Joglekar: So, it's around ₹2 lakh, Madhukar, on average.

Madhukar Ladha: No, I mean the flow number.

Parag Joglekar: Okay.

Madhukar Ladha: Not the registration number.

A. Balasubramanian: Give me a second, Madhukar.

Prakash Bhogale: Around 1,143 on average and the total is around 3,429.

Madhukar Ladha: Okay. Got it. Sir, on our equity market share, that is at 4.9%. It seems that still on a flow market share basis, we are probably lower, right, than what our stock market share is because the market has been positive, our schemes have been performing well, and yet we are losing market share. We've lost sort of 10 basis points Q-o-Q. Is that reading, correct?

A. Balasubramanian: Yes. From the number point of view what you're saying is right. I think the way I see Madhukar is one when you look at the past trend and how it's come to the March quarter, while we are seeing a narrowing of fall -- earlier the rate of fall was a little higher and that's now getting narrowed and increased traction coming on SIPs will start reflecting in terms of not only stabilizing the market share movement and it also, ideally speaking, start giving at least an uptick on the market share. So that's the way it has to be seen. The number that you're saying is right, but that's the way it must be seen.

Madhukar Ladha: Right. So obviously, what you're saying is that trends are improving. And I think first half we had net outflows and now we are seeing some inflows. And we've, in the past, highlighted that certain channels we don't have access to, and those are some of the disadvantages, right? Now given this context, how do you think that and over what timeframe do you think you can go back to this -- at least this 5% sort of flow market share?

I know it's -- and apart from performance on the distribution side, what else can we do or what are we doing? I also noticed that you've done well on the direct side because we're seeing in equity the direct contribution has picked up meaningfully, 200 basis points on a Q-o-Q basis is quite good. So maybe some colour there will be helpful?

A. Balasubramanian: Yes, sure. See, as you rightly said, Madhukar, one is -- investment performance is only one part of it. I think sales, productivity improvement, which we call the sales excellence model that we have set aside and making some core changes within the sales team structure to bring in sharper focus, identifying the location in which -- where we have a huge potential, identifying the channel partners where we have huge potential in terms of improving further, looking at the active business that they generate versus the contribution that they give it to us, bringing in sharper focus on each of these areas under the head of retail who has just joined us very recently, also have been driving the whole team and bringing necessary changes in order to increase these sales productivity. Ultimately, the idea is to increase the output from every location in which we operate. So that's one agenda.

The second is building SIPs. We've always been quite successful as a fund house building SIPs in various markets, volatile periods without -- based on the gold-based investing and bring that back as part of your narrative to the entire sales team as you go out in the market with high conviction both on the steps that we have taken on the investment side and improve performance that we're seeing in and the product being relevant from the customer point of view, and therefore have the high engagement for increasing the productivity. So that's something we are doing.

The support channel, I just mentioned in my speech, the support channel that you have created, earlier we used to run this as a silo channel. We felt that some of these channels, which can be attributed to the sales team directly from the retail sales team point of view, they are clubbing under the sales team so that there will be a higher synergy that can be created to make each of the channels contribute to the overall success of the retail AUM. And last is actually digital platform engagement is also essential, given the fact they help in terms of getting new customer additions. So that we have a strategy to ensure that we are able to highlight some of the products that can come as part of the recommendation list on ongoing engagement and show them the work that we have done and how the performance of the schemes is coming, how those engagements to ensure that we can participate in the new customers addition. In fact, in the quarter of March ending, we added close to about 3.5 lakh new customers that we have added during the quarter.

Madhukar Ladha: Understood. And anything special to read into the direct contribution increase in the equity AUM mix?

A. Balasubramanian: Yes, that's basically as you rightly pointed the exclusive team that we have created and then we branded under the name of CARE, which is basically to ensure that we provide a better service to those customers and handhold them on a continuous basis, over a asset allocation pattern. We are seeing the high engagement that the team has been creating and where we are further strengthening the team to close to about 50-member team this year, and that renewed focus and high engagement would help in terms of increasing manufacturing. The ultimate idea is to make the direct team, he is more like a wealth manager kind of concept, helping in building a holistic experience for the customers and thus increasing the share of their wallet share to both our equity schemes and other products including PMS.

Madhukar Ladha: So, on the passive side, there has been some reduction in AUM, not a lot, but there has been some small reduction. So, any comment on there? And second, I wanted to ask again on the passive side, is there any possibility of the EPFO money being given to additional set of asset management companies? So, yes, would it -- at what time -- what is your expectation over there?

A. Balasubramanian: Sure. See on these -- on the passive side reduction was largely on account of the maturity of some of the debt-oriented index funds that we had. Of course, the money has gone into the mutual fund schemes, got shifted from index funds to mutual funds. On the equity side, we have seen growth both on AUM as well as customer additions. As far as the EPFO is concerned, of course, we do have participated in the bidding process, and we are keeping our fingers crossed, whether we would win the mandate.

Madhukar Ladha: So, when is the decision expected on that? And how many companies is the EPFO office expected to select now I think Nippon was the last addition. And then you're talking that again, they've sort of invited bids, so just wanted to understand what frequency does it happen?

A. Balasubramanian: We have no idea in terms of how many people. Of course, I'm sure they will shortlist for 5, 6 names, but right now, no public information is available on this.

Madhukar Ladha: Understood. Okay. Thank you. That's it from me, all the best sir.

A. Balasubramanian: Thank you.

Moderator: Thank you. We'll take our next question from the line of Abhishek Saraf, an independent Investor. Please go ahead.

Abhishek Saraf: Hi. Good morning, everybody, thanks for taking my question. So, sir, I just had a few questions regarding -- if I heard right, that in the call, somewhere you mentioned that our SIP shares during 2019-20 used to be around 14%, and 15%. Is that right, sir? Have I heard it right?

A. Balasubramanian: Yes, on the SIP, Abhishek.

Abhishek Saraf: Yes. If you can help us understand why the SIP shares slip from there to where it is currently 6.5%? And given that you are targeting around 8% to 9%, how we will reach there, and within what duration? Secondly, on the equity redemption side, it is very heartening to see that the redemptions are not happening, or it has come down, which is somewhat counterintuitive as well because at the high level of market people may want to book profits. How is -- so what is changing fundamentally, if you can help us understand?

And if I tie this with something which was said by an insurance company, in the ULIP funds they saw a decent redemption happening in the later cohorts in the -- after 5-year cohorts. So somewhat, there's a bit of dichotomy as well, and maybe something is changing fundamentally. So, if you can help me understand and share your thoughts on these 2 questions, sir, it will be very helpful.

A. Balasubramanian: Thanks, Abhishek. As far as the SIP is concerned, of course, we took early mover advantage of pushing SIPs as a fund house, having seen market cycles. As we felt that SIP was the best way of building our equity size, that’s way we built our leadership position till about 2019-20. For a variety of reasons, a volatile period and then more and more competition coming in and a few large AMCs have underpenetrated in the industry, which all of us know that the large fund house may not have major assets till 2019-20. They upped the game in the overall business growth. Therefore, the growth for some of them was exceptionally higher than even the market average because they were underpenetrated. So that led to some fall in share.

And of course, there are certain schemes where we have built huge size where we got done with the performance and there was, of course, the level of performance lacking for some time which I must admit for a brief period, also led to a drop in SIPs, which I feel that we can get back. SIPs are something that we've always been promoting independent of performance. That's the only way we can build SIPs from a longer-term goal perspective. That narrative is completely driving to the team that irrespective of that we must build SIPs. Ultimately, investors do get benefits in the long term and there is not much difference you'll find between a good-performing fund or a bad-performing fund, if the investment is made in SIPs for the longer term. That's something communication we are making more strongly and making them realize in terms of building size. That's something I did want to highlight.

The other part is, in terms of growth, I think as I mentioned, I think if we keep pushing our -- the renewed engagement that we have on the investment side, engagement at ground level, sales productivity focus that is bringing in. All put together should only help in getting renewed participation coming from some of our existing channels who have always been loyal to us.

Secondly, new customer additions continue to remain that big area of focus, all put together like we put a strategy that renewed focus on the emerging market expansion. All of them put together, it should help. Also, the ABC expansion that they are doing across the country should help sales in getting money coming from some of the other customers for overall financial service business, all put together I feel that the overall improvement will keep progressing.

Abhishek Saraf: Thanks for that sir. Sir, on the redemption side, you can help me understand what is holding back customers from redeeming? It's a good sign, but are you feeling some change in the customer behaviour at the customer's or the investor's end?

A. Balasubramanian: Generally, redemption is largely in the nature of profit booking and then comes back. I mean the more of right timing. At the same time, I think historically I've seen the trend, whenever the market either become stagnant or volatile, we see that as a trend emerging. But otherwise, I only see incremental participation, would be a good mix of existing customers or new customers. It is very difficult to find any kind of trend on that. And given the fact that the broader acceptance for MF and the renewed aggression that we as a fund house bring on the table, all put together should only help in looking at the improvement in sales rather than just looking at the redemption numbers.

Abhishek Saraf: Sure. That's helpful, sir. Sir, one last question, I can just squeeze in? So, as you mentioned the equity yields are around 68 basis point handle, and given that there will be a telescopic effect on the yield and assuming the normalized market, what kind of yield one can expect, especially in equities, one can expect over the next year?

A. Balasubramanian: I think, we have said in one of the other questions as well. As it stands today, we'll be able to maintain the overall margin expectation coming from both an equity and fixed income. Maybe on the fixed income side, we'll see there is scope for that to improve a little bit given the fact the product mix within the fixed income could also change here.

Abhishek Saraf: Okay sir. Thanks for this I am done with my questions.

Moderator: Thank you. The next question is from the line of Janavee Jare from Kaizen Partners. Please go ahead.

Janavee Jare: Yes, I just wanted to ensure that during -- like there has been a sudden increase in the influx of the passive mutual funds gaining like a predominance in the market. So, how do you believe that in the next 5 to 7 years people would be shifting to passive mutual funds, but there would be very less opportunities for market share and everything? So how would you like to envision yourself in the next 5 years in comparison to these mutual funds, like passive mutual funds as compared to active, and most of the inflow will be -- has been predicted will be in that vertical only?

A. Balasubramanian: As a fund house, I think we look at offering products to customers across the segment of the market will remain the active manager both on fixed income and equity. At the same time, we will also build our capability, rather product offering, in the passive space. As we know, passive in the last one year, if you see active funds have done far better than passive. And before that passive was doing better than active. Given the fact that the Indian market has huge potential to outperform the market, I think active will continue to be a focus area.

But in our case nice to say for 4-5 years, we are building our capability on the passive side. Hopefully, we should see higher momentum coming in the passive as well. Within the passive, we'll bring in fine focus between products, which can be more profitable as well by looking at the product differentiation in this space. But I think from an industry point of view, we will see growth on active will continue to be the driver for some more years, while along the side, passive also will also get built.

Janavee Jare: Thank you.

Moderator: Thank you. We'll take that as a last question for today. I now hand the conference over to management for closing comments. Over to you, sir.

A. Balasubramanian: Thank all of you for taking time out on a Saturday to attend this call. And with this, I'll conclude Q4 FY24 earnings call. Do feel free to reach out to our IR Head, Prakash Bhogale for any queries that you may have. Thank you.

Moderator: Thank you, sir. On behalf of InCred Equities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

-- End --