

Date: 06.11.2024

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**

**Sub.: Transcript of the Conference Call for Un-Audited Financial Results for the Quarter ended September 30, 2024**

Dear Sir/Madam,

With reference to our earlier intimation dated October 24, 2024 and in terms of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of the Conference Call with analysts and investors held on October 31, 2024 in respect of the Un-Audited Financial Results for the Quarter ended September 30, 2024.

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

Please take the same into your records and do the needful.

Thanking you,

Yours Faithfully,

**For, Prudent Corporate Advisory Services Limited**

**Kunal Chauhan**  
**Company Secretary**  
**Membership No: ACS- 60163**

Encl.: As Above



“Prudent Corporate Advisory Services Limited  
Q2 FY '25 Earnings Conference Call”

October 31, 2024



**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 – NON-EXECUTIVE 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. LALIT DEO – EQUIRUS SECURITIES**

**Moderator:** Ladies and gentlemen, good day, and welcome to Prudent Corporate Advisory Services Limited 2Q FY '25 Earnings Conference Call 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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

**Lalit Deo:** Yes. Hi. Good morning, everyone. Wish you all a very happy Diwali. Welcome to the 2Q FY '25 Results Con Call of Prudent. So to give a brief update on the results and address investor questions, we have the management of Prudent Corporate Advisory Services Limited, represented by Mr. Sanjay Shah, Chairman and Managing Director; Mr. Shirish Patel, CEO and Whole-Time Director; Mr. Chirag Shah, Non-Executive Director; Mr. Chirag Kothari, CFO; and Mr. Parth Parekh from Investor Relations.

Now we would request the management to start with the opening comments, post which we can open the floor for Q&A. Thank you, and over to you, sir.

**Sanjay Shah:** Thank you. And first of all, let me wish Happy Diwali to everybody who has joined this call. I welcome all of you to this earnings call. I thank you all for sparing a valuable time to join us today. I hope you have the investor presentation handy, which we have uploaded on the exchange yesterday as we'll be giving references to the various slides of the presentation. So before I move to the discussion on quarterly numbers, I just wanted to update you on the key milestone which we achieved during the quarter.

Our assets under management crossed INR1 lakh crores on 26th of July, almost 1.5 years before our guidance. It's mainly due to significant mark-to-market movement by Indian markets. The next milestone, which we are working towards is reaching a SIP of INR1,000 crores by March 2025.

So with this introduction, now let me tell you to move to Page number 41, Slide number 41. So now coming to Prudent numbers, I would like to go to Slide number 41. This chart on the left-hand side indicates that the tailwind for growth in mutual fund business in second half of this fiscal. In the first half FY '25, we earned our revenue based on a daily average AUM of INR95,701 crores. We began the second half of FY '25 with an opening AUM of INR1.07 lakh crores, which is almost 12% higher than the first half's full year average.

Despite the correction post September till date, our current AUM is still above INR1.04 lakh crores. Hence, even if this number sustains for the second half, our revenue growth in second half compared to first half should be higher by 10% to 12%. As far as quarter is concerned, our

quarterly average AUM in June quarter has grown 53% Y-o-Y and 14% sequentially to INR1.02 lakh crores.

Now please move to Slide 42. On this slide, we have shared the details of what moved our equity AUM on a year-on-year and quarter-on-quarter basis. As seen in the left-hand chart, closing equity AUM has moved higher by 59% year-on-year to around INR1.03 lakh crores with almost three fourth of the movement being contributed by mark-to-market gain. The mark-to-market gain for the trailing 12 months stood at a very strong INR28,600 crores. If you see the right-hand chart, which shows the movement in equity on a sequential basis and our equity AUM has also moved sequentially by 12%.

Net equity sales during the first half of FY '25 has been really very, very strong. In the FY '25 first half, our net equity sales stood at INR5,700 crores, which is almost or you can say equivalent to the net sales in the full year of full year of FY24. So that shows that how strong the first half was as far as accessibility of the mutual fund and participation of retail is concerned.

Now please move to Slide 43. Moving to Slide 43, wherein there is a detail of our market share in overall equity AUM and the SIP data. Our market share in equity AUM ex-ETFs has improved from 2.51% year before in September '23 to 2.52% in September '24. On the bottom left, we have given our data on monthly SIP flows and our market share in SIPs. During the month end, our monthly SIP book has touched INR870 crores. We have added INR280 crores to our SIP book during last 12 months, and we are confident to touch the mark of INR1,000 crores by March 2025.

In the month of September, we collected INR115 crores through STP Systematic Transfer Plan. This number is reported by us on the actual realized basis. The STP value of INR115 crores is not included in the SIP number. So if you look at SIP and STP numbers together, almost INR1,000 crores is invested systematically by Prudent's retail investors in equity and hybrid scheme's every month.

Now let me take you to the Slide number 46. So now let me turn to the current financials. So please move to Slide 46, which is the last slide of our presentation, which talks about our stand-alone number. Please note that we have merged Prudent Broking Services, a wholly owned subsidiary with Prudent Corporate and hence, stand-alone numbers are combined for mutual funds and the broking business and has been restated for all the periods which are reported in this presentation. It's an extremely satisfying quarter as far as revenue and the profits are concerned as both have grown by 53% and 73%, respectively.

Sequentially, mutual fund revenue have grown in line with the growth in quarterly average AUM. Last quarter, which was the April, May, June quarter, as we already communicated last time also, we had one-off revenue impact of INR4.41 crores, which was mainly due to the receipt of withheld brokerage released following the relaxation of KYC norm prescribed by the SEBI. As a result, our yield was higher by 2 basis points in the last quarter, which is April, May, June at 92 basis points. If we adjust for this one-off the item of the last quarter, our yield has remained steady sequentially at roughly about 90 to 91 basis points.

Additionally, on the yield front, I just wanted to communicate about a couple of changes which has occurred, prominent being the HDFC AMC. And as all knew that HDFC AMC has revised rates on the back book, that means the existing book for most of the non-debt schemes. Nippon has also revised rates in one of their main scheme, Nippon India Small Cap Fund.

This back book rate revision were primarily due to significant rise in assets caused by a sharp mark-to-market movement in the last couple of years. We do not expect this to be a regular occurrence as it was mainly due to exceptional mark-to-market movement. Just to explain how significant the impact of mark-to-market movement is concerned, I'll just tell you that Prudent's total AUM in the March 2020 was less than INR20,000 crores. While as I explained you earlier, in last 12 months, our mark-to-market gain is about INR28,000 crores. So that shows that how significant mark-to-market gain has been in the last couple of years.

So now if I will explain about the impact of these changes, which has occurred, because of the HDFC and one big scheme of Nippon. The full year top line revenue impact for this change is estimated to be around INR6 crores, which is less than 0.5 basis point of our total revenue. So I think the -- even though it's a revision in the back book, overall, if you look at the impact may not be that meaningful.

This time, we also absorbed the part of rate cut and transferred partially to our sub-distributors. If you remember, we have been all the time otherwise saying that if there will be some change, we'll be able to transfer fully to the sub-distributor. However, in this particular time, we also absorbed certain amount of reduction in the revenue, which has been absorbed by us. However, I'll just tell you that the overall impact on us because of this revision is neutral as far as impact on GP margins are concerned.

So now coming to the commission and fee expenses. If you look at commission and fee expense payout at 63.4% is looking a bit elevated compared to last quarter, largely on account of one-off as talked about pertaining to the receipt and payout of the partner related to relaxation of KYC norms.

Adjusting this, payout ratio has also increased by roughly about 60 basis points. This is mainly because of movement in the direct and the indirect mix wherein the indirect mix has -- indirect share has now again moved to 89.5%. So if I tell you about this quarter, the share of indirect has moved up by another 0.7 basis point. So I think that is broadly I'm just trying to explain.

Also, I'll take you to another expense item, which is the employee expenses. So you would have observed that the employee expenses also increased by 8% sequentially. There are various factors which has led to this increase, first being the net addition to the employee count. We added 58 new employees during this quarter. Also 78 employees were added in the first quarter of FY '25. Around 45 of those who were added in the first quarter were added in the June alone. Hence, the last quarter was having the additional salary expense for only 2 months.

So second factor was increase in the variable provisioning. Given how the business is shaping up for the entire year, we expect variable pay to be at the higher end, hence, sequential increase in variable provisioning is around 25% more.

Third factor is leading to increase in employee cost in some extra provisioning taken for the leave compensation. So we have changed the policy of allowing the accumulation leave, which somebody can accumulate till the retirement. We have moved from 65 leave to 100 leave as an accumulation policy, and hence, the provisioning has increased. So all these 3 put together has led to sequential rise in the employee cost.

Overall, after considering all these things, operating profit grew by 60% Y-o-Y. There was a margin expansion of 110 basis points Y-o-Y and operating margin during the quarter stood at 23.2%. A strong operating profit -- operating performance, coupled with higher other income has led to a profit growing at a healthy pace of 73% on a Y-o-Y basis.

Now coming to Slide 45, one slide previous, which is providing the consolidated numbers. So if you look at the difference between consolidated numbers and the stand-alone, I think it is only the standout number would be the difference between these 2 would be the insurance only.

So if you look at on the insurance front, our insurance revenue grew by 35% Y-o-Y to INR34 crores. On account of changes in surrender value from 1st October, there might be changes to the life insurance commission structure post 1st October. The negotiations are going on with the insurance companies, and we are yet to get full clarity on the rate structure.

However, the broader indication is that the insurance company might resort to reduction of commission as well as clawback based on the persistency ratio. I'm just giving you the explanation. However, this has no impact in the second quarter because whatever impact which will come, which will come now as far as revenue on the insurance is concerned.

So overall, I think the only item which I wanted to explain the consolidation was the insurance number. So overall, consolidated profit grew by 73% to INR51.5 crores. So overall, it has been a very, very satisfactory quarter. For the first time on a quarterly number, we crossed INR50 crores of net profit, which is very, very satisfactory for all of us.

With this, I'll just keep the floor open for Q&A. Thank you.

**Moderator:**

The first question is from the line of Lakshminarayanan KG from Tunga Investments.

**Lakshminarayanan KG:**

Sir, if I just look at the total AUM, which we have -- which has gone through us, what's the mix of index fund and non-index fund?

**Sanjay Shah:**

Sir, the index fund won't be more than even INR1,000 crores in my total AUM because we don't have any kind of passive book at all, because I think we believe our advisors are capable enough to identify quality fund managers and the quality funds. So I think the index is hardly about INR2,000 crores. Yes, it's roughly about INR2,000 crores. So it's less than 2%.

- Lakshminarayanan KG:** Got it. And in terms of the top 10 AMCs, do we work with all the top 10 or we don't work with a couple of them?
- Sanjay Shah:** Shirish?
- Shirish Patel:** Yes. We work with all top 10 AMCs. So practically, if you see the AUM mix, more or less, it would be in line with what the industry is all about. So yes, I think -- because we being retail, we cannot ignore working with the bigger AMCs. So that does answer to your question. We work with all 10 big AMCs.
- Lakshminarayanan KG:** Sir, and last question, if you can just give a split of your AUM by large cap, flexi cap and ex of large and flexi cap?
- Sanjay Shah:** So actually readily breakup may not be available, but I think the -- that also, Shirish, would be in line with market only, right?
- Shirish Patel:** Yes.
- Lakshminarayanan KG:** Okay. The reason we're asking this question is that if you look at the last 1 month or maybe the last few days, you see there is a marked decline in a particular segment of the mutual -- the indices, right? So I just want to understand the sensitivity for us on that account. Is it in line with the overall mix which you get from AMFI?
- Shirish Patel:** The mix of hybrid would be a little higher in our case compared to the industry. But otherwise, in the mix of equity that is large, mid and small, more or less, I think probably I would say that we would be following the industry.
- Sanjay Shah:** And another thing I just wanted to explain about the sensitivity of our AUM. As I told you, the last month, we ended at INR1,07,000 crores. And currently, after about 7.5% fall, yesterday, our AUM was INR1.04 lakh crores. So definitely, there will be a net sale also. But however, the impact on AUM is 3.5%, while the overall market has gone down by 7.5%. So what Shirish also said that our share in the multi-asset and the dynamic asset allocation or the hybrid category would be higher than the the market, plus you have regular flows also.
- Lakshminarayanan KG:** Got it, sir, if you can just give us what is the mix of multi-asset and hybrid in our incremental flows. For example, in the last 6 months, you would have got incremental flows. In that, what is this proportion of multi-asset and hybrid?
- Shirish Patel:** So, currently, I'm just talking about, let us say, first of the AUM. 18% of our AUM is in hybrid category, including the multi-asset, you can say. So 18% of our AUM is in this category. If you are talking about a business, I think we actually need to get the actual number, but let me check if I can provide you. I think Sanjay, we can take this question separately because I think the data is not handy right now.
- Lakshminarayanan KG:** Thank you so much, Happy Diwali.
- Moderator:** The next question is from the line of Niranjana Kumar from Equirus.

**Niranjan Kumar:** Congratulations on a great set of numbers. Sir, I have a few questions. So, the first question is during the quarter, have you seen any impact on account of the broker code change regulation?

**Shirish Patel:** So already, we have started getting a few changes of broker code request in our books. At the same time, we also would have lost little. But net-net, the net addition is much, much higher compared to the loss of AUM. Revenue-wise, still the revenue recognition has not yet started because now from September onwards, we start getting the tail commission. So revenue front, there would not be any impact because of change of broker code but in terms of addition of the AUM, it would be positive. We have not started aggressively going after this. I think last call also, we said that we will be the beneficiary of this change in the rule, but we are not going very aggressive in the market to acquire the assets due to change of broker.

**Niranjan Kumar:** Okay, sir. Sir, my second question is, you have already mentioned that HDFC AMC and Nippon AMC have sorted to cutting of commission on the back books. So further, how should we see this in the overall context like in the industry or on the impact which we might have?

**Shirish Patel:** So as and when we see a huge mark-to-market gain in any AMC, in addition to that, if the same AMC or the same scheme is also attracting huge flows, the TER chargeability of that scheme or that AMC goes down. Now since a few of the AMCs have already passed on the TER cut to the distributors, I'm sure many others may follow as and when they start feeling the pain of the TER cut. So, this has started. Yes, I think a few AMCs might follow this. But as Sanjay bhai said in his call that we could be able to pass on the percentage sharing. So, I think on an overall basis, whatever we are passing on to our distributor, hopefully, in the future also, whenever any cut comes from the AMC, we'll be able to pass on proportionately so that our GP margins might not get impacted. But yes, many AMCs might follow this going forward.

**Niranjan Kumar:** Ok sir, thank you for the information. That's it from my side. Happy Diwali.

**Moderator:** Thank you. The next question is from the line of Dipanjan Ghosh from Citibank.

**Dipanjan Ghosh:** Just a few questions from my side. First, is a data keeping question. If you can give your market share in the new MFD addition. So let's say, if 100 or 1,000 new ARNs are getting created, let's say, in 2Q or 1H, what would be the proportion of your acquisition of this new MFD? Because you have added like 1,000-plus MFDs in the quarter, what would be the mix between, let's say, new ARN versus existing ARNs and the market share in new ARNs?

Second question is now on the flow part. If you can give some color on what would be the breakup between NFO and non-NFO-led flows? And also, within the overall flows qualitatively over the next, let's say, last 2 to 3 years or over the last decade, how do you see the flow mix changing between, let's say, existing customers let's say, with a vintage of 1, 2 years' worth of new customers versus old customers?

Third question is now on this back book repricing that HDFC and Nippon have done and we have heard from two other competitors who have not done were also listed. I just wanted to get some sense, is it also a function of you mentioned that there has been strong traction in flows in select schemes of these AMCs and that has probably propelled them to kind of take this decision. So I want to get an understanding of how does this change the market dynamics in



terms of your ability to kind of swing flows towards other AMC's or in terms of the underlying distributor, the granular MFD, how is their mindset really changing? Because there are a lot of new AMC's also that is coming up, there will be new asset classes coming up. How does that dynamics change? Yes, those are the three questions.

**Shirish Patel:**

So in terms of cut, few AMC's have cut it. We are sure that many other AMC's might follow as and when they start feeling the pain. As you said that how the dynamics would change in terms of flows towards the smaller or the mid-sized AMC or the mid-sized schemes? Now obviously, I think many of the distributors might start seeing where they can improve the revenue. So, you could see that in the industry also, a few of the AMC's or a few of the smaller schemes have started gaining some kind of traction. But having said that as a distributor, we also try to give the schemes which distributors believe that are consistent in performance. So though we would like to influence the flows, but most of the time still because of the scheme consistency in the performance, we might not be able to do. So overnight, you can't say that the flows will move from the bigger schemes or bigger AMC's to the smaller AMC. But over a period of time, some kind of flows we might see, but that might not change the yield immediately.

Coming to your second point that the flows between NFO's and non-NFO's, obviously, I think last 6 months, the number of NFO's came in the industry were many. We didn't participate in all the NFO's, but having said that, out of almost, you can say, around 10% to 12% of our business on these 6 months would be towards NFO. So our share in the NFO's would be a little lesser compared to the industry, mainly because of our SIP book. So percentage share of NFO in the gross share would be a little lesser than the industry. And second is we don't participate in all the NFO's. So that is another reason.

Third, you said that how the recruitment of MFD's is there in the system. To give you the perspective, last entire financial year, we added some 3,100 new ARN holders. While, till date we have added more than 2,900 ARN holders. So versus the entire year 12 months, 3,100, we added 2,900 this year. So practically, the AUM -- sorry, the ARN recruitment is getting momentum. Out of the industry, my guess is that last year, industry recruited, Sanjay bhai correct me if I'm wrong, I think some 21,000, 22,000 new ARN holders were added in the industry last year. And out of that, we added 3,100. So that is what the numbers are about.

**Sanjay Shah:**

Yes. The precise number is 23,000, we added 3,100. Yes, you're right.

**Shirish Patel:**

Yes.

**Dipanjan Ghosh:**

Sir, just a follow-up on the last bit. For this first half, especially for 2Q because your MFD additions have been very strong. So has something really changed in the industry or how do you kind of -- your kind of expansionary plans have become more aggressive?

**Shirish Patel:**

So one, we added a few branches in first quarter. So that has helped us in getting more number of MFD's. Second is, we also have increased some spend on social media to make Prudent as a brand and attracting MFD's to the Prudent platform. So that is another reason. And third, I would say that our focus for new MFD recruitment has gone up significantly compared to the last year.

- Dipanjan Ghosh:** Sure. Sir, just a small question on the insurance business, the premium -- the fresh premium growth in both life and non-life has kind of moderated in terms of Y-o-Y when I compare with, let's say, FY '24 or 1Q '25 spend. So on the life side, would it be like slower non-par? And on the non-par side, what would kind of explain this moderation in pace of growth?
- Shirish Patel:** So on the health side, the growth is decent. It's a good growth on the new premium on the health insurance side, that is the general insurance side. In the life insurance side, yes, you can say that the first 6 months business is a moderate growth, mainly obviously because of all the noise of the changing in the regulation. And obviously, I think our business, as you know that most of our POS we try to convert from our mutual fund distributors. So when the equity will do better, maybe I think some impact in the insurance business is there when the equity market or the mutual fund business is doing great.
- Dipanjan Ghosh:** Sir, would it be fair to assume that within your non-life, almost 2/3 or more will be health?
- Shirish Patel:** It's almost, I would say, health in non-life. Motor we hardly do.
- Moderator:** The next question is from the line of Ajox Frederick from Sundaram Mutual Fund.
- Ajox Frederick:** Congrats on a very good set of numbers. Sir, one question. The INR6 crores impact you're talking about, that is on the current basis, right? Meaning if we are to assume a current AUM on INR234 crores, INR6 crores is the impact we are talking about in the subsequent quarters?
- Sanjay Shah:** No, INR6 crores, which I talked to you about the full year impact, assume that in my INR1 lakh crores, I think the HDFC is roughly about INR11,000 crores. And in INR11,000 crores, I think they have made changes based on certain formula. So based on those formulas, the overall impact on the HDFC AUM for the full year would be about INR6 crores. So I was just trying to explain you that on the INR1 lakh crores of AUM, if I'm going to earn let's say INR1,000 crores, I think my impact would be about INR6 crores. So I was saying that my total impact, even though 11% of my assets got repriced, I think the impact is less than half a basis point.
- Ajox Frederick:** Okay. Okay. This is for that INR11,000 crores, INR6 crores is the revenue impact. Okay. Got it.
- Sanjay Shah:** As far as other way, if I tell you, if you look at the numbers, I think the INR6 crores divided by 12, roughly about INR40 lakh, INR41 lakh is the impact for last 2 months. So I think the revenue -- so I think it implemented from 1st of August. So August and September, only 2 months got the impact in last quarter. We got the revenue less by about INR80 lakh and the payout has also decreased. So, I think the GP margin has remained constant, but the revenue impact is about INR80 lakh in last quarter.
- Ajox Frederick:** Okay. Okay. You are talking about GP margins, right? It's being stable?
- Sanjay Shah:** Yes. Income has gone down by INR80 lakhs and GP margin has remained constant.

- Ajox Frederick:** Got it, sir. Very helpful. And sir, number two, let me flip it. It's a hypothetical question. Assuming that markets are correcting, any chance of this getting reversed, sir? Because we are talking about this cut because of markets being so buoyant. So when it's coming off, are we having that loss or this is just a one directional move?
- Sanjay Shah:** I think it's very difficult because I don't know, we have not gone into that domain. But ideally, what we believe is that they may not reprice the assets, whatever we have taken away because of increase in the TER to an extent whatever they have recovered, they can technically give back. But I think legal interpretation is something which will be difficult to tell because that might lead -- because on one side, the regulation doesn't allow you to reprice the assets upwards.
- Upward revision is not allowed. However, what you are asking about the cut, which has been done by them because of significant rise in the AUM, if the same benefit goes to them because of significant fall in the AUM, to an extent they have recovered from us can be given back. I don't know. I'm just -- in my hypothesis.
- Shirish Patel:** One point to add at least -- sorry, one point to add, the yield on -- if you are saying that the market going down, the TER goes up, the yield on the new business at least might increase because normally, the new business commission or the pricing is linked to the TER. So those are historical -- historical yield might not change. If the market goes down and TER increases, then the yield on the new business can go up.
- Ajox Frederick:** Okay. Okay. And sir, secondly, my understanding was that the old book or the stock, usually, it doesn't get repriced. But is this the first time we are seeing the stock getting repriced? Historically, has this been done?
- Shirish Patel:** What you are saying is right. Historically, this was not happening, but post 2019 TER guidelines, this is the time I think we can say that the market has seen this kind of rally. And at the same time, the flows are very, very great in a few of the AMCs. So that is where we said only those AMCs wherein the mark-to-market gain is huge and the flows are very, very high. These AMCs or those schemes are impacted severely. And maybe these AMC or these schemes might cut. I think it was, again, who will do the cut first. Now I don't see few AMCs they have already done this cut. Many other AMCs might think that others have done it, we might as well do it.
- Moderator:** The next question is from the line of Sanketh Godha from Avendus Spark.
- Sanketh Godha:** Sir, in this current quarter, we have seen that gross equity flows have been much higher than the equity SIP flow. So just wanted to understand that because markets have been doing well, there is a natural more demand for lump sum compared to SIP in the current half or NFO has played a role to see a little more growth in gross flows compared to the SIP flows?
- Shirish Patel:** Historically, if you see when the market sentiments are great, the lump sum flows increases. And when the sentiments are bad, the lump sum flows will come down. So there is no other reason there is no NFO impact. I don't see, as we said that we don't participate in all NFOs and

our NFO percentage mix is not in line with the industry. So this is mainly and mainly because of the market sentiment and hence, the lump sum flows are higher than the last year.

**Sanketh Godha:** No, the reason I'm asking is that our market share in the fixed flows has also marginally reduced from 3.7% in the Q1 to 3.6%. So the kind of customers we are trying to cater are a little more tweaked to lump sum is that reason? Or you believe this SIP market share will come back to better than 3.8% what we witnessed in fourth quarter of last year?

**Shirish Patel:** So you are talking about the SIP market share going down from September '23 to September '24. One reason, definitely, you can see that all these fintech are getting huge number of SIPs. So obviously, I think the growth of this fintech or the online SIPs has gone up and the percentage growth of online SIPs is much higher than the offline SIP. That is one reason. So mainly, I think we'll attribute this number to the fin-tech growth only. Sanjay, any other point if you want to add?

**Sanjay Shah:** No, no. I think the -- if you look at the growth -- absolutely right. If you take out about 30% is the market share, I think the market share of direct has gone up by about 8% to 10% in last 1 year. So if you take out the direct and if you look at only the regular, I think either we are constant or we would have improved a few basis points.

However, periodically, we don't get the regularly -- we do not get the numbers from AMFI about the direct and the regular otherwise, we can report that number also, but we are unable to get the numbers regularly. But overall, I think what Shirish is trying to tell you is mainly because of growing share of direct piece.

**Sanketh Godha:** Sir, are you seeing this as a structural challenge for the indirect business for mutual fund industry? If more and more young guy goes towards fintech way to procure the business, just wanted to understand any counter strategy we have to overcome this market share. Maybe today, the growth is there, but if the growth slows down a bit due to market correction and then how you want to overcome the challenge?

**Shirish Patel:** So one, definitely, I think earlier also, we have said that in near term, we believe that the growth of direct -- percentage growth of direct may be higher than the percentage growth of regular. Second, I would say that in last 3, 4 years, we have only seen the market going up. So obviously, I think these guys, those who have invested recently have not seen the negative returns and hence, they probably might not understand the need of an adviser or a distributor.

So that may be another reason. Third, definitely, because of this fintech, because of this awareness about SIP, these guys have created this kind of awareness and new investors, probably I think we might not have reached the every small villages, which probably the fin-tech through direct plans has reached. So these are the only reasons.

But yes, the strategy for us, definitely, FundzBazar as a platform is becoming more and more popular. So in terms of technology, we are at par with these guys. In terms of reach, the number of distributors are definitely reaching to all these investors with the social media, as I earlier also I said that we have started using social media more compared to what we used to do 1 year back.

So that also could be one of the strategy for us to compete with all these platforms. And again, I would say that when the market might see some kind of correction, I think we can see some kind of consolidation in the share of direct versus regular.

**Sanketh Godha:** Got it, sir. And the second question what I had was suppose most of the AMC's as the market remains buoyant and most of the AMC's follow the same thing what the HDFC AMC and Nippon has followed. Then again, it's a hypothetical question, then if that book -- entire back book gets re-priced in a similar way what HDFC or Nippon has re-priced, then the impact in your view for the entire INR1 lakh crores or more than INR1 lakh crores AUM would be how much?

**Shirish Patel:** First of all, I think taking an assumption that all the schemes, all the AMC's might cut the book, I think which is not logical because if the AUM size is small, the flows are not that big. If majority of the collection is with the new price, I don't think that all these things will make other AMC's to follow the same thing what HDFC has done. Yes, as we said that many others might follow in specific schemes where there is a pain, assuming that even HDFC is not cut in all schemes.

So taking an assumption that the entire INR1 lakh crores will get impacted, I think, is a little aggressive. Second point, I would say that for us, what is more important is what AMC's are doing with other set of distributors. Now as we are B2B and if the AMC's are cutting for their MFD's as well, we will be able to pass it on. So I don't see a problem when the AMC will come and say that I will only cut for Prudent and not for the MFD's.

So whenever any AMC or any scheme will cut the commission on the book, obviously, they will cut for Prudent as well as other distributors. And hence, we'll be able to pass it on the way -- the AMC's will do for the MFD's.

**Sanketh Godha:** But our maybe top 5 AMC's consolidation which are a little big, who can probably follow HDFC AMC for, how much they contribute to our total INR1 lakh crores -- more than INR1 lakh crores AUM top 5 AMC's.

**Shirish Patel:** Top 5 AMC's, will be around 52%.

**Sanketh Godha:** And lastly, on this broker code, have you really seen the bigger MFD's, I mean you said that net addition is there to do the MFD's because people have left and the people have joined also. So there is a net addition in MFD's because of the broker code. But any bigger MFD's, which were significant contributor or decent contributor to you have seen moving out because of this thing? And as you rightly highlighted that your AUM yield -- or the revenue accretion is not happening because 6 months cooling period is there.

So because of the net addition, any expected bump up will happen in revenue because of a 6-month cooling period revenue recognition?

**Shirish Patel:** That AUM acquisition because of change of broker is not that big. As I said that the number is not that big because we are not aggressively marketing, number one. Number two, as you said that the way I think money will come, is there a risk of bigger distributor going out?

Theoretically, if you always say that is there a possibility, there is a possibility, but why we believe that it is less chance because the change of broker code theoretically should or will happen in a case when the distributor is not getting the commission on the existing assets.

So say, for example, my distributor come across any investor's investment, where he is not getting that trail probably he will do the change of broker code, but the distributor who himself is getting the trail commission from Prudent, I don't think that he will be motivated to move the asset somewhere else in expectations of earning and by compromising 6 months trail. So that is where we believe that the chances of bigger distributor or any distributor of Prudent moving out with change of broker code, I think is very, very low. Yes. Somebody else has -- some other distributor might take away Prudent distributors' AUM. That is a possibility, but distributor himself might not do it.

- Sanketh Godha:** Got it sir. Perfect. That's it from my side. Thank you for the answer.
- Moderator:** Thank you. Next question is from the line of Lakshminarayanan Kg from Tunga Investments. Please go ahead.
- Lakshminarayanan Kg:** Sir, I just want to understand what is the net cash on the books as on end of the first half?
- Sanjay Shah:** I think it's roughly about INR430 crores -- INR440 crores. So actually I think the cash on the balance sheet would be roughly about INR400 crores and because of the merger of Prudent Corporate with Prudent Broking, what we did is we haven't provided a bank guarantee to the exchange, but we provided our additional cash in form of FD to that exchange. So I think that some INR40 crores, INR50 crores has been -- even though it is liquidity, but will not be visible in the liquidity. So all in all about INR450 crores. If I took away that FD to exchange, it's about INR400 crores.
- Lakshminarayanan Kg:** So what kind of income we generate on this cash because I see that the other income what we see in the top line seems to be a little underwhelming. So if you can just help me understand where the benefit of this holding this cash is captured in the income statement?
- Sanjay Shah:** No the entire cash is deployed in the liquid and liquid category. So it's -- either it will be in form of liquid or we might be holding some AAA-rated bonds. So it's definitely into the debt category. We have small SIP going on since years.
- Lakshminarayanan Kg:** What's the yield we get there, sir? I mean, what's the -- is it that -- what's the yield we are getting there?
- Sanjay Shah:** Yes, the average yield is roughly about 6.1%, 6.2% kind of thing on the overall liquid portfolio.
- Lakshminarayanan Kg:** Okay. So I mean, our cash is high, and we also would generate significant cash this year also. But our dividend distribution has been lower. Now what's the plan for the organization? What is your dividend distribution policy and why do you need to hold a lot of cash? How is the organization thinking about this?

- Sanjay Shah:** So the cash generation has started happening since last year because previously we had the cash, which was used for acquiring Karvy. And we believe there will be some acquisitions which will be ongoing. So I think we have been telling consistently that we would like to preserve cash for at least next 1 year, 2 years. And we might see within 1 year, 2 years we might reach a war chest about INR800-900 crores. So I think we will try and we have been constantly looking for some acquisitions. However, if we are unable to identify something, then definitely we'll distribute, but at least for next 2 years we'd like to preserve this cash.
- Lakshminarayanan Kg:** Got it sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Krupanshu from Thinqwise Wealth. Please go ahead.
- Krupanshu:** Hi, thanks for the opportunity. I have one question on yield. So sir, you mentioned that last quarter we had a one-off which was to the tune of roughly 2 bps. And if we see this quarter, we've maintained our yield. And there was some rationalization because of B30 AUM in our yield, but I don't see any impact. In fact, we've got better yield. So I just wanted to understand what explains this? That's my first question.
- Secondly, we have this line item of distribution of financial and nonfinancial assets. Sir, could you please give us a breakup as to what's the mix of say liquid loans, PMS, AIF unlisted share broadly? And my last question is more of -- if you can just explain like in the last 1 month, we've seen slight correction in the month of October. So when Nifty was significantly down say 1%, 2%. So what were the clients' reaction -- like just what I wanted to understand from you, -- like were they increasing their SIP amounts? Were they putting in more lump sum or something -- some industry trend as to how customer behaviour was, if you can give us some idea?
- Sanjay Shah:** So let me first of all address about the yield. So you said that in the first quarter our yield was a bit higher because of some prior period income which has been booked in the first quarter due to relaxation in KYC norms. That was about some INR4.4 crores which was roughly about 2 basis points of my revenue. So if you look at first quarter yield was roughly about 92 basis points. If you take away that 2 basis points our yield was in the range of 90 basis points. In the current quarter also, it is similarly the same range roughly about 90, 91 basis points.
- Second, about B30, it's already out of the way since last February. So the B30 income was only there in the last year. But from February onwards, it was zero. So first quarter and the current year second quarter B30 is practically zero. Third, about the impact in the second quarter about the HDFC as I said you hardly about INR70 lakh, INR80 lakh is the lower income because of HDFC reduction in back book. So I think the impact is very, very less. So overall, I think we believe the yield would remain more or less constant in the range of 90 bps even after all the adjustments are concerned.
- Krupanshu:** Just a follow-up. This quarter yields are 91.8 bps if I'm not wrong?
- Sanjay Shah:** Yes. I think it's 91 basis points. So roughly I think it's if we adjust -- I think you're right, yield is showing the improvement of about some 70 basis points, 80 basis points, but still we need to

look at the current quarter to get it validated. We have to look at whether it's a continuous improvement in the current quarter or it's the one-off item because of gross flows, just need to validate that.

Coming to the breakup of our other financial and non-financial products business. Yes. So mainly it comes from roughly about INR2.97 crores would be the revenue from liquiloans only in the first 6 months. I think the PMS/AIF we have would be about INR4.2 crores and the total -- then all the miscellaneous item would be LAS and your small case and everything will be less. Now regarding third question about -- you asked about the?

**Krupanshu Shah:** Market coming down, how the flows impacted?

**Sanjay Shah:** Yes. If you want to address.

**Shirish Patel:** Basically, we are assessing when the last few weeks, we can say that we have seen the market correction. And historically, we have seen that when the first correction comes, more and more people participate in the investments. And if this correction continues for a few months, then probably we see the moderation of the business.

Currently, if I look at my October business, probably I would say that in terms of new SIPs, we mostly will do much higher than my September number. So that itself, says that the new flows have not got impacted. Even if I look at my fresh purchase for October, I believe I think we'll be able to beat our September number. So that itself, says that this correction has not impacted the flows. But yes, if this kind of correction continues for a few months, we might see some moderation in the flows.

**Krupanshu Shah:** Thank you, sir.

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

**Dipanjan Ghosh:** Just a few follow-ups now, on this other financial products. This number has kind of stagnated at around that INR8 crores to INR9 crores per quarter. So just wanted to get some sense of can we kind of expect some traction on this number going ahead? And sir, second question is on the -- on basically this HDFC Nippon again.

So what -- correct me if I'm wrong, what I understood is the overall impact is around INR6 crores annually. But because we have been able to kind of pass it on a bit of it to the distributor, net-net, your 2Q impact was a few lakhs, like INR70 lakhs, INR80 lakhs. Is that a fair understanding?

**Shirish Patel:** No. Sanjay bhai spoke about the impact in the revenue in last quarter is around INR80 lakh. The annual impact would be around INR6 crores in the revenue. As we said that we will be able to pass it on to our distributor in the ratio of our sharing. So that is what we have spoken about. So INR6 crores is the annual impact. Quarterly revenue impact would be around INR1.5 crores. Out of that, we'll be able to pass it on in the ratio of what we normally pay to our distributors. I hope I addressed your question.



- Dipanjan Ghosh:** So in the ratio of like broadly like 70-30 or 65-35 something?
- Shirish Patel:** Yes. So in the similar ratio. So every time the ratio might not be followed exactly because we need to see that what AMCs are doing for other MFDs in the market. So that varies AMC to AMC. But in the recent cut we could manage to maintain our margin or the GP margin.
- Dipanjan Ghosh:** Got it. And sir, on the other financial products, the absolute revenue seems to have kind of stagnated around INR8 crores to INR9 crores?
- Shirish Patel:** So last quarter, because of this P2P guideline, there was certain reduction in the AUM we give the exit to the investor. Last 2 months, we didn't do any new business in P2P. So one, mainly in the P2P product, the revenue has come down mainly because of the regulation change. All other product revenue growth is still there.
- Dipanjan Ghosh:** So any -- I mean, do you continue to foresee this segment growing at let's say, 30%, 40% plus, which has been the historical run rate?
- Shirish Patel:** So except P2P products, yes, we can -- we can believe that this product revenue growth should be there. P2P, we are yet to evaluate the new avatar of the products, and then we'll take a call on the P2P otherwise excess P2P -- all other products we are comfortable with.
- Dipanjan Ghosh:** And sir, my last question in that case will be, could you quantify P2P in FY '24 revenue mix within this particular segment?
- Sanjay Shah:** So I think in FY '24, our revenue was about INR5.5 crores from P2P. In first 6 months, our revenue from P2P was about INR2.97 crores. And we started the year with about INR650 crores of AUM under P2P. When I'm talking to now that AUM has come down to INR340 crores. So you can say that there might be an impact of about INR3 crores, INR4 crores, INR3 crores, roughly, if I assume that INR300 crores remains stagnant, then my 50% income will come down.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.
- Sanjay Shah:** Thank you very much for, I think, all the questions and everybody who has joined on this call. If at all, if there is any question which has been unanswered, Parth Parekh, who handles our Investor Relationship as well as we all are available at the phone call away. So any time you can reach out. And I wish everybody a happy Diwali and a very, very prosperous New Year. Thank you.
- Shirish Patel:** Happy Diwali to everyone. Thank you.
- Moderator:** Thank you. On behalf of Equirus Securities Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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