

PCASL/62/2022-23
Date: 31.01.2023

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 Earnings Conference Call for the Quarter ended December 31, 2022.

With reference to our earlier intimation No. PCASL/57/2022-23 dated January 18, 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 Earnings Conference Call with analysts and investors held on Tuesday, January 24, 2023 at 2.00 pm (IST) in respect of the Un-audited Financial Results for the Quarter ended December 31, 2022.

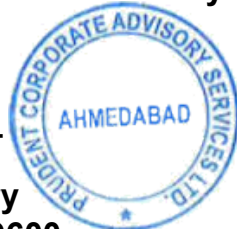
The same will also be available on the website of the Company at www.prudentcorporate.com

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
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Encl: A/a

Prudent Corporate Advisory Services Limited
Q3 FY23 Earnings Conference Call.
January 24, 2023, 2.00 pm (IST)

Nirav (00:00:00): Ladies and gentlemen, good day, and welcome to the Q3 FY 23 results conference call of Prudent Corporate Advisory Services Limited hosted by Equirus Securities. As a reminder, all participant lines will be in listen-only mode, and you can ask questions after the presentation concludes. Should you need assistance during this conference call, please signal Nirav by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded. I now have the conference over to Mr. Rohan Mandora from Equirus securities. Thank you, and over to you, Sir.

Rohan Mandora: (00:00:44) Thank you, Nirav. Good afternoon everyone. Welcome to the Q3 FY 23 Earning call of Prudent Corporate Advisory Services Ltd. to discuss the quarterly performance. To give a brief update and address queries, we have with us from the management Mr. Sanjay Shah, Chairman and MD, Mr. Shirsh Patel, CEO and Whole-time director, Mr. Chirag Shah, Whole-time Director, Mr. Chirag Kothari, CFO, Mr. Parth Parekh, Investor Relations. We will begin with a brief management commentary followed by Q&A. Thank you, and over to you, Mr. Shah.

Sanjay Shah(00:01:21) Thank you, Rohan. Thank you, and good afternoon everybody. First, let me welcome you all to the earning call of Prudent Corporate Advisory Services Ltd. for the 3rd quarter of fiscal 2023. So I thank you all for your valuable time joining us today. This fiscal is very special for us as we cross the landmark of INR 50,000 crore of assets under management. Also, as per the AMFI ranking, based on the commission received, we jumped our position by one notch in the ranking in FY22 to become countries second largest non-bank mutual fund distributor. So all these efforts were reflected in the quarter's number wherein we recorded the highest revenues & profit in our existence. I hope you have the investor presentation in front of you, which we already uploaded on the exchange yesterday. .

So let me start with our AUM, a very important parameter of our business for this quarter. So if you go to slide number 36 of the presentation, despite having Karvy in the base quarter, you are all aware that we acquired Karvy, and the entire assets of Karvy were transferred in our code on November 28, 2021. So despite having Karvy's AUM in base quarter, , our closing AUM has grown by a healthy pace of 17% YoY to INR 56,138 crore from INR 48,197 crore in December 2021.

Furthermore, our average quarterly AUM grew by almost 32%, much higher than the closing AUM growth. This has been mainly because, in Q3 of the current year, Karvy's impact was there for the entire three months, while it was only there for one month in the last quarter.

Also, in fiscal 2023, we are currently running at an average AUM almost 39% higher than FY 22's full-year average AUM. Thus, we are expecting that we will close FY 23 with very robust growth in the top line as well as in the bottom line.

So now I will take you to slide 37. If you see slide 37, we have given you the variable which moved the Equity AUM on a year-on-year basis & on a sequential basis. So AUM has grown by 18% year-on-year, mainly due to our decent growth in net sales, thanks to SIP flows. Net Equity sales during the 9 months of FY 23 have been INR 3,520 crore, and we are in line with our guidance to achieve net sales of INR 5,000 crore during the entire year.

On a sequential basis, if you look at Equity movement, it grew by almost 6%, aided by mark-to-market movement in the last quarter.

However, you look at the whole year mark-to-market movement is a bit muted. On a full year basis, mark-to-market benefits which accrued was only about 5.3%..

I will take you to slide number 38. So if you move to that slide, I would like to point out that despite all the noise around FinTech, our market share in Equity AUM without ETF has remained stable at 2.4%.

Our monthly equity SIP flow for December was very strong for us at INR 478 Crore. If you compare the same number one year before in December 21, it was INR 371 Crore. So we grew our SIP book by almost 29% on a year-on-year basis, which gives us a solid traction and visibility for the inflow. And we expect this monthly SIP book to close at INR 500 Crore within this fiscal period. The SIP mobilized during the quarter was also at a historical high of INR 1411 Crore, and every second Rupee we had mobilized in the gross-flow came from SIP. So that shows how granular our business is. SIP will continue to play a pivotal role in our growth going ahead.

I will take you to slide number 39, which is basically, we want to emphasize our emerging business segment insurance. It forms around 9% of our revenue in this quarter. This vertical grew at 52% year on year, and 80% of this vertical's revenue during the quarter came from life insurance and the rest from general insurance. Our point of sales person's POSP network is very strong at 7,524, and we are relying on this channel to bring scale.

I will take you to slide 40, the summary of our consolidated earnings for Q3. It contains the details of the consolidated number. So revenue from operations grew by 35% year on year in the first nine months, laid by solid growth in quarterly AUM aided by the acquisition of Karvy last year, as well as a change in mix towards higher yielding Equity segment. Our operating profit grew by 41%, higher than the revenue growth from operating leverage. Our operating margin expanded by 109 business points to 26.4%. Our profit after tax growth was a tad slower than the operating profit growth, which was at 31%, mainly because of the higher depreciation and the lower other income. Depreciation expense doubled led by the amortization of Karvy's assets. As you are aware, when we acquired Karvy, we paid INR 151 Crore for that, and we will amortize that amount over 10 years. And that's a non-cash expenditure on the profit & loss. So similarly, other income has also been reduced mainly because the Company utilized surplus liquidity of INR 151 Crores for acquiring Karvy assets. If you look at our annualized return on Equity in the first nine months, it stood at 41%.

So this is broadly about the numbers we have given, and it's part of our presentation. I will just try to touch base briefly on our growth outlook. So let me just tell you that there are a couple of drivers that are very strong and steady for our retail and wealth management business. And the number one of our growth drivers would be the continuation of addition of mutual fund distributors in our kitty. So as a business strategy, we are focusing aggressively on adding more and more mutual fund distributors, which are the backbone of our business. And as of March 2022, Prudent has a 20.4% share of the overall mutual fund distributors of the country and panel with us as a business partner. In the current year's nine months, FY 23, we have added around 3,360 new mutual fund distributors. So there is an increasing need for our mutual fund distributors to collaborate with a tech-based platform to service their clients, and we are capitalizing on these opportunities. We had a target of

adding close to 5,000 people in the current year, and I am sure we will be able to reach that number at least closely. As more and more mutual fund distributors join the industry, we expect that incremental benefits will accrue to our Company.

The second growth driver, would be cross-selling other products using our strong network of mutual fund distributors. We are moving from a single product distributor to a multi-product distribution platform, which has helped us to capitalize on our vast, mutual fund distribution network. Our multiple platforms have created a great value proposition for our mutual fund distributors who have joined us. So far, the company has converted 7524 existing distributors and their family members to the point of sales persons who can also sell insurance products through our group company, Gennext Insurance.

So third number for our growth outlook would be the strong SIP book, which we always encourage our mutual distributors and educate them to build for granular flows. So ours is a unique B2B2C platform positioning in the retail wealth management segment. And it helped us to build the granular flows through SIPs. Our monthly equity SIP flow for December was INR 478 crore, and almost a second Rupee of our Equity new flow in the last quarter came through SIP. So, we believe SIP is a robust organic growth lever for us.

And finally, number four will be the effective utilization of cash flows for inorganic acquisition, which is another critical strategy for us. We generate significant cash flow from the operations and are always on the lookout if something lucrative comes our way. We generate substantial healthy cash flows also. And if you look at nine months of this year, the profit before tax and if you add the depreciation to that, the organization generates a significant amount of cash. During this quarter, we also acquired all the mutual fund assets of iFast. So in October, we merged the INR 517 Crore of iFast Mutual fund assets and paid INR 2.56 core for acquiring these assets. So overall, these are the growth drivers, which I look at from the point of view of improvement. However, let me just tell you that overall, on the industry front also, we are very comfortable, and we feel that the entire wealth management industry is poised for significant growth. I was referring to one of the institutional desk research report on the mutual fund industry, and they have a view that active equity assets of the mutual fund industry will grow in the next 10 years from 19 trillion to INR 77 Lakh crore by FY 32. So that is about the next 9 to 10 years, representing a CAGR growth of 15%. If you look at the historical evolution of Prudent, where Prudent grew almost double the industry's growth. So I'm sure we will be able to ride on this wave, which is going to be there as for retail wealth management is concerned and we are immensely going to be benefited by this trend. If you look at the US as a country, the US witnessed a rapid rise in retail mutual fund investing from 1980 to 2000, where the share of households owning mutual funds increased from 6% in 1980 to 45 to 46% in 2000. I think we will go through a similar trajectory in the next decade. And we are looking at the next decade as highly favourable for the industry and us. So with this, I will just end my discussion and open the floor for the Q&A. Thank you.

Nirav (00:12:18) Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask the question may press star and one on the touchtone telephone. If you want to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Participants press the star button to ask the question. The first question is from the line of Swarnab Mukherjee from B&K Securities. Please go ahead.

Swarnab Mukherjee (00:13:00) Thank you for the opportunity, Sir, and congrats on a good set of numbers. So a couple of questions, one on the iFast acquisition. So if you could talk a little bit about, you know, how the yields of that business are because when I see you, the after consolidation, there is no discernible impact that we can see on the mutual fund business yields post this. So if you could talk about that. What could be any kind of impact that you would see going ahead and also in terms of the distribution partners of iFast what are we doing to ensure their stickiness, or is there a risk that they may move out of the system there? That would be my first question, Sir.

Sanjay Shah (00:13:54): So if you look at iFast, you will probably not see a significant change in revenue because iFast is less than 1% of my AUM. So if you look at the end of December, our total AUM was INR 56,000 crore and what we acquired from iFast was hardly about INR 517 crore. And then, assets got merged in by the end of October. So, November and December are two months where the assets have been merged, and revenue has been booked. Since there is no separate reporting for iFast, I can just give you a rough number. We will make an additional INR 11 – 12 Lakh every month post payout's by way of this acquisition. So it's going to be very remunerative for us because we paid INR 2.56 crore for acquiring iFast, and I believe the payback period would be less than probably two and a half or three years. So we can recover whatever we have paid for acquiring the iFast's assets. That was number one, but it is INR 11 – 12 Lakh a month, so you will not see a significant change in the revenue overnight.

Number two, iFast was significantly like Karvy, a business model also driven by B2B. And there were a couple of partners working with iFast who were also working with Prudent. So, all in all, we got about 250-odd partners who were new to us and have empanelled with us. There might be a few people who might still be in the process of empanelling. However, as far as the positioning of Prudent in B2B segment is concerned, I think we have very strong deliverables and value propositions for them. So anybody who will come from another platform to us would be more comfortable working with us. So, we believe we will be able to take care of them. And I haven't seen any slippages and slippages in the form of whether he will continue to work for the additional business or not. But the business which we acquired and is a part of our AUM, will definitely remain with us only.

Swarnabha Mukherjee (00:15:51): Okay, got it. We are now coming to the insurance side of the business. Sir, if you could give some colour on how the commission is shared between the distributors and us and is there a possibility that since we would have a higher scale, we can get a better commission structure out of the insurance companies and, again, the same question on the stickiness of the agents that since in insurance the upfront is significantly higher than what would be the trail income on the renewal of the policy, could there be the risk of an agent getting empanelled separately with the insurance company or can they by regulation at all if move out as an agent of an insurance company, can they still function as a POSP?

Shirish Patel (00:16:48) Yes. So I will answer the last question first. The agent who becomes a POSP must work only with one broker. So, the chances of leakage of the POSP are much fewer. If you want to move out of the Gennext system, they need the NOC from Gennext, and then we can get registered with another insurance broker. See, if hypothetically there is a possibility of people going out, there is a far high possibility of people coming in because currently, we have hardly 7,000 odd POSPs, whereas in many of the competitors would be a much, much higher number in terms of POSP.

Second, we believe the attrition would be lower because our focus on recruiting POSPs is not on the broader market. Our focus is mainly to cross sell to existing mutual fund distributors. So they don't have only the insurance relationship with us; they ideally deal with multiple products with us, which is why the attrition level could be much lower compared to other brokers. So that is why I said I think the chances of people coming in could be higher than the chances of people moving out. So that is the last point.

The second question you asked is, is there a possibility of our gross yield moving up since our business is increasing? I believe that, yes, I think the insurance industry is very, very dynamic. With the volume increasing, there could be a possibility of increasing the gross yield. But in the last 3 - 4 years, with the kind of growth we have shown, obviously, we are almost near our peak negotiation, so we don't see that the gross yield improvement can be significant going forward. Yeah, there could be. I think a 1 or 2% improvement is possible, but we don't see substantial improvement in the gross yield. So that would be our second point.

Coming to your first question, the sharing, I think the sharing ratio continues at a similar level to what it used to be earlier. So again, I think it's a very dynamic thing. I would say it's volume linked. So, lower the POSP volume, the lower the sharing, and higher the volume of POSP, higher the sharing. So like in mutual funds, we have got a tiered structure. Similarly, I won't say exactly the tier structure, but the higher the volume, the higher the sharing kind of structure we have, but we have not seen any change in the sharing mix in the last few quarters. So that continues the same.

Swarnab Mukherjee (00:19:21) So, in an average sir, what would be the mechanism because, let's assume that, you know, last call, I think you mentioned that the largest portion of your business is coming from non-par. So assuming that you know the commission that an insurance company is giving is around 30% or so on the first-year premium, how much would a partner get?

Shirish Patel (00:19:49): So ultimately, I think a different product mix. If I talk about it on average, that rough sharing would be around 65 to 70%. The sharing is also dependent on premium paying term & volumes a person gets. Average sharing is around about 65 - 70%.

Swarnab Mukherjee (00:20:11) okay. And Sir, the ticket size for insurance that you have mentioned in the presentation, average ticket size, I think, is around INR 35,000. So in LI mainly, ticket sizes can go up significantly. So what would be the kind of steps we are taking to improve the productivity of our POSP? If you can, give some qualitative commentary on that.

Shirish Patel (00:20:38) So here I would say two things. One is productivity, and the second is the quantity of the POSP. As we already shared that the number of ARN holders is around 26,000. Of that, hardly 7,000 odd ARN holders are converted, either in their own way or the family members. So still, I would say that almost 18000 to 19000 mutual fund distributors are there, whom we can tap. In addition, we keep adding the mutual fund distributor and try to cross-sell them to become the POSP. So that is one parameter that we should always look at.

Second, many of the guys, who have trend for the insurance business to become the POSP, definitely our initial challenge was convincing them to start the insurance business, either in the insurance business altogether for the first time or with us because historically, we have been known for the mutual fund business. So most of those guys who are converted to the POSP don't have experience

dealing in insurance in the past. We actually have convinced them about the benefit of the crossing and everything. So over a period of time, yes, I think we are able to convince them. We are able to guide them on how to do the insurance business, and their productivity also increases.

Second point there was some, I would say since we are mainly on the mutual fund side, those who were already dealing somewhere with the insurance business, probably for them, I think the proven track record of Gennext was required that are you in a position to deliver the similar kind of services on insurance side also, or not. Now I would say that with the distant volume, we have a track record of around 2 - 3 years. They have experience, and they have experienced the service standard of their colleagues also. So yeah, I think we don't see a challenge in improving productivity, but we would love to see their complete potential come out the way they are showing in the mutual fund. But yeah, I think as, and when we are getting convinced for the insurance business, we are very, very sure that the productivity for many of those guys who have started insurance for the first time will improve a lot. But I think otherwise. We don't see any great movement or change in that.

Swarnab Mukherjee (00:22:50) okay. And the last one from my side. So among your top MFDs, say, if we look at the top 20 or 25% of your MFDs, some colour on, you know, what would be the number of delinquencies of top performing guys.

Shirish Patel (00:23:15) So today, we have already given you in the presentation that the top 10 of our distributors contribute hardly 2.5% of our AUM. Around the top 50, if I take it, almost 8.5 - 9% of our total AUM will be contributed by these guys s. Please understand, obviously, there could be some kind of leakage. Still, we have not seen the leakage on the guys who have already been. The reason is that most of the top distributors already doing mutual fund business with us their clients are there on FundzBazar. So practically, when most of the distributors are on the retail side, we hardly have any distributor in the top segment who is HNI's focus. So the majority of our distributors are retail-focused, and almost all their businesses are happening through FundzBazar. So practically, we are saying that their 300-400 clients are utilizing the FundzBazar services for the transaction purpose, view purpose for the multiple product transaction, and the portfolio evaluation purpose. Even if my distributor hypothetically thinks of moving out, it would not be easier for him to take that call in isolation because he has to think about 300-400clients' account opening somewhere else, how to move the transaction or how to move the portfolios of mutual fund to somewhere else. So it is not easy for any distributor to move out, even if we decide. Second point, I would say that this, I'm saying if he decides, it would not be easy, but my point again would be that why would he choose to move out As we spoke earlier, we also have a very, very good tier structure that, too, as and when the distributor becomes bigger and bigger, he gets the higher share of Prudent's revenue. Obviously, he is not losing on the compensation side.

Second, we have added many other products in the last three years, even assuming they are losing a few basis point commissions on the mutual fund product side. Still, they get to sell multiple products they otherwise would not have access to. . The third most important part, I would say that the kind of platform that we offer FundzBazar. They probably also believe it is one of the best platforms. So obviously, they need not invest in the technology side. So they need not invest in the servicing of the client's side. So obviously, they also understand the cost-saving aspect while dealing with Prudent. So one aspect I covered is why they would not like to move out, and second, even if they decide to move out, it will not be that easy for them.

Swarnab Mukherjee (00:26:01) Yeah. Got it. Very helpful. Thank you so much. And all the best.

Shirish Patel (00:26:04): Thanks.

Nirav (00:26:06): Thank you. The next question is from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain (00:26:13) Yeah, hi Sir, Congratulations. Firstly, if I look at your growth in SIP book from December last year to this year, you know last year's base will also have Karvy in December, Right? But your growth in the SIP book is higher than your growth in the overall Equity AUM. So is it that we have been able to extract more SIPs out of the Karvy assets and what more growth can we expect from them? That is my first question.

Nirav (00:26:50) Yes Sirish.

Sirish Patel (00:26:54) Basically, if you look at our SIP book as of last year, last year Karvy acquisition would have added around 30 to 33 crores of SIP book. In March 22 INR 30 crore to INR 33 crore kind of SIP book came from Karvy. So if I excluded that number from last year, we would probably add the net SIP book of almost INR 100+ crore. This year also, I think, as Sanjay Bhai said, we will be ending close to INR 500 crore plus monthly run rate for SIP book in this financial year. Obviously, we are hoping to get another INR 100 Crores of addition in this financial year from the SIP book. One point I would like to highlight here is that Prudent's termination ratio is much lower than the industry, which is helping us to increase our net SIP book. We explained that the AUM growth percentage is not as high due to M2M impact. I would say that is the reason our AUM growth was not there. But otherwise, in terms of Net Sales growth, I think we are almost on par with what we anticipated at the beginning of the year.

Prayesh Jain (00:28:26): Okay. And secondly, the commission paid through your distributors it has gone up sequentially this quarter. Anything to read into it?

Sanjay Shah (00:28:39): So probably, you should not look at sequential data because quarter-on-quarter, you might see some amount of movement in the numbers. You might notice a 1% variation between last quarter and this quarter, mainly because as we move our partners from one category to another-. Let's say somebody has moved. from silver to gold, and linked to that, there is some payout, which we do as the incentive for moving to another category, which happens once in a year. And that cost was there in October, November, and December, which was not in the previous quarter. So you should probably look at the nine months' number for the purpose of a better comparison.

Prayesh Jain (00:29:36) Okay, great. The next question was on how are the kind of commission payouts coming on NFOs vis-à-vis what we had changed six months back or a year back when the payouts had really gone up and how are the NFOs Commission trending right now.

Sanjay Shah (00:30:16). Okay. So, typically, if you look, NFO has probably not been a significant contributor to the business. However, if you look at the point of B2B, in the case of NFO, the payout from the AMC side is usually higher than what they typically give as a brokerage. Our sharing is also usually a little bit higher than the regular business. Still, NFO may not be a significant part of our mobilization. And overall, there was a significant rush at the beginning of the year in the NFO, but it has now tapered down. So, the NFO collection is not very significantly larger.

Prayesh Jain (00:31:44): Sir, in the meantime, could you also throw some light on how you see the redemptions coming through? Obviously, your AUM has gone up, but is there a pressure on, I mean, coming through in specific segments of late, like the last couple of months, has there been some increasing redemptions overall?

Sanjay Shah (00:32:08): So, probably, if you look at the industry as a whole and for Prudent also, I think, the last quarter has been a little bit tepid on the net flows and even the lump sum money has also been reasonably slower than it used to be. So I don't want to read anything for this one quarter changing the number. So if you look at the net flow, I think the net flow is a bit lower. So, I think redemption is almost 55% to 60% for us for the last quarter. The industry is in the range of 75% to 80%, so the gross profit redemption ratio So that way we are reasonably better. If you look at my gross flow, the gross flow has come down somewhat. Still, my SIP is helping us significantly because, as I told you in the presentation, every second Rupee that came in gross flows came through SIP, giving us strong inflow visibility. So, you are right. I think last quarter has been reasonably somewhat tepid as far as net flows are concerned, but I feel comfortable when the retail investors redeem at the high end of the market rather than redeeming at the lower end of the market. So, that's okay.

Nirav (00:33:26): Thank you. Prayesh, I request you to come back to the queue. Participants, please restrict to two questions per participant. If time permits, please come back to the question queue for a follow-up question. The next question is from the line of Nidhesh Jain from Investec Capital. Please go ahead.

Nidhesh Jain (00:33:47): Hi. Thanks for the opportunity. Sir, Can you talk about market share trends in terms of net flows, net Equity flows, and gross Equity flows?

Sanjay Shah (00:33:58): I think, we maintained our market share despite a lot of noise on the direct side. So, overall, if you look at it, Prudent market share is almost about 2.10% on the gross sales side & we have maintained that share, and in SIP our market share has increased now to 3.4%. So these are the few important numbers from the point of view of participation in the SIP book and participation in the gross flows. Both are significantly steady.

Nidhesh Jain (00:34:29): Okay. Thank you. And secondly, Sir, if we think from a longer-term perspective, around five years, six years out, the trend towards direct mutual funds should continue to go up in INR view. And as time progresses, the difference between the regular and direct plans will become larger because of the compounding effect. So how are we preparing? First of all, do you agree with this view? If yes, how are we preparing ourselves for that eventuality?

Sanjay Shah (00:34:57): So I think there is a scope for direct to grow. There is a scope for active management also to grow significantly. There is scope for distribution to grow significantly because the industry is likely to move significantly in the next decade. So, I believe everybody will participate in this growth story. Direct is definitely a DIY kind of segment or the segment that the RIAs have advised, and they are charging fees to the customer. So people probably look at the difference in the cost structure of direct versus regular plans without considering the behavioral costs investors pay in the case of DIY or the RIA fees they pay to the Registered Investment Advisor. So if you take that into consideration, today I believe that India is not into that kind of expensive trail as far as distribution cost is concerned. But all said and done. I just wanted to communicate that we are definitely not a part of direct. Even if that segment grows, we will not be able to address that. However, we firmly believe there is a need for an advisor, and the advisory segment will grow significantly as far as India's retail wealth management story is concerned. And within that, probably, MFD has to align with some platform. There also we are going to play a huge role.

Nidhesh Jain (00:36:18): But internal advisory, you continue to have a model of manufacturer-paid led advisory, not a customer-paid advisory, where the customer pays for advisory?

Sanjay Shah (00:36:28): The only issue is because they understand. We have 15 lakh customers with INR 56,000 crore of AUM. So the average customer AUM is about INR 4 lakh. So it is very difficult. You cannot collect fees from 15 lakh people. You might easily collect fees from 2,000 - 3,000 families, but you cannot collect from 15 lakhs. So there are no very standardized, what you call, fee collection mechanisms set in the industry. If that happens, then we might probably give it a thought. Otherwise, you can't collect the fees from 15 lakh people in the current context.

Nidhesh Jain (00:37:01) Sure, Sir. Understood. Thank you, Sir. Thank you. That's it from my side.

Nirav (00:37:06): Thank you. The next question is from the line of Abhijeet from Kotak Securities. Please go ahead.

Abhijeet (00:37:13): Hi. Good afternoon, Sir. Sir, the first one is a data question. What is the share of B-30 security assets in the AUM?

Shirish Patel (00:37:37) So the industry was around 23%, and Prudent was around 19%.

Abhijeet (00:37:48): Sir, the second one is that, when you onboard MFDs, is there a rework of commission payouts with mutual funds?

Sanjay Shah (00:38:31): So what Shirish is trying to say is that our negotiation with AMC would be on our strength of our reach and our distribution network. That is what we negotiate with them separately. So, somebody joining our platform will not have a significant change.

Another thing is when somebody merges his assets with us on that particular asset when he is merging, at a point in time, we share everything with him because he has already created assets on his efforts. So say, for example, tomorrow somebody comes with INR 5 crore and wants to merge his holdings with Prudent. What Prudent gets is there is a defined rule in AMFI that my trail rate or the incoming distributor's trail rate, whichever is lower, would be given to me, and whatever I will receive will give to him because that is the asset which he is already spent time and energy for acquiring. Then after his sharing will be or his rate will be applicable based on my prevailing rate for the structure.

Abhijeet (00:39:35): Okay. Understood. Got it, Sir. Thanks a lot.

Nirav (00:39:59): Thank you. The next question is from the line of Nilesh from Bank of India Mutual Funds. Please go ahead.

Nilesh (00:40:01): Yes. Hi. Good afternoon, and thanks for the opportunity. Sir, I have some clarification that I wanted. It is on Slide 37, when I see the net sales for the quarter, it says that INR 780 crore is the net sales for that particular quarter, but in the next slide, when I see the gross equity SIP flows, which comes out to be INR 1,411 crores, so the difference is the redemption during the particular quarter?

Sanjay Shah (00:40:29): Yes. You are true. That is absolutely true.

Nilesh (00:40:32): Sir, second question...

Sanjay Shah (00:40:33): So, last quarter, if you look at overall, there was 70% of the redemption. So if you look at the INR 780 crore of net sales and when I am saying that INR 1,411 crore came from SIPs, which was 51% of my gross flows. So gross flow must be INR 2,800 crores, and net flow is INR 780 crores, so INR 780 crores divided by INR 2,400 crores, that is the redemption.

Nilesh (00:40:56): Got it. Sir, my first question was broadly on the industry part. Say, a lot of data is coming out on SIP being closed. I just wanted to understand what trend we are observing at Prudent.

Sanjay Shah (00:41:42): Okay, so he is trying to say that we are also part of the industry at the end of the day. So overall, within the industry, our discontinuation rate would be much, much lower than the industry. But overall, if you look at the new SIP to the discontinuation ratio, it has definitely gone up. So if there is one discontinuation, we bring in two SIPs. That number will be better in the previous quarters.

Nilesh (00:42:14): Okay, got it. So broadly, from this point itself, to understand going ahead your run machine, which is adding more and more MFDs will have to grow at a much higher pace, so that is the closing of the SIPs, etc., should be taken care of. So this 5,000 number of annual addition, can we see an upgrade on that number considering SIP closure, etc., have started to inch up in the last few months?

Sanjay Shah (00:42:44): So despite there being a closure, as we discussed, we grew our SIP book by almost 29% year-on-year, which itself is a very, very healthy growth rate, and we believe that the if you look at a couple of slides, the people who have joined our platform in last two years, there are almost 50% distributors who have joined our platform. So definitely, if you look at the critical parameters of our growth drivers, adding more and more mutual fund distributors is a part of our growth drivers and bringing more and more SIPs from them. So there is no dispute about that. These are the cyclicalities of the business. You wouldn't know that the trend will change because three months have gone by, and some redemption came in. I believe the SIP book will be very, very healthy in the next three to five years, and my personal view is that today's industry is mobilizing INR 13,000 crore a month. You will see that number going to INR 25,000 crore in the next three to four years. So, I think the growth rate will be very, very healthy. Within that, some amount of hiccups would come. Still, we will continue to focus on adding more and more distributors and educating and encouraging them to do maximum business through SIP. That would be a significant growth driver for us.

Nilesh (00:43:58): Okay. Sir, here is one follow-up on this. Last question from my side. So broadly, say, today we have X number of MFDs with us. And so, out of which, how many would be active? And the number of MFDs which would have been added in the last year, say one year before, say in FY 22, and in nine months FY 23, how many would be active?

Shirish Patel (00:44:20): So basically, if I give you that number, of the run rate we add, almost 60% to 70% of them becomes active. How we track our numbers on the basis of how many unique distributors have participated in a particular month. So, depending on the month, our number varies between 40% and 50%. That means if today we have got hypothetically 25,000 distributors and 10,000 distributors are active, they have contributed a new business in this particular month, that means 40% of distributors are active in this particular month. So, practically, this number on the long-term average, if you see, I think, varies between 40% to 50%, so this 25,000 number becomes the 35,000 number. Obviously, our number of distributors participating in the business in any month will increase. So, how many of the new recruits were we able to activate? I think around 60% to 70% of the recruitment becomes activated.

Nilesh (00:45:23): So considering this trend, say, from a long-term perspective, say, from a two to three-year perspective, can I say our retentions can actually increase considering we have tier-based payout policy, where the smaller contributor would be shared less amount. So over two to three years, is there a scope for improving the retention ratios?

Shirish Patel (00:45:43): So, retention ratios are good today, also. And, with added products, the retention ratio automatically improves when more distributors start distributing multiple products with us. Second, I would say that, as you said, in that tiered structure, the person becomes bigger, and his share revenue also increases, for there also, the retention ratio increases. Yes, you can say that the retention ratio improves with increased engagement with Prudent and our distributors.

Nilesh (00:46:17): Okay, got it. Yes, thank you so much for replying to the questions.

Nirav (00:46:23): Thank you, I request all the participants restrict your questions to two questions per participant. The next question is from the line of Saptarshee Chatterjee from Centrum Portfolio Management Service. Please go ahead.

Saptarshee Chatterjee (00:46:37): Good afternoon, Sir. Thank you for the opportunity. My question is again on the MFD side if you see quarter-on-quarter, there has been some reduction in MFDs. So can you please throw some light on which bucket we see attrition in? What explains this attrition? I would have expected that the MFD number should have been growing every quarter.

Sanjay Shah (00:46:59): Yes. Shirish, can you address this. Before that, I will just tell you one thing in the last quarter, some 928 ARN holders' numbers would have been reduced, mainly because they have not renewed their ARN with AMFI. And typically, after the deadline, let's say, March 31, we give them six months to renew their ARN. So after September, about 928 to 930 people have been terminated from the system, and they will again be reactivated once they renew their ARN. So that could be one reason. Otherwise, we added about 3,400 people in these nine months. So, looking at only number to number, you might see lower addition.

Shirish Patel (00:47:44): Yes, So, on the incremental side, definitely, our market share in terms of new recruits is much, much higher. Sanjay bhai initially said that around 20% of the ARN holders are registered with Prudent. But every month or every year, the new addition to the industry, I think thatshare, definitely would be much, much higher. Two reasons for us. I would say that we actively go out in the industry or the market. I would say we convince people to start a career in mutual fund distribution. So those who are currently not in the industry, we can meet them, we can convince them, or we get them into our fold. So that is the addition, and because of that, our ratio is better. Second is the existing mutual fund distributors already dealing with the AMCs directly, which is also market we try to capture. We go, tell them about our offering, and obviously, they join us if they find value in our offerings. So how many new ARN holders would the industry recruit? I think, frankly speaking, we don't look at that number.

We always try to set our numbers, and we follow that numbers in terms of addition. Irrespective of whether the industry would be negative or positive on these parameters, we always believe we would be positive. We will keep adding the new ARN holders in the Prudent's kity. To just give you the one potential numbers, I would say, currently, in the mutual fund industry, hardly 1.1 lakh, 1.2 lakh ARN holders are there, wherein in the insurance invested, 23 lakh agents are there. So, if you look at those selling insurance products, even 50% of those guys start selling mutual funds, then obviously I think the potential market could be around 5 lakhs, 10 lakhs distributors. Even AMFI set a huge number focusing on the 'MFD Kare Shuru' (Let's start MFD) campaign. So we also believe that because of this AMC's new MFDs recruitment initiative, we will be one of the biggest beneficiaries of that as well. So,

again, coming to this point, whether the industry adds the number or reduces the number, I think we are very, very sure that our distributor numbers will keep on increasing every month.

Saptarshee Chatterjee (00:49:49): Understood. Thank you. And secondly, in terms of our state-wise distribution, can you give us some exposure towards the top three or four states for us and what their contribution would be to the AUM?

Shirish Patel (00:50:02): Maharashtra is our number one contributor, followed by Gujarat. If we add only these two particular states, our market share would be around 70% and 72%. So these are the two main contributors main reason is that we originated from this side. Gujarat, we originated, and Maharashtra was the second state wherein we expanded. And that is where I think we would like to highlight the potential of this particular business. Many of the states we have just opened. I would say, I think, before a few months only. We have expanded our footprint in those states. So, 70% of our market share comes from Gujarat and Maharashtra, followed by North and East. South still, I think, we are growing.

Saptarshee Chatterjee (00:50:42): So 70% of the AUM mix you are saying comes from Maharashtra and Gujarat, right?

Shirish Patel (00:50:47): Yes.

Saptarshee Chatterjee (00:50:48): Okay. And, thirdly, the last question is, basically, if you can give some understanding in terms of your customer base or your mutual fund distributor base, if you can provide some number of data points in terms of traffic in your digital platforms, like the policy platform or FundzBazar, how or what percentage of clients are using your digital platform and what percentage of mutual fund distributors are using your digital platform, so that you can give a fair bit of understanding on the usage of your digital platform?

Shirish Patel (00:51:20): Out of our mutual fund transactions, 78% of our transactions are happening through FundzBazar, our mutual fund platform. We have got two platforms. One is definitely for the mutual fund transactions from the customer's point of view, and the second, for the distributor, we have a separate login. I would say that more than 90% of our distributors are using our digital platforms. So, I think that is where, I would tell, the biggest USP of Prudent, and that is where the association with Prudent continues. As we said that 78% of the transactions are on FundzBazar, remaining 22, also I would say, keeps on growing, so the number every month, I would say, is inching up slowly and gradually. So adoption of technology, specifically post-COVID, has become very, very fast.

I think Policyworld is the platform wherein you can transact. Chirag, if you can give the exact percentage number, I think, to Policyworld, that would be better.

Chirag Kothari (00:52:38): Yeah. The percentage of total online transactions would be around 25% of the total. So two main reasons are that we keep adding integration with various insurance companies. Also, at the moment, many health insurance companies are undergoing version changes. So even if your client wants to do their online business, they must go through the insurer portal. But, currently, you can say 25% NOP, fresh NOPs that are being sold through our portal.

Saptarshee Chatterjee (00:53:16): Understood. This is very helpful. Just one last question, if I can squeeze in, your AMC count has come down from 44 to 42. What would be the reason for that?

Shirish Patel (00:53:26): Merger of AMCs, L&T has merged with HSBC.

Saptarshee Chatterjee (00:53:30) Understood

Shirish Patel (00:53:31): So it's a merger. No other reason.

Saptarshee Chatterjee (00:53:33): Understood. Thank you. Thank you so much, and all the best.

Nirav (00:53:37): Thank you. The next question is from the line of Shubham Bhatia from Shubham Investments. Please go-ahead.

Shubham Bhatia (00:55:01): So, let's say we empanel a mutual fund distributor, and let's say if we empanel 10 mutual fund distributors, out of them, how many were already distributing mutual funds, but have now empanelled with Prudent and have transferred their AUM versus how many people are the first-time mutual fund distributors. So if you could clarify that number?

Sanjay Shah (00:55:22): If we are adding around 5,000 distributors hypothetically in this financial year, I would say that that mix would be almost 50:50.

Shubham Bhatia (00:55:31): Okay.

Shirish Patel (00:55:31): So 50% of the distributors we would be adding for the first time to the industry and 50% maybe from the existing distributors, either active or inactive in the industry. In the second point, you said that when the ARN holders merge with Prudent hardly any of them transfer the AUM. A majority of them do new business with us. The merger becomes very, very rare. So they start doing new business, but not the merger. So if you are saying that when they come from the industry, the Prudent AUM doesn't increase because they will start contributing new business and don't transfer the existing AUM, to begin with.

Shubham Bhatia (00:56:08): Okay. Got it. And the next question was, we have two portals, two verticals, one for real estate and one for loans as well, but I haven't seen any robust contribution to the total revenue. So are we aggressive on those verticals, or how are we planning to increase those verticals?

Shirish Patel (00:56:28): Both products are limited to a few branches. So property right now, we are doing only and only to Mumbai and Ahmadabad. The revenue contribution of this business is really very, very minuscule. Loans, we actually are trying to establish the business. I think, last one and a half years, we started creating this Creditbasket portal. We are just experimenting with the beta version only in the Mumbai market, to begin with. I think once we believe that now we can take it forward to other cities. Obviously, we will take it. But, we believe that currently, there is no substantial plan to make it big immediately.

Nirav (00:57:03): Thank you. Shubham, I will request you to come back to the question queue for a follow-up question. A request to all the participants, please restrict to two questions per participant. The next question is from the line of Dipanjan Ghosh from Citi. Please go ahead.

Dipanjan Ghosh (00:57:19): Hi. Good afternoon. Just have two questions. The first is on your insurance business. Can you share what proportion of policies have a renewal revenue attached to them? The second question from my side is, with this industry, with the distribution industry from the mutual fund side gradually consolidating, you mentioned that your market share in incremental IFAs additions or net additions for the industry is higher than 20%. So from a medium to long-term perspective, how does the yield negotiation with the AMCs really swing? Is the balance shifting towards the larger distributors as a whole? Those are my two questions.

Sanjay Shah (00:58:06): So, talking about the yield negotiations and incrementally more and more distributors joining Prudent, I don't see there is just great scope available with the AMCs to offer more. So, I would say, on the mutual fund side, the current yield that we are enjoying or the current percentage sharing of the tier that we are enjoying, we probably believe that this is the peak. So I don't see any major improvement on the yield side. So that is the yield. Your first question If you can repeat it, please?

Dipanjan Ghosh (00:58:38): Yes. The first question is, on your) insurance business, what proportion of the book or incremental policies has a renewal revenue? I understand that health insurance and some segments will have a renewal revenue attached to them, so what proportion of the book has a renewal revenue attached to it? And, in that case, is the renewal pass through to your POSP agent decided upfront, or is it renewed on a yearly or on a frequency basis?

Shirish Patel (00:59:06): Yes. So our average contribution between health and life is that almost 30% of our revenue comes from health, and 70% comes from life. Both the products have their renewal, but as you said, health products would have a higher renewal sharing renewal margin than the life insurance business. Our persistency is very, very high compared to the industry standard. If you just ask that, I think we also share the renewal with the POSP. Yes, we also share the renewal portion to the POSP, and there are two models in the industry in which we have seen that many brokers only share higher upfront and lower renewal. I think we have tried to purposefully keep the reasonable sharing on the first year as well as on the renewal side because we believe that if we keep on sharing the renewal with the POSP, their intention or their consistency in bringing the renewal would be much, much higher and that is visible in our persistency. So to give you the answer, yes, we also share the revenue on the renewal.

Dipanjan Ghosh (01:00:12): Sure. Sir, my question was more on, let's say, on retail health products, let's say it comes in for the next 20, 25 years, so the renewal commission paid through. I mean, passed through between the manufacturer to Prudent and then to the MFD, is that decided today at the time of policy origination, or is it decided, let's say, every year as and when the rates are renegotiated with the manufacturer also?

Shirish Patel (01:00:40): The majority of the component is pre-decided. Some part of the component is also dependent on the year-to-year negotiation, but, yes, the majority of the health insurance is decided on day one.

Dipanjan Ghosh (01:00:49): Got it, sir. Thank you, and all the best.

Nirav (01:01:31): The next question is from the line of Sahej Mittal from HDFC Securities. Please go ahead.

Sahej Mittal (01:01:49): Hi. Good afternoon. So, firstly, what is the risk of our IFAs moving to some of the larger distributors like NJs of the world? Given that they are offering higher commissions, what drives the stickiness of these IFAs to Prudent? That is one. And so, I mean, I do understand that the existing IFAs will somehow stick to Prudent, but what is the added incentive for the new IFA to come to a Prudent and not to go to an NJ, maybe?

Shirish Patel (01:02:28): So, both are good platforms. So, obviously, for a new distributor, I am sure both of us would be pitching in, and an almost similar number would be going to their platform or our platform. The most significant point, I would say, is what we offer is the multi-product. Compared to our competition, our product basket is better. Second point, I would say that the kind of technology offering and the kind of features we offer to our distributors, we believe that our features and the

technology are superior to our competition. We are almost similar in terms of footprint, commission, sharing, and everything. So obviously, we both always tried to compete in terms of adding more features, more products, making our processes simpler and better, and trying to provide the best services. So, yes, I think we do approach all the distributors. I think many of them would join us, and many would join our competition. So, yes, I believe competition is also equally good.

Shirish Patel (01:03:28): As I said, product basket and technology, I think these two points I believe that I think we are superior to them. Footprints and everything, now, it's almost at par. Before three years, you can say that their footprint was much higher than Prudent's. But last three years, after our expansion, what we have done every year, the number of branches and sales manpower, these two parameters are almost similar. One parameter we... still they're bigger in terms of number of MFDs working with them because they came in the industry before- I think seven or eight years before us in terms of B2B business. Because of that advantage, the number of distributors currently dealing is a little higher than Prudent, but there, on that parameter also, we are catching up very fast.

Sahej Mittal (01:04:15): Right. And on Slide 27, where you have shared your SIP book, SIP flow breakup, can you also give us the vintage of these books across age cohorts, across customer age cohorts?

Sanjay Shah (01:04:37): I think, if you look at page number 27, I think on the age also we have given you that. around 30% of the SIPs are from those aged 25 to 35. The larger AUM is with people who are above 45 years of age. And the SIP book is more with those in the age bracket of 25 to 35. So, new money is coming from those who will invest for an extended period. Otherwise, the bulk of the assets is with those closest to the the retirement age.

Sahej Mittal (01:05:26): Right. So of these two age cohorts, 45 to 60 and more than 60, what proportion of these SIPs and Equity do you foresee that will lapse or mature in the next two to five years?

Sanjay Shah (01:05:47): So I can tell you if you look at the SIP, today more than 50% of our SIP book is perpetual in nature, and where there is a defined maturity given for the SIP, I think the average age itself is about 12 to 13 years. So, I think the stoppage of SIP before maturity is very difficult for you to predict, but I believe there is a significant amount of continuity that we can foresee. I don't see any major reason for an abruptly large number of SIP being closed.

Sahej Mittal (01:06:17): What I'm trying to understand is that, if the customer is already at the age of 65, I mean, the max he can contribute to your book is until he turns 70 or 75 tops, right. Beyond that, he will not be continuing with his SIPs, so from that point, I am trying to understand, given that 55% of our book is coming from customers who are more than 45 years of age, so in the next two to five years what proportion of this book do you anticipate will fade away?

Sanjay Shah (01:06:53): So I'm just saying to you the number of live SIP above 45 is about 30%, and those above 60 years are only 6.5%. Forget about the amount. What is important is the number of SIPs, right? So the number of SIPs of those above 60 years is about 6% of my book. So if you assume 20 lakh SIPs, there are 1 lakh SIPs of up more than 60 years older adults, which may or may not continue for more than five or six years. Otherwise, the rest all the SIP can be an average age of about 7 to 10 years. You can easily assume - that's my understanding. Because now SIP comes with a lot of comforts, which is the basis of investing, we don't see any abrupt changes in the investors' behaviour. Shirish, you can just cover that.

Shirish Patel (01:07:40): It's the same point that you already covered. I think those who are upward of 60 years, their contribution to our SIP book is 8.75%. Even if you assume that after a certain age, once his income is not there, if they stop renewing the SIP or they don't continue the SIP, the maximum risk you can look at is 8.75% of our SIP book.

Nirav (01:08:04): Thank you. Sahej, I will request you return to the question queue for a follow-up. The next question is from the line of Varship Shah from Envision Capital. Please go ahead.

Varship Shah (01:08:15): Yes, Sir. Thank you for taking my questions. Have you seen any increasing investor interest or debt or fixed-income products? Can that mix change going forward?

Shirish Patel (01:08:31): Incrementally, yes. I think ours is a pure retail distribution model, wherein I think many of the clients are saving through SIPs, and then when they do SIPs, it is mainly on Equity, because they believe in wealth creation. Even if you look at the breakup of the industry on the debt side, the majority of the investors are non-individual or, rather, I would say, institutional. And within individuals, the share of HNI or the ultra HNIs is much higher in the total debt segment. The retail investors, whose net worth is an average AUM is INR 3 lakh, INR 4 lakh, and INR 5 lakh. Their share on the debt side is very minimal on the industry side because they believe there are so many other options available. If you exclude the tax arbitrage, retail investors are not looking at tax arbitrage in a big way, and that is where we believe that the share of Prudent on the debt side might not become that significant. But I would say last three or four years, many of the clients have been looking at stable returns and not the volatility of the Equity. The new category, I would say, the balance advantage category or the dynamic equity category, that is becoming popular. I would say that it is somewhere in between debt and Equity. And we try to replace the debt component with the Equity saving category or the balance advantage category. And that is where you would have seen that this category has got the maximum flows in last three, four years. Incrementally, also we believe that retail investors might go to these categories rather than the debt category. Yes. I think debt might remain as a short-term investment parking mechanism, but for investment purposes, they go to the best category on the debt component.

Varship Shah (01:10:33): Okay. Thank you. And my second question is, this growth in SIP book to INR 478 crores, I think sometime back, maybe a year back, the average ticket size for the investor was maybe INR 2,600, INR 2,700. Currently in this quarter this is maybe around INR 3,200. Is it happening by increasing ticket size, or do we also have, like, live customer count is also increasing at the pace at which they increased before?

Shirish Patel (01:11:03): So, it's a great question. I would say both ways. I would say last six or seven months, there have been conscious efforts to increase the ticket size from the investor. Now, before a few years the sales pitch used to be that I think you should have the SIP.

Last, I would say that we changed the tone in last twelve months stating to invest decent amount thorough SIP. So there was a phase wherein we needed to go to the customer and convince them to start the SIP. And after I think five, six years of good experience, now I think rightfully we can go ahead and ask them to increase their SIP's value. Earlier I think, people used to start the SIP for any amount. Now I think there is a good trend of starting the SIPs based on some kind of bold planning or something. So that is where we see the improvement in the average ticket size as well, and still, we believe that it's a conscious effort on that industry side as well, and the Prudent side also we are focusing on that. And in addition to that, yes, I think because of the new addition of the SIPs or new addition of the clients as well.

Nirav (01:12:09): Thank you. Varship, I will request you to come back to the question queue for a follow-up question. The next question is from the line of Arpit Shah from Stallion Asset. Please go ahead.

Arpit Shah (01:12:40): Yes. I missed your net sales guidance for FY 23. What is the number that you are targeting for FY 24 for net sales?

Shirish Patel (01:12:48): It's a difficult question because I think if you have heard any of our regular communications, historically, we have been saying that in the long run, our observation is that our net sales are in line with our SIP sales. Depending on the market sentiment, there could be a plus or minus. In some years, it will be higher than the SIP sales; for a few years, it could be lower than the SIP sales. But if I will take the 10-year average, it is in line with our actual gross SIP sales plus/minus a few percentages. If I look at this year's YTD, we have done almost INR 3,400 crores, INR 3,500 crores of net sales. Our current run rate is around INR 300 crores, INR 350 crores, and INR 400 crores because we have seen a drop in net sales in the last two or three months. So, I think you can assume around INR 300 crores if these sentiments continue. INR 300 crore is the current run rate roughly. So you can see around INR 4,300 crores kind of number. Assuming there are some market corrections and some kind of people coming back to less redemption, this number can improve, and that can reach our guidance number at the beginning of the year was around INR 5,000 crore. Next year, since we have added the SIP book and we still will continue, the medium-term net sales number could be in the range of around our SIP book. So if my SIP book is hypothetically INR 500 crores, you can assume our net sales could be around INR 6,000 crores in FY24. But, as I said, in the short-term, it varies, and so many other parameters like sentiments in the market also play a very, very important thing.

Arpit Shah (01:14:22): Got it. And any data where you might have gained market share in the SIP book?

Sanjay Shah (01:14:30): So I would say two good parameters. I think this again derived number based on the industry's number. We are also gaining the market from the net sales side. So that means our redemptions are lesser than the industry. So, our number has improved if you compare last year's net sales ratio in the industry or the net sales market share and this year's net sales market share. Similarly, on the SIP side also, on the book side, when we look at the book side, if our market share is growing, that is nothing but the indirect way of saying that our redemptions ratios are less compared to the industry. So, we are also growing our market share on the net book side.

Nirav (01:15:12): Thank you, Arpit. The next question is from line Aahan from Trivantage Capital. Please go ahead.

Aahan (01:15:26): Yes. I noticed that your cash flow from the operation has been quite strong for the last three years, and you have a very strong balance sheet. And you mentioned that around 70% of your AUM comes from Maharashtra and Gujarat, where you are dominant. So I wanted to know if you have any plans for any acquisitions to expand your presence beyond these two states in the coming years.

Sanjay Shah (01:15:58): So, actually, if you look at today, we have 121 branches, and as Shirish said that even though our significant market share comes from Gujarat and Maharashtra, currently we cover almost 21 states, and the entire length and breadth of the country has been covered by physical footprint. So we probably believe that what Shirish was also trying to say is that today despite having full-scale business in the country, 70% of business comes from these two states. That means there is a huge potential for us to get the business from the rest of the country, and we believe that gradually there is a strong amount of traction and acceptance. People are also joining the platform, so that the growth will come from those places.

Aahan (01:16:40): Okay. Thank you. I just had one more question. I wanted to know since your balance sheet is so strong, you have any plans to return cash to shareholders in the coming years. What your dividend policy was for the next two to three years? If you have any plans for that?

Sanjay Shah (01:17:04): So the significant cash which we generated has been fully utilized by us for acquiring the Karvy last year. We continue to believe that the industry will see some solid consolidation, and we would love to preserve cash at least one and a half or two years. We would love to scout for the opportunity, and something will definitely come on way. If we cannot utilize this case significantly in the next two or three years, we'll go to the board for designing the dividend policy or something like that.

Aahan (01:17:41): Okay, that's very helpful. Thank you.

Nirav (01:17:46): Thank you very much. I now hand the conference over to the management for closing comments.

Sanjay Shah (01:17:51): Thank you very much. I think we could be able to address all the questions. If you have any queries, you can reach out to Mr. Parth, who's handling our investor relationships, or otherwise, you can reach out to Equirus also. They will be ready to address all your queries. Thank you. Yes, Go ahead.

Nirav (01:18:11): Thank you very much on behalf of Equirus securities. That concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you. (Audio ends)