

October 28, 2024

BSE Limited

Phiroze Jeejeebhoy Towers,
Dalal Street, Fort, Mumbai 400 001
BSE Scrip Code: 540767

National Stock Exchange of India Limited

Exchange Plaza, 5th Floor, Plot No. C/1,
G Block, Bandra Kurla Complex,
Bandra (East), Mumbai 400 051
NSE Scrip Symbol: NAM-INDIA

Dear Sir(s),

Sub.: Transcript of the earnings conference call for the quarter ended September 30, 2024

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings conference call for the quarter ended September 30, 2024, conducted after the meeting of Board of Directors held on October 24, 2024, for your information and records.

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

<https://mf.nipponindiaim.com/InvestorServices/pdfDocuments/Conference-Call-Transcript-for-Q2-FY-2025.pdf>

Thanking you,

Yours faithfully,

For Nippon Life India Asset Management Limited

Valde Varghese

Company Secretary & Compliance Officer

Encl: A/a



Nippon Life India Asset Management Limited Q2 FY2025 Earnings Conference Call

October 24, 2024



Management:

- **MR. SUNDEEP SIKKA – EXECUTIVE DIRECTOR & CEO**
- **MR. PARAG JOGLEKAR – CHIEF FINANCIAL OFFICER**
- **MR. SAUGATA CHATTERJEE – CHIEF BUSINESS OFFICER**
- **MR. AMOL BILAGI – DEPUTY CHIEF FINANCIAL OFFICER**
- **MR. ARPANARGHYA SAHA – CHIEF DIGITAL OFFICER**
- **MR. ARUN SUNDARESAN – HEAD OF ETF**
- **MR. ASHISH CHUGANI – HEAD OF AIF**
- **MR. SHIN MATSUI-SAN - NOMINEE OF NIPPON LIFE INSURANCE, JAPAN**

MODERATOR: MR. JIGNESH SHIAL – INCRED EQUITIES

Moderator: Ladies and gentlemen, good day and welcome to Nippon Life India Asset Management Q2 FY '25 Earnings Conference Call hosted by InCred Equities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Jignesh Shial from InCred Equities. Thank you and over to you, sir.

Jignesh Shial: Yes. Thank you, Steve and good evening, everyone. On behalf of InCred Equities, I welcome all to Nippon Life India Asset Management Q2 FY '25 Earnings Conference Call. We have along with us Mr. Sundeep Sikka, Executive Director and CEO, Mr. Parag Joglekar, the Chief Financial Officer, and the senior management team of Nippon Life India Asset Management. We are thankful to the management for allowing us this opportunity. I would now like to hand it over to Mr. Sundeep Sikka, Executive Director and CEO of Nippon Life India Asset Management for his opening remarks. Over to you, sir.

Sundeep Sikka: Good evening and welcome to our **Q2 FY25 earnings conference call**. We have with us, Chief Financial Officer – **Parag Joglekar** who has joined us recently, Chief Business Officer - **Saugata Chatterjee**, Deputy Chief Financial Officer - **Amol Bilagi**, Chief Digital Officer - **Arpan Saha**, Head ETF - **Arun Sundaresan**, Head AIF - **Ashish Chugani**, and **Shin Matsui-san**, nominee from Nippon Life Insurance (Japan).

I would like to share some comments on the recent Industry trends and our performance, prior to addressing your questions.

I would like to start by mentioning that in Q2 FY25, **NAM India has achieved its highest ever quarterly Profit After Tax of INR 3.60 bn as well as its highest ever quarterly Operating Profit at INR 3.65 bn**. Further, our **Equity Net Sales market share and SIP market share remain well above our Equity AUM market share**.

Beginning with the markets:

Equity markets in Q2 FY25 **displayed another strong performance** overall. The NIFTY moved up 7.5% QoQ, while the NIFTY Mid & Small Cap indices rose by 7.1% & 7.6%, respectively. RBI held the **repo-rate steady** at 6.50%, while the 10 Year **G-Sec yield moderated** by 26 bps QoQ to 6.75%.

Coming to data on the Mutual Fund industry:

1. Industry QAAUM grew by 12% QoQ and 41% YoY in Q2 FY25 to INR 66.2 trillion.
2. Strong momentum in the Equity segment sustained, as the share of Equity in overall AUM continued to increase, ending at 60.9% for Q2 FY25, up from 53.5% for Q2 FY24.

Now, moving to Industry flows:

- 1) The **Equity category** (excluding index funds and arbitrage funds) witnessed a gross inflow of INR 2.78 trillion and a net inflow of INR 1.32 trillion – **both gross and net inflows were higher on a QoQ basis for a fifth successive quarter.**
- 2) Categories with the highest inflows were **Sectoral/Thematic funds, Multi Cap and Multi Asset Allocation funds.**
- 3) Moving on to SIP - Investments via the SIP route further increased, with the **SIP contribution for the quarter being INR 714 bn, up 52% YoY and 14% QoQ.**
- 4) Monthly SIP flows in Sep-2024 stood at **INR 245 bn**, which was another all-time high.
- 5) The **Fixed Income category** i.e. (debt + liquid), **witnessed a net inflow of INR 507 bn** which was lower on a QoQ basis.
- 6) The **ETF category had a net inflow of INR 204 bn.**

At the end of the quarter, **unique investors** in the Mutual Fund Industry **increased to 50.1 mn i.e., an increase of 24% YoY.**

Now moving to our business performance:

- 1) We closed the quarter with total assets under management of **INR 6.54 trillion.** This includes Mutual Funds, Managed Accounts and Offshore Funds.
- 2) Our Mutual Fund QAAUM **grew 14% QoQ & 57% YoY to reach INR 5.49 trillion.** This made us the **fastest growing AMC among the Top-5 AMCs**

over a 6 month, 1 year and 3 year time frame. We also had the **highest increase in QAAUM market share on a YoY basis among all AMCs.**

I would now like to share a few key highlights for the quarter:

- 1) Starting with market share - Our **market share increased 9 bps QoQ and 83 bps YoY to 8.29%** with **market share increases across most asset categories.** This is the **sixth successive quarter of market share increase** that we have witnessed.
- 2) Our **Equity market share also continues to improve.** It increased by **8 bps QoQ and 43 bps YoY to 6.96%.** This is our highest Equity market share post Dec-2020.
- 3) The **share of Equity AUM in our overall AUM continued to increase** and stood at 51.1% for Q2 FY25, up from 49.8% as of Q1 FY25.
- 4) **We achieved a high single-digit market share in net sales** in the Equity + Hybrid segment in Q2 FY25. However, excluding NFOs our market share would be in double digits.
- 5) **We continue to have the largest base in the Mutual Fund industry, with 18.9 mn unique investors.** We are humbled to have over **1 in 3 mutual fund investors** invest with us.

I would also like to touch upon some important aspects of our Systematic Book:

- 1) I am happy to share that there has been a **continued uptick in our systematic flows** over the **last 13 quarters**, which has led to an increase in market share.
- 2) **SIP market share increased by 52 bps to 9.88%** over June 2024 to September 2024. This also represents **an increase of 385 bps over March 2023 when our SIP market share was ~6%.**
- 3) Our monthly systematic book rose by **22% QoQ and 81% YoY to INR 31.4 bn** for September 2024. This resulted in an **annualized systematic book of INR 376 bn.**

I would now like to update you on the increase in headcount witnessed in the quarter:

- 1) Our **employee headcount increased by ~85 employees in Q2 FY25.**
- 2) As stated on the previous call, we had inducted ~55 management trainees in July-2024.

- 3) As AIF remains an important focus area for us, we have also added resources on this front.
- 4) We will continue to invest in our future growth, including talent, technology, and other areas.

Moving on briefly to the ETF Segment:

- 1) We continue to be one of the largest ETF players with **AUM of INR 1.48 trillion** and a **market share of 18.2%** (which increased by **37 bps QoQ** and **414 bps YoY**).
- 2) Our **share in the industry's ETF folios is 57%**. We have **56% share of ETF volumes** on the NSE and the BSE. **Our ETFs' average daily volumes, across key funds, remain far higher than the rest of the Industry.**
- 3) Further, our **Gold ETF, is the 11th largest Passive Gold Fund in terms of AUM globally.**
- 4) To further augment our Passive offerings, we launched **2 New Products in the Index Funds** Category in the quarter, namely the Nippon India Nifty 500 Equal Weight Index Fund and Nippon India Nifty 500 Momentum 50 Index Fund.

Moving on to our digital franchise:

- 1) **Digital purchase transactions rose to 3.97 million in Q2 FY25, up 160% YoY.** Digital Business **contributed 70% of the total new purchase transactions** Q2 FY25.
- 2) ONDC is one of the major initiatives undertaken by the Government of India towards financial inclusion. NIMF was part of the first ever Mutual Fund transaction on ONDC platform that happened at the Global Fintech Fest, in August 2024.

Now, I would like to briefly update you on our subsidiaries - namely the AIF & Singapore subsidiaries:

- 1) **Starting off with AIF** - Under, Nippon India AIF, we offer Category II and Category III AIFs and have a **total commitment of INR 67.7 bn** across various schemes.
- 2) **Fundraising is currently underway** for our Listed Equity AIF, Performing Credit AIF, and Direct VC Fund.

- 3) During the quarter we have **undertaken final closing of one of our Real Estate Credit AIFs** - a follow-on fund to an existing Real Estate mandate from Japanese Investors.
- 4) **On the Offshore front** - We have witnessed good equity inflows in the quarter from various international geographies. **Offshore AUM grew 56% YoY to INR 172 bn.**
- 5) Our **UCITS Equity Fund has now crossed an AUM of USD 500 mn** and we continue to explore new and niche offerings in the Indian Equity space for International Investors.

Now on to our Financial Performance:

- For Q2 FY25, Revenue stood at INR 5.71 bn, up 44% YoY and 13% QoQ.
- Other Income stood at INR 1.21 bn, up 55% YoY and down 8% QoQ.
- Operating Profit stood at INR 3.65 bn, up 57% YoY and 19% QoQ.
- **Profit After Tax stood at INR 3.60 bn - up 47% YoY and 8% QoQ.**
- The **Tax component** in the quarter **includes a one-off impact owing to changes in tax regime post the Budget** i.e., i) removal of indexation benefit on Debt Mutual Funds invested prior to March 31, 2023 and ii) increase in Short Term and Long Term Capital Gains Tax on Equity Mutual Funds.
- **For H1 FY25**, Operating Profit grew by 58% YoY, Profit After Tax grew by 44% YoY.
- Further, the Board of Directors has declared an **Interim Dividend of INR 8.00 per share** along with the Q2 FY25 results.

To conclude, I would like to again mention that **we have been the fastest growing AMC over 6 months, 1 year and 3 years** and we will endeavour to **continue our journey of profitable growth going forward** as well.

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

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Krupanshu from Thingwise Wealth. Please go ahead.

Krupanshu: Yes. Sir, you mentioned that ONDC we had a first transaction. So I just wanted to understand how is ONDC helping you and the industry at large basically? And if you could just speak about ONDC in general, I just wanted to understand that one thing.

Sundeep Sikka: Sure. I will request my colleague, Arpan to give some inputs on this. But I'd just like to give an initial comment. ONDC is Government of India's largest initiative equivalent to or bigger than UPI, and it will help a lot for financial inclusion in India. Our transaction is in spirit of continuous innovation that we plan to do and launch new products and try to keep exploring new avenues to reach small investors in small cities and towns. In line with that, I'll request Arpan if he wants to add anything else.

Arpan Saha: Thank you Sundeep and thank you for the question. So the Open Network for Digital Commerce is as Sundeep mentioned an initiative by the Government of India. The objective is to democratize digital commerce to reach out to the numerous sellers and buyers across the last mile in this country. Also as part of our digital strategy, we believe that in order to have inclusion of new customers for the mutual fund industry it's important to go beyond BFSI partnerships and touch upon the retail space where people have still not got etched on the mutual fund industry. And we believe that ONDC would be a great platform, which will gain a lot of momentum in the years to come.

And each and every Indian customer who would be able to invest in Nippon India Mutual Fund along with the rest of the asset management industry, especially the huge base of B2C customers in Tier 3, 4 locations and the pin codes where internet has penetrated, but mutual fund is just starting to gather momentum. It is the right time to do that. And Nippon, in fact, was the first asset management company to partner and get an opportunity with ONDC to start the mutual fund business on this platform for the consumer. Thank you.

Krupanshu Shah: So just one follow-up on that. So are we like paying ONDC for some kind of a data analysis on that sense for those cities where we cannot have reach? Just wanted to understand that.

Arpan Saha: No, we are not in any kind of payment structure because we believe that both ONDC and Nippon have the same vision of inclusivity for the digital

commerce space, and therefore, it is important that we jointly get customers to the mutual fund for us. So that's the overall vision that we have jointly.

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

Lalit Deo: Congratulations on the good quarter. Sir, just 2 questions. Firstly, on the SIP flows. So we have gained about more than 50 basis points of market share on a sequential basis. I just wanted to understand, like which of the categories we are seeing a huge improvement in the SIP flows. And also you can talk -- could you talk about the different channels where we have been gaining market share?

Sundeep Sikka: So Lalit I'll request my colleague Saugata Chatterjee to answer this question.

Saugata Chatterjee: Thanks Lalit for this question. Yes. So SIP for us, like we have been mentioning in the previous calls, it's a very, very important part of our strategy. And when we are trying to acquire these SIPs from the various parts of India. We use multiple channels. For us, digital is a big channel. We also use the feet-on-street model where our mutual fund distributors, the bank and various stock broking arms, they are all -- they have all onboarded our funds. And through the retail channels, we acquire these SIPs in the market. The good part is we have a very strong franchise of beyond 30 channels who are participating in our SIP growth.

So it's a cumulative effort of digital, physical efforts which we are putting on the ground to increase the SIP book. We also do a lot of digital marketing activities using all our existing client base to enhance the SIP book as well as to ensure that multiple products are acquired through the digital channel. That's the way we are increasing our SIP book.

Lalit Deo: Sure, sir. And second, on the yield side. So our calculation suggest that revenue yields have broadly been remained stable on a QoQ basis in the standalone business. But despite the strong growth in the overall AUM. So could you give us the segment-wise yields like have you seen any pressure on the -- across different segments?

Amol Bilagi: Amol here. So on the yield side, because of telescope pricing at the AUM growth, I think the pressure on the yield would continue as we have been maintaining same over the call. So for the current quarter, the yield stood at around 37 basis points, a drop of around 0.5 basis point QoQ. As far as asset class wise is concerned, the yield on the equity stood at around 58 basis points. On debt, it stood around 25 basis points, on liquid around 12 basis points and on ETF around 15 basis points.

Lalit Deo: Sure. And sir, another thing was like one of our competitive peer has probably cut distribution -- has cut yields on the back book of the distributors. So going ahead, do we see any similar kind of reaction from our side just to protect our revenue yield?

Sundeep Sikka: As a process, we continue to always keep evaluating wherever there's an opportunity. As I mentioned in closing remarks, we will continue focusing on profitable growth. And as a part of that, we have it in past also, we looked at the brokerages, and we will continue doing that irrespective of what the competition does or not do. Our focus remains, while we have seen a lot of increase in our market share. But between market share, top line and bottom line, our focus has always been on bottom line.

Moderator: The next question is from the line of Shreya Shivani from CLSA. Please go ahead.

Shreya Shivani: So just wanted to check on the tax that has come in. So whatever was the excess that we would have incurred because of the change from March '23 till now, we've taken all of it 2Q, and we should not expect anything higher than this coming up in the coming quarters. I'm just asking because this tax rate was a big question mark for this quarter and your tax rate and what probably your peer has reported is very different. And I understand the mix is very different and so many things could be different for the calculation of it, but I just wanted a clarification on that.

Second, I wanted to check that on the employee addition, you mentioned -- you had mentioned 55 management trainees had joined in July. And had you also mentioned about 45 new employees' addition in this financial year? So is it like there are 90 people added in FY '25? This is my second question.

And my third question is just something that I was wondering that on your small and mid-cap fund, so I understand that if I take Nippon small and mid-cap fund as a market share of the total small and mid-cap industry, it's been -- it dipped a little back to about 13% or so. Do we internally keep any market share limits over here or any market share limits in the non -- in the other large caps, et cetera, because there, you've significantly gained market share in the small and mid-cap equity portfolio. So do we internally keep any limits, any ranges that we want to be in? Those are my 3 questions.

Amol Bilagi:

Yes. Thanks, Shreya for the question. So I would take the tax part of it and then probably other colleagues can take the other part. So on the tax front, see, how we go about when we provide for taxes on a yearly basis, what is the effective tax rate that we foresee that is going to happen. So on that basis, what we force is the tax rate for the year is as of now tax rate forecast is 25.7% of -- roughly 26%. And that is what you will see in the half yearly results tax rate if you look at it.

So we -- that is how we posted as mentioned. So we have taken the full impact of the change in the tax rate and the indexation benefit that is 1. We have taken the full impact of that in this quarter.

Sundeep Sikka:

So on the other 2 questions on the employees. We have added 130 employees in H1, 45 were added in Q1 and 85 were added in Q2. We broadly feel for this financial year, this number will not go up maybe by about another 10, 15, but we have finished our recruitment for this year. That is point number one of the employees.

Coming to the other question on the small cap and market share. We do not like to approach it like from a market share of a segment point of view. Our focus is very simple that we'll continue every fund, every category is important for us. We will ensure that we continue to deliver superior returns and let the investor decide where he wants to come rather than put individual market share targets in a subcategory. We feel that is not a very customer-centric approach. Let customers take the decision whether he wants to come based on risk appetite.

From our perspective, overall, as a portfolio, every fund remains equally important. It's not that small cap is more important than others. And as we have mentioned in the past, the inflows for us, even after we put a cap on the small cap, inflows we are seeing across the various funds. I hope this answers your question.

Shreya Shivani: Yes. That's useful. One more question, if I can add is on your managed account. That book -- okay, I'm not very sure of this, but that includes your AIF business, right, the INR825 billion?

Sundeep Sikka: Yes, that includes.

Shreya Shivani: Yes. So I was just trying to understand that book has been largely flat between June and September. So any color around that? What has happened and some color on that would be useful?

Sundeep Sikka: So you're right, it's broadly been flat. There has been some fundraise, but there's also some maturities. There are some funds which have matured, I think, and they have seen an outflow. From our perspective, as I mentioned earlier, we are currently underway in our fundraise for our listed equity AIF, performing credit AIF and a direct venture fund.

So as you can understand unlike mutual funds, many of these things - some of these are also foreign flows they take a little time, and they are more binary. We believe we are building up a strong foundation. And even maybe in the next quarter or two also you might see it relatively flat because it will take a little time. But all I can say is this is going to be an important business for us.

Shreya Shivani: Got it. So should I interpret it as it is an account whether inflow outflow can be chunky. That bit is correct, right? If the money can come in huge amounts and then exit in huge amounts, right?

Sundeep Sikka: So there are two parts to it. I mean, definitely when you look at the offshore mandates and all, they are chunky. But I want to also clarify, what you're seeing in the managed account, a very large is the Postal Life Insurance mandate that we manage. And so that also has a reflection of mark-to-market their flows and inflows.

But on your bigger question on - is that AIF remains very critical for us. In fact, when I talked about recruitment also head count, as specifically mentioned we are adding a lot more senior resources in AIF business. And we're building a strong foundation for future.

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

Prayesh Jain: Firstly, I just wanted to understand the behaviour of the customers especially coming in from the digital players like Groww, Angel One and those kind of digital customers. Is it that a lion's share comes to the top three schemes -- top rank three schemes the category and the lower schemes get a much lower share. So basically trying to understand whether the quartile -- importance of quartile is kind of receding, and the top three rank is kind of holding up better? That would be my first question?

Sundeep Sikka: I would not like to go for the customers of a particular channel, coming through ABC distribution on its digital partner. But broadly, what we have seen is digital, investors which are coming through digital are also in offline. There can be divided in 2 different categories. There are investors who are especially some of the first-time investors for whom the returns become a very, very important thing. they look at the only the returns. But what we have seen as investors mature and they try to see a longer track record of the companies, which have been -- how they have performed in different market cycles. And no two investors are the same.

So these are the investors, there will be investors who like to see funds which have a track record of 20 years. For them, the -- some investors that could be a very important thing. For some investors, performance of the last quarter forget 1 year could also be important. So there's no single trend that we can figure out from digital channels, but one thing that you must see that works whether it is digital or offline, funds having the long-term track record and have performed through different market cycles, they tend to get away with the lion's share, irrespective in one or two quarters, you can see a little bit of slip here or there, but consistency over a long period of time is what gets rewarded.

Prayesh Jain: Got that. Secondly, on the international fundraising - what are the recent developments? And what are the things that you guys have planned for the next couple of years?

Sundeep Sikka: There are two parts to it. I'll break it down Japan and ex-Japan. So as a regular day-to-day basis, because of our UCITS structure, and we have come some advisory mandates globally, which keeps happening. But we've also seen a lot of interest from Japan. At this point of time, while I won't be able to give specifics. But over the next 6 to 9 months, you will see a couple of new funds, India dedicated funds getting launched in Japan, which will be managed by us.

Prayesh Jain: And Japan?

Sundeep Sikka: In next 6 to 9 months.

Prayesh Jain: So you said a couple of schemes in Japan in the next 6 to 9 months, right?

Sundeep Sikka: Yes.

Prayesh Jain: And what about ex-Japan?

Sundeep Sikka: Japan is like our home country, we're very strong there. But other than that, also there are a couple of Middle Eastern sovereign wealth funds that we are managing. We are seeing flow coming from Europe also. But in Japan, we have a distinct advantage being the home country for us. We are very bullish on that.

Prayesh Jain: Okay. And last question is on the commission structure you mentioned that you make corrective actions here and there. But is it a trend that you basically to protect the further fall in yields from here on with respect to the growth in AUM, would you want to kind of link to the commission structure to the TERs and rather protect your yield as well by not passing on -- by passing on the hit of the TER to the distributors? Is that a thought that we are working with so that our yields kind of get protected in further falling TERs because of the telescopic structure?

Sundeep Sikka: I won't get into the nitty-gritty, but my sense is you will see industry moving towards that.

Moderator: Thank you. The next question is from the line of Madhukar Ladha from Nuvama Wealth Management. Please go ahead.

Madhukar Ladha: Congratulations on a great set of numbers. So just a couple of questions from my side. I don't know whether you've already addressed this because I missed a little bit of the call. First, is there some reduction in Q-o-Q equity yields? And I just wanted to get a sense of what is driving that? And if you could also give your segment-wise yield, that would be useful.

Second, what is driving such a strong other income? And third, even if I adjust your tax amount by the INR 29.5 crores of that deferred tax liability, our tax rate for the quarter is still quite low. So what is happening there? If you could help us with that.

Sundeep Sikka: Madhukar, I'll request Parag and Amol to take this question.

Parag Joglekar: So Madhukar, I think, Amol covered the realization which we have. So there is a slight drop because due to the telescopic pricing in equity, it has dropped to from 60-odd to 58 around. And so that is there. So as telescopic pricing, there will be some more movement in the yields will happen on equity. Debt remained in the range of around 24, 25 basis and liquid remain in the range of around 12 basis.

Madhukar Ladha: Got it.

Amol Bilagi: Yes. On the other income front, Madhukar, it is more due to mark-to-market. There's nothing -- anything one-off or something like that. It is clearly mark-to-market. It is on the investment that we have in the mutual fund equity debt scheme.

Madhukar Ladha: That's why the tax rate is low because...

Amol Bilagi: Yes. Tax definitely the higher the other income, it would have a positively impact on the overall tax rate.

Moderator: Thank you. The next question is from the line of Darshan Shah from Multi-Act Equity. Please go ahead.

Darshan Shah: My question is on the commission rationalization part. So on what percentage of AUM have you rationalized the commission? And have we seen the full impact in this quarter?

Saugata Chatterjee: Yes. Darshan, this is Saugata. So commission rationalization, like we have mentioned in our earlier calls. So we had done in our small-cap fund, which was the largest fund of ours. We have done the entire -- on the book, the commission rationalization was done, which continues to fall in place because we have now set up a system whereas per the TER movement, the commercials keep going down in case of small cap fund. The similar logic has been applied to all the new businesses which come in all the funds.

So depending on the telescopic pricing, the new brokerage structure on the new flows continues to move in that direction. So we are technically, it's a pass-through what is happening at this point in time.

Darshan Shah: But there is no change in the back book commission side, except for the small cap fund?

Saugata Chatterjee: On the entire book, of course, it was the small-cap fund, and we are evaluating. As you progress, we will definitely keep assessing opportunities to look at the entire book on certain funds.

Moderator: Thank you. The next question is from the line of Santosh Keshri from SKK HUF. Please go ahead.

Santosh Keshri: Actually, a few queries from the financials. Like, I can see that our revenue QoQ went up by 13%, whereas the PBT is up only by 10.78%. Now in this kind of business, the operating metrics is more in favour of the business, it should not -- it should be more than the percentage of revenue that it went up by. So may I know the reason? Is this because of ESOP cost?

- Amol Bilagi:** So if you look at it -- you're right, the revenue from operation has gone over 13%, but the other income is down 8%. So that is also having an impact on the PBT level. So that's why the PBT is up by 11%.
- Santosh Keshri:** Okay. And what is the impact of ESOP cost in this quarter? And how long it will continue if you can just give full numbers?
- Amol Bilagi:** So the ESOP for the quarter, it would be around INR 11-12 crores. And for this year, as we have maintained that for this year, the ESOP hit on account of the ESOP granted would be around in the range of INR 42-45 crores.
- Santosh Keshri:** And second thing is from the business point of view, I guess we haven't launched any new ETF or new fund for fund for subscription by the investors. But even then, we can see that the fees and commission line is going up, like we have seen an increase of almost 7% QoQ and 23% YoY. So what's the reason that the fees and commission will go up while we are not launching any new fund?
- Sundeep Sikka:** So Santosh this is not only for the mutual fund, but also on the AIF side. That is why there is a slight increase on the fees and commission.
- Santosh Keshri:** What you're seeing is a consolidated basis.
- Sundeep Sikka:** Yes, not mutual fund.
- Santosh Keshri:** And any reason, sir, we are not launching new funds because our competition is launching new funds, and they are collecting money in buckets. And most of the subscriptions are hugely successful, a lot of funds are coming in and their profits are also -- even though they are quite large, their profits are much more appreciating QoQ increment is much more than us. So any reason we're averse to launching new funds?
- Sundeep Sikka:** So Santosh, I think, as we have mentioned in the past, we would not like to launch multiple NFOs. We like to focus scaling up our existing schemes, and wherever we have good performance, continue creating wealth for investors and scale it up. We do not believe in launching NFOs which is more asset gathering strategy. From our point of view, the two principles guide us.

Number one is to create wealth for investors, we focus on the existing schemes. And for the shareholders, the focus will be on profitable growth. So we do not want to be distracted by short-term increase in AUM, which comes with NFOs, which may or may not be sticky or sustainable from long-term point of view.

Santosh Keshri: Okay. So that's the biggest call we have taken.

Saugata Chatterjee: And also Santosh. Just a reference point should be that our net sales growth is very consistent over the last 1 year, month-on-month. So we don't get impacted by these NFOs, because there's a lot of churn money which keeps coming in NFOs. We are looking at fresh flows which keeps giving us growth.

Sundeep Sikka: So what you should see is basically our SIP book has almost doubled. And the market share has doubled in last 3, 4 years. And we believe it is slow growth, but consistent and stable growth.

Moderator: Thank you. The next question is from the line of Amit Gupta, an Individual Investor. Please go ahead.

Amit Gupta: Most of the questions have been answered. But one question which I've been looking to ask is like we are the leading player in the ETF and ETF segment. But we are not launching any innovative products like triple ETF, triple leverage ETFs, which are like in U.S.? Are we not allowed to do launch such ETFs in India, or we have not pushed those to -- SEBI to introduce such ETFs India?

Sundeep Sikka: Mr. Amit, broadly, we continue, like we mentioned in the opening address, we launched two new products this time in this quarter, which was Nippon India Nifty 500 Equal Weight and Nippon India 500 Momentum 50 Index Fund. Some of these are industry first. We continue evaluating various products. Some of the products that you mentioned right now, some are not allowed by the regulator and some we have a very strong view. Overall, we like to launch products such as simple and easy for investors to understand.

We do not want to get into complex products, which basically is difficult for investors to understand. And while in the short-term, they look very exciting. But from a long-term point of view, they may or may not be good for investor.

But we'll continue evaluating. I would also like to share with you our ETF and passive product suite is one of the largest in the industry. And this also gets reflected in the number of investors and the total market share we have.

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

Abhijeet Sakhare: I just have one number question. What would be your realizations or yields in the pension in the offshore business?

Amol Bilagi: Generally, we don't give out that number. So it would be in the range -- actually you see on the government, it will be on the lower side, but on the AIF and other businesses it could be in the range of 0.5% to 1.5%.

Abhijeet Sakhare: Got it. And just one more, if you can share any outlook on expense growth for the next 6 to 12 months?

Sundeep Sikka: So Abhijeet, the expense growth we are looking at except ESOP should be in the range of around 15%-odd that should be the outlook we are looking at.

Moderator: Thank you. The next question is from the line of Gaurav Jani from Prabhudas Lilladher. Please go ahead.

Gaurav Jani: Congrats on the quarter. So two questions from my side. One is a slightly broader question. I mean also according to the industry, I mean, not only you guys, but last 2-odd years we have seen elevated commissions, elevated payouts which is sort of normalizing right across some of the AMCs. So could this trend continue for 1.5, 2 years? I mean, how should we look at it? That's number one?

And secondly, what would be the impact on net sales overall for the industry and especially for the players that are doing well?

Sundeep Sikka: So it will be very difficult to answer it for the industry. But one thing is very clear. If you were to see in any industry, there will be different players depending on what the Board and the shareholders guide, whether you want to work for top line or bottom line. What you are seeing is basically -- I mean

there will be industry players who will continue to pay higher commissions for whom the market share is more important. As over multiple quarters and including the address earlier I mentioned, as a company we will focus on growth, but it will be profitable growth.

While we have seen market share go up, but if ever it's a question between market top line and bottom line, it will be the bottom line that will guide us. So for us that will be the guiding principle.

Gaurav Jani: So, Sundeep, what I understand is certain amount of flows can be compromised?

Sundeep Sikka: If it's incremental, they do not add to the profitability, yes, we will.

Moderator: Thank you. The next question is from the line of Bhavin Pande from Athena Investments. Please go ahead.

Bhavin Pande: Congratulations on a great set of numbers. I just had one question regarding the filing that we had done last month in which we spoke about investments made by erstwhile promoters. So has there been any measurable progress on that front?

Sundeep Sikka: We continue working with the regulator. There's no new update. the last update, which has been informed to the stock exchanges, there's no further update after that. And if there is any, I think, we'll keep you informed.

Moderator: Thank you. The next question is from the line of Jatin, an individual investor. Please go ahead.

Jatin: My question is like whether Nippon India Mutual Fund will look to expand in other verticals like health insurance or life insurance in near future?

Sundeep Sikka: So, Jatin as mentioned earlier, our focus will remain on profitable growth within the regulatory framework that we can do. As per Section 24, we can only continue focusing on asset management businesses. So we will continue focusing and expanding our businesses and continuously evaluate both growing organically and acquiring any business that is related to asset

management. And as when there is anything further update, we'll be in touch with you.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the conference over to the management for their closing comments.

Sundeep Sikka: So thank you very much. As mentioned earlier, the management team will continue focusing on profitable growth. Thank you very much and wishing all of you very Happy Diwali.

Moderator: On behalf of InCred Equities, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.