

ABSLAMCL/18/22-23

May 2, 2022

BSE Limited

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Dalal Street Mumbai-400 001

Scrip Code: 543374

National Stock Exchange of India Limited

Exchange Plaza, 5th Floor,
Plot No. C/1, G Block,
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Bandra (East), Mumbai - 400 051

Scrip Code: ABSLAMC

Dear Sir/Ma'am,

Sub: Transcript of the Analyst/Investor Conference call on Audited Financial Results for the quarter and year ended March 31, 2022.

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Analyst/Investor Conference call for the quarter and year ended March 31, 2022, held on April 27, 2022. The above information will also be available on the website of Company at <https://mutualfund.adityabirlacapital.com>.

This is for your information & record.

Thanking you.

Yours faithfully,

For Aditya Birla Sun Life AMC Limited



Hemanti Wadhwa
Company Secretary & Compliance Officer
FCS No- 6477



Aditya Birla Sun Life AMC Limited Q4 FY'22 & FY'22 Analyst/Investor Conference Call held on April 27, 2022

Moderator: Ladies and gentlemen, good day and welcome to Aditya Birla Sun Life AMC Limited Q4 FY'22 Earnings Conference Call. We have with us today from the management, Mr. A. Balasubramanian - Managing Director and CEO; Mr. Parag Joglekar - Chief Financial Officer and Mr. Prakash Bhogale - Head, Investor Relations. I now hand the conference over to Mr. A. Balasubramanian for his opening remarks. Thank you and over to you sir.

Mr. A. Balasubramanian: Thank you for the introduction and good evening to everyone attending the investor's call. I hope you all had the opportunity to go through the earning's presentation which is available on the stock exchanges as well as our website.

Let me first begin with the economic outlook and mutual fund industry update. FY 2022 turned out to be a mirror image of last year with growth rebounding from the 2020 pandemic lows. World over policy makers have been adopting policies that support growth but with the rising prices we expect to see some kind of tightening of policies. The geopolitical factors and their developments is also now determining global supply chain and the commodity prices in general leading to inflation.

Inflation in India too much like the rest of the world has been on a rise but has largely remained within the RBI tolerance band. Higher inflation has been due to high commodity prices and global supply disruptions due to the geopolitical crisis. So far, we have seen an accommodative stance by the RBI on account of a higher preference for growth but with increasing pressure, due to higher prices, we may see a change in preference from growth to inflation. High inflation, hawkish RBI, a sharp increase in bond yields in developed markets and the large borrowing program have caused interest rates in India to rise moderately.

Also, exports and imports both jumped sharply in FY22 because of high oil prices, demand for gold and strong global growth supported both imports and exports. As a result of that India's trade deficit rose from \$103 billion in FY21 to \$192 billion in FY22 and the Current Account Deficit as a result of that also expected to widen to 1.5% of

GDP from 0.9% of GDP surplus in FY21. Going forward, oil prices in our own belief will be the most important variable for the Indian economy as the same impacts India's GDP growth, inflation as well as the balance of payment dynamics. In terms of impact on economic growth, given that the duration and impact of the geopolitical conflict is highly unpredictable, we can see downside risk to India's growth forecast for FY23 if negative shocks amplify.

On the market front, the valuations have corrected but remain close to long-term average. The heightened geopolitical conflict has also led to elevated FII outflows from India, but the same has been offset by strong DII buying during the same period which is supporting the market. Over the next few years, India is likely to go back to its real GDP growth of pre-pandemic levels with all three drivers of economy namely Consumption, Investments and Exports firing. Therefore, I would remain optimistic on India's coming back in the year FY 2023 and beyond and therefore attracting more foreign inflows into India as well as the Indian mutual fund industry continue to grow on the higher path.

With respect to mutual industry, during the quarter, QAAUM for the Indian mutual fund industry touched an all-time high of INR 38.36 lakh crores as on March 31, 2022 as against INR 38.19 lakh crores as on December 31, 2021, in a sense, we saw a flat market, quarter-on-quarter and grew by 20% from INR 32.08 lakh crores as on March 31, 2021.

In FY22, the Mutual Fund industry witnessed good inflows across various equity schemes. A significant proportion of these inflows have been contributed through the launch of new schemes by various mutual funds across different categories. In fact, the total money raised by NFOs is to the extent of about approximately Rs. 1.08 lakh crores. Retail participation from both T30 and B30 cities has remained strong during this period. As on March 31, 2022, the total number of mutual fund investors stood at 13.1 crores versus 9.9 crores as of March 31, 2021 an increase of 33% YoY.

The continuous promotion of SIPs has created significant momentum in monthly SIP contributions. In fact, overall monthly SIP book has hit a record high of over Rs. 12,300 crores in March 2022.

The industry witnessed a strong net equity sale of Rs. 90,663 crores in Q4 FY22 through a mix of new fund offerings and existing funds receiving flows. This trend has consistently played out over the past few months. Within the existing Equity and Hybrid categories; Flexi-cap, Multi-cap, Sectoral/Thematic and Dynamic allocation schemes saw the highest net inflows.

The retail investor surge is also reflected in higher industry individual Average AUM which grew 21% year on year and contributed to 55% of the total Monthly Average

AUM. The mutual fund average AUM for March 2022 from B30 cities was 17% of the total AUM.

New SIP registrations were around 71 lakh in Q4 FY22 which gives us confidence for the future growth of the industry. The total number of SIP Accounts as on March 31, 2022 was around 5.28 crores for the industry as a whole.

Coming to ABSL AMC's performance, our total Average AUM for the quarter ending March-22 stood at Rs. 3.07 lakh crores, with a yearly growth of 9%, mainly on the back of robust contribution from the equity segment. However, our quarterly total AAUM growth has seen a dip due to marginal year-end outflows in a few fixed-income funds.

Our Equity MF AUM grew at 25% year on year to Rs. 1.21 lakh crores for the quarter ending March-22. Our Equity mix as a percentage of total AAUM is at an all-time high of 41%.

As is stated, Customer acquisition remains an integral part of our strategy. We have added around 13 lakh new folios in FY 22 and with this, the overall folio has increased to 79 lakh almost touching 80 lakh as on today

Our equity performance which again is a key integral part of the success of our AMC has seen a significant turnaround across all categories. In fact, our dynamic asset allocation, sectoral and thematic categories, we have seen an AUM growth through net inflows driven by strong performance. To better serve our investors and give them the best investment experience, we had made a few structural changes to the investments team on the equity side with two Co-Heads managing and mentoring teams of analysts and fund managers, which we believe will bring in high level of contribution, accountability as well as the responsibility in terms of driving not only investment performance even connect to the external world.

Recently, we held the 9th Edition of our Flagship Investment Conclave – Voyage. In fact, we have been doing this since the last nine years. Generally, people look forward to this as one of our signature event and it was well received by everyone, which happened in the last month. The event had eminent speakers from all over the world with diverse backgrounds and experiences to share their knowledge. Our investment management team provided insights into the economy, markets and what strategy one must follow for a good investment experience as part of our value addition to both our investors as well as distribution partners.

As part of our Scale initiative, we are constantly working towards leveraging the potential of our existing products as well as launching new products to build size. Over the last few years, our focus has been on growing our retail franchise, increasing the wallet share from B30 cities and building our SIP book size. As part of this continuous drive, we have implemented various initiatives and drives which are as follows.

We have seen significant traction from our “#HarGharSIP” campaign along with our existing “#WinWithSIP” campaign. We are also creating awareness about the Multi SIP feature that eases the process of investing in multiple schemes as well as acts as an effective tool for goal-based investing. Through these efforts, our monthly SIP book has increased from Rs. 794 crores in March-21 to Rs. 895 crores in March-22 just short of Rs 5 crore of 900 crores in March-22. We have registered around 3.24 lakh new SIPs during the quarter ending March-22. As a result, we now have around 32 lakh live SIPs with us as on March-22.

Through our VRM model which our Virtual RM model, we have activated around 2,500+ distributors across the country. Our VRMs model today are currently available to activate IFAs in 14 languages and 16 touchpoints that we have built across the country as part of our expansion drive in activating more IFAs to work for us.

With our Service-to-Sales model, we are focusing on building the right skill sets for our client relation executives to engage effectively with investors and facilitate their investment decision. Currently, we have around 100 dedicated personnel under this model to guide investors and address their every need in order to get our service relationship with the customers increase significantly and therefore increase our mind share which ultimately lead to increase in market share.

Our distribution expansion initiative called - “Sampark” has empaneled over 5,000 distributors in the current year. We have seen success of empanelment of MFDs through our special initiative called single-click empanelment initiative. Through our investor education initiatives which has been one of the pioneer division that we have created, we also set up various programs on the MFDs fraternity which again remains a continuous ongoing process for reaching more customers, creating awareness as well as increasing the mind share and market share.

We are happy to share that our efforts have worked well, with the contribution of the retail franchise increasing to 48% as on March-22 compared to 43% about five years ago. Similarly, the contribution from B30 cities has grown to 16% as on March-22 from 14% five years ago.

In order to increase the retail sales contribution further and bring in a sharper focus on high potential markets, this year, we have divided the country into 5 zones. Special focus has been given to Mumbai and Delhi we generally call it as T2 in our system as a separate zone as these markets combined contribute around 40% of the overall retail market. Therefore, we have brought in a special emphasis and special focus in order to have a sharper engagement in Mumbai and Delhi and therefore rest of the country is divided into 4 zones from a retail franchise penetration point of view . We have also carved out a separate team to focus on HNIs and have been introducing specialized products and services under the brand name of “CARE” to cater to this segment of the market their needs and services. Therefore our sales team is made to work around this

model and we have even made changes to our sales team structure to encourage, reward and recognize top talent while also creating a collaborative spirit among the team for higher engagement and synergy therefore improving productivity in the coming year.

With respect to the alternate assets which again I have been guiding everyone, that is one of the key focus areas that will bring in. We are happy to inform you that our passive product offering has yielded good results infact our overall passive as a category has gone up by ~6 times to Rs. 9,961 crores in March 2022. Our emphasis on building passive strategies also gained momentum by way of the launch of more products through ETFs, FoFs and Multiple Index Funds. Our customer base in this category has now grown to 3,95,000 folios which again reflects on the approach that we are bringing in in order to take the ETF as another product as alternate investment solutions customers is also beginning to yield a result.

Currently, our Passive offerings can be bucketed into four categories oriented towards fixed income, equity, hybrid and commodity. After gaining significant traction and scale, we plan to launch smart beta passive products which have comparatively higher margins and can contribute to our overall profitability going forward.

On the offshore front, last time we did made a mention that we are making some changes. We recently engaged with a gentleman, Mr. Sarath Sathkumara, a seasoned global Emerging Market Money Manager as our International CIO. We have been engaging with various funds both in Singapore and other markets to launch Greater India ESG Engagement Fund. We already launched this fund in terms of our roadshows and hopefully we should also now see some kind of success in the coming quarters as part of contribution coming from the global market.

On the PMS and AIF front, first and foremost we have a suite of products like Service Sector Leaders AIF, Market-Linked Debentures PMS and Credit Opportunities Fund in our pipeline. While we continue to do that, even existing PMS, there may be some new changes in our team in order to drive, the PMS as an asset class is for next level of growth. Once the current recruitment is done on board and that will bring in some kind of aggression on the PMS front in terms of launching new products as well as the product that could be profitable for us as well as suitable for the customers.

On the real estate side, I am happy to share that we have completed our first close on Aditya Birla Sun Life Real Estate Credit Opportunities Fund. We closed the fund at about around 165 crores in terms of size and hopefully this fund should be taken to overseas market. In fact in the coming year 2022-23 we will bring in more assets in the same fund as we move forward.

Now moving to financials for the quarter. Our focus continues to remain in achieving a robust asset mix of high margin equity assets and long-term debt. We would like to

reiterate that our Equity mix is at an all-time high of 41% for the quarter ending March 2022. ABSL AMC registered the highest-ever profit in FY22. During the financial year 2022, total revenue has improved by 17% year on year from Rs. 1,206 crores to Rs. 1,409 crores. Our Profit after Tax has increased by 28% year on year from Rs. 526 crore to Rs 673 crore in FY22. We are happy to announce that the board has proposed Rs. 5.85 per share as the final dividend for FY 22 with this total dividend declared for full year FY 22 is Rs. 11.45 per share. For FY22, our overall investment book stood at Rs. 2,121 crore.

In fact, the year of FY 21-22 have gone quite well, both in terms of asset mix, highest ever profitability, overall improved asset mix and reasonably good momentum that we have built in the last few quarters in building our SIPs. All of them actually are going in the right direction in terms of building to the next level.

With this, I would like to conclude my briefing and open the floor for any questions.

Moderator: We will now begin the question and answer session. The first question is from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

Mr. Prayesh Jain: Just wanted to check, in the fourth quarter, there was a sequential increase in other expenses. Was there any one-offs in third quarter which is now reflected and has come back? And can you share your thoughts on further trajectory on the yields which will be on the mutual fund business with regards to how are the yield shaping up especially if you could throw some light on the movement between the legacy assets versus the new assets, that would be pretty helpful?

Mr. Parag Joglekar: On the other expense side, so generally, our trajectory is in the range of around Rs. 55 odd crores. This quarter there is slightly some expenses on the marketing activities we have done on alternate assets and digital side which has slightly increased our cost on this end. Plus post the opening of economy and travelling, a lot of events and a lot of travelling has been happening which has slightly increased expenses, plus offices are working as normal which was not there in earlier quarters which has taken up the expenses slightly up. But, more or less it will be in the range of around Rs. 55-odd crores which we have seen earlier also. There is slightly bump up in the current quarter due to the year-end pressures or year-ending spending and some spend on alternate asset we have done on the marketing side also.

Mr. Prayesh Jain: This kind of quarterly run rate of 60 cr. is sustainable?

Mr. Parag Joglekar: That is what our aim would be. Around Rs. 55 crores range currently.

Mr. Prayesh Jain: On the yields front, how do you see it moving ahead especially in the light of movement between legacy assets to newer assets?

Mr. Parag Joglekar: Yields have a various composition which impact the overall yield. One is the size how it goes up and which asset class the contribution increases in the overall mix. That depends, but we are hopeful that the yields on overall mutual funds will continue to be in the range of this 41-odd basis here and there. Maybe if the size really goes up, then may see some pressure on equity yields, but we are hopeful that debt yields over the period can compensate to certain extent.

Mr. Prayesh Jain: Lastly, if we look at the market share in both equity and debt we still not seem to be gaining any ground out there. Any thoughts as to what would be the key drivers to improve the market share in both the equity and the debt segments?

Mr. A. Balasubramanian: See, with respect to market share, while we saw previous year's fall in market share, first and foremost the way I see is the rate of fall got reduced quite significantly in the last few quarters. Secondly, we have seen an increase in contribution coming from the banking channel. This is an organized channel which largely sells on the base of the product being part of the approved list and so on and so forth, we have now seen improvement in the overall banking channel contribution which again I see is a sign of movement. And third is the NFO-led growth versus existing fund-led growth. Last year, significant proportion of the flows were coming to the NFO, that I mentioned in my briefing, which was about 50% of the flows which came through NFOs. I see in the coming year reduced offerings of NFOs and therefore money would move gradually in the existing funds. We have prepared ourselves in positioning five of our products which are the flagship in the respective categories and whose performance also been quite good even the engagement that we have at the ground level that we are doing in order to build the size of the existing funds in each of the major categories of funds, that is something should also help us in improving the overall share. And the last of course is to improve the overall SIP book size, which is close to about Rs.900 crores currently. And each month we have been seeing the run rate improving especially on the registration and then we continue to keep this high focus. Our endeavor to have close to about a thousand crores plus in SIP would also lead to an improvement in the overall market share improvement. I think that is one single point agenda that we have in order to build that. The team structure I just mentioned about briefly, what we have done in terms of retail team structure. In fact, that has been done keeping in mind the sharper focus that you have to bring in those market which matters to us, high potential, at the same time, the team can work on a very focused manner improving high productivity in the respective market without diluting their attention and looking at all around the place. That's something again we have done it in the team structure. This sharpness in team structure also should help us in bringing in higher productivity or outcome coming from each of these markets as we move forward. In fact, I must mention, after made the retail team announcements, they are quite enthusiastic and energetic as we got the growth and we also feel very confident that the coming year we will be able to actually move towards improving the overall productivity. So this is the assumption. And the last is Fixed Income side and the year-end outflows which normally happens, as a result of that you would have probably seen a marginal dip in the Fixed Income AUM as well

which in my own belief is should again come back as we move forward given the fact that we are a significant player in debt market and should also help in overall size getting much better.

Mr. Moderator: The next question is from the line of Lalit Deo from Equirus. Please go ahead.

Mr. Lalit Deo: We are seeing a strong growth on the ETF and Index Fund. Now while I understand that it's on a current lower base, so do we have like any broad mix in the mind like that we are targeting to increase, like currently, it forms about 2% of the overall AUM mix. So do we have any number for ideal mix in the future? And with that increase in the ETF and index fund, do we foresee any pressure on the yields as well?

Mr. A. Balasubramanian: On your first point, I think the way currently we are doing it, whichever number I put that as a percentage of total assets under management is still very, very small given the fact that we have now gone to about Rs. 9,000 crores size, with total AUM at Rs.3 lakh crores size will still be a small portion of the overall assets under management given the fact that we don't have the luxury of getting the government-related flows in our schemes. At the same time having now established this base, having now brought in a high level of focus on building passive as one of the separate strategy in addition to growing our existing funds, active management, definitely the rate of growth that we're looking at from this segment, we would definitely target higher amount, but still will not be still a major component of the AUM and that'll only keep rising as we move forward. That's the way I would look at it rather than measuring success as a percentage of the AUM, but how actually rate of growth is coming from the segment, that's something which I look at as part of the strategy going forward. At the same time, in terms of keeping the profitability and look for opportunities, in fact, we already filed almost about 13 or 14 applications with SEBI. Thanks to the regulatory framework today does not permit new funds we will launch between April and June period on the pooling of account compliance requirements industry is following. I think once it is done, probably once we start getting approval, we'll launch some other funds which is more like a Quant based fund or Smart-Beta Fund which will of course help us in getting little higher margins. As far as the margin pressure due to the rise in index funds, I don't see that becoming a trend at least for next 3-4 years that's my personal view. Given the fact that as the market gets gap widens, and probability of money managers delivering return either in line with the index or better than index will always come. And that is being the case, I don't see the margin pressures coming on actively managed funds just because low-cost funds are being offered to the market. My own belief is the rate of growth for low cost funds will be probably higher than the rate of growth for actively managed funds for some time as part of the whole asset allocation strategy, I think index funds in all fairness should also be part of the conservations for the investors which I think as the fund house will offer, distributors also will be fair to the customers, the customer would also have a mix of actively managed funds and index fund and look at the total cost that he is paying rather than moving only towards the low cost fund. Therefore, I don't see margin pressures coming on the basis of index given the fact the size of the fund is still

becoming larger, the expense also gets reduced as per the new SEBI guidelines which got introduced about three years back. Therefore I don't see that as a big challenge. And the last of course is the direct plan expenses once the size become larger, adjusting for distributing commission, direct expenses is still so attractive, probably, they are in need for somebody to look at for reducing further expense and go and look for index funds and therefore putting pressure on the actively managed fund expenses.

Mr. Lalit Deo: As you mentioned like we have 14 to 15 products in pipeline on the passive front. So do we have any products in the active side in the pipeline?

Mr. A. Balasubramanian: Active side, we already have one fund which of course filed with SEBI and waiting for approval, which is the multi-asset allocation fund which include commodity as well as part of that and that's something we already have. We are hoping to get approval in the month of March where we thought we will launch in the month of May but given the current situation probably we will do it in the Jun-July i.e second quarter of the current financial year. But in the meantime, as I was telling my colleagues as well, and given the fact April, May, June, NFOs would be less, it's also a good opportunity to revive the greater interest on existing funds. It's also equally important for industry to grow and which also I see there's an opportunity to create a recall for the existing funds much bigger than what we would have seen in the last year, and therefore improving the contribution in the existing fund itself.

Moderator: The next question is from the line of Jignesh Shial from InCred Capital. Please go ahead

Mr. Jignesh Shial: Can you give us a little bit more detail on broader strategy about how we are planning to do on the alternative side and how that particular business should see a growth in the next, little relatively a longer horizon of two to three years and how that will impact our yields? Second, as you already said that because of the unlocking and all, other expenses somewhere was around Rs.55 crores and odd, the PAT range what you are seeing it up for next three years, give a little bit a broader idea on that? And finally any increase you're seeing it on the dividend payout side or there will be more distribution coming up on the dividend side if you can give us some clarity on that that, that would be really helpful.

Mr. A. Balasubramanian: With respect to your alternate strategy, one is a separate vertical as we have informed in the past, this is comprising of four different segments of the market; one is the PMS and the AIF space, second is the passive strategy in the ETF and passive fund of fund also get included in that and third is the real estate fund and fourth is the offshore. With respect to PMS and AIF, we are further strengthening our team by way of getting somebody on board whom we have already finalized and mostly in the next quarter he will be joined, I'll be able to disclose the name. And once he comes on board, we have a big plan in terms of launching both the closed ended AIF as well as the open-ended AIF and also the AIF which will have a low cost structure at the same time profit sharing kind of model, something will step up our focus in offering such products to the market.

Recently we have a money manager who will join from the ASK PMS division. And with this, we are strengthening our team further in order to bring in a higher level of focus on building the size in this. Currently, we have a size of Rs. 2,000 crores. In fact, the peak AUM that we had in the PMS was around Rs.5,000 crores about few years back. Certainly, our aim is to go past that number in the next few years with respect to PMS and increase the contribution. Second, with respect to the ETF strategy and passive strategy, which was explained earlier. With respect to the offshore, we have seen a static growth in the last few years. I don't think it can go worse than what we have seen, it can only get better given the fact that we already launched the fund which is called as ESG Engagement Fund and more such focus that we want to start bringing on the table, including winning mandates from existing customers who have got great experience, dealing with us in the last 14 years. I think that probably will give us an incremental AUM and also see the opportunity coming from the offshore business especially in offering products solution to the global investors. In the infrastructure space, we have been already having informal engagement with one of the leading firm to help us raise money from pension funds to whom we can offer India-related product especially in the fixed income oriented product, we again have a higher margin coming on that space given the fact that we have large teams who understand credit market much better. That's something we will do as far as the offshore fund concerns. Therefore, we have a very clear strategy on the alternate piece in taking to the next level. As we see a development happening in the space, we'll keep announcing it in each quarter in order to give more clarity on the space. Definitely, the intention is to have higher contribution more than AUM, more on the profitability. With respect to the other expenses, Parag, would you like to say?

Mr. Parag Joglekar:

I mentioned earlier that our other expenses were in the range of around Rs.55-odd crores in the last couple of quarters and we are hopeful that it will remain in that range with some inflation impact going forward which may have and maybe post alternate asset business goes up, there may be some cost on the marketing side of those products may come in, but we are committed to keeping our cost under control as far as possible and keeping the cost growth below the overall growth of the AUM.

Mr. Jignesh Shial:

What I understand is that there is a very limited probability on absolute basis cutting down this particular cost because we are already working on the optimized level. So whatever now the PAT improvements are concerned, it has to come up from the top rather than the rationalization of expenses is happening. That is what I was coming to. So that understanding is correct, right? So more diversity coming up on top that will basically give us improvement on the profitability?

Mr. A. Balasubramanian: Cost related focus will be more if we make an investment today for the future, for example, alternate business, then naturally that will have some of that cost, for example this quarter itself, we have few costs which has come related to the alternate business where we are increasing the cost now, but it will start delivering in terms of both topline and profitability as we move forward. But those are some of the things which should be

there, otherwise what your assumption is right. Coming to the last question on dividend payout, we have guided around 50% of our PAT would be kept aside for the purpose of distribution. Though the policy, we have given a broader guidance without giving any percentage of dividend distribution that we do. But you would have already seen in earlier quarters we gave an interim dividend and now we are giving the final dividend which is around 50%. More or less that will continue. But as the cash balance becomes larger and we don't feel the need for that, I'm sure the subject to the approval of the board and shareholders, this percentage can definitely vary.

Mr. Jignesh Shial: But if I put it for the next 2-3 years kind of a horizon, somewhere around 50-60% kind of assumption would be reasonable, is my assumption correct?

Mr. A. Balasubramanian: Exactly.

Mr. Jignesh Shial: You people have been in veteran industry and a lot of interest rate tightening is happening around, do you think the demand for a debt fund should be relatively muted even going forward at least in the near-term, and liquid will see a traction? Obviously, equity and ETF anyhow know continue with the broader penetration and everything. But what's your view on debt and equity, do you think that will still remain a bit of a laggard at least in near term and liquid will be more into demand, just your thoughts on it?

Mr. A. Balasubramanian: Even the last two three months, there has been a more shift towards short duration fixed income schemes which I think our own belief is will continue for some time till we actually see the rate hike starts happening. I think once this rate cycle begins and once reach certain level, probably we'll be able to figure out some opportunities coming in the fixed income space itself given the fact that bond yields is already at discounting 85-100 basis points rate hike whereas the real rate hike has not happened. As the rate hike happens in real world, and bond market already discounts potential rate probably time will come in the next say third quarter or fourth quarter of this current financial year, where 10 year bond yield is close to about 7.5%, we will see an opportunity coming for investors to come in. At the same time, even the credit fund starts picking up and as the spread starts widening, we will also see a renewal of credit fund as we move forward. May or may not happen in the year 2022-23, but as the spread starts widening, therefore, fixed income will start counting for a better recovery going forward in the next six-months to one-year period and for that interim period we may probably see muted response coming towards fixed income staying in between say three months to one-year kind of duration.

Moderator: The next question is from the line of Dipanjan Ghosh from Kotak Securities. Please go ahead.

Mr. Dipanjan Ghosh: Going back to one of the previous questions on the passive strategy and some of the smart beta products that you intend to launch, what will be the yield for some of these

products, if you can throw light on that? Second, in your overall broad active equity flows for the year, if you can segregate that between flows that came in through the direct channel and through the non-direct channel for the overall year or for the quarter? And the third is you have mentioned that the overall increase in folios for FY22 was broadly around a million. If you can also kind of break that as to what will be the overall increase in the number of new PAN accounts that would have been registered?

Mr. A. Balasubramanian: With respect to the first question on passive versus Smart Beta ETF in terms of margin, Smart Beta ETF, we are looking at the gross level anywhere around 60 to 80 basis points at gross level and the net level we are looking at contribution of somewhere around 35 to 40 basis points for Smart beta ETF. I will just give an example, we did last year in NIFTY 50 equal weight index. Since it involves a frequent revisiting of the portfolio allocations, etc., we actually launched his product with 1% expenses maximum and the distribution commission also we kept in that and that is contributing close to about 40 basis points to us. That's the way we built that model. And Smart Beta ETF will probably have the similar kind of model. Though at this point of time, the entire passive is coming out of relatively 10 to 12 basis points kind of a product. And fixed income product which also comes in the passive category, we have been launching a target return index funds in fixed income space. Also, I have been giving close to about 20 basis points at the gross level. That's something again we continue to do. Maybe the volume will continue to drive our profitability from there rather than absolute margin. And that's something is the broad expectation that we are building in our business plan. With respect to the equity flows, we don't generally disclose the number, but I can only see broadly this year we have seen net inflows in our equity scheme through the launch of two open ended equity funds. Predominantly in the existing funds like Sun Life Equity and some of our thematic funds we have seen inflows such as Digital India Fund, Banking and Financial Services Fund, even the GenNext, Consumption oriented Fund, generally, we have seen inflows in this space. But this breakup, I would get that separately. With respect to the folio increase, of course, I mentioned about 13 lakh folios we got added. In terms of new PAN number we added around 10 lakhs.

Mr. Dipanjan Ghosh: Going back to the second question, I was not net number for the year, but rather trying to understand how much proportion of the gross flows came into the direct channel, if you can you know give some color on that?

Mr. A. Balasubramanian: Direct channel is about 18% in the overall asset mix.

Mr. Dipanjan Ghosh: This is on AUM basis, right?

Mr. A. Balasubramanian: Equity AUM basis, correct.

Mr. Dipanjan Ghosh: Can you also give this number on a flow basis?

Mr. Parag Joglekar: It will be more or less in a similar range.

Moderator: The next question is from the line of Madhukar Ladha from Elara Capital. Please go ahead.

Mr. Madhukar Ladha: My question is the staff expenses again in Q4 we've seen a little bit of a decline from what was trending earlier. What is playing out of here and how do we see this line item going forward?

Mr. Parag Joglekar: There is a slight drop in the variable/ bonus provision which we make every quarter. There has been a slight drop in the overall cost for the Q4.

Mr. Madhukar Ladha: Can you give what is your total variable pay for the year?

Mr. A. Balasubramanian: I think we will have to make some assumption only which is predominantly fixed versus variable payout, variable pay is generally roughly about 20- 25% of the broad kitty of the salary.

Moderator: The next question is from the line of Bhuvnesh Garg from Investec Capital. Please go ahead.

Mr. Bhuvnesh Garg: I would like to know your views on the points of differentiation for AMC like what are the factors that you think would drive a channel partner to sell ABSL Fund particularly or for the customer to demand ABSL Fund? In that scenario what the company is doing about it and what kind of results you are expecting of your actions in coming years?

Mr. A. Balasubramanian: Clear differentiation are, one is long years of commitment, the track record that we have as the fund house have brought to the table. And second is as a thought leader in the mutual industry to drive in the forefront, not just working only for our fund, even for the whole industry have given us a high respects as well as high engagement at ground level. That's the first and foremost thing which I would say. Second, of course, having created a good experience every fund house go through some bit of ups and downs here and there. Delivering consistent experience to the customers not just only an investment performance even otherwise in adding value to the distributors across the country and staying relevant from the customer point of view in the respective product category as one of the best solution providers for the investors, that remains the second point. Third, with respect to distribution partners, the number of engagement activities that we have around the year is both in terms of increasing the skill set of the people as well as working with them closely in adding more customers in every market as part of our penetration, given the fact that we are present in about 280 locations and that trend continues to remain one of the big area focus in increasing our geographical footprint and the commitment that we have in building this business and serving more growing needs of the customers and distribution community. I think these are some of the things which will remain. At the end of the day, we as a fund house, we are a firm believer of high engagement, high recall for our people, product, brand and the service that we're able to provide on an ongoing basis that ultimately will increase the market share. I think

that's something which I've realized over a period of time. High engagement at the ground level is actually must in providing services to both distribution community as well the customers which will be one of the big differential for us which I call it as hard work, that hard work we will have to continue put more and more each passing year in order to ensure that we as a fund house get our deserving market share.

Mr. Bhuvnesh Garg: Do we have any metric which track the engagement level like for example a daily active user in case of app so that time spend by each user on app daily basis, so some kind of metric which we can track to gauge the change in engagement that you just mentioned?

Mr. A. Balasubramanian: We've introduced on the lines of salesforce.com which most of the international companies uses this. And we have introduced one of the locally created tool called "Vymo", which is being used by some of the large banks in the country in order to provide a greater facility to the RM in order to be making more informed and then making more productive in every market in which we operate. That's something we as a fund house introduced last year. In fact wherever I travel and talk to my sales people, they all love it because it gives them greater information that they need on a day-to-day basis to be prepared in their respective market and then know where is the gap that lies, which distributor to be connected, which was the distributor they connected previously where they need to connect more going forward. All such information are provided in the palm itself with the mobile phone. That's something in my own belief is helping them to increase engagement at the ground level. In order to also give them more about MIS in a tip of their hand and is also helping them know the gap that exists in every market in terms of our activities and also helping them plan much better than the past which in our own belief is a continuous drive towards this and creating a cultural habit, creating a habit of using these as part of normal activities and that's something will help in bringing higher productivity from every RM that operate. Basically the idea is to make every RM look inward rather than look outward and therefore he is only worried about his market, his location which he is present and therefore drives the respective market growth which we have done historically in the past very well, but maybe for a brief period, yes, we had seen some slippage, which I see is coming back with this introduction of new tool.

Moderator: Next question is from the line of Pranav Tendulkar from Rare Enterprises. Please go ahead.

Mr. Pranav Tendulkar: Just wanted to confirm this, in outstanding SIPs that we have, I think we have 31.7 lakh SIPs, in that we have 2.5% market share out of the total SIPs outstanding in the market and in the new SIPs we have 4.5% market share, because new SIPs we have around I think 324,000 as compared to say 7 million in the industry, so is that calculation right?

Mr. Prakash Bhogale: This 5.28 crores is the industry number and we have around 31 lakhs. So you can work on the market share.

Mr. Pranav Tendulkar: In the same way, I can compare the new SIPs also, right?

Mr. Prakash Bhogale: The new registration data we get it on the AMFI also. So from there also you can get the market share.

Mr. Pranav Tendulkar: So you have included that in your presentation?

Mr. Prakash Bhogale: Yeah.

Mr. Pranav Tendulkar: That actually concludes that your market share in the new SIPs is much higher as compared to your previous performance, is that right?

Mr. Prakash Bhogale: Yes.

Mr. A. Balasubramanian: Exactly. That's the way historically we build our SIPs. Each month there has to be a higher growth coming in. Every segment we operate, we go on looking at what we need to do. If we have to drive our team with short-term incentives and also encourage them actually to send more SIPs which are long-term in nature. That's something we keep doing it. I think what we said is exactly on the same lines which we have been building.

Mr. Pranav Tendulkar: Out of our AUM, how much of our AUM stands in first two quartiles? Can you give us some color on that and do we track this number?

Mr. A. Balasubramanian: Though we don't generally disclose, but I can give you an approximation. In the equity space, almost 75% of these funds have delivered Q1, Q2 performance with respect to the comparable schemes in the respective categories. In the case of fixed income, 100% of the funds have been the Q1, Q2. The way we do is each category we look at the peer group and respective categories and then we map it. Therefore, on one year basis will be about 75% roughly, on two year basis will be roughly about 65%, on a three year basis also now close to about 65%. We have seen a continuous improvement in the last one and a half years in all our equity funds performance. Again, as we have seen in many times in market cycle, and this last one and half years our improvements significantly that we have shown in short-term performance, also now starts reflecting on the long-term performance. At the same time of course if I am better than others, somebody else has slipped right. There are many people actually also done extremely well on the basis of their performance during the period of '19-20. We have seen a significant dip in their performance as well. I think that's something which goes in cycle but as a fund house, we want to focus more on consistency rather than the performance in the short term or in the medium term.

Mr. Pranav Tendulkar: Can you just give me some color on beyond 30(B30) monthly average AUM? I think we have around 460 billion for this quarter. How much of this is equity and debt, is this beyond 30 equity focused market?

Mr. Prakash Bhogale: It is 75% equity.

Moderator: The next question is from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

Mr. Prayesh Jain: Just wanted to check on slightly longer-term outlook for overall equity yield. We have seen in last couple of years in FY'20, '21, '22 sharp fall in the yield while there have been multiple reasons for it. But do you see the intensity of this reduction in equity yield to reduce going ahead and how do we see the yields moving ahead especially in the equity category?

Mr. Parag Joglekar: As you also know, the larger the size will be the lower the TER. A little bit new flows which come in the scheme, currently may come at a slightly higher expenses than the underlying stock. But it totally depend on which scheme it comes, which category it comes because some of our brokerage after a certain period keep on dropping as the year pass, like the first year of NFO expenses, NFO has initial higher cost of underwriting, but over the period it will keep on dropping and which will help us all in reducing the cost of underwriting and improving the yield. So it's difficult to project but the principle remains same that sharing will be in the range of around 60-odd % and how the market or the size goes up, it will have a slightly drop in the TER.

Moderator: The next question is from the line of Pranav Tendulkar from Rare Enterprises. Please go ahead.

Mr. Pranav Tendulkar: One of the things that is a part of customer experience is obviously a return. But that's not the end of it. So I would just like you to spend some time on the factors other than the return of customer experience that you are focusing or tracking?

Mr. A. Balasubramanian: Being an asset management company, investment is the heart of the business, that goes without saying. And also the risk management that as the fund house as we start building a size, managing business with high governance standards and also the risk that we need to keep in mind associated with both delivering consistent performance on portfolio funds as well as giving the operational benefit that we have to give. One of the things that we keep doing is a constant communication engagement with the existing customers as well on a quarter-on-quarter basis in adding value to them, one, on the basis of various opportunities that one could see in the market more as part of the learning initiatives, the investor education as you mentioned about is the highest and we are the number one fund in the country, is again ranked as the best among all the mutual fund players in the country. That's something on which we have bought a high emphasis we have now brought in the last 7-8 years. Second is on the service initiatives, we have a team called 12x12 project we call it. Within a few hours of any query that come from the customers, need to get resolved within a matter of 12 hours and that's the mandate has been giving to the entire customer service team as part of the speed to the market initiatives. There are many such small initiatives and our own belief is will help us in differentiating ourselves as a fund house who could have a higher mind share of the customers in addition to the experience they get on, putting their money in the investment plan. At the end of the day, we believe in adding value to the

customers, even making the customers aware about the value added product that we have, value added services we have. But most of these services are meant for creating ease of doing business for the customers, but many times investors don't use this value added service, value added product to find a solution or maybe ease of transaction for their needs. That's something to create an awareness about them and make customers utility value go up significantly on this exercise is something remains one of the core area of focus in addition to focus only on the investment-led growth.

Moderator: As there are no further questions from the participants, I now hand the conference over to Mr. A. Balasubramanian – M.D. and CEO for closing comments.

Mr. A. Balasubramanian: Thank you very much ladies and gentlemen for logging in today. And with this we conclude our Q4 FY'22 earnings call. Do feel free to reach out to us through our IR Head, Mr. Prakash Bhogale, for any queries that you may have. And look forward to seeing you soon. Thank you.

Moderator: On behalf of Aditya Birla Sun Life AMC Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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