

PCASL/32/2023-24

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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  
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**Sub.: Transcript of Q1FY23-24 Results Conference Call on Un-Audited Financial Results for the Quarter ended June 30, 2023.**

With reference to our earlier intimation No. PCASL/25/2023-24 dated July 20, 2023 and in terms of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of Q1FY23-24 Results Conference Call held on July 26, 2023 on Un-Audited Financial Results for the Quarter ended June 30, 2023.

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

Thanking you,

Yours Faithfully,

**For, Prudent Corporate Advisory Services Limited**

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

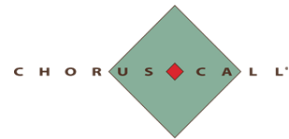
**Encl.: As Above**



“Prudent Corporate Advisory Services Limited

Q1 FY’24 Earnings Conference Call”

July 26, 2023



**MANAGEMENT:** **MR. SANJAY SHAH – CHAIRMAN AND MANAGING DIRECTOR – PRUDENT CORPORATE ADVISORY SERVICES LIMITED**  
**MR. SHIRISH PATEL – CHIEF EXECUTIVE OFFICER AND WHOLE TIME DIRECTOR – PRUDENT CORPORATE ADVISORY SERVICES LIMITED**  
**MR. CHIRAG SHAH – WHOLE TIME DIRECTOR – PRUDENT CORPORATE ADVISORY SERVICES LIMITED**  
**MR. CHIRAG KOTHARI – CHIEF FINANCIAL OFFICER – PRUDENT CORPORATE ADVISORY SERVICES LIMITED**  
**MR. PARTH PAREKH – INVESTOR RELATIONS – PRUDENT CORPORATE ADVISORY SERVICES LIMITED**

**MODERATOR:** **MR. RUSHAD KAPADIA – ICICI SECURITIES LIMITED**

**Moderator:** Good morning, ladies and gentlemen. Welcome to the Prudent Corporate Advisory Services Limited Q1 FY '24 Earnings Conference Call, hosted by ICICI Securities. 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

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

**Rushad Kapadia:** Thank you. Good morning, ladies and gentlemen, and welcome to the Q1 FY '24 Results Conference Call for Prudent Corporate Advisory Services. We have with us from the management Mr. Sanjay Shah, Chairman and Managing Director; Mr. Shirish Patel, CEO and Whole-Time Director; Mr. Chirag Shah, Whole-time Director; Mr. Chirag Kothari, Chief Financial Officer; and Mr. Parth Parekh, Investor Relations.

So without further delay, I would now like to hand over the call to the management for their opening comments. Thank you, and over to you sir.

**Sanjay Shah:** Thank you, dear, and let me welcome all of you to the earning call of Prudent's first quarter of FY '24. Thank you very much to all of you for sparing your valuable time. I'm sure you all would be having the investors' presentation handy with you, because we have uploaded that presentation to the exchange yesterday. And while I'll be giving my opening speech, there'll be lot of references to those slides, which are part of our investor presentation.

So to start with the overall business numbers, I would go to slide number 42. So there's a slide which talks about the details of our average AUM. So we have shared the details of quarterly average AUM, as well as closing AUM. And if you see the charts on the right-hand side, our quarterly average AUM has grown by almost 22% on year-on-year basis and 5% on a sequential basis to almost INR59,000 crores.

On standalone operations, we are starting Q2 with a very good tailwind. As you see on the chart on the left side, our closing AUM on 30 June is almost 7% higher when compared to the quarterly average AUM of Q1 of FY '24. Hence the large part of flow-through of this really will happen in the second quarter, so we have started the second quarter also with a very good tailwind on the mutual fund front.

Now I'll move to slide number 43. So that's a slide which talks about Equity AUM movement. So, we have shared the details on what moved our equity AUM on a year-on-year basis and on a sequential basis. So till last quarter, mark-to-market movement was very subdued. However, scenario has completely changed in the current quarter. As seen in the left-hand chart, equity AUM has moved higher by 36% year-on-year to around INR59,200 crores, with almost 70% of movement being contributed by mark-to-market movement. Same way, if you look at on the sequential basis, equity AUM has moved higher by 13% with 90% of the movement being led by the mark-to-market gains.

Now I would move to slide number 44. So slide 44, on the bottom left, we have given the data on monthly SIP flows and our market share in the SIP. Our monthly SIP flow has grown by 26% year-on-year to INR542 crores in the month of June, and we added almost more than INR100 crores in the SIP flows in last one year.

Our market share in overall SIP flows stood at 3.7% for the month of June, but if you look at our market share in SIPs in regular plan, then our market share is almost touching 5%, suggesting our strong focus on this product to drive the growth of the company.

Average value of new SIP is also outpacing the existing book on an average by about 17% to 18%, suggesting the rising confidence among retail investors to allocate more and more towards SIP. So despite we being strong on the SIP front, we strongly believe there is a significant legroom to grow her, as 50% of our own investors base has yet not embraced SIPs. We have covered this data in Slide 32, under the title How Many Investors in Prudent do SIP. This untapped segment holds substantial promises for expansion in next 3 years. Prudent as an organization, we aim to achieve an AUM target of INR1 lakh crores, and we also foresee that our monthly SIP flow will cross INR1,000 crores. So these are the two very strong data points, which we are having as an internal target.

Moving to slide number 47 which talks about our standalone financials. In our mutual fund our numbers are much much better. Thanks to the mark-to-market gain and the increase in SIP book, standalone numbers are strong on a Y-o-Y and Q-o-Q basis, wherein our top line grew by 25% Y-o-Y and 5.1% on Q-o-Q, while the profit before tax grew by almost 46.8% on-Y-o-Y and 16.6% on a Q-o-Q basis.

Now, please look at the slide number 46 which talks about our consolidated numbers. Now turn to slide 46, you have our consolidated numbers there. As you all are aware and as you would have seen in the Life Insurance Company's number as well, Q4 '23

was exceptional quarter on non-par policy front, due to new taxation changes which are going to set in from the current year, and sequentially there is a dip. However, on a year-on-year basis, we continued our growth momentum with revenue and profit growing by 29% and 45% respectively.

. So now, I'll just open the floor for Q&A. Thank you.

**Moderator:** Thank you. The first question is from the line of Swarnabh Mukherjee from B&K Securities.

**Swarnabh Mukherjee:** Sir, I have around 3, 4 questions. So first one is related to our growth in AUM. So what I can see that we have -- this quarter we have grown in line with the industry. Wanted to understand, going ahead, what would be the levers that you would have at hand, which could push this up, so that we gain market share in terms of the AUM for overall industry? That is the first one. And the second one is, I think, the net sales for this quarter has -- had a significant share of the SIP flow that has come through, which was not the case in the last quarter. So what are you seeing in terms of, say, the lumpsum sales that is happening, so that there is any trend there which you can highlight, and your thoughts on how these numbers can be? So these are the 2 questions on the business. Post your answer, and then, maybe I'll ask a couple of questions on the financials. So, sir, for industry, I think the last quarter versus this quarter sequentially the AUM growth has been around 6%, the quarter-on-quarter growth. Compared to that we have also grown on similar lines. So wanted to understand, going forward, what is our plan, how we can grow maybe much faster than industry, whether we will be onboarding new partners, or how do you plan to achieve that?

**Sanjay Shah:** So I think if you look at the average AUM growth of Prudent, the number which I'm talking about, 5% is the average versus last quarter to this quarter. However, if you look at point to point, we have grown by almost about 12% to 13% on the equity front. So I think that is in line with the industry.

But, we believe that because of our SIP base, which is growing faster, I think we'll be able to continue the momentum., And we are talking about the growth of Prudent on overall basis, which includes the direct plan, regular plan, your index fund everything. So we are talking about the total AUM, and within total AUM, we actually represent the distributor plan, that is also non-ETF. So I think our growth, if you look at -- on totality, I think we are growing at a healthy pace. And frankly, I think this is really supported by the SIP.

As you probably knew that first quarter has been reasonably subdued on the lumpsum side, and that is the reason on the gross flow, our SIP contribution has surpassed 50%, which usually remains below 50%. So if you look at first quarter of FY '23, which was Y-on-Y, and fourth quarter of last year, in both the quarters, our SIP contribution was below 50%, which has moved to 52.4% in this quarter. It shows the reason that the lumpsum amount has been reasonably low. So retail participation has been reasonably subdued on the lump-sum side.

Even the net sales is also very, very low in the first quarter, because the retail has been very, very wise and as market has been going up, probably people are booking some profits. So that is what we understand, to address your -- both questions together, why net sales has dipped, some amount of profit booking by the investors. As market stabilizes, probably retail investors will start coming back on the lumpsum front.

Even if the lumpsum remains reasonably lower, I think for us what is important would be the SIP book, and SIP book is growing at a very, very fast pace. So if you look at March, we were close to about INR515 crores, we are now at INR555 crores. So SIP book is growing month-on-month and there has not been any dip in that numbers.

**Swarnabh Mukherjee:** Understood, sir. Is this also a function of us pushing SIPs more consciously or is there any kind of particular reason why this quarter for the industry also, on the lumpsum side, the growth remains tepid? Any reason you can ascribe for this?

**Sanjay Shah:** So I think there is a conscious effort at our side to bring more and more money through SIP. That's definitely a very conscious effort, because in case of retail, it is always an easier thing to advocate for investing small amount, but for a long period of time. So if you look at current composition of my AUM also, close to 43%, 44% of my AUM is built up through SIP. So that's also a very conscious effort that, if you bring business through SIP, you are avoiding market timing, emotional thing, everything is out of decision-making process. And that's a better way of collecting money.

**Swarnabh Mukherjee:** Okay, sir. Understood. Also a couple of questions on the financial side. So I see that this quarter, the sequential growth in fees and commission expense is much higher than our fees and commission income. But if I look at it in terms of revenue, as a percentage of revenue, this is quite steady apart from 4Q, where there was a drop. So if you could just maybe pencil around the reasons why this has happened or what was

the different thing that happened in 4Q because of which at that point of time, it did not grow?

**Sanjay Shah:**

Yes, we are unable to get you properly, but I think if you are saying that versus last quarter to this quarter our expenses percentage growth is higher, right? That is the question? Then, let me tell you, if you look at between last quarter and this quarter, there are 2 businesses which are important for us. If you look at Prudent, predominantly, we are the mutual fund distributors, right. And in last couple of years, we started adding insurance as a significant revenue line for us. And last quarter, which was March quarter, the insurance business was significantly larger in our kitty, and that's a high-margin business.

What has happened that the last quarter, there was lot of money which came because of the taxation changes which were likely to come, and that's the reason, I think if you look at overall also, there is a dip in the revenue between last quarter to first quarter by 6% and that 6% dip came only in the insurance segment where the margin was very high.

So now, separate -- look at two things separately. Mutual fund distribution AUM as well as revenue has gone up, and there our sharing is roughly about 65%. So whatever is the additional revenue gain, we shared 65% with our partner, while the high margin business of insurance has gone down. That's the reason you might be seeing the impact on the percentage terms on the commission. However, commission expenditure on mutual fund distribution and all of the financial products has been very steady.

**Swarnabh Mukherjee:** Understood. And in terms of other expenses, also if you could highlight the...

**Moderator:** Mr. Mukherjee, may we request you to use the handset while speaking?

**Swarnabh Mukherjee:** Yes. So sir, the last question is regarding other expenses. So there has been an increase this time. So if you can highlight what is the reason for that?

**Sanjay Shah:** So if you look at in the insurance segment, I think current year revenue has improved significantly for us, really because of changes on the EOM guidelines, the insurance company has started paying better to us. And keeping that thing in mind, as insurance is a high revenue margin business for us, I think it's a conscious call at the management level to spend some money on marketing and branding and awareness for that business, and that's the reason we are seeing an uptick in the other expenses.

That is number 1. Number 2 is every year we run a full-year program called Prudent Loyalty Club Program, where all the qualified partners on the mutual fund side and the insurance side have been -- in domestic event we do that, and where we facilitate them. So last year, full year expenses has been equally distributed in 4 quarters. There is some higher provision in with PLC, sir. So these are the 2 things which has been the main reason for increase in the other expenses.

**Swarnabh Mukherjee:** Got it sir. Sir, the insurance the higher payout that you mentioned, are you seeing it in terms of both life insurance and health insurance, or is it specific to one category?

**Sanjay Shah:** Yes, yes. I think the percentage improvement is visible in GI. I think LI has not that much improvement is visible. So I think LI also, if you look at, we used to earn, on an average, about 14%, gone to about 18%, 19% while in case of GI, our rate was about 14%, 15%, close to double. You can say both, I think it would have gone to about 27%, 28%.

**Moderator:** Thank you. The next question is from the line of Harsh Shah from HSBC Mutual Fund.

**Harsh Shah:** Thank you very much and congratulations to the team for such a good result.

**Moderator:** Mr. Shah, can you use the handset mode while speaking, and not the speaker phone?

**Harsh Shah:** Sanjay bhai, just few questions. In your initial commentary you mentioned that initial plan is to cross INR1 lakh crores of AUM. By when do you plan to cross it, I missed that?

**Sanjay Shah:** So I think we are probably -- we are at now INR65,000 crores, INR66,000 crores, Harsh. And we believe that by the end of 3 years, we should be able to reach that. And for that the most important target would be INR1,000 crores SIP book also. So INR1 lakh crores and INR1,000 crores SIP book, both should go hand in hand.

**Harsh Shah:** And secondly, when you mentioned your flows data on a quarter-on-quarter basis, slide 43. So we have a net sales of INR682 crores on a quarter-on-quarter basis in equity AUM, that predominantly has to be SIP right? Your SIP is almost INR542 crores?

**Sanjay Shah:** Yes. So you're right. So I think if you look at, there is another chart which says that in the gross sales, 52% contribution came from SIP. So the first quarter lumpsum business has been somewhat subdued. However, if you look at, last quarter, we collected INR1,512 crores. This quarter, we collected INR1,578 crores. So actually,



the absolute amount on the gross sales is higher, but the contribution of SIP has increased more because the SIP book has also increased significantly. So both things are happening. Even though overall collection is higher, SIP contribution is becoming more visible now.

**Harsh Shah:** Understood. And just one other thing on SIP Sanjay bhai, is in terms of efforts from Prudent perspective, has there -- has anything changed since last 2 or 3 quarters? I'm asking this, your SIP book has been growing very handsomely. So just wanted to understand in terms of internal efforts, has there been any change or any push that you are doing internally?

**Sanjay Shah:** So, let me bring Shirish to address this. Shirish?

**Shirish Patel:** Yes. So I won't say that there is specific change here in terms of strategy for SIPs. I think we keep on pushing SIPs and as well as the gross flows throughout last many years. Depending on the market situation, obviously, I think last few quarters, you can see that the gross flows have come down. There is no change in the strategy, but one thing you can see, the way Sanjay bhai would have told you in the commentary, that our average SIP value has gone up.

So if you look at our current book, I think we are almost INR2,700 per SIP, if you look at the total book versus number of SIP. On book, it is INR2,700. On the new SIPs in probably last few quarters, it is in the range of INR3,400. So, more and more people are participating in SIP with a higher value, that is where it is more visible in terms of SIP book or the SIP value. So otherwise, there is no specific change in the strategy.

**Harsh Shah:** Understood. That was very helpful. Just 2 more questions from me. In terms of MFDs, what is the change -- means, what is the addition that we have done in this quarter?

**Shirish Patel:** So this quarter we would have added around 750, 800 kind of distributors. Historically, we have seen that the addition of the distributors in the first quarter is little lower, and the second quarter onwards it can catch up.

**Harsh Shah:** Understood. And just last question is in terms of capital deployment strategy, we have seen that the company is generating very healthy cash and you have utilized the cash also in couple of acquisitions. So going forward also, probably in this year or maybe next year, is there any plan of any inorganic growth, because last time you had mentioned in mutual fund, you do not have any such major plans, but probably in

insurance or other businesses you may think of doing something. So is there anything on that?

**Sanjay Shah:**

So yes, Harsh, I think we are open for that and definitely we will utilize the cash at an opportune time. Only thing we're waiting for absolute clarity to emerge from the regulatory side on the TER, which is likely to happen very, very soon. So once we get clarity, then probably we'll start putting our serious efforts. I don't know how fast we'll be able to look at that, but I believe for us, we are looking at more towards B2B, and that's the reason we have some limitations on acquisitions. But still, I think there'll be something which is visible on the B2B side.

On the insurance side, post this regulatory changes, we have started looking at some acquisitions. So that is also -- we are open for that, yes.

**Moderator:**

Thank you. The next question is from the line of Nilesh Jethani from BOI Mutual Fund.

**Nilesh Jethani:**

Yes. My first question is on the other expenses, please. Can you please help me understand what is the steady run rate on the other expenses, and the 2 one-offs that you mentioned on the previous participant question? Can you help me understand the quantum of that amount, and how to look at it going forward?

**Sanjay Shah:**

So if you look at, the other expenses has gone up by about INR6 crores, wherein roughly about INR1 crores, INR1.5 crores would have been contributed by provisioning on account of PLC expenses, which we expect the yearly cost would be about -- somewhere in the range of INR6 crores, INR7 crores, and the marketing costs would be in the range of about INR3 crores, INR4 crores.

**Nilesh Jethani:**

Got it. That was helpful. Sir, second question is on the take rate. When I compare your non-life take rate vis-a-vis the previous quarter number available, it comes out to around 29% versus 14% to 16% historically. So anything that is changing on the non-life piece?

**Sanjay Shah:**

So as I told you that, because of the EOM guideline which has been released by the regulator, I think the rate has increased in the GI definitely, the rate has improved, including the renewal book, as well as the current book, I think, we are getting better rates there. You're right, rate has increased by almost about 27%, 28%. So it moved from 14% to 28%, you are right.

**Nilesh Jethani:**

Got it, sir. So this is the new normal now?

**Sanjay Shah:** Yes. We think so, because it's at the end of the day, it is the insurance company who decides, but we believe, I think, this is sustainable right now.

**Nilesh Jethani:** Got it. Sir, third question was on the B30 incentives. Can you help me understand, during this quarter we saw any impact because of that?

**Sanjay Shah:** So I think, we were just doing back of the envelope calculation, there is about 2 basis point impact on the overall revenue side. So yes, 2 basis point dip in the earnings. However, the B30 impact will be visible over a period of time. So roughly, B30 was 10% of our total revenue. And as you are aware, that B30 was paid by AMC for the first year over a 12-month period, which has stopped from March. So now, March, April, May, June, 4 months has gone, still 8 months, you will see gradual impact. So in first 4 months, I think, there is 2 basis point impact on the top line.

But the GP impact would be very, very less because in case of B30, our payout was also very, very high, because you need to be very, very competitive on the B30 side. So roughly about 85%-89% was our payout in the, what you call, the B30 segment. So GP impact would be very, very less, but top line, definitely there is an impact of about 2 basis point on our yield.

**Nilesh Jethani:** Okay, got it. And one last question, sir, was on the redemption piece. When I see your redemptions on the opening AUM, it comes out to around 80-90%. So on the one side, we are doing a good job with regards to SIP book etcetera. But how do we curtail this redemption? I understand, one is the industry-level redemption, but at Prudent level, what are we doing, how are we basically trying to connect with the MFDs and their clients to address this redemption? So what are we doing on that side? And in general, your sense on experience over the industry in the last 7, 8, 10 years, how can redemption shape out for industry, despite markets moving on one side?

**Sanjay Shah:** Shirish?

**Shirish Patel:** So if you talk about how -- what kind of efforts we are making to reduce the redemptions, I think we only can say that we make investors and the distributors aware about the market fundamentals, why they should continue long term, and this we have been doing for very, very long time and this market also is no different, we are doing the same thing. The only difference would be, we definitely would increase the efforts in this kind of period, wherein we can stop the redemptions.

Having said that, if you ask -- the way you ask that last 10 year of experience, how the investors would behave. Whenever we have seen that there is the spurt in the market, initial phase, there would be huge redemption. If you see last few months, we have seen the market going up and investors have also followed the similar way, that more and more people have redeemed, because when they see more returns on their portfolio, they come out and they redeem the investments. And this time also it is no different.

The net sales, I think, I still would say that redemptions have increased, but at the same time, the fresh gross flows have come down. Again, this is nothing, but market behaviour. I think the initial phase of the market growth, the fresh gross flows comes down. But once the market stabilizes, either at this level or if we see some kind of correction, again it comes back.

So we don't see any behavioural change -- big behavioural change in the investors' behaviour. And for us also, with the kind of efforts what we are making, it's the same. I won't say that we are doing something different compared to what we used to do earlier.

**Moderator:** Thank you. The next question is from the line of Satyam Shubham from Immobile.

**Satyam Shubham:** Yes. So sir, my question is around the direct flows. So as you have said that Prudent is mostly about direct flows in the mutual fund industry, from what I think is that, as and when the digitization picks up in the industry and younger folks come in and invest in the mutual funds, do you think this will have a negative impact on the direct side of the industry, as those folks might want to invest -- sorry, you are on the regular side, sorry -- on the regular side, and it might go from regular to direct. Do you think that could happen?

**Sanjay Shah:** Shirish?

**Shirish Patel:** Yes. So as you said that the younger population goes to the direct, that is very, very right and that is the reason you would have seen that the growth of the direct plan is much higher than the regular plan. Having said that, whether it is impacting our business or the regular plan business, I think I would say no. If you look at the distributors' growth, or the regular plan AUM growth in the industry, that is also a sizable growth in that AUM as well versus that Prudent growth is far, far superior.

Point is, whether all these Fintech platforms are eating our investors, our clients, probably the answer is no. Obviously, there could be few clients might have gone to

the direct plan to save that expense or the brokerage costs, but majority of the investors acquired by all these Fintechs are first-time investors. So we rather, I think we believe that this is more and more positive for us.

Here if you look at, more and more clients are acquired by Fintechs, they start with Fintechs' direct plan. When they need some kind of advisory, some kind of handholding, obviously, some percentage of these clients might come back to the regular plan or the regular distribution.

So here, yes, I think we strongly believe that the industry on the direct AUM will grow faster than the regular plan, but at the same time, we don't see any problem in the near foreseeable future, to Prudent and within regular plan, we are increasing our market share. But as such, we are not worried, and rather it is helping us to acquire more and more clients.

**Satyam Shubham:** Okay. So have you seen folks switching from regular -- sorry, direct to regular in your experience in the past few years?

**Shirish Patel:** So, many, many incidences wherein we have seen that the clients coming from the direct plan to the regular plan, and specifically when market correction comes. I think in this kind of market, we might not see that kind of trend, but when we see the market is corrected, I think, hypothetically, if today some investors are investing in the direct plan and after a few months or the quarters, if we see sizable redemption or sizable pressure in the market, market coming down, that kind of time, definitely we have seen more and more people coming to regular plan from the direct. And in past also we have seen and in future also we are confident that this kind of trend will continue.

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

**Prayesh Jain:** Firstly, when we talk about INR1 lakh crores AUM in the next three years, how much of that growth are you looking from, say, getting into new geographies and/or scaling up in the geographies where the current share would be very less? So that would be my first question. And what is the kind of experience in the lower-tier cities when you look at average ticket size or lumpsum investments, how do you see the customer behaviour in those areas?

**Sanjay Shah:** Shirish?

**Shirish Patel:** So if you see, there are two set of assumptions in this INR1 lakh crores AUM growth. One is the net sales and second is the mark-to-market. When you say that how is the experience from the Tier 2, Tier 3 locations, and as we communicated to you earlier, that in the last 3, 4 years Prudent expansion in the B30 market is very, very high, and the behaviour of the smaller locations is that normally they start with SIPs, once they get the confidence, they start with the lumpsum money. So in this year -- in these cities, if you see the contribution from SIP is much higher in terms of percentage share.

Now with sizable SIP book & sizable experience -- reasonable experience is there to the investors, and more and more branches, what we opened in last few years, those branches also will contribute -- have started contributing in our business. All 3 factors combined, we strongly believe that the Tier 2, Tier 3 cities' contribution to our kitty will be much, much higher compared to what it is currently.

**Prayesh Jain:** Okay. And how much of your SIP would be coming from B30?

**Shirish Patel:** Currently, I don't have the numbers handy, but probably around 23%, 24% kind of number comes from the B30 numbers. Still we need to res-check this number exactly.

**Prayesh Jain:** Another clarification, possibly can you give on this insurance thing? So the yields have actually gone up and the profitability in that sense is actually -- will be higher on the insurance. It's not -- because some insurance companies' kind of cited that this is more of a reclassification between what expenses they were paying earlier and commissions. So is this just a reclassification or the yields -- overall yields have gone up for you?

**Shirish Patel:** On the insurance side, I can tell you the revenue has increased for us. We used to earn about 14% in GI, now the revenue is almost about 28%, 29%.. On the expenses side, because it's a high-margin business now, and we have a huge scope for us to expand insurance in our system, we started doing branding awareness in marketing through various financial professionals and our own POSP agents for creating more and more awareness for the insurance.

**Prayesh Jain:** Okay. Got that. And lastly, in the past there has been discussions around creating a separate team or targeting certain -- a very small set of HNI customers for alternate assets. Where are we with respect to that, and what is the kind of future outlook that you would like to give for that particular thing? I understand that your base is primarily retail, but even a few HNI customers with each of your advisors or each of

your partners, can actually provide you a big opportunity in terms of distribution of these alternate assets as well. So that understanding would be helpful.

**Sanjay Shah:** Yes, Shirish?

**Shirish Patel:** Yes. So the last few years, as we communicated, we have increased our focus on the alternate channel -- alternate products. And if you see our current AUM, in the range of around INR470 crores, INR480 crores from this AIF, PMS segment, which used to be probably, you can say, INR30 crores, INR40 crores before few years. Incrementally, we have seen that more and more clients are participating in the PMS AIF side. If you see last year's business in 3 months, it's been growing very, very fast.

The B2B channel also, many of our distributors have started adopting this particular product now, taking this particular product to their HNI. So we believe that this product is helping us two ways; one is increasing the productivity from our distributors. And secondly, all these products have got higher margin compared with the mutual funds. Both the way it is helping. And yes, I think the growth is reasonably good, rather I think far better than the expectations.

**Prayesh Jain:** Got that. Thank you so much...

**Sanjay Shah:** And additionally, this is also helping us to, I think, position ourselves as a multiple financial product distributor, rather than a mutual fund distributor alone; because probably now for somebody who is looking at acquiring the higher ticket customers, he should go and talk about availability of all the product in his basket rather than only mutual funds. So that is helping us in acquiring the quality distributors also, and if they look at joining the platform. I think, because of availability of multiple products in our kitty, I think they give a preference to Prudent.

**Moderator:** The next question is from the line of Saptarshhee Chatterjee from Groww AMC.

**Saptarshhee Chatterjee:** Sir, my question is, if you can talk about what is approximately our wallet share of the clients? Like I know the average ticket size is INR4 lakh. But what would be our wallet share of the clients? And the second part is, as our clients mature and move towards higher ticket size, do we also have plans to have -- like more towards wealth management, because as the clients mature, they will be taken away by the wealth management clients?

**Sanjay Shah:** Shirish?

**Shirish Patel:** Yes. So as you said that our average ticket size is around INR4 lakh per client, knowing the exact wallet share, because we strongly believe that no client will or majority of the clients will not tell you 100% of their wealth. Obviously, I think as a B2B channel, knowing what percentage of the clients have given the wealth to us, I think it's very, very difficult. So, probably, I think whatever number we will tell you, I think it is anybody's guess on that particular side.

Second, as and when client becomes bigger and bigger, as you said, they definitely would want to have the product diversification apart from the mutual funds, and that is where we already have diversified into multiple products in last 3, 4 years, and today you see that Prudent offers almost all the products which is available in the financial distribution industry side.

So yes, knowing the requirement of the clients for future, as and when they become bigger, all the products which is available in the wealth management basket should be available, and that we have made already available to our distributors. So, Yes, I think we are seriously focusing on these products as well in the last few years.

**Saptarshee Chatterjee:** Understood, sir. And secondly, if you can help us with your attrition percentage in clients, and if you can maybe bifurcate and give some colours, like where that is high or low in the -- like, higher ticket size clients as well as lower age group clients, whether it is higher on these 2 groups?

**Shirish Patel:** So, incrementally, more and more clients are coming from the younger generation. If you look at our AUM mix and the new SIP mix, the clients' AUM in the age bracket of less than 25 or 25 to 35, the AUM contribution of these clients would be much, much lesser compared to the contribution in the SIP. Theoretically, or logically, I would say that most of the new clients coming to the industry by way of SIP, then the same thing is applicable to us as well. So, yes, more clients are coming through the smaller ticket size in SIP.

**Sanjay Shah:** So there is one slide, number 33, which talks about composition of our customers and their AUMs. If you look at people less than 35 years, contribute about -- so they are almost about 25% of our customer base. Their AUM share is 15% but their SIP share is almost about 35%. So what we say is that the guy below 35 years has 35% of our SIP book, who is continuously going to be an investor for us -- with us for next 35 years. So, that is basically a very cream segment.

**Saptarshee Chatterjee:** Yes. Got it, sir. Actually, my question was more on the attrition, side whether attrition is high on the lower age group or higher ticket size clients?



**Sanjay Shah:** So attrition, it's very difficult for us to know about the attrition. Attrition you might define, when somebody redeems entire AUM from you and move to somewhere else, normally, that doesn't happen, because if you would have started something at one distributor, it might continue and he can find some other good adviser or good distributor -- he might start giving new business to them.

However, if you look at -- because we service the bottom of the pyramid through our distributors. All probability that they will remain hooked to our financial advisors, because they not only do a distribution of mutual funds, but they are also involved in many other products. So more or less, we believe that attrition would be very, very low. Unless somebody moves away from the market or somebody goes somewhere else, that numbers are very, very less may not be there probably.

**Saptarshee Chatterjee:** Understood. Sir, broadly -- but approximately the number would be around maybe 10% or something like that for attrition?

**Sanjay Shah:** I don't think. I don't think, because you are talking about -- 10% is a very large number. What I can tell you is that how many number of investors we are adding incrementally that number I always have. So if you look at last year, we added close to about 190,000 customers. I think the run rate is adding almost about 15,000, 20,000 people a month, and that run rate is still steady.

So when we look at the addition of the customers, we only look at those customers who have AUM with me. So last month, there were, let's say, 17 lakh customers with AUM. This month, there is 17,15,000 customers with AUM, that way we just look at. So we have not looked at somebody who has become zero. So we can work on that to identify the data.

**Saptarshee Chatterjee:** Understood, sir. Very helpful. Just last question from my side is, like, for a long period of time, we are providing our recommendation list to the mutual fund distribution, which is a value addition to them, apart from our platform. Can you give us some data or quantify data in terms of how our recommendations have been outperforming the benchmarks?

**Sanjay Shah:** So, I think roughly, if you look at, when you look at the recommendation, it's not recommendation, we provide the focus list about all the mutual funds which are available. We provide the list of curated schemes, like, let's say there'll be 5 schemes in large cap, 5 schemes in mid cap, 5 in small, so that way our list is almost about 50, 55 funds, and definitely their performance is much, much better than the industry,

because yes, so it's a very broad list. It's not a list of 5, 6, 7 funds, it's a list of 55, 60 funds.

So what we wanted to look at would be that among the, let's say, there are 500 funds available, for our advisor, it is essential that we provide them the list, from them they have to choose. And that list is also based on almost about 15, 16 quantitative parameters, based on which we select the funds, and management also keeps some 5 basis points to look at that so that the good fund manager, because of track record being not good should not be missed out. So it's a very defined process and there is no structured data, but I can provide you that data, the performance of these 50, 55 funds is definitely better than the crowd.

**Moderator:** Thank you. The next question is from the line of Viraj Sanghavi from Banyan Tree Advisors.

**Viraj Sanghavi:** Yes, my question was regarding the yields. So if you see the mutual fund yields, so I think for this quarter it's around 94 basis points, and same last year same quarter it was around 93 basis points. So while in the same last year, we had two other quarters where it was around 96 basis point as well. So just wanted to know that there is some positivity coming from the repricing of the acquired assets, right, while our original yield would be experiencing a little bit of pressure? So that is how it's working. And what do you think -- how will the yields pan out going ahead?

**Sanjay Shah:** So I think the probably Shirish has also addressed, but I think more or less yield is flat. Another thing is that the new business, which we are logging in, would be probably reasonable -- I think might be little bit higher yield than the current book, because current book comprises of our Karvy AUM. Current book comprises of our old assets, which probably has a better chance of repricing. So Karvy and old book together, which is roughly about 30%, 35% of my current AUM. That's the reason, I believe, the new business might be at a somewhat higher yield than the current yield. Let Shirish address.

**Shirish Patel:** Again, it's a mix of multiple parameters. Sanjay Bhai said that out of my total book, there would be certain assets which are very, very old, and the yield on that particular asset would be less. Second component, the acquired assets, whether Karvy and iFAST, there also the yield would be lesser. Third component, what we would have acquired in last 3, 4 years, that is the third component on the asset side.

Whenever the older money gets churned, definitely our yield increases. Whenever the Karvy money gets churned, our yield is increasing. At the same time, the new

business yield, definitely because of the size of the AMC, because of the TER guidelines, the new business yield would be little lower than what we would have got in last few years. My money in last 2, 3 years ago, what we would have invested, if that goes out and goes in the current yield, obviously there is a drop in the yield.

So to say that what would the exact impact going forward, money moving out of the historical assets will benefit, money moving out of the Karvy assets will benefit. It's a mix of these things.

So we believe that our yield will be maintained for the next few quarters. But in the long run, we might see some pressure in the yield. I think it will not be sizable pressure in the yield. But yes, I think there could be some basis point pressure in the yield, because of the TER guidelines, new business, and longer term, we will earn lower brokerage compared to what we used to get before few years.

**Moderator:** The next question is from the line of Abhijeet Sakhare from Kotak Securities.

**Abhijeet Sakhare:** So first one is on the mutual fund side. Given the positive changes on the insurance front, are you seeing any sort of a substitution on the ground, given better incentives to replace mutual fund with a ULIP product?

**Sanjay Shah:** We strongly believe that mutual funds are more remunerative than the ULIPs. So there is no point for us to focus on the ULIP side to increase the yield. Unlike few other players in the market, we always believed in the long term trend. And as I said, I think we still strongly believe that mutual fund is a more remunerative product for the distributor.

**Abhijeet Sakhare:** Even the MFDs are not seeing any change in behaviour as of now?

**Sanjay Shah:** No, we have not seen any change in the behaviour moving from mutual fund to ULIPs. That trend we have not seen yet.

**Abhijeet Sakhare:** Got it. Sir, second one on the mutual fund side, generally between SIP and lumpsum flows, if you can give some colour on what is the level of concentration of AMCs, without giving names like top 3, top 5 on the lump-sum side, vis-a-vis on the SIP side.

**Sanjay Shah:** So basically, if you see, I think we are a retail player in that particular case, when you look at our share in the industry, it definitely would follow what the industry AUM or the gross flows would be. See if I give you some perspective, the gross flows of my top 5 AMCs would be in the range of around 45% to 50% in terms of gross flows.

And when you look at the SIP flows also, it almost would be the similar. And if you look at the industry numbers also on this side, probably it will be the similar. I think the AMC would vary in my particular case compared to the industry. In industry, X AMC would be number one. In my system, I think somebody else would be number one. But in totality, if you look at the percentage share of SIP and where is the gross sales, I think top 5 AMCs would be in the range of 45% to 50%.

**Abhijeet Sakhare:** Got it. And sir, last one, our commission structure is evenly spread out, right, like there is no higher commission in the first year, sort of, a thing?

**Shirish Patel:** No. So it's a perpetual thing in almost all AMCs.

**Moderator:** The next question is from the line of Lalit Deo from Equirus Securities.

**Lalit Deo:** So, sir, just two questions. So sir, firstly, like you mentioned about the Karvy book. So like in the Karvy book, what is the extent of the repricing which we have done, of the INR 800 Crore which you have acquired?

**Shirish Patel:** Sir, your voice was not clear.

**Sanjay Shah:** I don't think Karvy -- we've not seeing significant redemptions. I think the AUM is steady and there are two pieces of Karvy assets, one is the Karvy assets which was mobilized by erstwhile Karvy distributors who became partners with Prudent. So once they became partner with Prudent, they might had some AUM with us and their AUM has been merged with them.. So it's very difficult to identify which AUM remain and which has not within the distribution and with the partners.

And other piece which was -- the direct piece, which was not assigned to any advisors, we are still in the process of transferring the lead. I think there we have been seeing the business is steady. No new money is coming in, no significant redemption is there. So more or less book steady. So I don't think significant repricing we would have done in the Karvy side.

**Lalit Deo:** Sure sir. And sir, second one was that, so like you mentioned in the insurance business that we have seen some increase in the marketing and business expense. So like -- will this expense will be structural in nature, and this will be a recurring expenditure in the going sense or it's just a one-off kind of an expenditure?

**Sanjay Shah:** No, Lalit, I think marketing has to be a longer-term exercise, because one quarter's effort cannot lead you to any result. So I think it's going to be a longer-term exercise

of spending on branding and promotion, because we believe insurance has a lot of scope for us to grow in our system.

**Lalit Deo:** Sure sir. And sir, just last question, like -- so while we are waiting for the newer TER guidelines, but -- are we seeing any pressure in the newer MFD additions in the industry because of these anticipated changes in -- like over the last 3 to 4 months?

**Sanjay Shah:** Shirish?

**Shirish Patel:** You can say there are some pressure or some confusion amongst distribution community in last 3, 4 months. Historically, in this particular period -- because if you look at MFDs, many of them come from the insurance industry and most of the insurance industry was busy till March and then I think some part of April. So historically, April, May, June, the flows of the distribution addition will be less. But otherwise because of the TER guidelines, there will be a big drop in the acquisition or the addition, I think, I don't see the problem as of now.

**Moderator:** The next question is from the line of Ajox Frederick from Sundaram Mutual Fund.

**Ajox Frederick:** No, what is our take rate? Because for mutual funds is 65% is given out right? In insurance, what is that?

**Sanjay Shah:** So if you look at the insurance business, I think we have been working seriously for increasing our business through POSP and that segment is growing very, very fast. But still I think the contribution of POSP is still muted. So overall, I don't think the expenditure on the POSP side or the commission side will not be very, very high.

**Ajox Frederick:** So all this INR16 crores which came in the quarter has been through direct -- I mean, through your employees. That's what...

**Sanjay Shah:** Yes, employees, as well as POSP -- so BQP and POSP combined.

**Ajox Frederick:** But POSP will be very small in that share, as of now?

**Sanjay Shah:** Yes.

**Ajox Frederick:** Okay, okay. And this marketing spends which you mentioned, is it for the whole company or that is insurance specific in other expenses?

**Sanjay Shah:** No, that is insurance-specific because it has been done by the insurance vertical, not by the holding company. It's by the insurance company for promotion of insurance business only as of now.

- Ajox Frederick:** So technically, going forward, is it right to assume that the insurance income minus this is what your net income is? Is that how it works, because I'm just comparing your last quarter versus this quarter AUM -- without EOM and with EOM?
- Sanjay Shah:** Ideally, you should not link the income to the expenditure, because that's not the way this is going to be done. However, the expenditure on the business promotion side would be consistent in nature.
- Ajox Frederick:** And that's a proportion of the insurance business, right? It's not fixed, it will vary in case insurance income goes up, right?
- Sanjay Shah:** So that we'll probably -- quarter-on-quarter we will review our strategy.
- Moderator:** The next question is from the line of Bhuvnesh Garg from Investec Capital.
- Bhuvnesh Garg:** Congratulations for a good set of numbers. Sir, just one question from my side, just want to understand our commission arrangement with AMCs. Is it linked to TER? For example, as a 50% of TER, or is it a fixed commission, say, 50 bps, 60 bps or something? And what's the reset frequency of this arrangement?
- Shirish Patel:** For all AMCs, it is based on the percentage commission, not on the TER. It is not repricing on the book. So every month, on the new business, the percentage is discussed or negotiated, not on the book.
- Bhuvnesh Garg:** Okay. Discussed every month, you are saying?
- Shirish Patel:** Yes. It is on the new business. Nothing on our old business.
- Bhuvnesh Garg:** Got it. Got it. About what would be the arrangement with MFDs?
- Shirish Patel:** MFDs also, we follow the similar model. So whatever we communicate as a percentage commission on the new business we keep on paying in a similar way. So whatever we would have committed 2 years back, we still will continue paying that, because the AMC also will continue paying us that.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for the closing comments.
- Sanjay Shah:** Thank you very much for the detailed conversations. And if you have any queries, any questions related to financials, you may reach out to Parth, who will be happy to answer and address all your queries. Thank you very much. Thank you.



*Prudent Corporate Advisory Services Limited  
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**Moderator:** Thank you, members of the management team. Ladies and gentlemen, on behalf of ICICI Securities Ltd., that concludes this conference call. We thank you for joining us. And you may now disconnect your lines. Thank you.

*Disclaimer: This is a transcription and may contain transcription errors. The transcript has been edited for clarity. The Company takes no responsibility of such errors, although an effort has been made to ensure high level of accuracy.*