

October 27, 2022

**BSE Limited**

Phiroze Jeejeebhoy Towers,  
Dalal Street, Fort, Mumbai 400 001

**BSE Scrip Code: 540767**

**National Stock Exchange of India Limited**

Exchange Plaza, 5<sup>th</sup> Floor, Plot No. C/1,  
G Block, Bandra Kurla Complex,  
Bandra (East), Mumbai 400 051

**NSE Scrip Symbol: NAM-INDIA**

Dear Sir(s),

**Sub.: Transcript of the earnings conference call for the quarter ended September 30, 2022**

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings conference call for the quarter ended September 30, 2022 conducted after the meeting of Board of Directors held on October 19, 2022, for your information and records.

The above information is also available on the website of the Company:

<https://mf.nipponindiaim.com/InvestorServices/pdfDocuments/Conference-Call-Transcript-for-Q2-FY-2023.pdf>

Thanking you,

Yours faithfully,

**For Nippon Life India Asset Management Limited**

NILUFER  
GAURAV  
SHEKHAWAT

Digitally signed by  
NILUFER GAURAV  
SHEKHAWAT  
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**Nilufer Shekhawat**

**Company Secretary & Compliance Officer**

# Nippon Life India Asset Management Limited

## Q2 FY23 Earnings Conference Call

**October 19, 2022**



**Moderator:** Mr. Jignesh Shial - InCred Equities

**Management:** Mr. Sundeep Sikka - ED & Chief Executive Officer  
Mr. Prateek Jain - Chief Financial Officer  
Mr. Saugata Chatterjee - Co-Chief Business Officer  
Mr. Aashwin Dugal - Co-Chief Business Officer  
Mr. Arpanarghya Saha - Chief Digital Officer  
Mr. Hiroshi Fujikake - Chief Planning & Business Excellence Officer

**Moderator:** Ladies and gentlemen, good day and welcome to Nippon Life India Asset Management Limited Earnings Conference Call for 2Q FY2023 hosted by InCred Equities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Jignesh Shial from InCred Equities. Thank you and over to you Sir!

**Jignesh Shial:** Thank you Tanvi. Good evening everyone. On behalf of InCred Equities, I welcome all to Nippon Life India Asset Management Limited 2Q FY2023 earnings conference call. We have along with us Mr. Sundeep Sikka ED and CEO along with the top management team of Nippon Life India Asset Management. I would like to hand over to Mr. Sikka, for his opening remarks. Over to you Sir!

**Sundeep Sikka:** Thanks Jignesh. Good evening everyone and welcome to our Q2 FY2023 earnings conference call. We have with us, our Chief Financial Officer Prateek Jain, Chief Business Officers Mr. Saugata Chatterjee and Mr. Aashwin Dugal, Chief Digital Officer Arpanarghya Saha and Fujikake-san, representative from Nippon Life. Our detailed investor presentation and press release have been uploaded on the exchanges as well as on our websites.

Before we take your questions, let me share some comments on the recent industry trends and our quarterly performance. In Q2, equity markets rebounded from the lows of June 2022. However, it ended on a volatile note due to the ongoing geopolitical concerns, global inflationary trends and weaker INR to USD movement. Despite the mixed overall outlook, Indian asset management industry maintained its growth momentum driven by higher retail awareness. The industry assets rose by 3% in this quarter mainly driven by higher equity and ETF assets. However as we look back, the industry assets have seen 4x growth in last 10 years. Yet we believe that the significant growth potential still remains unrealized. Currently less than 3% of the population invests in mutual funds. In the last 24 months alone, the base of unique investors grew to 36 million - an increase of 69%. Monthly SIP flows touched all time high of Rs. 130 billion - an increase of 67%, while SIP folios increased to 58 million - a rise of 75%. The growth in investor base and consistently higher SIP flows clearly indicate investors' preference for mutual funds to achieve their long-term goals. Formalization of the economy, digitalization, and higher share of mutual funds in housing savings are expected to be the key drivers for the growth of the industry going forward. At Nippon India Mutual Fund, our priority is to be 'future ready' and capture this long-term opportunity. In Q2, our industry ranking moved to fourth position on quarterly average AUM basis. AUM increased by 7% to Rs. 2,851 billion. At Nippon India Mutual Fund, investor's interest remains our only constant. We added 1.6 million folios in H1 and

continue to have the largest base in the mutual fund industry. Our share of industry's unique investors was stable at 37% with a base of more than 13 million investors. Systematic flows are a stable and key driver for industry's long term equity flow. Nippon India Mutual Fund annualised systematic transaction book is at Rs. 108 billion. Quarterly flows increased by 36% to Rs. 26 billion. On a gross basis, over 481,000 systematic folios were added in Q2. Our systematic AUM rose by 11% to Rs. 555 billion. 53% of our SIP AUM has continued for over five years vis-à-vis 22% for the industry. Also in volatile markets, folios with lower ticket size have demonstrated longer vintage and better stickiness. 14% of our SIP folios have continued for more than five years as against industry average of 10%. Today Nippon India Mutual Fund offers industry-best product suite in the passive category. With strong growth in industry's passive assets, our ETF ecosystem is already in place and far ahead of peers, in terms of investor base and mind share. In this segment, we manage an AUM of Rs. 638 billion and have a market share of 14%. Excluding the EPFO allocation which goes to two specific AMCs, we would be the largest ETF player in the country. The gold ETF is the biggest fund in the category with having Rs. 66 billion under assets under management. Our share in industry's ETF folios rose to 60%. In Q2, we added 108,000 investors and accounted for 92% of the total industry's ETF additions. We have 71% share of ETF volumes on NSE and BSE. Our ETF average daily volumes across key funds remain far higher than the rest of the industry. Our digital-centric strategy is also one of the keystones of our long-term growth and sustainability. We continue to enable new age and experienced investors, as well as our partners, with a cutting-edge digital solutions. In Q2, digital platforms contributed to 56% of our total new purchase transactions. Over 766,000 purchases were executed through our digital assets - an increase of 4%. Nippon India Mutual Fund has a well-diversified and nimble distribution base and, a wide presence through 275 locations across the country. As of September 2022, we have over 87,200 distributors empanelled with us. The MFT base rose to 87,000, with addition of nearly 1,700 distributors in this quarter.

Now on our financial performance. For this quarter ended September 30, 2022, profit after tax was Rs. 2.1 billion - an increase of 81% against Q1 FY2023. Operating profit was at Rs. 1.9 billion. Operating profit, as a ratio of average assets under management, was 26 basis points in Q2 FY2023 as compared to 25 basis points in Q1 FY2023. In the past, the company has followed a consistent dividend policy. In FY2022, NAM India distributed its highest ever dividend with a payout ratio of 96%. Over the last eight financial years, NAM India has distributed a cumulative dividend of Rs. 34 billion. In today's meeting, the board has approved an interim dividend of Rs. 4 per share. As we grow organically through physical and online channels, we remain open to evaluate investments and strategic opportunities that add to the profitability or complement our existing businesses and, ultimately are in interest of minority shareholders.

As a signatory to UN-PRI, we have already begun to integrate ESG aspects into our area of strategy, business operation, investment management, and governance. We have chosen to prioritize issues such as climate action, diversity, inclusion, corporate governance, business ethics and responsible investment for immediate strategy formulation, execution and disclosure purposes. Through a combination of responsible investment approaches of screening ESG integration and active ownership, we aim to build a resilient portfolio that will not only provide sustainable returns to our investors but will also provide a positive environment and social impact. To sum up, I would like to reiterate that, at NAM India, investor centricity remains a key theme. We strive to deliver a superior experience and sustainable returns to our investors and in the process, add value to all our stakeholders. We are confident to continue our trend of profitable growth in coming quarters. With these comments, we are happy to take your questions. Thank you.

**Moderator:**

Thank you very much. We will now begin the question and answer session. The first question is from the line of Kunal Thanvi from Banyan Tree Advisors Private Limited. Please go ahead.

**Kunal Thanvi:**

Hi thanks for the opportunity. So I had two questions. First was on the debt side of the business. So, if you look at the entire industry and even for NAM India, that has been degrowth for the last two quarters. I wanted to understand what is happening there. Is it due to performance or is it because of shift from active debt to passive debt. What are the factors that are driving the decline in the debt AUM for the industry and NAM India, and secondly, if you see sequentially, our realization has improved on overall basis and that has resulted in improvement in our core operating profits as well. Also, can you throw some light, what are the factors that helped us improve the realization? Is that the competition is easing out or the distribution margins are softening up or it is just one quarter wherein we saw higher share of equity in the realizations. These are my two questions.

**Aashwin Dugal:**

Thanks for your question. Regarding the debt flows that have reduced. First, at the industry level and that is quite evident because of the overall deteriorating macros, whereas the central bank action worldwide and also being followed by the central bank in India, which is to increase interest rates. The yields across the curve, both in short term and long term, have gone up quite substantially, especially at the shorter end and, hence, we have seen outflows from the debt funds into overnight and liquid schemes. If you see the trend, you would see in the last six months, our debt funds have lost money, but money has come back into either overnight fund or liquid funds. At NAM India, there has been a marginal decline mainly because our growth, over the last two years, was on the back of fixed income flows and partially from some corporates. We have seen one or two institutional investors who exited for the time being who had a higher share with us and, from the industry as well, we had a slightly higher share. Hence, we have seen some difference of market share for us.

**Prateek Jain:** Hi Kunal. So in terms of realization, there are mixed factors. It is not one off. We have been maintaining that outlook. It would be hovering around this levels, unless there is a drastic change in the asset mix. Here, two or three things played out for the quarter. We had a better share of equity, that was one. Secondly, in terms of flow and in terms of our fixed income realization, there has been a marginal increase. We have mentioned, in the past as well, that the yield keeps growing in the fixed income scheme. So, dissect this from the fact that the assets are going out, but more importantly, yields in these fixed income schemes are going up. As the yields go up in these categories, our propensity to charge slightly higher, improves and, so we have rationalized some of our TERs into the debt schemes and we have been able to improve our realization out there. Besides on the ETF side, we have seen slight improvement in the realization due to some regulatory interventions of requiring only one basis point to be kept aside for the investor education. So, these are the couple of factors. These are not one off, but these are sustainable ones, which have helped us in this quarter to improve our realization.

**Kunal Thanvi:** Sure, got it. Like historically, we have been suggesting that over medium to long term, the realization would keep on tapering off because of the new assets coming in. That continues to be the case, right?

**Prateek Jain:** That is right. As the old asset versus the new assets change happens, then obviously, you will see some decline. But, as I mentioned in this call, as you see money coming into the fixed income asset and the yields are at an elevated level, as what we are seeing right now, our propensity to charge is higher. Also when the cycle will turn, you will see returns which is 8.5 to 9%. At that point of time, our propensity to charge will be even higher. We will have the AUMs in place because money would have moved into these categories. Also the yields will be higher and, therefore, you will get the double impact. I am sure that will be able to offset the realization dip in the equity assets.

**Kunal Thanvi:** Just one more question if I can squeeze in. So, if you look at our asset mix and our market share over the last two to three years, on overall basis, the market share is quite stable between 7.2% to 7.4%, but within that, segments like equity and debt have not gained market share or have been losing market share. For example, in debt, we gained some market share last year and now we are again losing it back. But two segments that have been gaining market share are liquid and others. That is where we have gained market share and we continue to gain. But from an overall profitability, business point of view, these are low yielding assets. How do we look at this from a longer-term perspective, because this will mean like increasing market share in categories, which are lower yielding, resulting into, of course, lower profitability for us?

**Prateek Jain:** I would not have to read too much into fixed income. I think that is more because of the overall environment that we had seen investors changing to the shorter end of the curve.

This will keep happening, and I do not see any loss because this is all fungible across liquid, short term, long term. Investors will keep changing across different cycles, so I am not too worried about that. I think as far as the equity is concerned, clearly, from our perspective, the green shoots are there. As you are aware, we had certain challenges in equity, a couple of years back. At this point of time, the majority of our funds, from a one-year perspective, are in quartile one or two. Some of our funds are already, on a three-year rolling basis, moving into quartile one and, the increase in SIP numbers and folios tell you that new investors and flows have already started coming into equity. So, maybe couple of quarters down the line, you will also start seeing the lag effect of this positive activities that is happening on ground and the equity market share should also move up.

**Kunal Thanvi:** Sure. Thank you. I will get back in the queue. All the best.

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

**Lalit Deo:** Good evening Sir. Thank you for the opportunity. Sir my question on the distribution side. If we see the banking challenge, like one year ago, the share of AUM which was coming through the bank channel was about 10%. However it has declined like 8.5-8.7% in this quarter. Now with majority of our schemes now performing in quarter 1 and quarter 2, so what is the outlook over there and how is the response we are getting from the banking channel.

**Prateek Jain:** Banks, for us was about 9% in overall scheme of things and, if I take the direct out, it was about 18 to 20%. So, even if that declines, it does not really mean much for us. However, I would ask Chatty to talk about how he sees flows going forward.

**Saugata Chatterjee:** In case of the banking channel, what was our handicap earlier were the approvals. Since the equity performance has come back, good part is that in most of the channels and the banks, we have the approvals in place. The approvals are now getting converted into business volumes for us on the equity side. We have a bit of catch up on the debt side in some of the banks, but most of the banks are either equity players or SIP players, where the approvals which have come in the last two or three quarters, are going to help us. Majority of our funds are approved in most of the retail and wealth banks. The numbers will start reflecting as we go ahead, because equity comes with a lag. SIP numbers have started coming in. The net sales is improving. Hopefully, these ratios will start improving in the next two quarters from hereon.

**Lalit Deo:** Thank you Sir.

**Moderator:** Thank you. The next question is from the line of Prayesh Jain from Motilal Oswal Financial Services. Please go ahead.

**Prayesh Jain:** Hi this is Prayesh Jain. Just three questions. Firstly if you look at how the redemption have shaped up on the equity side for the industry. Those have been kind of increasing in the last couple of months, any early trends to catch there. There is some profit taking or some issues out there where there are increased redemptions? Secondly, on the fee and commission expenses, we have seen an increase. What is that pertaining to and, thirdly, from other income perspective, do you think that the current run rate what you have achieved in this quarter, given if the yields remains where they are and, possibly the equity market kind of sees steady returns, do you see these kind of other income sustainable. Those are my three questions.

**Prateek Jain:** As I mentioned in the call that the fee and commission expenses are pertaining to our AIF and PMS business. So, in AIF, we pay up front commission. If you get larger amount of assets in the quarter, you will see marginal increase in terms of fee, but obviously, the corresponding revenue will come with a lag effect. So that is the expenses, fee and commission side of it. In terms of realization, as I mentioned, these are more sustainable at this point of time. If we see the interest rate peaking up from here, then a lot of money will come into the fixed income category. All the money, which has gone out, will come back to the fixed income category from the corporate and intuitional investors and, then they will ride on to the fact that when the interest rates goes down, as part of the cycle, higher yields will be made into these products. When there are high yields, our propensity to charge will be higher. So, overall, on the fixed income side, two things have happened. One, in the last two and half years, lot of money has gone out from the longer duration, credit funds and come into the shorter end of the curve into liquid and other money market funds. The second part is that, in these funds also, the returns were fairly low. They were sub 5.5%. Therefore, our propensity to charge expenses were lower. But our average yields on these products are likely to go up in the coming quarters.

**Prayesh Jain:** Prateek, my question was more on the other income that we have reported in this quarter. Whether that is sustainable, given the way the yields are moving and equity market return.

**Prateek Jain:** See, these are all mark-to-market and, as shared in the past, of the total cash flow available, 82% has been invested into our own MF schemes. Of that, barring the seed capital investment which we made into equity, remaining are into our fixed income schemes across the category. So, obviously, as the yields go up, our realization will increase from hereon. But we do not give any kind of forward guidance on our other income. There are no major assets, which are into the riskier category, at this point of time.



- Aashwin Dugal:** As far as the redemptions are concerned, the net equity flow, in the industry ex-arbitrage, for the past quarters have been 28,000, 20,000 and 23,000. Broadly they been in the same range. From our perspective, one thing is very critical. Is there any early trend of redemption? Clearly whenever the markets are volatile, it is HNI investors and the bulk money, which moves out fast and, comes in when their movement is faster. We focus more on granular business, retail business, and SIP, which is a lot more sticky. So, from our perspective, we have not witnessed any kind of redemption at this point of time and, for us, the trend could be little different from the industry because our business is very, very retail.
- Prayesh Jain:** I just have one more question there. From a flow perspective, while you do not give any data as such about flows, is there a trend of increasing flow market share for Nippon India on the equity side in the last couple of quarters?
- Saugata Chatterjee:** Over last many quarters, I think we have seen the trend getting positive. If I was to look over a trend line for last 36 months, from a net negative, we have moved to net positive.
- Prayesh Jain:** But the market share has obviously been going up. Is it there in line with overall equity market share or is it lower than that?
- Saugata Chatterjee:** So the net sales market share is inching up towards the equity market share. So that is the reason why the month-on-month equity market share is also now improving.
- Prayesh Jain:** All right thank you so much.
- Moderator:** Thank you. The next question is from the line of Manjeet Buaria from Solidarity Investment. Please go ahead.
- Manjeet Buaria:** Thank you for taking my question. I wanted to understand as the competitive intensity in the industry goes up, different players have to pay more commissions to the distribution partners, as we have seen in some NFOs. How easy is it to close at these commission levels? Once the higher levels are given, it stays that way permanently?
- Sundeep Sikka:** Manjeet, we have always been very clear that long term business model cannot be made by paying higher brokerages. So we have been pretty conscious on it. We would not like to do something which is not sustainable from a long-term point of view. We have never gone overboard, wherein we will have to undo things later.
- Manjeet Buaria:** Okay thank you.
- Moderator:** Thank you. The next question is from the line of Aditya Dilip from Metaverse Equity Fund. Please go ahead.

- Aditya Dilip:** Thank you. My question is NAM has collaborated with DWS group to provide portfolio management and advisory services in European market for Indian government bond. So as far as the current situation is concerned, the recession part, what would be the upcoming plan from Nippon and is Indian businesses showing stable growth as compared to the European market, that is my question?
- Sundeep Sikka:** The launch of product with DWS is in line with our strategy to grow our non-mutual fund business and offshore business. As we have mentioned in the past, we closely work with the Nippon Life team globally to look at opportunities, where we can collaborate with the various group companies of Nippon Life. There are many more such initiatives where work is in progress. This fund was launched just about a month back. At this point of time, it has just started and there will be couple of other products which will be launched across the global. But the focus will remain to get more money into India.
- Aditya Dilip:** Okay thank you Sir.
- Moderator:** Thank you. The next question is from the line of Prayesh Jain from Motilal Oswal. Please go ahead.
- Prayesh Jain:** Hi this is Prayesh here again. Just your thoughts on the hybrid segment. The industry has seen a lot of outflows in the past few months and, is there any particular reason for that?
- Saugata Chatterjee:** Prior to the volatility in the market, there was more flows coming into the large cap, mid cap categories. Like you are rightly saying, in the last six months, we have started seeing more flows in hybrid. As the volatility increases, the trend shifts towards balance fund, hybrid fund, so we are seeing that trend happening today. Even if the volatility continues for the next 6 to 12 months, this category will start growing and that should be a good thing for the industry because these are stable long-term assets, which come into balance funds.
- Prayesh Jain:** My question is we were actually witnessing outflow, not inflows?
- Saugata Chatterjee:** Outflows in hybrids are not happening this time. In the last three to four months, the net flow is positive. It can be due to some NFO, which might lead to outflow in certain particular part of the quarter, but the trend is still positive. You have to add the hybrid categories. It includes equity hybrid fund. It includes balance advantage funds, it includes asset allocation fund, so the category is very large. It is not only one particular category which comes under hybrid.
- Prayesh Jain:** And what are the plans for future launches with regards to all the scheme categories?

- Sundeep Sikka:** We broadly feel our portfolio is complete. We will not be launching any funds just to come out with new NFOs. I think where you will see more launches, will be in international or passive.
- Prayesh Jain:** Alright thank you so much.
- Moderator:** Thank you. The next question is from the line of Sahej Mittal from HDFC Securities. Please go ahead.
- Sahej Mittal:** Hi good evening everyone. There is some improvement in the equity yields, right? So, is this something structural? Is the improvement structural in nature, is it sustainable? Second, there was some dip in the staff cost, so any colour on this and, third was on your channel mix. So there is some sharp dip in the share of banks, if you could throw some colour there as well. I am sorry if you have already these questions. I joined the call a bit late.
- Prateek Jain:** No issues. In terms of yields, the overall yields are marginally up as compared to the previous quarter and, as I explained in the past that this is predominantly because we have improved our realization on the fixed income scheme and, I have given a detailed explanation for that. Also, our asset mix has marginally improved in terms of overall longer term high yielding assets and, these are pretty sustainable and not one off. Also, as Sundeep was mentioning, we will keep working in terms of our product offering, the distribution commission which are sustainable and will not go overboard, in terms of extending higher distribution commission for faster growth. In terms of staff cost, this is marginally lower, and these are related to certain provisions, etc., and there is no structural thing, which I can see up here. With regards to the channel mix again, if I see the last few quarters, overall share including direct etc., used to contribute about 10% and now they are 9%. So again there, I see a very marginal decline and that is because, from the industry perspective also, the bank share has come down.
- Aashwin Dugal:** I just like to add to what Prateek mentioned, is the fact that in the last few months, we have seen some bit of institutional money that had been mobilized, some of that has moved out at the industry level, but the SIP business continues to come in.
- Sahej Mittal:** On the staff cost what you did just said. There is just dip sequentially, so is there some reversal in this line. Is there some reversal in the staff cost?
- Prateek Jain:** In the first quarter there were certain incentives etc., which got paid out and if you see the standalone results, there is nothing. But it is do with our subsidiary, so certain PLI expenses which booked into the first quarter and, therefore, there is a marginal decline in staff cost.

**Sahej Mittal:** In terms of your yield on the debts, so yield on the debt scheme have improved. So is there a change in the mix towards the credit risk or those sorts?

**Prateek Jain:** While assets may change, what we have done is we have gone and improved our realization by changing TER, which we dynamically keep evaluating. What is the return a fund is generating and what is the expenses and what competition is charging, what is our performance with our competition. Based on all these factors, we keep evaluating, what is the expense we should charge on our debt schemes and, what we have done is we have changed realization in some of our schemes, which has resulted in better realization. These are two different strategies. While money may or may not come, but overall yields have gone up because of the underlying return generated by the papers. Therefore, we have been able to increase our expenses.

**Sahej Mittal:** And any colour on the yields? how they are shaping up on the equity side?

**Prateek Jain:** Again we have not seen significant change out there. Our sharing remains pretty much the same as what we were paying earlier and, obviously as I mentioned, the more new money replaces the old assets, then obviously we will see some decline. So over a period of time, we may see two to three basis points of decline, if this money gets replaced by the new assets.

**Sahej Mittal:** The equity yields are still depleted. That is the correct understanding, right?

**Prateek Jain:** On the existing, it may not, but if the new AUM comes and the old asset keeps going down, then obviously, you will see some decline in the equity yields.

**Sahej Mittal:** In Q2, given the flow in the equity scheme for the industry was a bit soft, for us, how have the flows been. Did we witness net outflow or net inflow?

**Prateek Jain:** We were net positive in terms of inflow and this was broadly in the range of our quarter one.

**Sahej Mittal:** Any colour on the market share in terms of net flow?

**Prateek Jain:** We do not disclose those numbers.

**Sahej Mittal:** Okay, those will be my question.

**Moderator:** Thank you. The next question is from the line of Dipanjan Ghosh from Citicorp. Please go ahead.

- Dipanjan Ghosh:** Hi good evening. There are three questions from my side. One has been the previous discussion. Would you like to quantify the differential between your existing and new business from yield perspective? Second question will be on the SIP business. If you can give some colour on what is the key distribution channel or origination channel for the SIP? Is it more direct or fintech-led or through the distribution and, third question is, from the industry perspective, what we have witnessed, there has been significant amount of flows that is going into the NFO. It seems that the incumbents are already present, but they are not able to garner the flow similar to that of more NFOs that has come in. So how do you want to see this from a medium term perspective given that a lot of key AMCs are also in the pipeline? That will be all from my side.
- Prateek Jain:** Dipanjan, if can you just repeat your first question?
- Dipanjan Ghosh:** In the previous discussion you mentioned that the new yields continue to be lower than the existing yield. So would you like to kind of quantify, what is the differential outlook?
- Prateek Jain:** On the old assets, our average distribution commission paid was 50 to 60 basis points. However, now it is more on a TER sharing basis. So, obviously, for different distributors we share different amount of fees and, it ranges between 55 to 70% of our TER. We share distributable TER with our distributors. So that is the difference, because in the past, on the old assets, we have paid higher upfront commission which are no longer allowed and, therefore it is entirely on trail. Therefore, the sharing mechanism has come in and we share almost 55 to 70% to our various categories of distributors.
- Saugata Chatterjee:** So on the SIP mix, the mix of business as we have seen in the last two to three quarters, the digital and the fintech partners have started contributing decently to our overall mix. Right now, as we speak, 60% of the business is coming from MFDs, and some of the banking channel partners have started giving us money. The remaining, around 35 to 40% is coming through the fintech partners. So, that is broadly the mix of SIP numbers which are coming to us and, what we are witnessing is that we are also increasing the absolute count on a month-on-month basis. So, right from ratio point of view as well as absolute numbers, both are seeing growth. The third question was on NFO. You asked something on NFO. What was that if you can repeat?
- Dipanjan Ghosh:** Basically from an industry perspective, let us say the incumbents have particular fees in midcap, large cap, flexicap, but then you see NFOs coming in from the smaller players in similar categories where the flows are probably a bit higher than the combined of what the incumbents are garnering in a particular month or quarter. So, from that stand point, within that a lot of newer AMCs and there are also new AMCs in the pipeline, so how do you kind of think of the opportunity loss in new flows in existing schemes for larger players like yourselves?

- Sundeep Sikka:** Broadly, in case of any new or old AMC or any new fund launched, until the time, it adds value to the portfolio in the long run, investors will keep investing. Any new NFO that is coming on whether higher brokerage or capability to pay. From a long-term point of view, that is not sustainable. Ultimately, these are all open-ended schemes. One can garner 'x' asset through an NFO. For these assets to be sticky, it needs to add value to the investors from a performance point of view and, the more important thing is, it has to be very, very granular and sticky. Because we have seen that when this bulk money comes, it goes out also at the same speed. So, from our perspective, our focus is not to get distracted with the new NFOs which are coming in the industry and, we will continue focusing on our existing schemes and, whenever we see any vacuum or an opportunity for us to launch new products, which can add value to the investors, we will do that. Otherwise I think our focus will be only on the open and existing schemes.
- Dipanjjan Ghosh:** Sir one follow up on the second answer. You mentioned 40% of SIP are coming in through the digital or fintech platform. Could you shed some colour on the quality of customers in terms of retention or tenure or in terms of redemption for the SIP or from geography. On each perspective, if you could shed some colour on that particular portion of the SIP business that is coming in.
- Sundeep Sikka:** I think it will be very difficult to give these kind of details. But we continue evolving. We continue to evaluate. Whether it is coming from an offline channel, even if coming from distributors, IFAs or whether banking or fintech, we continue to evaluate the stickiness of the asset. Which distributors, which channel we will promote more and, again from a geography point of view, it will be very difficult to pinpoint how a particular pocket, whether geographically or channel wise, works. Our endeavour is, as we mentioned earlier, that the sticky asset is 50%. As I mentioned in my opening address also today, if you look at the stickiness of the SIPs that we have today, 53% SIP AUMs are there for more than five years. That is our focus and we are using a lot of artificial intelligence and business analytics to continue both to upsell as well as to continue to increase the longevity of the SIPs.
- Dipanjjan Ghosh:** Thanks for the answers and all the best.
- Moderator:** Thank you. The next question is from the line of Rahul Picha from Multi Act. Please go ahead.
- Rahul Picha:** Yes thanks for the opportunity. Sir just wanted a couple of data points. What is your current blended yield on your equity book and what is the yield on the new flows that you are getting.
- Prateek Jain:** So, we do not give product wise yields and what was your second question?

**Rahul Picha:** Second question was I wanted the yield on the new flows. But if you cannot give specific yields, even if you can give out the differential between your current book and the new, that will also be fine.

**Prateek Jain:** On the old assets, the average distribution commission paid out will be in the range of 50 to 60 basis points and, on the new money, which we are receiving post the change in the regulation, we share almost 55% to 70%, on an average, of our TERs with various distributors in different categories.

**Rahul Picha:** And this 55% to 70%, in terms of basis points, how much would that be?

**Prateek Jain:** Each different scheme has a different TER. So nowadays, from a SEBI perspective, there is a calculation of TER. Post that, we remove the scheme related expenses to arrive at distributable TER. Of the distributable TER, we share this money.

**Rahul Picha:** Okay fine.

**Moderator:** Thank you. That was the last question for today. On behalf of InCred Equities that concludes this conference. Thank you for joining us and you may now disconnect your lines.