

PCASL/17/2023-24  
Date: 30.05.2023

To,  
The National Stock Exchange of India Ltd,  
Exchange Plaza,  
Bandra – Kurla Complex,  
Bandra (E),  
Mumbai – 400 051  
NSE EQUITY SYMBOL: **PRUDENT**

To,  
BSE Limited,  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai- 400 001  
SCRIPT CODE: **543527**

ISIN: **INE00F201020**

Dear Sir/Madam,

**Sub.: Transcript of the Conference Call for Audited Financial Results for the Quarter and Year ended March 31, 2023.**

With reference to our earlier intimation No. PCASL/07/2023-24 dated May 19, 2023 and in terms of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of the Conference Call with analysts and investors held on May 25, 2023 in respect of the Audited Financial Results for the Quarter and Year ended March 31, 2023.

The same will also be available on the website of the Company at [www.prudentcorporate.com](http://www.prudentcorporate.com)

Please take the same into your records and do the needful.

Thanking you,  
Yours Faithfully,

**For, Prudent Corporate Advisory Services Limited**

**Dhaval Ghetia**  
Company Secretary  
Tele No: 079-40209600  
Email: [cs@prudentcorporate.com](mailto:cs@prudentcorporate.com)

Encl.: As Above



## “Prudent Corporate Advisory Services Limited Q4 FY-23 Earnings Conference Call”

**May 25, 2023**



**MANAGEMENT:**

- MR. SANJAY SHAH – CHAIRMAN & MD, PRUDENT CORPORATE ADVISORY SERVICES LIMITED**
- MR. SHIRISH PATEL – CEO & WHOLE-TIME DIRECTOR, PRUDENT CORPORATE ADVISORY SERVICES LIMITED**
- MR. CHIRAG SHAH – WHOLE-TIME DIRECTOR, PRUDENT CORPORATE ADVISORY SERVICES LIMITED**
- MR. CHIRAG KOTHARI – CFO, PRUDENT CORPORATE ADVISORY SERVICES LIMITED**
- MR. PARTH PAREKH – INVESTOR RELATIONS, PRUDENT CORPORATE ADVISORY SERVICES LIMITED**

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

**Moderator:** Ladies and gentlemen, good day, and welcome to the Q4 FY23 Earnings Conference Call of Prudent Corporate Advisory Services Limited hosted by ICICI Securities.

As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘\*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ansuman Deb from ICICI Securities. Thank you, and over to you, sir.

**Ansuman Deb:** Thanks, Michelle. Good morning, ladies and gentlemen. On behalf of ICICI Securities, we welcome you all to the Q4 and FY23 Results Call of Prudent Corporate Advisory Services.

The company is represented by Mr. Sanjay Shah – Chairman and Managing Director. Mr. Shrish Patel – CEO and Whole-time Director, Mr. Chirag Shah – Whole-time Director. Mr. Chirag Kothari – Chief Financial Officer, and Mr. Parth Parekh – Investor Relations.

I will now hand over the call to Mr. Sanjay Shah for his opening remarks, post which we will open the floor for Q&A. Over to you, sir.

**Sanjay Shah:** Thank you very much, and I thank you all who have joined the call today for sparing your valuable time. I hope you all have access to the investor presentation, which has been uploaded on the exchanges. I hope it is handy for you because, during the discussions, I might give reference to slides.

So now, if I start talking about the fiscal year FY23, we crossed three key important milestones. Number one is our mutual vertical crossed 500 crores in revenues for the first time. Secondly, our cash flow from operation’s exceeded 100 crores & it ended FY23 at 127 crores and thirdly, insurance which is a very important business for us, has crossed 10% in our overall consolidated revenue. So, for the stellar performance, I would like to extend my warm thanks and gratitude to our Prudent partners, who are our key pillars of strength in helping us to achieve these milestones.

As you are aware that in the case of Prudent, we continue to drive the mutual fund business through our granular systemic investment plan, and our SIP flow in month of March 2023 stood at 522 crores which was 27% higher than a year ago. So, despite being a very strong player on the SIP front, we believe there is much more ground for us to cover. For that matter, I would like to take you to Slide #31. So, if you look at this slide of our investor base of 15.3 lakh clients, 50% of our investor base has not even started the SIP yet as of March ‘23. So, this is a considerable base out of our active investors who have just done lump sum, but have not done any SIP or they do not have any ongoing SIP. I would like to tell you there is one research from CAMS and CAMS services about (+2.4) crores investors, and in the CAMS data also, 57% of

investors of CAMS have not started SIP. So, this data of Prudent also coincide with the CAMS number. So, there is a good scope for us to grow our SIP base. Also, if you look at out of 7.5 lakh investors who have started SIP, 50% of that, so roughly 3.2 lakh investors, only have one SIP. So there, also, we feel that it is a good scope for us to increase the number of SIPs of these investors.

Another noteworthy data point from the same slide is the number of years of experience investors have had with Prudent. We consider the first transaction they made with Prudent as the starting point of their relationship. The chart on the right-hand side indicates that out of our total AUM, 68% belongs to investors who initiated their first transaction before March 2020. These investors have experienced at least one market downturn during their investment journey. This data point instills confidence in our ability to increase our wallet share among existing customers. As mentioned, in March 2023, our monthly SIP flow amounted to 522 crores, with almost a second rupee in our gross flows coming from SIP.

Turning to Slide #23, which showcases the movement in assets under management (AUM) from March 2018 to March 2023. During this period, 52% of our AUM has been contributed by net sales, while the remaining 48% is attributed to mark-to-market gains. Barring, the COVID-19 hit years, our net sales have been on par with or higher than our gross flow from SIP. This indicates a close correlation between net sales and gross SIP numbers.

In light of this context, if we annualize the monthly SIP flow of 522 crores in the month of March, we anticipate a gross flow from SIP of 6,200 crores in FY24, which represents approximately 11% of our FY23 closing AUM. So, we are confident in achieving a net sales growth of 10% to 11%, and we expect the remaining 10% to come from mark-to-market gains. This overall growth projection positions us to achieve an annualized growth rate of 20% over the long term. Our goal is to reach the milestone of 1 trillion AUM within the next 3-4 years. Additionally, given our investment book of 142 crores and the generation of healthy cash flows annually, we have been actively exploring inorganic opportunities in the industry. This provides us with the potential to achieve the 1 lakh crore mark even earlier through strategic acquisitions.

We continue to be aggressive in diversifying our revenue stream, and on the revenue front, revenue from other products has grown by 114% year-on-year in FY23. This year in the distribution basket, we added Liquiloans, which is a P2P product, and we also started distributing the smallcase product on our FundzBazar platform.

Insurance as a vertical has performed exceptionally well in FY23, with revenue almost doubling, and it is now close to about 11% of our overall revenue. Our total premium grew by 78% during FY23, and commission grew at a much faster pace due to a higher share of remunerative life insurance policies in the fresh premium. We have around 7750 mutual fund distributors or their family members working as a point-of-sale insurance segment. Regarding insurance, as you all

are aware that Jan-Feb-March quarter was very robust and exceptional because of taxation-related changes.

I'll take you through Slide #46, which talks about our standalone results. In FY23, our quarterly average AUM grew by about 33%, led by strong SIP flow, and as you all know that last year we acquired Karvy by about October-November. So, the full-year average of Kavy came in the current year, and that's the reason for growth as Karvy was not there in last year's base for about 9-10 months. So, because of that, our overall AUM has grown by about 33% on average. Consequently, revenue also grew by 33% and our net revenue yield has remained stable at 95 basis points. Operating profit grew at a faster pace than the revenue growth at 38%, mainly aided by the benefit of operating leverage and the margins expanded by 95 basis points to 22.8%.

Our profit after tax grew by 26%, a tad lower than the operating profit, mainly because the amount we paid for acquiring Karvy has now been amortized. This is the year where full-year amortization has come. So, Depreciation has reduced our profit after tax. Our cash flow from the operation has been very steady and very healthy, and from our standalone operation of Prudent Corporate itself, we reached closer to 100 crore & we ended the year with 94 crores of cash flow from mutual fund distribution operations.

If you look at Slide #41, the good part of this table is that our opening AUM for FY24 is at 56,189 crores which is almost 6.4% higher than the full-year average of last year, which was 52,864 crores.. We also have a good head start not only on the average AUM but also if I'll just tell you about the current number, we have already surpassed 60,000 crores AUM which is about 13% or 14% higher than full-year average of FY23. So overall, I just wanted to communicate that the mutual fund vertical has a good head start for FY24.

Now, let's shift our focus to Slide #45, which presents our consolidated results. In FY23, our revenue from operations grew by 35.6%, primarily driven by the healthy growth in the mutual fund vertical and the outstanding performance of our insurance vertical. Our operating profit increased by 51% year-on-year, reaching 173 crores. This growth was facilitated by the benefits of operating leverage, coupled with the significant contribution of our insurance business to the overall revenue composition. As a result, our profit after tax grew by 55% to 117 crores.

Our cash flow from operations for the year amounted to 127 crores, and the ratio of cash flow from operations to net income stood at 104%, indicating a strong and healthy cash conversion. Summing up FY23, it was an exceptional year for us, and we anticipate that this momentum will carry forward into FY24.

However, there are certain challenges on the horizon for FY24, primarily driven by the SEBI consultation paper on Total Expense Ratio (TER), which is currently in the public domain. However, we are in the business of volume and we believe that volume do compensate for the margin compression in absolute basis points which we may witness going forward given that we are growing at almost twice the rate of the industry in the equity AUM front.

I will now open the floor for questions and answers. Thank you.

**Moderator:** Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Rohan Mandora from Equirus Securities.

**Rohan Mandora:** I just wanted to understand, currently, within the SIP book, how it is split between pure equity, hybrid, and solution-oriented funds and similarly on AUM. also, can you share similar stats on the equity AUM?

**Sanjay Shah:** Rohan, you can move to the next question. I'll just get the data and Parth will give the information.

**Rohan Mandora:** Second was that there are certain schemes that are of SIP plus SWP nature and where the SIP flows are for a relatively long period of time. So as a distributor & an investor also, how do they see this kind of a product, and are we more inclined to do these kinds of products because we get a longer tenure of flows on them? I just want to understand your view on this.

**Sanjay Shah:** I think there are SIPs-SWP combo products which are like, say, ICICI & SBI have. So, we do provide those products on our FundzBazar, and we have already onboarded them. You are absolutely right that this product gives you not only the longer duration money, but I think it takes care of the retirement requirement of the investors. Definitely, it's a very good product for us to focus.

**Rohan Mandora:** Here also, what would be the share in the SIP bucket of this product if you could share along with the data? Third was in terms of what will be your view on the recent discussion paper that has come out from SEBI. How do you read that in terms of the impact on Prudent?

**Sanjay Shah:** Rohan, I think it's very premature for us to say anything as of now because if you look at the consultation paper, which is open for public debate and I think everybody would give their suggestion and finally, what is going to be the actual change will come from the regulator. So, there are a lot of floating points. For example, SEBI has said that the TER should include not only the brokerage but incidental costs like STT also and which is probably very difficult for somebody to project because I don't know which particular fund has what kind of churning. So that cost is very floating. That is one point that is probably keeping everybody on tenterhook. Overall, I probably think about how the industry will react, how much they'll pass on to everybody in the entire value chain, and what are their views on passing to a retail IFAs as well as to us. There are a lot of things that will remain floating for us to come to a real conclusion about what is going to be the impact. But I can tell you the positive part of this would be that as the industry becomes more and more competitive, the need for people to align their interests with a larger platform, the quality platform would become very important, and we feel that is going to be an important thing for us over a period of time. And Rohan, in the SIP book, we have 93% equity and 6% in hybrid & less than 1% is probably debt or solution oriented funds.

- Rohan Mandora:** On that SIP plus SWP, how much would that be within the SIP book?
- Sanjay Shah:** We can probably get the number, and we'll communicate with you. It will not be significantly large. Because normally it will be a vanilla product which is sold very significantly, but it's a good product for us to do and we have been making lot of efforts. But if you look at the number, I think the number is not handy as of now.
- Moderator:** We have the next question from the line of Ashwani Kumar Agarwalla from Edelweiss Mutual Fund.
- Ashwani Agarwalla:** As you said that the margins might take a hit because of the new TER regulations. So, you must be in talks with various mutual funds. So, what is the glide path the mutual funds have given to you in terms of the brokerage revenue or the commission revenue which you get in terms of percentage?
- Shirish Patel:** So basically, we have already spoken to multiple AMCs. As of now, we believe that most of the AMC are actually calculating the total impact. None of the AMCs have yet decided or rather initiated, and they are not yet clear what would be the exact impact on every scheme and what would be the pass on to the distribution and to the other stakeholders. I think when we spoke to your AMC also, we could not get the exact answer. We believe that it would still take some more time to get clarity from the AMC to the industry on what will be the cut share between various stakeholders. It's very early for us to comment.
- Ashwani Agarwalla:** We have seen the TER cut in the last two instances in 2014-2018. So how much of that TER cut was passed on to us and across various mutual funds? Do larger mutual funds pass on more, or do smaller mutual funds pass on more or where we have bargaining power?
- Shirish Patel:** If you look at the last two TER cuts, the majority of the AMCs have passed on fully to distributors. Specifically, the bigger ones have passed on the full TER cut to the distributors. Smaller AMC, yes, I think they did not pass on 100%. But if you look at it in totality, probably, the pass-on was almost 95%. This time the situation would be a little different. This time around, the impact on TER is led by inclusions of brokerage & GST. So frankly, it's too early for us to tell. But yes, historically, I think more than 95% of the TER was passed on to the distributor, but we strongly believe that this time it won't be the same.
- Moderator:** The next question is from the line of Lalit Deo from Equirus Securities.
- Lalit Deo:** I was asking in the AUM bucketing, which we have given that data shows that about 40% of the AUM comes before April 2017. Is it like the AUM, or is it just the investors who have been associated with Prudent prior to April 2017?
- Sanjay Shah:** See, what we did is that your AUM might be recent, but we looked at what was the relationship of that customer with Prudent. Let us assume, for example, I would have invested out of my one

crore portfolio 90 lakhs would have been invested in the probably last two years. But my first transaction might go back to probably 2015-2016. So, I just wanted to communicate that 67% of the AUM that we have today are the people who started relationships with Prudent before the COVID period, and they would have seen at least one or two cycles. So, these are the mature investors. I just wanted to communicate that 67% of the AUM belongs to those people who are reasonably mature and they have seen the volatility- that was the message.

**Lalit Deo:** Secondly, on the insurance fees. Right now, this quarter, we have seen strong growth. So currently, what will be the mix between the origination, between the in-house employees, and the POSP model, and how do we see it increasing over the next two or three years?

**Shirish Patel:** If you look historically, the majority of the business used to come from three channels, that is, the online, wealth channel, and other direct channels. POSP, as we said in the prior calls also that POSP was a new channel introduced before few years and incrementally, the contribution coming from the POSP channel is very-very high. If you look at every quarter, the contribution of the POSP channel is increasing, and in the last year, whatever growth we have seen, of course, is because of the taxation changes in the industry. But at the same time, the POSP contribution to our total overall business is also increasing. As Sanjay bhai said that currently almost (+7500) POSPs are now registered with us, and more and more POSPs are getting active now. Roughly if you can see, the business contributed by POSP was almost 50% in the last quarter, to be precise, I would say.

**Lalit Deo:** Your voice got muffled in the last part of the sentence. Could you please repeat it?

**Shirish Patel:** I had said that the POSP contribution in the insurance business is increasing quarter after quarter, specifically last quarter when we did the highest-ever business. The business contribution is mainly because of the two parts, I would say. One is the taxation changes, and secondly, the POSP contribution in the last quarter has increased. So, in the insurance business, last quarter, POSP's contribution towards the business would be around 50%.

**Lalit Deo:** The last question was on this TER regulation. So, like hypothetically, if there is some passing also, which is done to all the other distributors and us so, then what will be our intent in passing on these TER cuts to our channel partners? How do we see this whole scenario panning out for us in terms of net yields?

**Shirish Patel:** If you look at the history, I think two TER cuts we could pass on the majority, or rather, I would say that almost everything that was cut by AMCs for us because there are two parts I think that is very, very important for us to decide and how much we will be able to pass it on to our distributors. One is, of course, how much AMCs are cutting to us, and the second very important parameter is how much AMCs are cutting to their IFA. As I think you can see indirectly, we also cater to the IFA segment of the industry. So, two important variables will decide how much we will be able to pass it on for this forthcoming TER cuts. But historical reference, if you want to



look at it, I think I would say that we could pass on almost everything that was cut by AMCs to us.

**Moderator:** The next question is from the line of Prayesh Jain from Motilal Oswal Financial Services.

**Prayesh Jain:** Firstly, just continuing on these new TER regulations, whatever the calculations we've done suggest that the smaller AMCs are actually benefiting from this move, and they might have some room to distribute or give better commissions to distributors. So, in that kind of a scenario where the larger ones will market kind of that they are the lowest cost ones. On the other hand, you will have distributors kind of wanting to sell more of the smaller ones where commissions would be better. How would this kind eventually, in your sense, how will this kind of play out for the industry?

**Shirish Patel:** If you look at currently too, there is a gap between TER, I would say the bigger schemes of bigger AMCs, the TERs are lower than the smaller AMCs TER. If TER cut or the TER is the only, I would say, information that investors are looking at, then probably there would not be any shift towards the smaller schemes. But if you see in the last few years, the smaller AMC's market share incrementally is increasing in the industry. Now obviously, there are multiple factors affecting why smaller AMCs' market share is increasing in the industry. One definitely is performance consistency. Obviously, I think a few of the AMCs have shown the performance track record now. Yes, as you said, bigger AMCs will try to communicate that their expenses are lower, and the smaller AMCs will try to go to the distributor saying that your commissions are higher. Distributors also don't go only by way of commission. Obviously, I think there is merit in the smaller AMCs also & there would be merit in the bigger AMCs also. So, as the distributor, we always try to give the balance to our clients based on the client's requirements. Simply, we will not go with the lower TER or, the higher commissions. Obviously, the way distributors were functioning till now, I'm sure, I think they will continue to function similarly.

**Prayesh Jain:** And do you think that this move which may eventually turn out to be into regulations, will expedite your conversion of existing distributors to insurance distributors as well and scale up the non-MF business at a much faster pace within your set of partners?

**Shirish Patel:** First question. I couldn't understand the first part of your question.

**Prayesh Jain:** So basically, what I'm asking is, will this move that turns out into the regulation later, will it help you to kind of expedite or fasten the process of converting your just MF distributors into more insurance distributors and also some other products that can help you scale up the non-MF distribution business?

**Shirish Patel:** Obviously, I think I will give the answer in two parts. As you said for the existing distributor, because of this TER that would help to penetrate more into the non-mutual fund products, I think whenever the revenue is reduced in any product, distributors might look at other products more seriously to compensate for the loss in one particular product. The same would apply to us also.

Yes, I think because of the revenue cut to the distributors going forward, they always try to find out additional products when they can compare them so that they can increase the wallet shares of the client. To a certain extent, yes, there could be some little shift from MF to the other products. Having said that, whether the focus for mutual fund distribution goes down from Prudent's point of view, I think probably the answer would definitely be no. But yes, the share of revenue from other products would definitely increase. But still, I would like to add one more point here. Because of the TER cut, as I said, the mutual fund revenue for the distributors would come down. So, the distributor community, who are not currently associated with the platforms like ours, obviously would like to go to the platforms to get multiple products in a single place, as well as they would like to reduce their operating cost. So, those distributors or those IFA or MFD still currently not dealing with the platforms might look at platforms to compensate for the shortfall in revenue. So, I think that way, we believe that more and more MFDs would move to the platforms to offer multiple products.

**Moderator:**

We have the next question from the line Srinath V from Bellwether Capital.

**Srinath V:**

I wanted to understand the top 3 asset management companies with over 10% market share rate put out their disclosures on payouts and if you see the payouts for all of them have been far exceeding equity asset growth. So, one of the asset management companies has significantly higher equity asset growth. So is it fair to assume that the front book or the new close payouts have drastically gone up? Could you, in our book, tell us about the new assets we originated this year, what would be a payout, or what would be our revenue versus what it was last year from a yield perspective. What we will we be getting a blended yield, If you can disaggregate it and help us understand? And also want to understand what drove them. Is it platforms like ours that have been able to aggregate and bargain and get that significantly higher payout from large asset management companies?

**Shirish Patel:**

Giving an answer to your first question last few years, you have seen that the share of commission in the AMC is much higher than the equity yield growth. One main reason I would say is that historically when the transactions, every transaction distributor used to get an upfront commission, the trail commissions were lower. Last few years, specifically after 2019, everything has moved to the trail, so obviously, while the investment for the transactions is moving on the trail, the trail commissions are higher. So, in the AUM mix of any distributor or any AMC for that matter, there are prior assets of 2019, which were at a lower trail, so in 2019 and 2023, 4 years, much of these assets would have been churned. If you look at the industry, the average life of any equity is around 3-3.5 years. It is safely we can assume that the majority of the assets would belong to 2019, and we can say that by now, it would have been churned so incrementally we don't see there would be a huge difference between the equity AUM growth and the commission payout growth for the AMC. This is the first point. The second point I would say is that if you asked about bargaining power, quite clearly, I think it already happens that the higher the business the bargaining power increases. But in the past also, we have already communicated that now going forward, I think we don't see a great improvement in the bargaining power with the AMC because we believe that we have touched that particular ceiling,

So, incrementally bargaining power from the AMCs probably we might not be able to enjoy. But again, I would say that, as you said, AMC commissions have increased in comparison with the equity real growth. I believe that going forward, that should not be the case.

**Srinath V:** So, for us, I wanted to understand would assets originated in the current financial year have a higher yield than assets that originated in the last financial year. Is that a fair assumption to make, or after 2019 or this year last year were all the similar payouts, only the prior book has that kind of lower payout?

**Shirish Patel:** If you simply are asking or comparing the average yield on the transactions of '22-23 and '21-22, not everyone, including every distributor, I would say that '22-23 transactions will have fetched lower yields if we compared to '21-22, for everyone. Because as I think you understand that when the AUM increases, by default the commission payout decreases. Now today AMCs are maintaining whatever percentage share to the various channels. The percentage remains static. So, when the TER goes down for the AMC, obviously, the net yield or the gross yield to the distributors also comes down. If you are simply comparing '21-22 and '22-23, so '22-23, the yield would be lower than '21-22.

**Srinath V:** But that's what I'm very confused about because if you look like, I said, a couple of AMCs, you look at the numbers, they're actually at payout growth of 40% YOY, an asset growth will be 15%-16%-17%?

**Shirish Patel:** That is the reason I'm saying because of the historical asset churning, but when you are simply asking about the new transactions of '21-22 and '22-23, yields have dropped.

**Srinath V:** And in the backdrop of the last 2 years of commission payouts growing and especially this year growing significantly faster than asset growth, do you see the larger AMCs coming down and saying that we want a full pass-through of whatever cuts we are taking given that they have had very enhanced payouts over the last 18 months? In that context, do you feel it will be very difficult for us to push back, saying you guys have to take 30%-40% of the hit & we'll take 60%? Now how is this whole thing going to transpire, especially in the context that they've all had 40%-50% payout growth for FY23?

**Shirish Patel:** I couldn't hear it properly. Historically in 2018 and 2019, in both, the TER cuts, the majority of the AMCs have cut 100% of the TER to the industry, almost 100%, I would say. This time as I said sometime back, I think the scenario may be different. AMCs might not be able to pass on the 100% cut to the distributors. As I said, I think it's too early for us to comment on this because none of the AMCs have made their stand clear. It will take a little more time for us to understand what AMCs are thinking.

**Srinath V:** And whatever cuts we get, we will pass on 100% of that down, or we would be taking some proportional hit on our unit economics? How will it work for us now as a platform?

- Shirish Patel:** Again, that depends on what AMCs are doing for the MFD doing business with them directly. If AMC is treating everyone the same, obviously, we also have to treat our distributors the same. As I said, it is not a standalone decision right now. That, again, depends on how AMCs are cutting the TER or passing on the TER cuts to their MFDs pool. I think giving any indicating number, it's too early for us.
- Moderator:** The next question is from the line of Varship Shah from Envision Capital.
- Varship Shah:** If we see the commission and fee or expense as a percentage of revenue, that has fallen significantly this year by almost 3 percentage points. Has there been any change in our sharing with MFDs, or is it has a mix changed, like are we selling more direct from our own employees?
- Sanjay Shah:** I think probably for the purpose of commission expenses, you should look at the standalone number of mutual fund distribution business wherein the growth in commission payout and the growth in top line is more or less in line with that. So, giving answer to your question is there any change in payout metrics? No, it has been steady, absolutely rock steady.
- Moderator:** The next question is from the line of Ashutosh Garud from Ambit PMS.
- Ashutosh Garud:** So, in the initial remarks, you mentioned the contribution of Karvy's position for this particular quarter. Can you quantify what kind of a top line and bottom line contributed from that particular business in this quarter compared to the previous one?
- Sanjay Shah:** Karvy we do not report the separate number. However, in the first 3 months when we acquired, we analyzed the earning from Karvy which was close to about 2-2.5 crores a month. And if I look at last 12 months there has not been any slippage from the Karvy assets. So, I believe I think Karvy would have contributed close to about 20-25 crores in our profit before tax. So, I think when we acquired, when we did the calculation of payback period which was close to about 5 years, I think probably it remains the same.
- Moderator:** The next question is from the line of Ajox Frederick from Sundaram Mutual Fund.
- Ajox Frederick:** My question is on the insurance side, where we get to see a strong inflow for the quarter. So, what proportion of this is because of the one-time tax benefit out of these 105 crores?
- Shirish Patel:** I couldn't understand your question completely, but I understand what percentage of the growth will be contributed because of the one-time benefit of taxation. If that is the case, roughly, I would say that last year's life insurance business, almost you can say around 18% to 20% kind of business would have been contributed because of that one-time gain of the taxation.
- Ajox Frederick:** The second question is on the distribution again insurance 50% is coming from POSP. So, what is our take rate? How does the model work in POSP?

- Shirish Patel:** As mentioned earlier, the share of POSP (Point of Sales Person) has been steadily increasing on a monthly and quarterly basis. During our previous earnings calls, we communicated our belief that the future growth of our business would largely come from POSP. The take rate, or the percentage share, varies depending on the contribution of each product. On average, a similar approach is adopted as with mutual funds, where a two-thirds to one-third split is often used as a benchmark.
- Ajox Frederick:** I'm just trying to understand if it is very much different from the other distribution channels like a bank or online channel through POSP?
- Shirish Patel:** I think you are talking about sharing with the POSP. Private selling banks?
- Ajox Frederick:** Yes, correct.
- Shirish Patel:** Bank would not be doing any kind of sharing with their POSP because the bank is a B2C model. We are a B2B model, so obviously, we have to pass it on to our POSP.
- Moderator:** We have the next question from the line of Nilesh Jethani from BOI Mutual Fund.
- Nilesh Jethani:** My first question would be can you help me understand what would be our share of AUM from the top five mutual funds?
- Sanjay Shah:** The top five AMC contributes 50% of the AUM.
- Nilesh Jethani:** My second question would be on redemption. So, for the last two quarters, can you help me understand how the redemption trend gone up in Q4? It seems like we were able to arrest it, and the net flow seemed to be a little better. Can you help me understand how are the redemptions currently for Prudent and how you expect this trajectory going forward?
- Shirish Patel:** If you look at the Q4, redemptions were definitely lower than what they were in Q3. Currently, if you look at our run rate, we talk about which is somewhere in between Q3 to Q4. So, we won't say that it's similar to Q4, but we won't say that it is as bad as Q3 so that you can say somewhere in between Q3 and Q4, kind of sentiment on the redemptions front.
- Nilesh Jethani:** And the third piece of the question was on the SIP. So today, with 510 or 520 crore odd monthly SIP books just wanted to understand if I see one interesting slide which you have given on page #32 where there is no live SIP for approximately 50% of your investors. So, I wanted to understand from the current bucket of investors we have at Prudent, can we improve this number, and what growth do you anticipate in this SIP book per month inching up to over the course of FY24?
- Sanjay Shah:** I just wanted to say that the number which we took is about there are 50% of people who have no SIP, that number I can explain. I just wanted to explain to you that these are the number in

line with the industry number also. So, CAMS number also says that 57% out of the 2.4 crores investor has no SIP. The same is the case with Prudent also. Out of 15.5 lakh customers, almost 50% have no SIP. So definitely, there is a scope for us to improve, and that is the reason we have given this data. Another 50% has already SIP with us, and out of that, 50% of people have only one SIP. So there also we can definitely make a lot of effort. So now I'll probably just tell Shirish to take it forward.

**Shirish Patel:**

When considering the SIP numbers, the trend over the past 2-3 years shows an average net addition of around 100 to 120 crores in terms of value. It's important to note that net additions are influenced by market sentiment. In favorable years, the additions tend to be higher, while in challenging years, they may be lower. There was a time when the industry experienced negative net additions. However, based on the current run rate and the recent trend observed in the past couple of months, there is no reason to doubt that we can surpass the previous year's addition. The growing acceptance of SIPs, the investor's interest in SIPs, and the collective media campaigns conducted by the industry lead us to believe that SIP flows will increase incrementally. We aim to achieve much higher additions than in the previous years. Nonetheless, it's important to remember that the final numbers are still sentiment-driven.

**Nilesh Jethani:**

So, I asked this question because when I see our MFD addition, they are slightly slowed down in FY23 versus what hypergrowth we saw in FY22. So, it was always a thought process that a Prudent with higher MFD growth would drive a higher SIP book number. So, any color on that? Where are you seeing MFD, and also, what is the number of active MFD today versus this 23,000-odd number of total MFDs?

**Shirish Patel:**

So, regarding the comparison between the addition of MFDs (Mutual Fund Distributors) in '22-'23 and '21-'22, there are a few factors to consider. Firstly, the Karvy acquisition played a significant role in the addition of approximately 1200 distributors during '21-'22. This was a one-time event that contributed to the higher number of additions during that period. Secondly, the addition of MFDs is influenced by market returns. When the market performs well, more individuals express interest in joining the industry. In the current financial year, '22-'23, the rate of MFD additions has slightly slowed down. Regarding the link between SIP (Systematic Investment Plan) growth and new MFD additions at Prudent, I don't fully agree with the notion that SIP growth is solely dependent on new MFD additions. While new distributor additions do play a role, there are multiple factors contributing to SIP growth. Prudent has added nearly 50% of the MFDs over the past 2-2.5 years. It's important to note that the growth rate for newly recruited distributors may be initially slower as they familiarize themselves with the products and systems. However, over time, their growth rate improves. We can anticipate growth from three categories of distributors: those recently recruited, those who have been with us for 3-4-5 years or more, and those who have demonstrated stability and increased productivity. Substantial growth is expected from the distributors recruited in the last 2-2.5 years. Our focus on adding new distributors remains strong, and we are actively seeking to expand our network. Sanjay Bhai has presented data showcasing our increasing share in the SIP numbers year-on-year, and we aim to continue increasing our share in the industry.

**Nilesh Jethani:** And my last question from my side, you said you passed the initial comment, but you said that as of now, there had been 14% growth in AUM versus the FY23 average. Out of this 14%, what would you attribute to M2M and what to the net flows?

**Sanjay Shah:** So, the current year, if you look at the growth which has come, I think the net sales have been reasonably okay. Nothing has changed significantly. However, mark-to-market gain has been significant. So, as you are aware that we ended the year at roughly 56,700 crores in March, and today we have crossed 60,000 crores. The mark-to-market growth has been very robust in these two months. So just wanted to communicate that at the start of the year, we are already having a positive opening balance, and our opening balance is Rs. 106 versus the last full year's average of 100. So that was already built into the opening balance, and then from opening to current, we are again up by about roughly about 7-8 percent. So, I think that put together, we are saying that the mutual fund is starting with a healthy base of about 14% positive.

**Moderator:** Thank you. Ladies and gentlemen, as there are no further questions from the participants, I would now like to hand the conference over to Mr. Sanjay Shah, Managing Director, Prudent Corporate Advisory Services Limited, for closing comments. Over to you, sir.

**Sanjay Shah:** Thank you. Thank you, everybody, for joining this call, and we hope that FY23-24 also turns out to be a very good year for us based on the strong tailwind. Thank you, everybody, for joining. Thank you.

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

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