PCASL/25/2022-23
Date: 08.08.2022

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

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

ISIN: INE00F201020

Dear Sir/Madam,

Sub.: Transcript of the Earnings Conference Call for the Quarter ended 30th June, 2022

With reference to our earlier intimation No. PCASL/19/2022-23 dated July 26, 2022 and in terms of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of the Earnings Conference Call with Investors and analysts held on Tuesday, 2nd August, 2022 at 04.00 pm (IST) in respect of the Un-audited Financial Results for the Quarter ended 30th June, 2022.

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

This is for your information and record.

Thanking you,

Yours Faithfully,

For, Prudent Corporate Advisory Services Limited

PRUDENT CORPORATE ADVISORY SERVICES LTD. AHMEDABAD

Dhaval Ghetia
Company Secretary
Tele No: 079-40209600
Email: cs@prudentcorporate.com

Encl.: As above

"Prudent Corporate Advisory Services Limited Q1 FY-23 Results Conference Call"

August 02, 2022

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. ROHAN MANDORA – RESEARCH ANALYST, EQUIRUS SECURITIES PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Q1 FY23 Results Conference Call of Prudent Corporate Advisory Services Limited hosted by Equirus 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rohan Mandora from Equirus Securities. Thank you and over to you, sir.

Rohan Mandora: Thank you, Nirav. Good afternoon everyone. Welcome to the Q1 FY23 earnings call of Prudent Corporate Advisory Services Limited to discuss the quarterly performance. To address queries, we have with us from the management, Mr. Sanjay Shah, Chairman and MD; Mr. Shirish Patel, CEO and Whole Time Director; Mr. Chirag Shah, Whole Time Director; Mr. Chirag Kothari, CFO; and Mr. Parth Parekh, Investor Relations.

We will begin with a brief management commentary followed by question and answers. Thank you and over to you, Mr. Sanjay Shah.

Sanjay Shah: Thank you, Rohan, and good afternoon to everybody. I would like to welcome all of you to the earning call of Prudent Corporate Advisory Services Limited for the first quarter of FY22-23.

So, I want to thank everyone for sparing your valuable time to join us today. I hope all of you must have looked at the presentation which has been uploaded by us on the exchange platform, and please, you are requested to keep that presentation handy because during the discussion we might give lot of references to the presentation which has already been provided.

So, before I start the presentation and I refer you to the various slides, I would just like to brief you about couple of important points which are relatively key performance parameters of Prudent as an organization. So, broadly, if I wanted to tell you, there are four business parameters on which we always look at our business, specifically the retail wealth management business, and more specifically, mutual fund distribution.

So, the first major pillar of our business has been the net sales for the equity assets. And historically we have always told that our net sales is more or like equivalent to our SIP book, which we have, and hence we gave the guidance of about Rs. 5,000 crores of expected net sales in FY22-23. So, if you look at the net sales number of first 3 months, which is April, May, June, we did Rs 1,475 crores, which is in line with our target guidance.

Second important parameter for us is the partner addition in our business because we are purely retail centric B2B2C platform where empanelment of new retail distributors on Prudent platform is very critical and if you look at the numbers, we moved from 23,763 ARN holders working with us in March 2022 to 24,853 in June 2022. So, that's an addition of almost 1,090 new ARN holders to our kitty, which is a very strong number for us.

Third, very important point is the SIP book & entire industry is driven by that. Prudent is also driven by the same and SIP gives a lot of visibility to our business going forward. And if you look at this quarter, we increased our SIP book, which was Rs. 418 crores in March 2022 to Rs. 431 crores in June 2022. And when I am talking to you now, it has already reached Rs. 447 crores. So, I think that shows that our number on the SIP side is growing consistently.

And fourth parameter or the pillar of our business has been the mark-to-market impact on the AUM, which is normally not in our hand. And all of you are aware that April, May, June has been little bit subdued as far as market sentiments are concerned.

So, sequentially AUM got impacted as there was an 8% negative impact on our equity AUM because of mark-to-market. However, most heartening point is in July alone, the AUM has recovered by more than 9% and when I am talking today, our AUM is in excess of Rs 51,000 crores.

So, these are the four important points which are driving our business. So, I just thought I will brief you about that. Now, I will take you straight to slide number 30 and 31 of the presentation. So, if you look at the slide number 30 of the presentation, it talks about our closing AUM, which has year-on-year gone up by 37%. It was Rs. 34,257 crores in June 2021 & has now moved to Rs. 46,859 crores. However, sequentially it is down by 5%. One of the major reason for that fall is not the net sales but the mark-to-market impact of negative 8%.

So, if you see that slide #31, I think it is very important, which explains the movement in our AUM. So, if you look at last 12 months, our net sales was Rs. 6,145 crores, which is almost 20% of our June '21 opening AUM. Last year we acquired Karvy assets, which has also had a positive impact on AUM. So, if you look at last 12 months, the entire AUM was driven by higher net sales & Karvy acquisition.

Sequentially, equity AUM was down 4.7% as Mark-to-market impact was a neagtive 8% and as I already explained that July has been reasonably good for us due to recovery in the markets. So, that was about the slide #30 and #31.

If you look at slide #32, it is talking about the improvement in our market share, so just wanted to say that despite there being lot of noise around fintech players, our equity AUM market share (Ex-SIPs) has been steadily growing and it has improved by almost 37 basis point from 1.93% to 2.30% in June '22. Our monthly SIP flow also has been very robust as I explained it is now Rs. 431 crores compared to Rs. 270 crores a year ago. So, if you look at the growth in SIP book is almost 60%. This shows a very strong granularity of our business. And if you annualize Rs. 431 crores by 12, it shows you an annual input value of Rs. 5,171 cores, which is almost about 10.5%-11% of our current AUM. So, that basically gives us the strong growth leeway

SIP mobilized during the quarter was at a historic high & we mobilized almost Rs. 1,274 crores through SIP and another important point is, whatever the gross sales, which we did in the reported quarter, every second rupee came because of SIP. So, SIP is a very strong force for us in case of a lean phase or the consolidation phase of the market.

And that is the reason I think we were able to sustain our momentum. So, that was mainly about the SIP. I would love to take you to slide #33 which talks about our insurance business. So, we would like to emphasize on our emerging segment which is insurance. It now forms almost 8% of our total revenue. This vertical grew by almost 24% year-on-year. Two-third of the revenue from this vertical comes from Life Insurance and the balance comes from general insurance.

Our point of sales person (POSP) network is a strong 6,800 people and we are relying on this channel to bring scale to this business.

Sequentially insurance numbers was down by 41%. So, I just wanted to briefly explain about the insurance as a segment. So, I can tell you about Prudent as an organization we analyzed last 4-5 years data. And if you look at full year's revenue in case of insurance business- first quarter normally contribute 15% to 17% of the revenue.

Then after another two quarters, which is Q2 and Q3 combined contribute 50% and last quarter is always significantly better, which is about almost 35% and that is the reason, normally Q1 of the current year is lower than Q4 of the previous year.

However, if I consider the growth of insurance compared to last year, it is positive by 25%. If I compare it with the last quarter, it is negative by 41%, but we are very, very confident insurance we will be able to surpass our internal target's. If I just give an indication, the business of July alone is better than April, May, June combined. So, that shows that there is a strong visibility on the insurance side also.

So, I will just take you now to the slide #34, which is basically talking about the consolidated financials. So, if you look at the financials, our total revenue has grown by 43% year-on-year, laid by strong growth in mutual fund business. Operating profit has grown by 54% mainly because of higher revenue and the advantage of operating leverage. And that is the reason our operating margin has improved by 1.8% year-on-year to 25.0%.

Our profit after tax grew by 25% year-on-year & has grown a bit slower than the operating profit as you all are aware, last year in the month of November we acquired Karvy assets and for that we paid Rs. 151 crores. So, there are two major impacts because of Karvy asset-One is that we are required to amortize the Rs. 151 crores over a period of 10 years. Rs. 15 crores every year & one-fourth of that will come every quarter as a amortizing cost in our balance sheet which is a non cash item. And second is because the Rs. 151 crores has been utilized for acquiring Karvy, so our treasury book has depleted from the balance sheet.

So, these are the two impacts. These two things have a significant impact on the bottom line.. So, in spite of that, if you look at our return on equity has been around 30%.

This is all about the consolidated numbers. I think the individual number has also been provided, but before I conclude the entire presentation, I would just like to highlight couple of important points.

So, I think first important point I would just wanted to highlight that, we are in a business where we generate significant cash. We utilized this cash for acquiring Karvy assets last fiscal. Same way, very recently on 27th of July we signed a term sheet for acquiring the mutual fund distribution assets of iFAST India Private Limited for their mutual fund distribution business. It is a term sheet which has been signed. Exact clarity of how much assets which will come to our kitty, we will come to know only probably in next one-and-a-half to two months time because due diligence is going-on. So, that is number 1.

Number 2, I wanted to highlight aboutour MFD distribution network. So, because of this strong value proposition which we have been providing to our distributor, it is leading to a more and more partners joining our network. As on 31st of March, almost 20% of country's IFA were empanelled with us and mutual fund distributors are the backbone of our journey and we are aggressively focused in increasing this network.We are of the view that AMFI has very recently came out with a campaign called Mutual Fund Distribution Shuru Kare, so I think that campaign itself will create lot of visibility & we believe a lot of people will start joining this industry. And we feel we are going to be the direct beneficiary of increasing number of distributor joining with the industry.

And finally I just wanted to say something on the growth outlook. So, we are opening the month of July with an AUM of Rs. 48,000 crores, which is 21% higher than last year's full year average. So, even though there was a mark-to-market shortfall of 8% still at Rs. 48,000 crores we are higher by 21% than full year average and up over and above that I think July has been a very, strong month for us. Our annualized SIP book which is close to Rs. 5,000 crores is 10% to 11% of our opening AUM. So, these are the two pillars I am just saying that we are running our book at a 21% higher AUM & SIP flows are adding to the growth.

Almost 45% of our distributors have joined Prudent bandwagon in last two years and we feel that they will become very matured and seasoned over a period of time which will add significantly to our growth potential.

So, there are three important parameters and last but not least, we are into a business which generates a lot of free cash flows and historically we have used this to our advantage to acquire Karvy & the recent being iFAST. I believe that more and more door might open for us and the cash generating capacity will help us to do in-organic acquisitions.

However, we feel that organic growth itself is very strong. So, probably we believe that all these leaves us with a good growth leeway going ahead.

So, with this, I will just end the presentations and the discussions and I will keep the floor open for Q&A. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Prateek from Nippon India Mutual Fund. Please go ahead.

Prateek Poddar: Sir, one small clarification to begin with. When you say gross SIP inflow, how much is the difference between gross and net, if at all?

Sanjay Shah: So, you see the number of Rs. 1,274 crores quoted for the quarter, we actually collected Rs. 1,274 crores by way of SIP in the quarter. So, I think Shirish will be able to tell you.

Shirish Patel: So, basically if you look at the numbers what Sanjay Bhai has spoken about. It's a net addition SIP. But your question was how much was the gross and how much is the net. So, in last four months, if I talk about almost we have added Rs. 64 crores of new gross SIP versus that the net addition is Rs. 35 crores.

So, gross addition of new SIP is Rs. 64 crores, maturity termination and everything you can see was around Rs. 29 crores. So, net addition is Rs. 35 crores.

Prateek Poddar: But just to take this forward, when you say Rs. 431 crores is your monthly SIP, this is what you will collect every month? Is that a correct understanding? And when I say collect, it is not hitting the bank account but actually getting the money from the client so that is my question, one would be hitting the bank accounts or sending a NACH or a request and the other is actually collection, right?

Shirish Patel: So, there are two parts. Unlike the industry wherein the difference between SIP numbers reported and the money hitting in the bank account, there's a huge variation. What we follow is that if consecutively 3 installments are not coming, we terminate the SIPs in our system so that is why when we say that what is our SIP number and the number which is recovered from the bank account, almost that number is similar because as we say that every three month the installment is not coming, we terminate the SIP in our system unlike the industry.

Prateek Poddar: If you can give us a trend, generally, what is your termination ratio in the sense out of this Rs. 431 crores which we are collecting how much is it which in your view, is it a very minuscule number which gets terminated and mostly there is a high repeat rate of this Rs. 431 crores sustaining, that is a fair understanding, sir?

Sanjay Shah: So, basically the numbers what we are talking about is live number after the termination number. If you look at the historical number of the industry versus Prudent, I think every year our ratio, the net versus gross number is always better than the industry. So, that says that our termination is far lower than the industry termination number. If I give you the exact number since start of this financial year, as I said that Rs. 64 crores was the gross new SIP added & Rs. 35 crores is the net new SIP number. So, almost Rs. 29 crores SIP either got matured or some of them I think also might have terminated.

So, this also includes the maturities and this also includes the termination. This also includes the missed SIP installment what I spoke to you, 3 consecutive installments. So, if you look at the termination ratio in new SIPs in this financial year is 40%.

Prateek Poddar: Sir, just from a just from my understanding, we've seen a sharp rise in employee cost. Obviously I'm assuming this is because of Karvy not being in the base on a YoY basis. That is a fair understanding?

Management: So, Prateek, I think the employee cost has gone up by 24% YoY. One important parameter is that our employee count increased in last one year. Second is that, 11% to 12% is the natural increment's which came in. Also other reason for increase is that we made a little bit higher provisioning on the variable employee costs front because last year if you look at 4QFY22, we needed to provide for higher employee cost as we were a bit under-provisioned. So, keeping that thing in mind, we increase little bit higher provisioning for the current year.

Sanjay Shah: So, roughly, I think you can attribute 50% of the cost escalation to increase in the manpower & balance 50% is due to increments. We added 90 employees in last one year.

Prateek Poddar: And lastly sir, just on the new transaction where you have signed the term sheet. I that again a B2B2C business which you would be acquiring?

Sanjay Shah: So, basically, yes, if you look at the iFAST business they are also into the B2B2C business. Almost 97%-98% of their AUM is B2B2C. So, the portfolio of iFAST and portfolio of Prudent is exactly the similar, so it was a good fit for us.

Prateek Poddar: Sir, is there a branch overlap also over here, which means there could be synergy benefits coming out of costs?

Shirish Patel: So, basically we are only acquiring the mutual fund AUM, we're not acquiring any manpower or branches. To all the places where iFAST was present, our branch is already there & we don't need to open any branches or add any manpower. It's simply the AUM acquisition without adding a single cost.

Prateek Poddar: And the MFDs come with that, right?

Shirish Patel: Yes. So, first iFAST has a good amount of MFDs. There will be some overlap between Prudent and iFAST, because many of the iFAST distributors might have joined Prudent earlier also, but still there would be a few hundreds, I would say at least who were not working with Prudent. So, obviously, I think that is an addition for Prudent.

Prateek Poddar: Got it and just sir, sorry just from a clarification perspective. On slide 18, is it that you have a individual insurance POS also?

Shirish Patel: If you talk about this particular slide, out of our total insurance POS of 6,800, almost 3,300 is the overlap with the ARN holders. So, now what happens that out of our ARN holders almost 3,300 guys have converted into the POS. As you would be aware that as per IRDA guideline, the person who's already holding the insurance license cannot become the POS.

So, those ARN holders who are already working with Prudent and they themselves are the insurance license holder, they cannot take the POS in their name. In those particular cases, most of the time they take the POS code in their family’s name, their wife or their family member’s name. So, normally we don't go out and acquire the POS. It is only the Prudent system distributors which are in approach, So, the remaining guys would be the family member of the ARN holders.

Prateek Poddar: Perfect, clearly helpful. And last question, sir, how should I think about mobilizing lump sum in close? I think this quarter also if I were to see there has been some mobilization of lump sum flows apart from SIP, any thoughts? How should we think about that?

Shirish Patel: So, basically, if you look at the gross flows of the industry in the first quarter was lesser compared to what it used to be in the Q4 of 2021-22. But at the same time, the redemptions are far lower in the industry and also for Prudent. If you look at the net sales to the gross sales ratio for this quarter was superior compared to what it used to be in the last year.

One reason you can attribute to the lower gross flows maybe due tothe market sentiment or the lower returns in last one or two years. But some part also you can attribute to no NFOs during the last quarter. So, these two reasons I would say that you can attribute to the lower flows on the gross sale side.

But having said that, the net sales on the monthly run rate basis are superior to the last year’s average net sales.

Moderator: Thank you. The next question is from the line of Ronak Chheda from Awriga Capital. Please go ahead.

Ronak Chheda: I have a basic question on the industry itself. We have seen the listed AMCs talk about the commissions in the industry going higher in the last two years. So, what, in your sense, is the status of the industry itself? Is it higher? First, and if yes, then where this number should settle at?

Sanjay Shah: So, you are saying that the brokerage expenditures or commission payout of asset management company has been increasing. That is the question. If I understood that, if you look at entire industry has moved to an all trail model from April 2019 and before that the model was you pay a higher upfront and a lower trail over product's time.

And whenever the assets are getting churned, they are entering into a higher trail. And that is the reason I think this entire impact is happening on the AMC side.

By and large I believe, and I just looked at some data also, almost 67% of the industry assets is new post April 19 including mark-to-market. So I believe, a large part of impact has already happened at AMCs & incrementally the pressure should reduce.

Ronak Chheda: So, from a pricing point of view, it is not that the commissions have gone up, it is just because of the new model this is the impact right? So, for us, this commission which we are earning should sustain at these levels. Would that understanding be correct?

Sanjay Shah: Whatever we are earning, there are two parts. One is the new business which accrue's to us at a newer rate that might be higher or lower based on the current AUM of the asset management company. As far as the current book of 50,000 is concerned, which you are looking at there will not be any change of payout's into that.

Ronak Chheda: Just my last question is that, as you mentioned because of the tier schemes some AMC can afford to pay higher commission and some cannot because of the scale. But in the last two years, we have seen some of the AMCs like Mirae, Axis have just scaled up in terms of AUM.

Sir, are you seeing any recalibration of commissions from those AMCs, which are anyway ended performing better?

Sanjay Shah: So, basically if I understood your question correctly, you are saying that the AMCs which are attracting AUM, their schemes have grown far higher and higher and their commissions are now reducing. Is my understanding right? That is what your question is?

Ronak Chheda: Their commissions were higher earlier and I am just asking, have that commission come down now because they are also had some Rs. 30,000 crores scales on large cap schemes, et cetera?

Shirish Patel: Yes, so obviously as Sanjay Bhai has stated the commissions are decided when we log in the new transactions. Now whatever, would be the commission when we sourced the business earlier, our rates our locked-in and as you said that at that time the commissions were higher. So, obviously on our AUM, whatever business we would have done that time the commission rates are frozen. Now the scheme sizes are getting big, and so obviously on their new business they would have reduced their commission structure.

So, when we do the new transaction in the same AMC, when the scheme sizes increases, the new transaction will come at a lower trail. But the business which is already locked in that still will continue at the previous rates. I hope I have addressed your question?

Ronak Chheda: Yes, sir.

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

Lalit Deo: I just wanted to understand on the commission side. So, despite the absence of NFOss in the last quarter, like there has been a sequential increase on the distribution of MFD yields. So, what would be the reasons for the same?

Shirish Patel: I think if anybody is assuming that because of NFOs distributors are entering in the industry, I think that perception may be wrong. We believe that more and more people would like to enter the mutual fund industry which will keep the growth of MFDs robust.

Second, the positioning of Prudent as a platform in the industry is becoming stronger and stronger, more and more MFDs who are currently working with the AMCs directly, they also have started feeling the importance of platform and that is where even we are also placed in a better way. So, there also we see the growth in the number of MFDs. So, our growth in distribution or the MFD reach is mainly because of Prudent positioning as a platform is becoming stronger and stronger and more and more people are entering in the industry.

So, having an NFO is attracting more and more distributors, I think that perception may be wrong.

Lalit Deo: No sir. So, I wanted to understand on the yield different or yield side. So, like if we see the yields on the mutual fund distribution, so that was about 90 basis points in last quarter and this quarter it was about 93 basis points. So, wanted to understand the reasons for the same?

Sanjay Shah: Just wanted to highlight that there were some reversals of karvy income in preceding quarter to the tune of Rs 3.57 crores leading to a favorable base. Also, preceding quarter containing months of Jan, Feb, March is a 90-day quarter and revenues are earned for 90 days. So, if you normalize these two factors- yields were flat sequentially at 93-94 basis points.

Lalit Deo: And sir, like could you highlight the difference between the yields on the NFO as well in comparison to the existing close which comes to our business? And like how has that trend been in the last one year?

Shirish Shah: That depends on the expected mobilization of the fund. So, even between NFOs, the NFO which is expected to collect more money- there the gross yield is lower. At the same time, when the expected collection of the NFO is lower-there the gross yield is higher.

Now obviously you also can understand that when the NFO is going to collect more and more money, the payout to the distributor would be low. So, that is the reason I said that it is a myth that average yield of a distributor would increase drastically by mobilizing huge amount of NFOs because where we are getting more brokerage, the gross collection of that NFO's would be low. Hence, the weighted average yield of the NFO is not significantly different compared to the open-ended ongoing schemes. But yes, it helps to increase the gross yield a little bit, but the perception I think may not be exactly right.

Moderator: Thank you. Next question is from the line of Nidhesh Jain from Investec. Please go ahead.

Nidhesh Jain: Two, three questions. So, firstly on NFO. When we get our AUM and in the first year the yields are higher or whatever AUM we have acquired through NFO each are higher on that AUM till that agent will last in our book.

Shirish Patel: So, normally we work with the perpetual trail rate with all the AMCs. So, our yield in the first year and the third year and the fourth year remains the same.

Nidhesh Jain: Even the NFO?

Shirish Patel: Even in the NFO, yes. So, normally we always believe that we do not want to work simply looking at the first-year higher yield. Of course, I think there will be many distributors in the country who would prefer the first-year higher trail and then the step down trail commission.

But in our business we always believe in the perpetuality rate, so it may happen that my first-year rate may be lower compared to a few distributors, but we always believe in the perpetual similar rate.

Nidhesh Jain: Secondly, you mentioned the 67% of industry AUM has now become new pricing? What is that percentage for us?

Sanjay Shah: What is the 65%....

Nidhesh Jain: I think you mentioned that 67% to 70% of industry AUM now come at new pricing. Which is it's?

Sanjay Shah: I was trying to understand still is there impact left on the AMC business because that is the question people are asking time and again. So, I looked at what is the mark-to-market on the industry post April 2019 and what is the gross sale of the industry post 2019 and if I sum that I think almost 70% or 72% of the AUM has already came to a new price. So, I think there might be lot of assets which may not churn so incremental pain to AMC would be very low. However, as far as Prudent is concerned our pricing is already there whatever you are talking about 94 basis points of revenue yields will remain constant.

Nidhesh Jain: Entire AUM has become to new pricing for Prudent?

Sanjay Shah: I think in our case still there is a positive impact left on revenue yields because Karvy's entire assets are earning 65 basis point compared to our assets which are yielding 94 basis point. So, once assets churn, they will earn higher yields. Secondly, 20%- 22% of our assets are older assets and as and when they churn, we might get a better yield.

But I am just trying to say that a current yield should remain as it is because incrementally you might see some churning happening on the Karvy side and on our old assets. While, the new business might come at 1 or 2 basis point lower. So, we assume that our yield should remain steady for next one year or two year's.

Nidhesh Jain: Thirdly sir on the MFD what is the value proposition that we provide versus MFD tying up with AMCs directly what is the value proposition that we provide and in that sense how is the commission structure for our MFD, so is it same across both of these options but tying up through us or directly through AMC?

Shirish Patel: So, we have already given the benefits which we give to the MFD on the slide#16. So if you refer slide#16 project it will tell about our offerings. But to sum it up, I will say as a MFD if I go to the AMC directly obviously there is a lot of time requirement to negotiate, to discuss and understand the offering for various AMCs. For any kind of service requirement the distribution might have to reach to different AMCs. However, when he come's to Prudent obviously it is a one stop shop for all the mutual funds. In addition to that multiple products are available in the single platform with Prudent. If the person deals with AMC directly obviously he will not be able to offer all other product while in Prudent they are able to offer all the products. And most important benefit you talk about is the technology offering. We help the distributor to acquire a client, to service the client and grow the business by controlling or reducing the operating cost which probably you might not get from the AMCs. You might have to invest in the infrastructure and all these things if you are directly dealing with AMCs. So, at Prudent our value proposition is that we help in increase the productivity, we help in increase the wallet share, we help in reducing the operating cost and hence deliver a higher net revenue for the distributor. So that is our value proposition, but to get more details I would ask to refer slide# 16.

Nidhesh Jain: And from a commission standpoint he will be getting lower commission?

Shirish Patel: I think when any MFD joins us I think you always say that my commission may be lower by 5 basis point, 10 basis point when you compare with the industries or when you deal with AMCs directly, but look at the value proposition what we offer to them. So, obviously I think our commission maybe little lower compared to what they get from the AMCs directly.

Nidhesh Jain: And lastly on the POSP and in insurance, what I understand is that POSP does not make money for the distributor. So, definitely agents will make money,but distributors are passing all commissions to POSP?

Shirish Patel: So, basically we are not in that game of growing the business at lesser revenue. So, the way we are working on the mutual fund vertical by maintaining our margins the similar philosophy we also have in the in the insurance business and that is the reason you would have seen that all our POSP we are only recruiting from our set of distributors who are working in the mutual fund either directly the ARN holder or their family members. So, we are not in a game of acquiring POSP by offering higher commission's. We try to give this particular rate by offering the better service and maintaining our margins. The same way we are doing in the mutual fund.

Nidhesh Jain: On net basis still we are making some commissions there?

Shirish Patel: So, we are making money in that business.

Moderator: Thank you. The next question is from the line of Alok Kumar from UT Asset Management. Please go ahead.

Alok Kumar: Just wanted to know the MF AUM that we will acquire from Ifast?

Sanjay Shah: How much AUM we will acquire that is the question?

Alok Kumar: Yes.

Sanjay Shah: That is the reason I just say at the beginning that as a process what iFAST has done is that they have kept the window open for the current mutual fund distributor if they want to go with Prudent or not. If somebody who does not want to go with Prudent they are going to issue NOC to those people. Once that window is over, whoever has agreed to come to Prudent, statutorily the letter will go to all the investor saying that iFAST is transferring the assets to Prudent's code ARN9992-do you want to go or not?. So, entire process I assume would be about more than a month or 45 days and after 45 days only we will come to know that what has finally come to our code. So, I think it is going to be speculative for us to give you any figure currently.

Alok Kumar: What is that existing AUM right now?

Sanjay Shah: iFAST.

Alok Kumar: Yes.

Sanjay Shah: So, currently iFAST is about 2,000 crore of AUM and MFDs having some Rs 800-1,000 crore of AUM has already asked for NOC and residual amount probably now could come under our code. You can say 1,000 crore is available for the transfer to Prudent code in current situation.

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

Dipanjan Ghosh: Sir, just a few questions from my side first is that if you can give some color on the yields coming on from the existing schemes versus the yields that are there on your book current, so for example, if the yields on existing schemes of around the AMC or let us say whatever basis point 80, 90 basis point on the new sales what will be the yields that you are getting and second question and most of our structural perspective over the period of time you are seeing that some of the larger distributors are becoming larger or their dominance is increasing, so to that extent how does Prudent fit into the overall picture and how does the bargaining power of the distributor with respect to the manufacturer change over a period of time and third more of a data keeping question you give the mix of your insurance business between life and non life, if you can also kind of break it down into the different product segment if not maybe number wise or maybe more from the understanding perspective and lastly on the MF business have you seen any change in the average duration or tenure of customers holding a particular mutual fund before kind of churning and is there any difference between the different customer cohorts based on new age customers or old age customers sort of out there those are my questions?

Shirish Patel: So, as Sanjay bhai already said that let us understand the total yield or the average yield on the current book has got three components. One is the AUM prior to April 2019 where the yield on the book would be lower, so any assets what we mobilize till March 2019, the yield on the portfolio would be lower. The yield on the portfolio after April 2019 to June 2022- the portfolio yield definitely would be decent. Third component of our yield on the book is the Karvy's AUM. So, Karvy's AUM is almost 20% of our AUM and the yield on that particular book is very less compared to our yield on the book. So, mix of all the three is given in the financials.

So, today if we look at our yield on the new business and the yield as a AUM is almost similar because as we say the bigger component of the three is the new business after 2019 to 2022 which is helping us to increase the yield, but at the same time certain portion of pre 2019 and some portion of Karvy's assets is bringing down our yield on the book, but when you look at the weighted average from the current AUM and when you look at the weighted average yield on the new business is almost similar. Rather than new business yield is little bit higher than the book in the current scenario, but that might not be the case after few years, but currently the new book yield is higher than the average book. So, that is the first question.

Second, you are saying that the bigger guys are becoming bigger and bigger and that is the trend which we are seeing. First we said that more and more people are coming to the mutual fund industry. Second, even we would say that recently AMFI is doing the campaign to bring in more and more MFDs by new initiative called MFD Karein Shuru so that also is going to help the industry to get more distributor and third importance of a platform amongst IFAs or MFDs will be increasing.

So, that also will bring existing distributor to Prudent platform and that kind of consolidation is expected to happen over a period of time and with volume the bargaining power obviously come. So, that obviously has helped Prudent to increase the gross yield on the portfolio. Having said that, can we increase the yield because of the bargaining power over a period of time?. I believe.

industry is also at a peak level and we are also at a peak level. So, we do not see a great amount of improvement in the bargaining power incrementally.

Third question what you asked about a mix between life and non life we would say that almost two-third of revenue comes from insurance business & balance from general insurance. We are only and only into the retail products. Life insurance, we are mostly into term and the endowment plans. On the general insurance side, pre-dominant part of revenues revenue comes from retail health insurance

Last point you asked the average holding or the churning or the behavior of the investor. I would say that till 2019 or rather I would say that till recent period the industry churn was little higher because the commissions structures were higher first year, lower second year or third year. So, obviously major distributors were trying to churn the portfolio. Now we assume that it would be definitely in the advantage of the distributor to continue the investment for a longer term. Even the clients are also not interested to churn the portfolio so frequently. So, we believe that over a period of time the churn in the industry will come down drastically, but we have not seen this in the recent phenomena, but in the medium to long term our understanding is that the churn in the industry will come down.

Dipanjan Ghosh: Again I have just one follow up on your first question let us say today I am an investor who invests in one of the existing schemes of an incumbent AMC. On this new flow even certain yield side can be 80, 90, 100 basis points, now how often are these yields renegotiated with the manufacturers on a going concern basis and secondly if I just look at the second portion of your yield which is from April 2019 to let us say till March 31,2022 if I compare that blended yield versus the yield on the equity assets that you are earning today, how would this to compare I think these are just the two follow up?

Shirish Patel: So, we used to look at these things in two perspectives. First you say that what frequency we negotiate the rate with the AMC. So, rate negotiable is never on the existing book. So rate negotiation is always on the new business. So, whatever our AMCs provide us on the new business today, thereafter there is no negotiation or the discussion on that commission forever. So, the rate negotiation does not happen regularly. Secondly it is always a broader understanding between we and the AMC so negotiation also does not happen so frequently. Third point on the new business the commissions are adjusted every month. So, if the AMCs scheme size is increasing let us say compared to last year -AUM is higher. So, obviously on the new business our commission would be lower. So, by default because it is sharing on the TER. So, obviously on the new business the yield will come down. So, to take it the same thing on the next question what you asked that what would be the blended yield after April 2019 to June 2022 On our existing book, the yield will remain constant. On the new book, the rate will depend on the AUM of the scheme & its TER So, on that basis you can say that the weighted average yield of the Prudent book only for the period April 2019 to June 2022 would be little higher compared to the new business yield in the month of July so that is logical answer, but one should note that Prudent is not in a B2C business. Prudent is in a B2B business. So, any drop in my gross yield obviously proportionately we also are able to pass it on our distributors and hence we are able to maintain our net yields.

Moderator: Thank you. The next question is from the line of Harshit Toshniwal from [Inaudible 51:36]. Please go ahead.

Harshit Toshniwal: Sir my question is regarding the distribution sharing in some distributors now I wanted to understand that, for example, if a new person comes and he has a AUM base structure around 5 crore, 10 crore then what would be our sharing be, so currently I think if we get a 95 basis point we pass around 56%, 57% of the overall income within, but as per example if that limit that AUM of the sub distributor is more than 50 crore than the sharing of that AUM distributor increases and what is the peak sharing with which we should assume. So, if there is a 150 crore sub distributor, what would be our sharing with him compared to in the earliest game?

Shirish Patel: One should understand that almost 10% of our AUM is direct AUM. On this AUM, we do not pay anything. So, if you ignore the direct AUM revenues, our sharing would be in the range of 67% to 68% Second is the sharing with a smaller guys and the sharing with the bigger guys definitely would be different. In our system there are 10 different structures available based on the AUM. So, sharing would differ with a MFD having a one crore AUM & with those having a 5 crore, 10 crore, 50 crore, 100 crore & 200 crore AUM. The graded structure is helping us to retain the distributor & to remain competitive versus the industry. At the same time one should also understand that on a ongoing basis we recruit 5,000- 6,000 new distributors in our kitty. So, when the new distributor comes to Prudent his sharing is the least. So, as we grow in the business more and more people also joins us at the lower sharing ratio and that also helps us to keep our sharing ratio under control even if more distributors move to the higher AUM.

Harshit Toshniwal: The reason I asked this is because I clearly understand that there will be influx of new AUM which is the lower ticket size one which will help, but say when I look at FY21, 22, 23 the Q1 part so that number and I am taking a total number because you do not have that lead between B2C and the other way round that number has increased from so it has been increasing by 100 basis points every year, so which is why just directionally should we assume that at least that commission in fee expense line item that sharing should gradually increase to a number around 60%?

Sanjay Shah: No, sorry I think you look at basically we do not publish the AUM between B2B and B2C. However, I can tell you the trend B2B has been steadily growing in our system. If I look at the share of B2C before four years it was almost about 22% which has now came down to below 10%. So. what Shirish explained that overall sharing ratio has remained more or less steady in the range of 68% to 70% of whatever we received to the B2B players. However, the sharing percentage is increasing because the B2C component is coming down.

Harshit Toshniwal: The second question sir I think obviously it is not something which is going to happen nearby, but SEBI has regularly been trying to push the RIA model and the way I mean the current form of business for most of the players are more into a grey area. If RIA comes distribution in models, so what are your thoughts on this I mean do you see this as a risk if at all and if we see then how do you think that we are going to manage it if SEBI becomes more tight, if SEBI tightens this part of the regulation?

Shirish Patel: So, I think if you look at the thought process of SEBI and AMFI's recent initiative of Mutual Fund Distribution Shuru Kare which aims at increasing the distributors on the ground. I think the importance of distributors who is earning the commission from AMC is definitely not undermined by the regulator nor by AMFI.

So, probably distributors are going to exist and probably that strength becomes more and more stronger from hereon. I think the RIAs specifically Fintech platform has been doing significant quality job of bringing lot of people to the industry. However, as you aware that they are not playing a role of RIA, their execution only platform and hence SEBI has already came out with new consultation paper of turning all of them as a execution only player rather than RIAs. So, probably once that happens you will see this platform are going to play a role only of an aggregator wherein we believe that once somebody AUM reached to a certain size they will definitely need an advisor.

So, bottom line is role of advisor is something which is important in the matured market like you talk about US or any other developed market and people realize the importance of distributor and we believe that as more and more people join the industry the distributor become more and more critical. So, the point is everything will coexist, SEBI is probably trying to make the role of current Fintech platform more clearer by way of that consultation paper, but they did not want to force RIA on distribution.

Harshit Toshniwal: Just one thing I mean I clearly understand that point I am just seeing that for most of the individual distributors officially they are not RIAs, they all are distributors, but there is some or other form of advice in which happen. Now which is where I think I am talking more specifically to a business like us or MFD where we give some advice as to which mutual fund or which product is a better one, but still because of all the complications we will have to showcase ourselves as the distributor rather than RIA that part is something what is there which is why I am thinking that it becomes very stringent that there will be a separate RIA and separate distributors then how would our distributors work?

Sanjay Shah: If you look at the regulation as a distributor I am supposed to give incidental advice and within incidental advice I am supposed to do the risk profiling. I am supposed to assess suitability of the product and I need to accordingly advice. So, the role of MFDs & RIAs is not different. Only thing which is different between MFD and RIA is MFD should earn commission from the manufacturers, RIA should not give any product which has inbuilt revenue-he/she should only charge the customer.

Moderator: Thank you. Next question is from the line of Abhijeet from Kodak Securities. Please go ahead.

Abhijeet: I have this one question. Little bit of an extension to Harshit's question. Do you maintain like a focus list or a recommendation list for your plan?

Sanjay Shah: So, we provide a broad list which is based on our internal parameters. We have some 10 to 12 parameters & based on that, we provide a broad list of 50-60-schemes. It is not like banking wherein the list is of just three, four or five schemes. There is a broad list of 50-60 schemes which we provide.

Abhijeet: And generally, let us say, if I exclude the NFO related flows, what is the general share of overall flows in these recommended funds? And if there is any other list outside of it while you try to balance out with, let us say, higher commission funds who are providing higher commissions?

Sanjay Shah: So, we basically give a focused list which is almost over 50-60 funds and almost 70%-80% of the business must be coming into that only. However, please understand our role is to probably make our distributors significantly strong from the point of providing information, research and whatever is required which they can use for the purpose of advising his customer. However, our advisors are free to choose the schemes on their own, because at the end of the day, they are the one who chooses and who are advising the customer and they are answerable for that as far as advice is concerned.

Abhijeet: Could you mind disclosing the share of let's say top three AMCs for us in the business?

Sanjay Shah: So, basically it is in the line with the industries market share. So, obviously I think top five or top three players in the industry is almost the same player with us as well.

Of course, the ranking might be different. The number one player in the industry might be #2, #3 in my system, or vice versa. But Yes, I think we are representative of the industry only.

Abhijeet: Okay, but you you don't disclose the names of the industry?

Sanjay Shah: No, we don't disclose.

Moderator: Thank you. The next question is from the line of Vinod Chandra Agrawal, individual investor. Please go ahead.

Vinod Chandra Agrawal: I have two questions. One is that we have shown like our pie chart for our revenue from the insurance and different like broking and mutual fund products. So, do we like, can you share that type of a pie chart for the profit related, like how much profit percentage of the profit comes from the stock broking and how much is from the insurance and how much from the mutual fund products? Like, I just want to understand like how much is like contributing by the insurance product? Like in the revenue terms you have shared but wanted to know about in terms of the profitability?

Sanjay Shah: So, actually we are not doing this segment reporting so the segment wise profitability has not been provided. But I can tell you the bifurcation which is already provided by us in the consolidated numbers. If you look at out of Rs. 126 crores of revenue, Rs. 112 crores came from mutual funds. Rs. 7 crores or almost Rs. 8 cores came from insurance and about Rs. 4.2 crores came from broking and Rs. 2.7 crores came from all other products. What is published is only the segment wise revenue. However, I can just tell you, as far as all non mutual funds, so if you look at it from the point of setup, I think stock broking is a standalone entity where we have the separate manpower, separate branch, separate offices.

However, insurance is the business which is we have the significant overhead which is absorbed by the parent and hence, in case of insurance, whatever is our top line more or less, it goes to our bottle line rather than the employee cost. But segment reporting is not there.

Vinod Chandra Agrawal: And the second question is about like as you know, like, do we have any plan to become the AMC? Because like our competitors are also doing the same way like initially they have been the distributor and then moving into the AMC. So, do we have any plan to become the AMC? Because distribution gives us a good opportunity to become the AMC as well?

Sanjay Shah: So, as of now, we do not want to do any backward integration. I think probably with more and more people entering the manufacturing space, we believe we want to remain independent as far as distribution is concerned. So, at least for the near future we want to remain a pure distributor only.

Moderator: Thank you. I will now hand the conference over to the management for closing comments.

Sanjay Shah: Thank you very much, everybody. I hope we could be able to address all the queries. If you have any questions, you can reach out to either Equirus or to Parth and we will be able to happily address your questions. Thank you very much for your time. Thank you.

Moderator: Thank you for joining us. You may now disconnect your lines. Thank you.