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November 1, 2023

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 on Unaudited Financial Results (Standalone and Consolidated) for the quarter and half year ended September 30, 2023

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Earnings Conference Call on Unaudited Financial Results (Standalone and Consolidated) for the quarter and half year ended September 30, 2023, held on Friday, October 27, 2023. 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 and disseminate the same on your website.

Thanking you.

Yours Sincerely,

For Aditya Birla Sun Life AMC Limited

Hemanti Wadhwa
Company Secretary & Compliance Officer
FCS No. 6477

Encl.: As above

Aditya Birla Sun Life
AMC Ltd.



ADITYA BIRLA
CAPITAL

“Aditya Birla Sun Life AMC Limited
Q2 & H1 FY24 Earnings Conference Call”

Friday, 27th October 2023

Management: **Mr. A Balasubramanian – Managing Director
and Chief Executive Office**
Mr. Parag Joglekar – Chief Financial Officer
Mr. Prakash Bhogale – Head, Investor Relations

Moderator: Ladies and gentlemen, good day, and welcome to the Q2 FY '24 Earnings Conference Call of Aditya Birla Sun Life Asset Management Company Limited, hosted by InCred Equities. As a reminder, all participants lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on a 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, sir.

Jignesh Shial: Thank you, Michelle, and good evening, everyone. On behalf of InCred Equities, I welcome all to Aditya Birla Sun Life AMC 2Q FY '24 Earnings Conference Call.

We have along with us 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, and good evening to everyone, also for the introduction for this call. I hope you all had the opportunity to go through the earnings presentation, which is available on the stock exchanges and our website.

Let me quickly give you the broad economic outlook and the mutual fund industry update before I give an update on our performance for the Q2 FY24. Broad economy, the growth story for the country remains intact and resilient despite global macro uncertainties. The latest quarterly GDP release at 7.8% was robust and broad based and economic conditions remain favourable with various high-frequency macro indicators, including capex gaining ground and strong GST collection and PMI numbers and better capacity utilization and credit activity, all of them leading to a reasonably good positive outlook.

And, what led to more credence to the strong growth outlook is that it is unfolding while maintaining macro stability parameters and strong global headwinds. The Indian markets have experienced a widespread recovery, which was demonstrated by the NIFTY 50 recently achieving a significant milestone, and the inclusion of India in the JPMorgan Emerging Market Bond Index has further elevated India's global perception and signifies substantial progress for the economy on bond flows as well interest rate and rupee gaining strength.

The festive season has started in full swing, and on a cheerful note, which is poised to drive higher consumption in India and uphold the strong positive sentiment in the market. The domestic economy is structurally strong with sound fundamentals and is expected to withstand the recent geopolitical volatility as well as the market volatility assessed recently.

With respect to the mutual fund industry, as of 30th September 2023, the Indian mutual fund industry quarterly average AUM grew by 20% on a year-on-year basis, reaching ₹ 46.98 lakh crores versus ₹ 39 lakh crores as on 30th September 2022.

During the quarter, the industry witnessed net equity sales of about ₹ 90,000 crores through new fund offering and through existing funds. And within the existing equity and hybrid categories, arbitrage, small cap, sectoral, thematic funds, multi asset allocation funds, multi-cap, and mid-cap funds, are the highest to get net inflows. The mutual fund industry also witnessed good inflows coming from NFO collections to the extent of about ₹ 22,000 crores.

The industry SIP flows grew by about 24% year-on-year from ₹12,976 crores in September 2022 to ₹ 16,042 crores in September 2023. The total number of mutual fund investors also stood about ₹15.9 crores investors with an increase of 14% on a year-on-year basis. The individual average AUM grew by 24% on a year-on-year basis and contributed to 59% of the total AUM. And B-30 cities accounted for an average of about 17.5% of the total industry AUM.

Coming to the ABSL AMC performance. In Q2 FY'24, our overall average assets under management, including alternate assets, reached around ₹ 3,24,000 crores, growing by 10% year-on-year compared to last year. The mutual fund quarterly average AUM has crossed ₹ 3 lakh crores, and equity quarterly average assets under management crossed ₹ 1.3 lakh crores size.

SIP flows have increased from ₹ 931 crores last year to ₹ 968 crores in September 2023 with an overall folio count of around 80 lakh folios. In our overall mix between individual and institutional customers, individual investors account for about 52% of our total assets.

In the recent months, our business has been proactively pursuing many strategic initiatives in order to drive, one, the future growth; and second, the broad market share loss that we have seen, in order to arrest that, there are certain steps that have been taken. In fact, the steps that have been taken have also been yielding positive results, which I would like to highlight as follows.

On the investment side, most of our equity funds have not only beaten the benchmark in their respective category on a 1-year basis, but also the peer average with the higher margins compared to the last few quarters, which gives me confidence that our equity fund performance, which was bit lagging behind are coming back, with changes that we have made.

We also strengthened our team by bringing in Co-CIO Equity, very recently and who has come on board, and will drive the broader investment processes as well as work along with the team to take the AMC to the next level.

And furthermore, we've also given growth to our internal talent who have been part of the system for a good number of years and handled large responsibilities, now take on a greater responsibility in the fund management side, while they continue to serve as senior analysts for a few large sectors, which are key to the overall economic growth.

Under the guidance of our CIO Mr. Mahesh Patil, these changes have brought in new vigour, confidence, new energy, and poised to infuse momentum into our efforts to expand our equity assets further.

On the fixed income side, the team led by Kaustubh and Sunaina, have always remain committed to lead the fixed income at pace with robust performance and also create a strong presence in the fixed income market.

With the global bond yields reaching their highest levels, in over a decade in developed markets, US bond yields are about approx. 5%, which offer for an attractive entry point for investors looking to invest in US dollar assets. And to seize this opportunity for investors, we have, as I speak, launched a fund-of-fund investing in US Treasury ETF, providing a powerful tool for diversification and investment. Additionally, on the domestic front, addition of global bond index by JP Morgan also provides an opportunity to investors to consider fixed income as an asset class for them to invest. We identified certain products in this space given the view that interest rates remain higher for longer. Therefore, we continue to keep a high focus on building the fixed income space and identify new opportunities to build our retail participation in the fixed income product offering.

Our strategic efforts across various channels to enhance our market presence have delivered favourable outcomes in this quarter. In fact, we have started a campaign called “Focused Fund offer”, basically combining the existing funds, which has got a greater acceptance in the market, at the same time, those products also have got for long-term performance to back it up and has yielded positive results and gained good traction in the marketplace. As a result, we have seen an upswing, in those fund, “Focused Fund” what I call it, in key numbers on various parameters, especially gross sales we have seen good improvement, which is again a reflection of the focus that is bringing in on building our retail that is something which should yield results.

At the same time, the sales ecosystem is created to support the entire retail initiatives such as the virtual relationship manager, Sampark and service to sales RM’s and digital distribution has also been yielding results as the time progress.

Coming to alternate and passive business, our passive business offerings grew by about 68% on a year-on-year basis to around ₹ 28,400 crores as of September 2023. We have also been growing our customer base to about 5.4 lakh folios. Our current product offering in this category runs almost about 40 products as it stands today.

On the AIF front, fundraising is underway for ABSL India Special Opportunities Fund (Category III AIF), which has recently launched on the lines of success that we had launched in the AIF product with service-oriented funds. On the back of that, we have product in pipeline to launch in this area as well.

After setting up of GIFT City, as we all know that we are the first one to take initiatives in the mutual fund industry to create our presence in GIFT City. In fact, we have launched the industry-first ABSL Global Emerging Equity Fund. This strategically feeds into emerging market equity fund of global boutique investors, enabling our investors to access and benefit from emerging market opportunities. We have closed first tranche of this fund and garnered close to about \$11.2 million assets in this fund. Of course, now it's open for subscription for the getting incremental money.

Our upcoming product pipeline include ABSL Structured Opportunity Fund in the Category II AIF, as well as Index-Linked Fund in the Category III AIF. That's something the product pipeline we have created in order to build the alternate business, want to get more customer base as well as improve the overall profitability coming from that alternate business as well, including PMS.

Moving on quickly to financial number for the quarter.

Our revenue from operations for Q2 FY '24 was at ₹ 3,350 million versus ₹ 3,111 million up by 8% on a year-on-year basis. Operating profit for Q2 FY'24 was at ₹ 1,811 million versus ₹ 1,728 million in Q2 FY '23, up by about 5% on a year-on-year basis.

With this, I'd like to conclude and open the floor for any questions and observations that you may have on our current strategy as well as future strategy. Thank you.

Moderator: Thank you very much sir. We will now begin the question-and-answer session. We'll take the first question from the line of Dipanjan Ghosh from Citigroup. Please go ahead.

Dipanjan Ghosh: Hi, good evening Sir. Firstly, two data keeping questions. If you can give the SIP AUM number for Q2 and Q1 and also the overall employee base for Q2 and Q1?

Second, if you can just give some color on what is the current payout in the market and your net yields in equities on the blended versus the incremental yields that you're getting on fresh business? If you can give some color on that.

And lastly, you mentioned some points on strategies that you've adopted to kind of stabilize the SIP market share. So, if you can give some color on incremental trends in October and November and what are the strategies, if you can outline some of them? Those are my questions.

A. Balasubramanian: I'll just ask the first question to be answered by Prakash. And on the margin front, I'll request Parag to answer. The last question I'll answer.

Prakash Bhogale: Dipanjan, the SIP AUM for the Q2 FY '24, which is September is ₹ 60,814 crores. For the last quarter, it was ₹ 57,543 crores. The number of employees in September is 1,437 which was 1,449 in last quarter.

Parag Joglekar: Dipanjan, the yield on equity remained more or less similar in the range of around 70 basis. And the yield on new flows will be in the range of around 55 - 60 basis.

- Dipanjana Ghosh:** If I heard it correctly its 55 to 60 bps on fresh, right?
- Parag Joglekar:** Yes. So, we generally share around 65% to 60% of the total TER. So, depending on the scheme, it comes generally, it will be in the range of 55 to 60 basis.
- Dipanjana Ghosh:** Got it.
- A. Balasubramanian:** With respect to, Dipanjana, on the SIP strategy, one, in order to support SIP strategy, we did launch a series of the SIP product such as Sampurna SIP that we just launched, as well as few other feature that we created. In fact, the entire retail team is, one, focusing on building size in that. That's why we have also seen in our overall SIP incremental basis, there is an improvement in terms of ticket size as again coming from the Sampurna SIP that have started to grow. It's just a small number is coming in, that's something we have done.
- Second is having seen improvement in performance, we're also, of course, working closely in terms of the schemes that one can get upgraded from external rating point of view, we have already seen one of our large cap funds have moved up in star rankings, which essentially reflects on improvement in performance, which also, of course, get featured in various platform, uses this data point for pushing the product.
- And second, we're also engaging with the online platform, which, of course, have been quite aggressive in terms of building SIP book recently. We have been having engagement with them and see the improved performance of the equity schemes, where all you can fit in on various categories, done some analysis and basis which we're also engaging with them, which I think gives me confidence that, yes, we'll see some improvement coming in that space.
- And third, of course is given a fact that the markets have been quite volatile recently, I think SIP is something which we continue to believe that the best way to participate is SIP, therefore, increase the engagement level with all our partners, especially MFD partners who have been also contributing quite well as well as some of the national distributor partners more than the banks that have been contributing quite nicely on the SIP book.
- These two engagements that we have done in the recent past. I think all the three of these activities that I just mentioned about should help in actually improving the overall, one, the registration, therefore, the gross number improves; as well as the net number that currently are about ₹ 970 crores, then targeting the number should cross ₹ 1,000 crores kind of a number to start with and then move up in the rank. So that is way we are doing it.
- Of course, we also launched one NFO as I speak, I just added today, which is Transport and Logistic Fund. And normally, what happens is NFO, one not only give the incremental AUM, it also gives a new customer base. It also helps in getting new SIPs and that's something should help. Even the US bond deals that have started, of course, it's in the mutual fund platform. It does not have any restriction in terms of what the minimum ticket size and we can participate. We're also seeing some really good participation coming in the fund also from retail side.
- So all these initiatives makes me feel that I think we will see the combined efforts should see that improvement coming on the SIP space.

Dipanjan Ghosh:

Bala, sir, if I can just squeeze in one small question. You know if I just look at the industry and where incremental SIPs are coming from and if I look at your market share losses, can you give some color on what would be your counter shares across all the major channels like you mentioned that you're working closely with a digital partner?

So, if you can give some color on what the mix would be internally or where you're probably seeing some pressure or where your kind of probably higher than your blended market share? If you can give some color on that from a channel perspective.

A. Balasubramanian:

Just on a broader basis, there are five channels. One, of course, IFAs, second is the bank, and third is the NDs, and fourth is the digital, and fifth is the direct. In terms of the channel-wise contribution, the significant contribution on an incremental basis is coming from the digital platform. That's something we are seeing. Of course various strategies that we apply and discovered and basis which we can engage with them, give them some kind of input in terms of where our product can feature basis which we can actually get some incremental market share. That's something we have already been working on, which includes Groww, Paytm, PhonePe, Kuvera and so on and so forth.

The other channel, direct as a channel, on an incremental basis also is contributing. In fact, we set up a separate team of people, of course, comprising about 30 people to drive our direct. In fact, we have seen contribution from this team on a quarter-on-quarter basis is showing good results. And also, we have set a target for each of the branch locations to also keep a high focus on direct as a business building as part of our customer expansion strategy. That's something is contributing to the industry. And even for us, is something we are keeping our focus.

Third, of course, is the IFA channels continues to remain active. But of course, incremental growth from all the traditional channels is not as high as what we are seeing on the digital platform and direct platform. So that is something, one, we can maintain our strategy on the traditional channel. These are the two channels also we are revisiting how we can get higher market share in this space, for which we have taken some steps, as you just mentioned.

Moderator:

Thank you. We'll take the next question from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain:

Good evening, Sir. So just firstly, on your product launch pipeline. So, what are the products that can be envisaged in the, say, next couple of quarters?

A. Balasubramanian:

One, of course, we already started, the fund we have launched one currently. The two funds, which are currently open. One is the US Bond Yield Fund, which is one to three-year and three to ten-year duration. We were the first one to launch this product and to provide an opportunity for Indian investors to participate in the best of the story in the world. And reasons are of course, know largely the yields are high and the other benefit that could come in terms of any potential appreciation that come next year is that something we have done.

And this product is going to be open-ended product, though, which is new fund we have launched now. And after the closure, it will be open for subscription. And as you know that total limit that's available for this product for the whole industry is about \$800 million. And we have limit about \$200 million in this space. And hopefully, we should be able to utilise this space quite extensively.

The second is the Transport and Logistics Fund. We already been having a roadshow across the country. And we were the third or fourth one to launch this product in the space. Again, we see purely on the basis of India story. This product has got longer-term shelf life therefore we launched this product, which again started today, is likely to close on 10th of November.

And third, of course, we have AIF product pipeline we have created given the fact that we had good success on the first AIF launch that we have done, currently close to about ₹ 900 crores. We have created two pipelines, the Phase 1 Structured Opportunity Fund in Category II as well as Index Linked Fund for Category III funds. And these two we are doing.

And fourth, of course, – subject to, of course, getting clearance from SEBI, We have plan Quant fund with Head of equity coming in with Mr. Harish Krishnan coming on board. We also plan to have a quant-based fund, which again will be driven by the Co-CIO of Equity supported by the quant manager whom we also recruited and likely to be onboarded soon.

These are the immediate product pipeline that we have. And as we see opportunity in thematic category, we'll continue to keep that as a focus. As you know, that given the fact that we are 30-year-old fund and the various attribution of things have been given, we'll have a limited scope for a new fund offering, but still within that we'll operate in terms of looking for opportunities and launch some funds.

Prayesh Jain: Thanks. On the yield front, the yield improvement in this quarter is primarily because of the mix, and right, there's nothing else to it?

Parag Joglekar: Yes.

Prayesh Jain: Anything on the debt side where the mix has changed, that has acted favourably?

Parag Joglekar: Yes, there is a slight uptick in the debt side also due to mix and generally opportunity to have a a little higher income. So there is slight uptick on debt side also and the other reason is the mix change towards the equity.

Prayesh Jain: What would be the debt yield in the quarter?

Parag Joglekar: Debt yield will be around 24 to 25 bps.

A. Balasubramanian: 25 basis points.

Parag Joglekar: Yes.

Prayesh Jain:

Okay. And on the SIP front, in the last couple of quarters, monthly run rate has been declining rather than industry which has been hitting new highs. Would you ascribe that to only performance? Or what else is playing out there?

A. Balasubramanian:

One is mix, I would say, Prayesh. I think I'll just give you some color of the past. I think we have been pioneered in building SIP for very long in the Indian mutual fund industry, even much ahead of most of the key competitors. And building SIP is a way of building our business. Therefore, we had a huge subscription coming almost about five years back and that would have help for about five to seven years. And very ahead of time. So that's one. Therefore, the incremental AUM from each one of them would, of course, gone to some other people as well.

And second, of course, we did go through on year, one and half years of equity performance lagging behind competition. They've been last one and half years that also led to significant contribution coming from some of the online platform, which I mentioned about it.

I'm only happy to say that they gave us a quick briefing on how the steps that we have taken in terms of building back the performance. Which I'm happy to say that we are seeing a significant improvement, which ultimately should lead to improvement on the overall participation from all channel partners.

Which again, I'm saying it in terms of acknowledgment, first one, that industry, the participants should acknowledge. Yes, the performance is on track or back on track. And secondly, of course, willingness to give always is there.

And these two things going well, I think we should see that coming back. As I said, the online platform always goes by certain Quant models that's why you would have probably seen the rate of growth for other than top 10 is much higher than the first 10. It's also coming from the fact that SIP registration also comes to the NFOs offering also contributes to overall success.

It's not just coming only in existing funds. It also comes in the new fund offering. It's a combination of these three. So, net-net I think our renewed focus, we are bringing on these areas, I think, should help us in building back the momentum for that.

Prayesh Jain:

What would be the trend in NFO commissions in the industry, whether you know because we've seen in the first half there was some relief. And although AMCs had been talking about some cognizance about commissions, is it inching back again or how is the trend?

Parag Joglekar:

Generally, it will be slightly higher than the normal sharing, which we do in the normal sales of our existing funds. NFO, generally, you estimate some amount and generally accordingly pay the brokerages. And depending on the collection, which you do, the amount differs. But it will be slightly higher just for because it's a new fund offer. So, we need to create that traction. It's slightly higher than the existing one.

A. Balasubramanian: Yes. One advantage we get for NFOs is your expense, of course, starts at the higher slab. And as size become bigger, it goes down. To the extent that the payout will always is favourable to the distribution community, no doubt. But still, at the end of the day, the broad principle that we have, it is to make the product more profitable in whichever way is possible. At the same time, remain remunerative for the distribution channel and yet doesn't become too costly for the investors.

These are the three-combination put together. That's remains from a strategy point of view. And anyways, we operate within the overall TER guideline under which all of us are supposed to operate there.

Prayesh Jain: Okay. Thank you so much and all the best.

Moderator: Thank you. We'll take the next question from the line of Lalit Deo from Equirus Securities. Please go ahead.

Lalit Deo: Yes. Good evening, sir. Thanks for the opportunity. Sir, just a small question like. Sir, last quarter, we have highlighted that we have selected a pool of schemes where we have seen improvement in our performance. And then flow market share has been improving. So, could you tell us like what is your strategy over there? Like have we added any more schemes over there. And what is our gross flow market share in the last three months to four months over in those schemes, particularly?

A. Balasubramanian: Yes, Lalit. What we did is, one, the basket of products, which we want to build size at the same time acceptance in the market was very high, up on the longer-term performance in the style of managing these funds and relevance of this product that we have seen an improvement such as the large cap fund and flexi-cap fund as well as small-cap fund.

Even at small-cap fund we have seen inflows into the small-cap fund, though the flows will not have been as big as some of the other key competitors would have seen. But at least on an incremental basis, we have seen inflows. And that's also being reflected in the form of overall gross volume on these schemes improving, which again reflection of how the focused strategy also is working.

And even moving forward as well, we'll keep identifying the product that have got one, acceptance and at the same time, from a relevance point of view remains. And third, of course, we can also build the volume. That's something strategically applying it. And that should lead to both improving the gross sales contributions as well as net sales contribution.

Lalit Deo: Yes. Just to follow up on this, so within these schemes like currently, qualitatively what would be our gross flow market share in the last three months to four months. Like if any quantification could be helpful?

A. Balasubramanian: Yes. generally, we do not disclose this number. That is not specifically given out anywhere. But I can only say that what we have seen in the previous quarter from there, we have seen an improvement of about 3% to 4% on an average, out of these three schemes.

Lalit Deo: Sure, sir. And secondly, on the expenses side. So, during the quarter, we have seen that on a sequential basis it has remained in the same range. So, like, what is the outlook on the expenses for like FY'24 for the remaining two quarters and in FY '25 like?

Parag Joglekar: So, Lalit, the expenses have gone up slightly on the people side. This is mainly due to the increments, which had happened in the month of this quarter that has resulted slight increase in that. And the other expenses have gone up on the fees and commission, which was towards the AIF commission, which we had paid, which is getting amortized over the period. So, this is the main changes. On people side, it should remain in the similar range or if there are any hiring which we do, then slightly it may go up. But otherwise, should be in the similar range.

Lalit Deo: Fine, sir.

Moderator: Thank you. We'll take the next question from the line of Abhijeet Sakhare from Kotak Securities. Please go ahead.

Abhijeet Sakhare: Yes. Hi, good evening. Just one question in terms of the steps that has been taken. Any other major gaps that need to be filled in either on the talent side or on the distribution side?

A. Balasubramanian: One of the areas, we of course keep looking at improving the contribution, one of course on the retail side, we had seen some talent attritions as it always happened across any industry. Therefore, that one part remains a high focussed area. Second is beefing up the team, especially on the credit opportunities that we are seeing. We have of course one-member team. We are looking at building the team so that we can offer more product in the fixed income space, especially to invest in credit-related opportunities. That's something we are beefing up.

And third is our offshore contribution has remained somewhat flat for quite some time. Once again, given the fact that India has been the forefront in getting inflows from overseas, again, we're revisiting our strategy in terms of what are the incremental steps that we can take both on the people as well as on getting assets from some of the mandates that we already have. We have similar mandates whether we can win from others, some institutional investors that are based and how the GIFT City can help us in building the space, that's something we are working on it.

And these are the key steps that we are taking. And the skill, of course, is our ongoing thing there is no specific one that we do, the talent identifying and bringing some external talent wherever there's a need. And then both, of course, go hand in hand. And that's something which is one of ongoing stuff for our business and nothing specific to give on that.

And on the investment side, of course, the last time also have mentioned that we'll further strengthen and what we have done already giving the internal existing talent, highly skilled internal existing talent, and bring in external talent and both the combinations we have already done as far as the mutual fund investments is concerned.

Abhijeet Sakhare: All right, sir. That's helpful. Thanks a lot.

Moderator: Thank you. We'll take the next question from the line of Devesh Agarwal from IIFL Securities. Please go ahead.

Devesh Agarwal: Thank you for the opportunity, sir. First question, sir, is slightly on a macro thing. In the past, we've been talking about financialization of household savings, and some of the recent data is suggesting that there is a reversal in that trend. And next financial savings have seen a bit in terms of within the household. And so, in that light, how do you see although we understand that the flows have been pretty strong for equity segment over the last three four months. But going ahead with this trend that we are seeing and the interest rate on FDs has been high, do you see any risk for the inflows into the equity segment?

A. Balasubramanian: Yes. interesting, Devesh, while the view, of course, keeps getting formed linking to the market, one thing that seems to have got established for the industry, even for us, the SIP way of investing is gaining more and more strength.

If I just look at it, at the broader basis, so add up the numbers contribution coming from SIP, the number coming from NFOs and then a number coming from existing schemes, increasingly, the contribution coming from SIP has been going up. And the lump sum investments have not been growing as much as, which normally grows, which again reflects the one on the view of the market. At the same time, conviction point of equity from longer term point of view that's coming to the SIP. That I see is a trend emerging.

Second is, we still have a lot of untapped investor base. But over certain time we have only 4 crores, unique in customer base. And we as a fund have about 52 lakh customer bases. And these numbers can easily double in the next few years given the fact that interest rates have been quite high, but not as high as somebody to divert the money from equities to fixed income, FDs and other things. Therefore, the wealth creation aspiration still remains.

Therefore, I believe equity will continue to be attractive from investor's point of view. But of course, if there is a correction in the market, any sharp correction generally I have seen historically, it's put the break on the flows and SIP generally gets slowed down, which you have seen historically.

We have seen after many crises, after every crisis in the past. I would assume this time I'm not rolling out a more trend like this. But only thing in this trend could be a little better than the previous trend we have seen. Therefore, I don't see a significant dip in terms of growth. But one area where we see the household savings could potentially come into the mutual fund space despite the tax benefit not being there, which is the fixed income space.

The carry-in fixed income schemes have been pretty good, ranging from 7.5% to over 8% kind of carry. And we also have a view that interest rates will remain higher for longer. We are setting up a focus in terms of the current market conditions, if fixed income could also be one good suitable opportunity for investors. That's something we are pushing in.

Therefore, we'll probably see increased participation coming both in the fixed income space as well as the hybrid space like multi-asset allocation fund if something is invested in all the four asset classes.

Again, people would like to use is the hedge for any equity market volatility. That is what something I see is overall momentum. And lastly, today, if you look at around ₹ 47 lakh crores, a significant proportion of assets coming from equity. And any normal basis, it could be 50-50. It could be towards equity and debt or maybe in some conditions, it could be 45-55 towards equity and the debt, assuming that kind of asset allocation model get set in. But naturally, other asset classes will grow a little faster if the momentum in the equity market get altered by any unknown reasons.

Devesh Agarwal:

Understood, sir. Sir, you did mention that given the increased contributions coming from SIP close, the overall stickiness is kind of increasing of the net flows into the equity segments. I just wanted to understand, based on the kind of investors that we have, generally, or is the tenure for these SIPs that gets come down and if tomorrow, this is again a hypothetical question, if markets would fall, say, by 10%-15%, do you think that the stickiness will be there or there could be some churn in terms of these investors not reopening the SIP. And to that extent, the SIP flows can also be addressed?

A. Balasubramanian:

Sure. See, I think one of the areas where I think people like us who have been building SIP for quite some time with the longer-term goal in mind definitely those assets will be sticky that historically we have seen. But you must also have to accept the fact that all the incremental large subscriptions coming in through the online platform, it will be largely a good mix of millennials and first-time job kind of people who get employed.

These are the people generally opt them to move away from the market. The experience is that it doesn't meet up with their own expectations of making quick money and so on and so forth. And these are some of the trends, I think, will always evolve. My belief is these investors also learn lessons from this kind of behaviour in the market, and therefore, they become a long-term investor when they come back to the market once again for the second time. So that is the historically I have seen. And this trend, I don't think we should also rule out from SIP getting cancelled. That normally happens. But as long as the macro acceptance and the registration number keep rising, even with the cancellations, I don't think we should worry about it because those guys, again, I have seen them coming back in the market. Maybe they'll come after a delay, but of course, I see them coming back to the market also after some time. But millennial is probably what you said is right. Millennials would always test the water for some time, and they may tend to cancel it and then restart once again.

Devesh Agarwal:

Sir, any number that you can share of this ₹ 15,000 crore flows that we see monthly, how much would be coming from this online channels or millennial?

A. Balasubramanian:

As that I mentioned, I think, for the quarter approximate number was about 37% - 38% were coming from online platform, basically, the digital platform, roughly about 39%. Of the various channel concepts there I mentioned about, the traditional channel and then digital channels and direct channels. The digital channel has suddenly become the larger contributor, again I see that is coming from these millennials, youngsters coming on board, ₹ 1,500 - ₹ 2,000 kind of ticket size. And they generally tend to buy and sell kind of behaviour will always be there. That is what I see currently. Of course, one good thing is the way I see is positively new

customer additions, definitely, ultimately, they become a permanent investor for the mutual fund as time progresses.

Devesh Agarwal: Understood, sir. And sir, we read this morning that SEBI is thinking about this high-risk fund. Any thoughts around that? What is exactly those? And what kind of assets would be? And do you think there is a strong case for investor interest in this kind of category?

A. Balasubramanian: No. The very fact that AIF fund has been created is to create a separate category for all the risk takers, which has meant for the accredited investors kind of investors. Therefore, I'm not saying currently much weightage to the article that came in, given the fact I don't think we are having a part of the discussion that is some of time to have such kind of product on the mutual fund space. Therefore, I'm not very sure how much of the weightage I have to give for this.

Devesh Agarwal: Okay, understood, sir. And lastly, sir, on channel mix. We've been seeing more or less these contributions have been steady, especially if we talk about on the equity side, the national distributors are around 20%, banks are around 10%, given that you said that incremental money is coming from fintech. Do you think there would be any channel mix change that we should expect over the next one to two years? And would that have any impact on our yields?

A. Balasubramanian: From a channel mix point of view, I think, definitely MFDs continues to remain a dominant player. And they anyway focus on long-term investing and handhold customers during all periods of market volatility and ensure they make their investors invest for longer-term goal purpose. I feel that they continue to remain, among the traditional channel, MFD will remain a dominant player, absolutely no doubt on that. Incremental wallet share will continue to come from them. Second, of course, the national distributors who have deep presence, all India presence, and continue to stay focused only on building retail will remain a powerful channel.

Banking of course, again, they have a larger focus on wealth management business. They will likely remain a dominant player, no doubt on that. Of course, incremental AUM coming from the digital channel and direct, which again increased focus is coming in. Definitely, the contribution on a year-on-year basis compared to these channels will definitely be higher. Therefore, the higher the growth compared to the normal rate of growth coming from other channels if it continues, which is what I also feel will remain, then naturally the contribution will accordingly undergo change.

But it doesn't mean it will come at the cost of other channels. At the end of the day, more channels contributing to the success of industry will only help the industry to grow on an overall basis. And the wallet share of each of the channels will continue to rise, and people like us should also get to participate in this overall contribution coming from all the five channels we have mentioned about.

Devesh Agarwal: Okay. And sir, this digital online channel that you mentioned, these are booked at the national distributors or MFDs?

A. Balasubramanian: No, it comes separately. Some of them are MFDs, some of them are RIAs. If it is RIAs, it will come under as a direct.

- Devesh Agarwal:** So direct MFDs?
- A. Balasubramanian:** That's not available in the public domain. I'm just giving you a broader sense of what we keep track for ourselves.
- Devesh Agarwal:** Perfect! That is all from my side. Thank you so much.
- Moderator:** Thank you. As that was the last question for today. I would now like to hand the conference over to Mr. A. Balasubramanian for closing comments. Over to you, sir.
- A. Balasubramanian:** Thank you, everyone, for joining, and with this, we conclude our Q2 FY '24 earnings call. Do feel free to reach out to our Investor Relations Officer, Mr. Prakash Bhogale, for any queries that you may have. Thank you, and happy weekend.

This is a transcription and may contain transcription errors. The transcript has been edited for clarity. The Company takes no responsibility for such errors, although an effort has been made to ensure a high level of accuracy.

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