

# Aditya Birla Sun Life AMC Ltd.

(A part of Aditya Birla Capital Ltd.)



# ADITYA BIRLA CAPITAL

PROTECTING INVESTING FINANCING ADVISING

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**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  
**Scrip Code: ABSLAMC**

Dear Sir/Ma'am,

**Sub: Transcript of the Analyst/Investor Conference call on Unaudited Financial Results for the quarter ended June 30, 2022**

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Analyst/Investor Conference call for the quarter ended June 30, 2022, held on July 27, 2022. The above information will also be available on the website of Company at <https://mutualfund.adityabirlacapital.com>.

This is for your information & record.

Thanking you.

Yours faithfully,

**For Aditya Birla Sun Life AMC Limited**

**Hemanti Wadhwa**  
Company Secretary and Compliance Officer  
FCS - 6477



**Aditya Birla Sun Life AMC Ltd.**  
(A part of Aditya Birla Capital Ltd.)

+91 22 4356 8000 I (F) +91 22 4356 8110 / 8111  
<https://mutualfund.adityabirlacapital.com>

**Correspondence & Registered Office:**

One World Center, Tower 1, 17th Floor,  
Jupiter Mill Compound, 841, Senapati Bapat Marg,  
Elphinstone Road, Mumbai - 400 013.  
CIN: L65991MH1994PLC080811



## **Aditya Birla Sun Life AMC Limited Q1 FY'23 Earnings Conference Call July 27, 2022**

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**Moderator:** Ladies and gentlemen, good day and welcome to the Aditya Birla Sun Life Asset Management Company Limited Q1 FY'23 Earnings Conference Call. We have with us today from the management, Mr. A Balasubramanian, Managing Director and Chief Executive Officer; Mr. Parag Joglekar, Chief Financial Officer; and Mr. Prakash Bhogale, Head, Investor Relations. I now hand the conference over to Mr. A Balasubramanian for his opening remarks. Thank you and over to you, sir.

**Mr. A Balasubramanian:** Thank you for the introduction and good evening to everyone for attending today's investors call. And I'm sure you all would have had an opportunity to go through the Earnings Presentation which is available in the stock exchange and also on our website.

Let me just give you an overview on the broader economy very briefly and the mutual fund industry in general and I'll come to the ABSLAMC performance. The macroeconomic landscape as is known to all of us has been marred by fears of recession, as well as geopolitical conflict. Economies all over the world have been witnessing inflationary pressures, which led to the monetary authorities turning hawkish and rising policy rates across global markets. On the other side, supply constraint, rising raw material prices, along with increased cost of borrowing, has resulted in uncertain economic /business environment across the globe. Against this backdrop, it is comforting to see the resilience shown in the Indian economy. Our PMI continues to expand, GST collections have been robust, capacity utilization is marginally in rising, there's also positive momentum in terms of new project announcements. However, the economic uncertainty as reflected by the volatile market, which is what we have seen in the first quarter of this year. The last few months have been challenging for investors globally, both on the equity and fixed income market. Indian equity witnessed a sharp drawdown, but Indian markets have been relatively outperforming the global markets on account of the economic resilience and the policy reforms continuation. And tightening liquidity conditions have forced foreign portfolio investors to be net sellers consistently since October 2021. The outflows in Q1 of FY'23 have also been highest ever outflow we have witnessed from FPIs. However, the domestic institutional retail investors participation in both the markets directly as well as through the institutional has shown confidence and also being a major buyer during the same time as DIIs

From the broad debt market perspective, yields across the curve have moved up significantly in the start of the calendar year 2022 in anticipation of this successive rate hikes, both in Fed as well as in India.

In this kind of scenario, in this kind of uncertain period, with respect to the mutual fund industry, during the quarter, the average assets under management for the quarter for the Indian mutual fund industry was 37.7 lakh crores as on 30th June 2022 as against 38.36 lakh crores as of March 2022. Though it grew by about 14% from the last year, it also de-grew on a quarter-on-quarter basis on the basis of certain market fluctuation in equity, second certain withdrawal that was witnessed in the fixed income market.

In FY'23, the mutual fund industry witnessed reasonable net inflows in equity on a year-on-year basis continued. Significant proportion of inflows came mainly in the some of the sectoral funds, large and mid-cap funds, flexi cap funds and balanced advantage funds. These are the existing categories in which money was flowing in. And owing to market volatility, retail average assets under management saw a slight dip from both T30 and B30 market during this period.

As on June 30, 2022, the total number of mutual fund investors stood at 13.6 crores versus 10.4 crores investors from June 30, 2021, an increase of 31%. In fact, our customer addition continue to remain somewhat robust during those period. There is continuous promotion of SIPs, has maintained the status quo in a monthly SIP contribution. In fact, we have seen a flat growth in SIP in the last two months. The overall monthly SIP book was about Rs.12,000-odd crores in June 2022 and quarter-on-quarter new SIP registrations has seen a marginal dip to close to about 59.5 lakh investors as on Q1 FY'23. The total number of SIP accounts for the whole industry was about 5.55 crores.

The industry witnessed net equity sales of around Rs.59,000 crores excluding index funds in Q1 FY'23. However, there was a reduction in net inflows compared to the previous quarter. Broadly, the inflows came through the existing funds as I mentioned earlier, using the large cap funds and other funds. Given the fact the first quarter of this financial year, there is no NFO due to the regulated restrictions. Therefore, all the money that came in, they came through the existing funds, including ourselves.

Retail investors concentration in the industry continue to remain in excess of 50%. At the same time, the overall reduction in fixed income assets due to the withdrawals in fixed income, interest rate volatile period, also led to a higher dominance of individual asset mix which is now close to about 55% of the total industry, is represented as individuals. We can't say there is an increase in individual contribution, but is largely on account of the drop in the AUM in the fixed income side due to withdrawal. Therefore, the individual contribution has gone up by 1% or 2% compared to the previous quarter.

Coming to the ABSLAMC performance, our total quarterly average AUM for the quarter ending June 2022 stood at Rs. 2.93 lakh crores with the yearly growth of about 2%. Our equity AUM grew by about 14% year-on-year toward Rs. 1,17,000 crores size for the quarter ending June 2022. Our equity mix in the overall assets under management touched 41% which again for us is one of the highest ever contribution we are getting from equity in the overall asset mix. Again, one has to just keep in mind, the marginal outflow in fixed income also led to a marginal increase in the contribution coming from equity as well. As we have stated, the customer acquisition continue to remain integral part of our strategy. We have added close to about 2 lakh new folios despite the uncertainty that we have witnessed during this period from a customer sentiment point of view, especially added about 2 lakh folios which is now taking the total tally of our folios above 80 lakhs.

Our short term equity performance has seen good turnaround in performance across all categories. In fact, in our flexi cap fund and small cap fund, we have seen net equity inflows on the basis of renewed interest on the back of performance as well as the focus that we are bringing in.

We're constantly working towards leveraging the bouquet of existing products while launching new products to build size and scale. The increase in the product per customer also has been one of the key agenda for us. We have been growing our retail franchise over the last few years with a special focus on building our market share in the B30 market.

Building SIP book size is our constant endeavor to ensure the customer stickiness as well as create long-term value for investors. As part of this drive, what we have launched in the last few quarters, such as 'Har Ghar SIP', such as 'Win With SIP', or Multi-SIP, all over we are seeing some kind of traction on the ground level from the sales overall productivity point of view, also helping investors to make more investment vis-a-vis goal-based investing. As I speak, we've also been now spending some money in terms of brand building, as well as creating more awareness about investing in equity portfolios, on which I'll give an update in the next quarter results, given the fact we just launched in the last few weeks.

All these efforts in terms of building our SIP have resulted in SIP book size moving from Rs.816 crores in the month of June 2021 to about Rs. 898 crores as of June 2022. We also had about 2.8 lakh new SIP registrations during the quarter. Currently, we have about 32 lakh SIPs with us in terms of number of folios.

Our multi-channel market activities to deepen our presence and market share has been showing positive result. Under the Virtual Relationship Manager model present, we have about 16 touch points across India. We also activated close to about 900 distributors through this virtual RM model. Through our "Sampark" which is again meant for activating more distributors and onboard new distributors as a first time for the mutual fund industry. There has been a

success of adding close to about 1,900 distributors to our overall kitty to help us building our business to next level.

Customer loyalty and deeper engagement and service differentiation remains the cornerstone of our service to sales model, that we have built in the last few years, now it has increased the mind share of the customers. Currently, we have about 100 dedicated trained personnel to get investors and service their needs in order to create a good mind recall, which ultimately result in market share improvement.

With respect to overall mix between retail and institutional customers, we continue to have 48% of our assets contributed from retail investors as on June 2022. In the same manner, the contribution of B30 cities also have remained at 16%. Our focus remain in building retail, both in B30 and T30 which is again have been integral part of our overall retail strategy in building our size.

In addition to some of the initiatives we are now focusing on executing, we also introduced a theme called 'Sahyog' initiative to further the cause of financial inclusion in the last mile person. We have been extending our support to our people, especially for low income groups by making them financially aware and setting them on the path of creating value through investments. That's something which is initiated as new initiative for serving the growing needs of bottom of the pyramid people, and I'll give more updates on this as we get more and more robust in terms of offering this product.

As it is known on alternate business, we have created a separate team of people about a few quarters back to drive the alternate business as well as the passive segment. I'm happy to share with you that this segment has been progressing quite well and yielding gradual results in terms of showing good progress.

Our passive product offering grew by about 6 times to about Rs12,695 crores in June 2022. Our emphasis on building passive strategy also have gained momentum by way of launch of new products through ETF, fund-of-fund and multiple index fund including the passive maturity fund on the fixed income side. Our existing passive bouquet have grown to 28 schemes and about 20-plus more schemes getting added in the pipeline in the next few months. And overall customer base in this category also now grown to about 4,28,000, just short about 72,000 to 5 lakh number which is half a million customer folios in the passive side, which is also something I see as a good progress in terms of building our customer base in the passive side.

On the offshore front, as we have updated last time, we had created a separate focus on creating Greater India ESG engagement fund with the help of global managers managing fund. While we have been busy of course reaching out to more customers globally, we also received our seed funding from our Sun Life as a partner, they have given us seed funding of about \$25 million. On the basis of this success, we will take it to the next level of growth on this fund and

getting more investor on base. We also have plans to launch under the GIFT City for NRIs and LRS investors. In fact, we are opening our office, is already ready, and once the inauguration is done, and the products are launched, we will actually go and launch some of the products for LRS investors to invest in overseas market, that is something is there in the pipeline.

On the PMS and AIF front, in order to build our size, we have recently announced appointment of a senior person coming with 25-years of experience to drive the alternate business who is also now on board. With his help, I think we will launch series of AIF in the PMS front. While doing that, we also launched PMS product which is the market-linked debenture product and also credit opportunities fund, we have already launched, we are in the process of engaging with the distribution community, and hopefully we'll see some kind of success. While building success on some of the new pipeline of AIF product, we also created some success on our real estate fund that we have launched India Opportunities Real Estate fund that we launched. We received our first tranche of fund of close to about Rs. 190 crores. We are in the second tranche launch closing, and upon doing this, we will take this to the overseas market with the help of the BentallGreenOak for offering this product to the global investors.

Now coming to the financial performance for the quarter, our focus continues to remain achieving a robust asset mix of high margin equity assets along with long term debt.

We like to reiterate our equity mix is an all-time of about 41% for the last quarter. We have maintained our operating revenue and PBT during the volatile market conditions. During Q1 FY'23, despite market volatility during the quarter, our revenue from operations remain close to about Rs. 303 crores as compared to Rs. 305 crores for the similar quarter last year Q1 FY'22.

However, due to market volatility in the fixed income and equity market, the AMC treasury portfolio has seen a mark-to-market impact leading to a decline in other income compared to the previous year. For Q1 FY'23, our overall investment book as it is disclosed is close to about Rs. 2,217 crores. This money of course is invested in across mutual fund schemes, including the form of seed capital, also the defined capital as SEBI has given, and this investment had mark-to-market, therefore, they tend to fluctuate and depending upon the market conditions, that is what we have seen in the current quarter, therefore, the other income was lower compared to the last year of the same period. As a result of this our profit after tax stood at Rs. 103 crores in Q1 despite our operating performance is pretty good, because of the other income being lower, the overall profit after tax stood at Rs. 103 crores, and that's something I did want to highlight .

With this, I would like to conclude and open the floor for any questions. I'll be joined by Prakash as well as Parag to take any questions that you may have. Thank you.

**Moderator:**

Ladies and gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Anuj Singla from Bank of America. Please go ahead.

**Mr. Anuj Singla**  
**Bank of America:**

Sir, first question is on the market share trend on the active equity side. You did talk about improved performance in some of the schemes leading to inflows. But when we look at the market share on a QoQ basis on the active equity side, it still is on a declining trend. Can you talk about what is your outlook on this side, and if there is any product launches on the active equity side as well which can help stem this? The second is the data-keeping question. Normally, you provide the SIP AUM, which was around 520 billion as of March 2022. Can you share the value as of June '22 as well?

**Mr. A Balasubramanian:**

Thanks, Anuj, for your question. On the market share both on equity and overall, Of course, our endeavor has been as you know, for quite some time to build the overall market share, while of course the initial the efforts was to ensure that we don't lose market share, at the same time building our market share in the existing product is one of the key focus areas. On the base of this, this quarter of course we couldn't launch NFOs given the fact that NFOs were generally not permitted by regulatory framework in the first quarter of this year. While doing that, we stepped up our engagement in promoting some of our products on the existing side, such as leaders in the respective category, such as large cap fund or flexi cap fund or even the mid cap funds and balanced advantage fund where we have seen significant improvement in terms of performance and the product now is coming in terms of the recommendation list of some of these banking channel as well. That's something again we are pushing it. Given the initiative that we have taken to promote this as category to be part of the overall core portfolio of every investor in order to track investments from the existing funds, that's something which we are doing. There we have of course a target for our team to drive our existing schemes both in the form of SIPs and in the lump sum that we need to actually increase the overall gross volume improvement, therefore, leading to a net inflows and also leading to a market share stability and improvement marginally. With respect to the new fund offerings, we are looking at launching multi-asset fund, and we already filed offer documents to SEBI and hopefully that should come in very soon. Then once it is done, we will actually launch this fund sometime in the month of either August or September. August will be too early, sometime in the month of September we launch this fund once we get the approval. But otherwise, as I mentioned, it will be a good mix of promoting an existing product and few NFOs. Also, on the overall momentum creation, we see a great opportunity in the fixed income asseen , we have been quite successful in offering products in the last two quarters, taking advantage of interest rates movement that we have seen. We became the number one fund other than government mandates that industry has got. In the target maturity fund you can call it or you can call it as a rundown kind of fund in the fixed income space. Today, we have a leadership position of about close to Rs. 10,000 cr size. We see a greater opportunity to activate both HNIs and retail and building that fixed income asset class. Therefore, we are launching some of our existing products, which are a flagship product in the respective category, such as dynamic bond fund and medium term plan. That's something again, we have now put some kind of plan in place. In order to drive two things, one, increase the participation in the fixed income space from both the HNIs and retail, given the fact rates are attractive, at the same time, encourage people actually to do STP

and SIP from these schemes in order to build their equity portfolio from longer term wealth creation point of view. That is how we have planned and hopefully we should see some success on this space on these initiatives.

**Mr. Prakash Bhogale:** Anuj, regarding your second question on the SIP AUM, it's around Rs. 46,000 crore for June 2022.

**Mr. Anuj Singla  
Bank of America:** On the distribution side, obviously distribution commissions last year were not very accretive for the AMCs. Have you seen some normalization happening there? And when you talk about the Multi Asset Fund waiting approval, should we be seeing the improvement versus what we saw last year on the distribution side or the scenario still remains the same?

**Mr. Parag Joglekar:** Anuj, generally, for all NFOs we see a slightly higher brokerage in the first year as current year due to the embargo on various NFO, the current year, the commission are basically in the normal rate, which we generally keep on sharing with our partners around 60% to 65% of our total DTER.

**Mr. Anuj Singla  
Bank of America:** This has declined from 85%, which we saw last year, right, that's a correct understanding?

**Mr. Parag Joglekar:** Lot of NFOs last year. NFOs are at a slightly higher cost.

**Moderator:** We have the next question from the line of Pranav Tendulkar from Rare Enterprises. Please go ahead.

**Mr. Pranav Tendulkar  
Rare Enterprises:** If I wanted to calculate just quickly active Equity AUM, then it is right to subtract... there is a slide where you have actually given passive AUM that you have. So it is right to subtract that amount from Rs. 1168 billion, right. So I think that amount is around 1,068 billion in active equity, is that right?

**Mr. Prakash Bhogale:** Actually, in that slide, there will be a debt index fund also. It will not be correct to deduct the entire amount.

**Mr. Pranav Tendulkar  
Rare Enterprises:** So how to look at this like, so I wanted to understand the discretionary equity portfolio, how to calculate that?

**Mr. Prakash Bhogale:** For active, you have to reduce from whatever AUM we have, arbitrage and the Equity index fund.

**Mr. Pranav Tendulkar  
Rare Enterprises:** Not the ETF?

**Mr. Prakash Bhogale:** ETF is not part of the Equity AUM which we have given.



**Mr. Pranav Tendulkar**  
**Rare Enterprises:**

Second thing is that in terms of the passive AUM, how profitable that line is going to be, whenever it reaches a certain size, can you just share the economics of that vertical?

**A Balasubramanian:**

Broadly, the approach that we are taking on passive, Pranav, is one, the **top tier ETFs** basically NIFTY, SENSEX, all of them would be contributing anywhere around 10 to 20 basis points kind of expenses and AMC fees at best it can be about 10 to 15 basis points kind of thing. If we have to take little, I think what we also intend to do, such as even last time I have shared which is the NIFTY 50 equal weight index fund. There is a larger contribution, where I'm able to charge expenses anywhere around 80 basis points, and therefore, it is about 40 basis points kind of management fees we will get. Of course, we don't have much choice but to have presence in most of the key indices in the market with lower profitability. Our intention is to launch quant based kind of ETF, which can give us slightly higher margins. But in any case, no ETF products, however good they are, it would be unfair to take more than 40 basis points contribution to the overall AMC given the fact that ETF is generally supposed to be cheaper than actively managed funds. that's the way we are looking at building. Right now, the ETF should not be seen from a profitability point of view. ETF should be seen from the point of view of customer acquisition, and giving back to the customer to give alternate investment opportunities or may be what we call co-existing kind of product, along with active funds, therefore it can be seen as the onboarding of customers as well. But as the size becomes little larger as we move forward, and also we keep increasing offering our product, therefore, the contribution coming from ETF as a basket will show an improvement.

**Mr. Pranav Tendulkar**  
**Rare Enterprises:**

I missed a query about that. So there are a lot of me-too ETFs which is like you have like NIFTY 50 like the five other players who have that. But if you see Western Hemisphere, where US and Europe, the ETFs have actually a large amount of stylized portfolios. Why you can't do that in India? So for example, something like there are many technical ETFs as well. For example, sector-specific ETFs. Why can't we do that because not many people are doing that rather than having just me-too ETFs, which it doesn't matter which is a treadmill, and everybody has to keep running on it?

**Mr. A Balasubramanian:**

Basically, what you are saying is right, Pranav. I think the one of the efforts we're putting in a customized ETF that we can create right now like the way extended arm of Bank NIFTY ETF is there. At the same time, the customized index that can be created on the basis of a certain model or we may be taking into account the style of investing. That's something has been part of our process. At the same time, on the basis of our own assessment, or some of the international product given the fact ETFs can be now even today, I can fit into the ETF product overseas, though there's no limit available for actively managed funds, because of the restrictions of 7 billion dollar, that we as the fund house also have launched some of the ETFs that feed into the global market. That's something is there. I think what you're saying is right.

Our ideas actually to use our expertise that we have internally offer differentiated product using the customized index, which can be created with some kind of style bias or factor-based investing, that is our whole idea. But at the same time, in general, the flow that comes in into the industry largely is coming into the traditional, conventional ETF product. If one counts, ETF as a category say let us assuming passive and ETF category is close to about 3,50,000 crores. Large component of this flows have come in the SENSEX, NIFTY and to some extent banking ETF, nothing more than that. So therefore in our case, while we have to have me-too product, as you pointed out, our intention is to build capability and offer these kind of products.

**Mr. Pranav Tendulkar  
Rare Enterprises:**

When we say that we are focused on consumer experience, there can be once in a year provision in your funds where you can stop taking money if you think that market is extremely overvalued, because that will add ultimately to the consumer experience. So, are you thinking from consumers point of view holistically, like can you stop AUM, that is maybe one of the parts, and obviously there'll be many other factors of consumer experience and consumer lifestyle cycle experience will be improved. So I just wanted to understand how holistically you're thinking about this?

**Mr. A Balasubramanian:**

I think we have done in the past, Pranav, when we saw about three years back, the credit opportunity in the industry is not going to be as big as what is being thought about, more than an opportunity, risk in the system would increase quite significantly. In fact, we stop taking inflows of high-ticket and for investors, we restricted inflows. In the same way, we have done in the case of equity as well in Birla Dividend Yield Fund in the past. Therefore, it is part of our strategy. As and when we feel there is merit in doing that, even if it means it's going to come at the cost of not able to increase our size and as long as going to benefit investors, and gives right messaging, we will be open of course to do that.

**Mr. Pranav Tendulkar  
Rare Enterprises:**

Perfect Sir. If that perception gets created, then you'll have an edge in the distribution channel.

**Mr. A Balasubramanian:**

Yes.

**Moderator:**

We have the next question from the line of the Dipanjan Ghosh from Citi. Please go ahead.

**Mr. Dipanjan Ghosh  
Citi:**

Just a few questions from my side. The first is, if I just look at your distribution channels, and split it between the banks, MFDs and national distributors, and more thinking in terms of the equity flows that you're seeing through these channels, if you can give some color on the wallet share, is there across the channels or the contribution from the top 10, 20 players in those channels, how they're staging up and how it has changed let's say over the past one or two years? Second, more on the new FinTech channels or the digital channels. If you can give some color on the flows for the industry? It was increasing. Has there been any trend changes? And

how is ABSLAMC really positioned in that channel? And third a data-keeping question, if you can give a number of unique investor accounts as of June, and how it has changed YoY/QoQ?

**Mr. A Balasubramanian:** Thanks, Dipanjan. As far as the channel is concerned. I will give you first overall basis, then I'll give you the broad sense that we have from the distribution channel point of view. As it stands today, in case of our overall 31% of our assets including fixed income coming from MFDs and roughly 10% is coming from bank and 15% coming from national distributors and 45% is coming from direct channels. Of course, number looks larger because most of the institutional customers come directly. If we have to look at the same number for our equity, 17% comes from direct and 51% comes from IFAs/MFDs and 18% comes from national distributors and 13% comes from the bank. In fact, in the last one year, our contribution is coming from banking have gone up from 12% to 13%. We have seen improved contribution coming from the banking channel. One, thanks to the NFO that we did last year and in general, our products are being part of the recommendation list both on fixed income and equity. Therefore, we have started seeing contribution coming from the banking channel as well as national distributors channel. As you know that the top five contributors, the banking channels, I'm making an exception of SBI, because anyway they don't deal with us, they don't sell any mutual fund other than SBI, therefore I'm not taking them. And the same case with ICICI, does not sell in retail other than their own funds. If you have to knock off these two from the top, left with HDFC Bank, Axis Bank and the foreign banks, these are the names which comes in. In fact, we generally have anywhere between 9% to 10% from Banks like HDFC bank and Axis will be somewhere around 5.5%. That is a broad range in which we get, but otherwise, leaving aside these two, some of the other foreign banks we would have anywhere between 10% to 11% kind of market share. Of course, as we go down, the size also will be lower though we will have higher market share. That's the broad trend that we have. In fact, the trend has been a little better compared to what we've seen in 2021. There're two national distributors. We have seen an improved contribution coming from the largest national distributors in the country, which is NJ as well as Prudent, we have seen increased contribution both in SIPs as well as in equity AUM and rest of the places, we have been maintaining somewhere around 8% to 9% kind of market share. That's the broad trend. With respect to the number of unique investors, I just give you the number is that 52.5 lakh unique customers and this number compared to the last year would have gone up marginally, I think it was about 47, it has gone to about 52.5 as unique customer base.

**Mr. Dipanjan Ghosh**  
**Citi:**

Just one follow up on your first answer and thanks for the detailed clarification. So, one issue that you mentioned are on outstanding AUM basis or on flow basis?

**Mr. A Balasubramanian:**

Both.

**Mr. Dipanjan Ghosh**  
**Citi:**

And this will only be for the equity portion, right, or this is like for the overall business?

**Mr. A Balasubramanian:** Generally I give it to the equity only, but if we have to add fixed income, a little bit higher in channels who sells fixed income. Because not all distribution does fixed income quite aggressively. Given the fact last year, there's not much of opportunities, but however some of our products, which are part of recommendation list, let us say I am taking the HDFC Bank as the large distribution in the country as an example, three of our products is part of their list. We get almost about 15% contribution from them if we have to look only the fixed income. In fixed income, my contribution will be higher given the fact that the product that we offer have got a longer term standing in terms of acceptance, and in general, the fixed income contribution from these channels will be at least 3%-4% higher than the equity, except the volume on the fixed income will be lower than equity as these distribution houses focus more on equity rather than debt.

**Mr. Dipanjan Ghosh  
Citi:**

If I can just kind of close the loop based on whatever you mentioned, it looks like across the top banking partners, across the top national distributors, your market share on the flow side seems to be definitely higher than your outstanding market share on the equity business today. So, if that possibly boils down to the fact that on the flow basis, either the market share on the MFDs or through the direct channel, probably has been on the lower side. So, that kind of also brings me back to my last question which is on this new FinTech channels or digital channels, how things are stacking up and if you can kind of close this loop for me?

**Mr. A Balasubramanian:**

Just to correct you on this, as far as the banking channel is concerned, the market that they have with us, what you said is right, will be marginally higher in terms of flows coming in. I will just give an example of Axis. The market share what they have is an outstanding assets and what they give will be more than that. More than that whether it will have a significant impact in terms of the volume, would be marginal. That's one. Again, IFA channel in general has been flat for the industry. That's also something I think what you summed up is right. But as far as the FinTech channel is concerned, I think the whole industry AUM coming from the top 80 FinTech partners we track, right from Zerodha to Groww to everyone, the total industry size, the number is roughly about Rs. 75,000 crores. And we have roughly 7.5% market share from this channel. But if I go into individual channels, my market share in some places could be lower, some players will be higher, depending upon what kind of tie-up that we have, for example, PhonePe as a channel is also equally a powerful channel, but may not be as big to Zerodha or Groww. But however, we do get close to 30% market share on PhonePe. I think it can vary from partner-to-partner.

**Moderator:**

We have the next question from the line of Lalit Deo from Equirus Securities. Please go ahead

**Mr. Lalit Deo  
Equirus Securities:**

Just wanted to understand something on the yields side, during the quarter, so our share of equity AUM has increased marginally. And you also mentioned that there were no low yielding

NFO. So despite that our revenue yields have declined on a sequential basis. Could you highlight the reasons for the same?

**Mr. Parag Joglekar:** Lalit, if you look at it, it's a really marginal drop from last quarter to this quarter on the yield, even the YoY basis also, there is a marginal drop. Even though the equity size as a percentage gone up, the yield over the compared to last year has gone down because of most of the NFOs has come at a later part of the year over the first quarter. Second part is the movement of asset within the debt scheme, as from various schemes which are slightly higher yielding to a lower yielding scheme. And the debt mix has slightly gone down compared to the last year which has resulted some impact on the yield side.

**Mr. Lalit Deo  
Equirus Securities:** On the index fund, like 90%-92% of it is contributed from the debt index fund. So could you highlight the yield difference between the debt index fund and the equity index fund if there is any? Unlike going ahead, if we have any products in the pipeline so how do we expect the share between the index funds between debt and equity?

**Mr. Parag Joglekar:** Yields will be on the debt side in the range of 10 to 12 basis and on equity it will be on 15 to 20 basis range.

**Mr. A Balasubramanian:** What we have done, Lalit, as far as the fixed income, target maturity fund is concerned, we started off with at 20 basis on expenses with about 10 basis points contribution coming to us. But as we started seeing more acceptance in the market and as we started seeing this product is more relevant, even for HNIs and retail customers, we also launched one or two products with the higher expense of about 40 basis points with the intention to have 20 basis points contribution coming from that segment, so that it becomes win-win for everyone as interest rates moved up. For example, we are launching our dynamic bond fund. While we may reduce the expenses, but expected increased in volume would actually lead to an increase in revenue. That's why we are building that space. But as the interest rates move up, definitely, our ability to charge on few basis points relatively higher, that is a model in which we are just looking at building.

**Mr. Lalit Deo  
Equirus Securities:** So what are the ESOP expenses during the quarter?

**Mr. Parag Joglekar:** Rs. 8.5 odd cr.

**Moderator:** We have the next question from the line of Madhukar Ladha from Elara Capital. Please go ahead.

**Mr. Madhukar Ladha  
Elara Capital:** I just wanted to understand what is happening on the fixed income side? We're seeing a consistent drop in market share even over there. And the other thing, this monthly SIP book

that we get from the industry, this I believe is the gross number. I wanted to understand from you, what is the real net inflow that we are seeing and what have been the trends on this?

**Mr. A Balasubramanian:** With respect to your first question on the fixed income side, one, the first quarter was pretty volatile from the fixed income point of view. In general, we saw behavior from institutional customers to redeem from mutual funds and either go for fixed coupon bond or fixed deposit or repay loan or move into the target maturity fund. That's how we have seen. We normally enjoy high market share in the fixed income space from institutional customers and due to that withdrawal in a volatile period, you would have seen a margin dip. We still have about 10.9% market share which is a pretty decent market share. But having said that, that is not something which is generally a worrying factor. We as a fund house, we do have reasonably good confidence and engagement with customers in order to get our due market share, which is historically we have maintained. But having again said that, this space, also is a competitive landscape, some of didn't have much presence in this space, but they also deserve to get some kind of contribution coming from the customers, also gaining some strength in this space. Therefore, that's something was a phenomena that we have witnessed in the first quarter. But I think once we launch some of our open ended debt fund from HNIs point of view, we will see incremental additions coming from Retail as well in this space. And your second question is on the SIP. I will ask Prakash to give an answer.

**Mr. Prakash Bhogale:** This second question on the SIP, the amount is the same means that's the inflow what we receive from the SIP book Size.

**Mr. Madhukar Ladha  
Elara Capital:** So that is 9 billion, right. But is the industry number gross or net?

**Mr. Prakash Bhogale:** Industry numbers are the same. These are the comparable numbers with the industry.

**Moderator:** We have the next question from the line of Jignesh Shial from InCred Capital. Please go ahead.

**Mr. Jignesh Shial  
InCred Capital:** So most of the questions have been answered. We have seen a bit of a dip from the contribution from B30 cities. Forgive me if I have missed it earlier, but any specific reason for it that there is a bit of a dip that we're witnessing this time?

**Mr. A Balasubramanian:** I think B30 AUM is actually very stagnated. It's not dipping I see. It's about 15.9%, some of the numbers, we are stuck up at 16%. The reason is the some of the NFO that we did last year if you recall, most of the equity money that came in last year from NFOs for the industry largely has come from equity and fixed income contribution generally has been very, very negligible. Therefore, that has resulted in B30 AUM remaining somewhat stagnant for some of the incumbent players. At the same time, those who had the NFO launches, they would add increment contribution coming from the B30 market. That's one. Second is one fact remains which anyway that Axis as I mentioned, even the distribution update when I gave, I knocked

off SBI for my consideration. But if you have to look at their own presence in B30 market, still much higher than what the competition is doing. Therefore to the extent, I can say the numbers getting stagnated. Otherwise if I knock off that naturally our number look little better. Of course, I can't knock it off as they are a part of the industry itself.

**Mr. Jignesh Shial  
InCred Capital:**

Are we facing competition even in B30 or ex-SBI even is competition getting tougher, because most of the AMCs right now is focusing on deepening the penetration and all? I agree that more or less it is coming on equity and not on debt. But are we facing a competition getting built up already or do you think there is enough scope still left for everybody to grow in this particular space?

**Mr.A Balasubramanian:**

In general, of course, competition landscape is getting better, no doubt. At the same time, given the fact that we as the fund house have been creating presence to the emerging market channels, looking at new market on a continuous basis. A level of engagement that we have in the deeper parts of the country which can contribute to the equity AUM, at the same time the persistency of these assets could be longer. That's something as the fund house, we have been quite successful in building this market. Despite competitive landscape is changing, I think we will remain extremely committed to build this business. That's something I'm not worried about that.

**Mr. Jignesh Shial  
InCred Capital:**

My second question is I believe that we had been doing pretty good on the direct side even now roughly around sourcing comes out roughly 42% if I see it up now, but it has been declining. Is it because of the debt fund which is seeing a bit of an adversity due to the external factors or the focus has been reduced, any specific reason for overall share of direct reducing or the contribution coming from the others is the reason why one should see that the direct has been declining?

**Mr. A Balasubramanian:**

I think largely due to the debt. You rightly pointed out largely due to the debt. Of course, my present number is Rs. 38.5 lakh crores for the industry is dropped over to 37.2 or 37.3. That is largely on account of fixed income outflow. We did also see outflows of about Rs.16,000 crores. That's actually tilted the direct exposure to some extent.

**Mr. Jignesh Shial  
InCred Capital:**

Third question from my side on not specifically on Aditya Birla. Being a veteran in the industry, just getting a sense over here. We're seeing that overall not for one, but across, Yield has been compressing across, whether it is equity or debt or even the liquid and obviously the surge of passive has also been one of the reasons. But now the yields remaining stagnant more or less at the lower end right now and limited scope for a further consolidation or further cut on the Opex side, do you think we are almost going to see the similar kind of tightening for the AMCs in general for at least a couple of years till the time we don't see the competition allowing the yields to move up? In the overall sense, I wanted from your side, not commenting specific on

ABSL as such. But what's your view that how we can see that the profitability will be improving, the PAT yields will be improving from here on for the industry in general, just if you can give some sense over there?

**Mr. A Balasubramanian:** I will put it in a simple manner on this. I think last few years if you see the industry have seen declining margins, declining expense ratio which is linked to the size as well, at the same time in general the profitability has been improving because of volume improvement. I think industry dynamics will continue to remain the same way even going forward. For a scale player like us, large profit pool is coming because of efficiency as well as the cost benefit one will get on basis of increased volume. That continue to remain a big part of the strategy. Well, of course, even the new fund offering will come from smaller size funds. And as the size becomes larger for everybody, I think everyone will go through the same situation when it comes to the question of reduction in the margins so on so forth. But my own belief is from a bigger perspective, I think we are more or less getting consolidated and therefore there will not be significant pressures go to the industry except the differential advantage one will have between the smaller size funds versus the bigger size funds, that advantage will remain, that's created by the regulatory environment, it's not created by the competitive landscape.

**Moderator:** We have the next question from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

**Mr. Prayesh Jain  
Motilal Oswal:** Sir, firstly, in the last few months, the incremental SIP accounts have kind of slowed down. Any thoughts as to structural slow down or it's just the market, or what's the factors that are impacting this?

**Mr. A Balasubramanian:** It's a function of market and a function of the past return generally works. I think even for the industry as well for us, now having reached certain size and the last quarter with a marginal dip in SIPs. Sometimes what happens is during the volatile market period, generally, there's a tendency for people to stop the SIPs and that's something historically we have seen. Again, they come back. While we see marginal dip, we as a fund house having now built SIP to close to about Rs.900 crores, now getting stabilized from last year it was Rs.816 crores same quarter, today it is Rs.900 crores. In fact, we have been aiming this number how it can actually cross a four digit number and for which what we need to be done, that's something remains. Given the fact that SIP we are investing now, we are investing in mutual fund for most of the investors and that's why I think we as a fund house is also doing it. Even industry also has seen a marginal dip, That's something I've always seen historically linked to the market volatility, but at the same time, there is a higher acceptance for SIP investing by the investors, therefore that's something I am not seeing as a trend reversal, it's more of temporary.

**Mr. Prayesh Jain  
Motilal Oswal:** Secondly, on the overall expenses for Aditya Birla AMC, is there any lever to cut absolute costs where you have been talking about scale benefits, but is there a scope to cut costs anywhere



which can help improve the profitability or another PAT margins because it seems would continue to decline at least in the near term, any cost that can be controlled or can be reduced in absolute terms?

**Mr. Parag Joglekar:**

Prayesh, on the cost, as you know, we have currently some hit on ESOP which we keep on getting every year. As it is a dropping trend of 40, 30, 20, 10 over the four years, that cost will keep on going down over the period and after four years that cost will go away unless we issue some new ESOP to employees. So that is one cost plus wherever like we have been experimenting on a lot of our digital way of engaging with people, so once that gets stabilized over the period, some cost benefits we may get it. On 'One ABC', as we mentioned on the consolidation of branches, we are doing at ABC level will help us to save cost as that is a smaller space compared to the current branches we are holding. So those are the areas currently we can see that there may be some cost reduction over the period, but it may not be very significant on the overall cost basis, but those kind of small, small things which we will keep on doing and trying to explore.

**Mr, Prayesh Jain  
Motilal Oswal:**

Last question on Other Income, is over the last couple of quarters when the yields were rising, we had seen your other income kind of relatively stable, but in Q4 and in Q1 we've seen a negative other income, what changed in the quarter that cause such a shock in the reversal in the other income and what kind of trajectory should we see out there?

**Mr. Parag Joglekar:**

On Other Income side, generally, we were investing most of the funds in debt portfolio, but post the regulatory changes of the "skin in the game" we have started investing in the equity schemes of our fund and currently as equity has declined in the last quarter we have seen a hit on that side, plus on the debt long duration fund or the target maturity fund where we have invested our funds to get higher returns over a longer duration period because the investment horizon is much longer, we have seen a dip because the interest rate has gone up. So that has created some negative impact on the overall other income for the company.

**Mr. A Balasubramanian:**

Just to add to that, Prayesh, the investments that we have made in the fixed income, target majority fund, here intent is to hold still maturity, therefore you get the desired return on the base of the yield that's prevailing at the time of investing. While that's the intent, but unfortunately, we have to mark-to-market during the interim period. So that's one which had an impact in this quarter. As Parag mentioned, in addition to regulatory-led limit investment that you have to make, we also have been of course seed some of the funds in building our ETF and passive, innovation that we are doing in the product. We do of course seed funds and to the extent of say Rs.25 crores or Rs.30 crores or Rs.50 crores kind of seed funds, but also sometimes go through this kind of volatility, which again I would say is more of a quarter-on-quarter kind of thing but I don't think any other thing that one should worry about it.

**Moderator:** We have the next question from the line of Bhuvnesh Garg from Investec Capital. Please go ahead.

**Mr. Bhuvnesh Garg  
Investec Capital:**

I have two questions. Sir, firstly just want to know your thoughts from competition in the smart beta platform, like to offer SmallCase and even broking companies are launching their own funds and then some distributors are launching their own funds. So how do you see competition coming from that side and what is your company doing to mitigate that competition? And secondly, I just want to understand the revenue from ETF funds, for example, how would that revenue be, for example, for a normal fund, the revenue will grow as the fund size grows, but how does in case of ETF your revenue will grow?

**Mr. A Balasubramanian:**

As far as the FinTech platform is concerned, we are not in that space actually from the competition point of view. At the same time, we do evaluate options that we have in front of us in doing a proper tie-up with say SmallCase in offering the back-end solution as well as ETF kind of a product that we can do jointly. That's something we keep evaluating. Therefore, any broking platform provides a portfolio using some of this platform, I think we do evaluate such platform from the point of view of offering ETF product. All the FinTech platform that is where we want to use it. Second, we also want to use the broking platform to promote our ETF from the point of view of giving to the customers either from trading point of view or from investment point of view. That's something has been a part of our agenda to evaluate and make it quite agile, dynamic when it comes to the question of selection of products from investors portfolio point of view. There's are two areas I see it. I don't see the competition, but definitely is one of the areas where we can look at some association with some of this platform for us to build size. In fact, we do have a tie-up with say PayTM, Kuvera, ETMoney for the purpose of building customer acquisition in this model. When it comes to the question of ETF, I think the contribution is something I would assume or one has to start counting from a contribution angle after say one, one and a half years given the fact that initial push would be more to create your presence visible and at the same time it is made available in the platform for people to buy, therefore we actually made some investment assumptions rather in the form of expenses to ensure that ETF gain some kind of traction. So that's how we are building it. Therefore, the real contribution is coming from the segment, as it stands, as I explained to you before on the index fund, on the debt index fund, we started off with low expenses, increased expenses as the size started getting accepted, when the size coming in, started getting acceptance from the investors from even HNIs, we felt that maybe margins can improve. So that is the model in which we'll build as far as the passive is concerned.

**Moderator:** We have the next question from the line of Swarnabha Mukherjee from B&K Securities. Please go ahead.

**Mr. Swarnabha Mukherjee**  
**B&K Securities:**

A couple of book keeping kind of questions. First of all, the SIP AUM, if you could share that number at the end of Q1? Second is on the tax rate. How to think about it? It was a tad bit higher this quarter. What would be the reason and how do we see going ahead from the rest of the financial year ? And thirdly, in terms of other expense, given that this quarter there was no NFO and there was less marketing expenditure possibly and going forward would variable cost then come back into the cost structure, if you could give color?

**Mr. Prakash Bhogale:**

SIP AUM is Rs 46,000 cr for Q1.

**Mr. Parag Joglekar:**

On the tax, it's mainly due to the deferred tax reversal on the impact of the other income on the losses which has happened in the current quarter, we are hopeful that it will come back to the same rate which we have been tracking for last couple of years over the rest of the year. And on the other expenses side, other expenses if you look at it compared to last year it's slightly higher whereas on quarter-on-quarter it is more or less flattish. Other expenses have mainly gone up due to a lot of activities which have started happening post opening of the economy post-COVID, which has increased the travelling expenses, which has increased the event expenses, plus we had some event during this quarter on our investment voyage which we used to do two years back before the COVID which we have done in the current quarter, which has some expenses around that. And there are some impact on this rupee-dollar having impact on some of the foreign exchange expenses which has slight impact on that. So those are the main reasons for expenses slightly going up compared to last year.

**Mr. Swarnabha Mukherjee**  
**B&K Securities:**

So you expect that way to sustain slightly elevated into such thing, would that be a fair assessment?

**Mr. Parag Joglekar:**

This will be more of a BAU because if you see last couple of quarters, the range is in the similar expense range.

**Mr. Swarnabha Mukherjee**  
**B&K Securities:**

A follow up again on tax side. So the deferred tax credit that you have given had ideally kind of reduced your tax rate on a headline basis. So like kind of if you do not factor in that, then your tax rate would be somewhere close to 33%. Normally, it is close to 25%, right?

**Mr. Parag Joglekar:**

Over the year it will come back to the similar rate, that is what our expectation is.

**Moderator:**

We have the next question from the line of Dhruvish Pujara from Mirabilis Investments. Please go ahead.

**Mr. Dhruvish Pujara**  
**Mirabilis Investments:**

So, just a couple of questions. So on the Rs.2,200 crores prop investment book, what percentage would be invested in our in-house funds and out of the total what would be in the equity?

**Mr. Parag Joglekar:** On the overall investment, whatever mutual fund investment which we do, we do in our own funds only and there are some exposure to some of the direct debt investments which we have done earlier and equity will be in the range of around 11% to 12%.

**Mr. Dhruvish Pujara  
Mirabilis Investments:** Wanted to understand like when we invest in our own funds like so the expense ratio which we earn on the prop book, how does that get accounted? Does it flow through the revenue or we don't charge, how does it work?

**Mr. Parag Joglekar:** On our own investment, we can't charge the fees.

**Mr. Dhruvish Pujara  
Mirabilis Investments:** So there's no question of flowing through the revenue, right?

**Mr, Parag Joglekar:** Yes.

**Mr. Dhruvish Pujara  
Mirabilis Investments:** When I look at the TER so let's say a scheme is worth Rs.1,000 crores, out of that let's say Rs.100 crores is invested by our own prop book, so how does the TER calculation, does that factor in that or how does it work, would you bring down the TER because we are not charging on that Rs.100 crores, that's the question?

**Mr. Parag Joglekar:** So the fees will get reversed to that extent.

**Mr. Dhruvish Pujara  
Mirabilis Investments:** I wanted to understand how does the investment decision-making work on the prop book. So like do we have a committee or the investment team takes care of it or like who are the people who are involved in the committee, so if you can give some thoughts on that? How do we like determine the equity and debt mix in that?

**Mr. A Balasubramanian:** Basically, we have a team of internal people comprising of investments both in equity and fixed income and asset allocation fund. We do asset allocation fund which again deserves purely driven by the committee approach and while CFO will also be there. I know they'll have a constant review and a holding period and how much is assets we need to invest as per the regulatory requirement and how much we can go beyond that and how much should be in the fixed income investment keeping in mind the safety and so on and so forth. So that committee drives that decision. We have proper internal policy.

**Moderator:** Ladies and gentlemen, that was the last question. I would like to hand the conference over to Mr. A. Balasubramanian, Managing Director and Chief Executive Officer for closing comments. Please go ahead.

**Mr. A Balasubramanian:** Thanks all of you very much for tuning in and with this we conclude our Q1 FY'23 earnings call. Do feel free to reach out to our IR, Prakash Bhogale for any queries if at all you may have.

**Moderator:** Thank you members of the management. Ladies and gentlemen, on behalf of Aditya Birla Sun Life Asset Management Company Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.

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