UTI Asset Management Company Limited

UTI Mutual Fund

Ref. No.: UTI/AMC/CS/SE/2024-25/0481

Date: 29th October , 2024

National Stock Exchange of India Limited
Exchange Plaza Plot No. C/1
G Block Bandra – Kurla Complex
Bandra East Mumbai – 400 051.
Scrip Symbol: UTIAMC

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400 001.
Scrip Code / Symbol: 543238 / UTIAMC

Sub: Transcript of the earnings conference call on financial performance of the Company for the quarter and half year ended 30th September, 2024

Dear Sir / Madam,

Pursuant to Regulation 30 read with Schedule III Part A Para A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the SEBI Listing Regulations) and as per the relevant SEBI Circulars, we are forwarding the transcript of the earnings conference call held on Saturday, the 26th October, 2024 at 1100 hrs IST on the financial performance of the Company for the quarter and half year ended 30th September, 2024.

The transcript of the aforesaid earnings conference call is also available on the Company's website at www.utimf.com in compliance with Regulation 46 of the SEBI Listing Regulations.

Thanking you,

For **UTI Asset Management Company Limited**

ARVIND BHAGWAN DAS PATKAR

Digitally signed by ARVIND BHAGWAN DAS PATKAR
Date: 2024.10.29 15:46:45 +05'30'

Arvind Patkar
Company Secretary and Compliance Officer
Membership No.: ACS 21577

Encl: As above

UTI Asset Management Company Limited
Q2 & H1 FY25 Earnings Conference Call
October 26, 2024

Moderator: Ladies and gentlemen, good day and welcome to the UTI Asset Management Company Limited Q2 & H1 FY25 Earnings Conference Call.

From the management, we have with us Mr. Imtaiyazur Rahman – Managing Director & Chief Executive Officer; Mr. Vinay Lakhotia – Chief Financial Officer & Head of Corporate Strategy, Mr. Surojit Saha – Group Financial Advisor and Mr. Sandeep Samsi – Head - Investor Relations, Marketing & Corporate Communication. We also have with us the Investor Relations team from Adfactors PR.

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 the *, then 0 on your touchtone phone. Please note that this conference is being recorded.

Before we begin, I would like to mention that some of the statements made in today's discussion may be forward-looking in nature and may involve risk and uncertainties. Please note the disclaimer mentioning these risks and uncertainties are on the disclaimer slide of the investor presentation that has been shared earlier.

I will now hand the conference over to Mr. Imtaiyazur Rahman for their opening remarks.

Imtaiyazur Rahman: Thank you so much. Good morning to all of you for joining us today as we review our operational and financial highlights for the half year ended 30th September 2024 as well as quarter ended as on date. We have uploaded our investor presentation on our website as well as on the stock exchanges website. I am quite confident this information must have been read by all of you. We are all here to clarify any doubts that you may have about our operations. I have with me, my distinguished colleagues, Mr. Vinay Lakhotia, CFO of the Company and Head of Strategy; Mr. Surojit Saha, Group Financial Advisor of the Company and Mr. Sandeep Samsi, Head - Investor Relations, Marketing as well as Corporate Communications. We will be appraising all of you on the operational details of our company.

I am pleased to mention that India's economy continues its growth driven by robust domestic demand, rising private capital expenditure and vibrant service activities. Manufacturing sector outperformed in early 2024 aided by lower input cost with growth stabilizing at 6.7% in quarter two. The IMF and World Bank both projected 7% growth for our economy for the financial year 2025, supported by a rebound in agriculture and strong private consumption. The Reserve Bank of India maintains 7.2% growth forecast of our economy. We are the fastest growing economy in the world.

Let me share the insights about the mutual fund industry. Mutual fund industry is extremely transparent and the required information is already available in the mutual fund industry or AMFI website as well as the details which we have provided in our presentation.

The Indian mutual fund industry has witnessed remarkable growth in recent times, much of which can be attributed to the retail investors. The aggregate folio count as of September 2024 is 21.05 crore as against 15.71 crore a year ago, indicating an increase of 34% on year-on-year basis. The assets under management of the mutual fund industry saw a significant increase. The average AUM of the industry as on 30th September 2024 was ₹ 67.09 lakh crore, a growth of 44% over September 2023 and the figure was ₹ 46.58 lakh crore as on September 2023. The increase in investment under SIP has helped the industry to grow. The AUM under SIP touched a new milestone of ₹ 13.82 lakh crore in September of 2024. The monthly inflows under SIP are seeing a steady rise with 66.39 lakh new SIP accounts being added in September itself, taking the total count to more than 9.87 crore SIP folio holders. The growth can be credited to various factors including investor confidence, financial literacy initiatives and enhanced awareness especially in the cities beyond top 30, and a noticeable shift from traditional savings to new investment avenues. It is pertinent here to mention that mutual fund industry is playing a very significant role in India's economic growth.

Let me share with you about UTI AMC. Our total assets under management of the group stood at 20.16 lakh crore as of 30th September 2024 compared to 16.89 lakh crore in the same period in the previous year. The UTI mutual fund quarterly average AUM accounted for ₹ 3.43 lakh crore reflecting a growth of 28% from ₹ 2.67 lakh crore a year ago and ₹ 3.11 lakh crore as of 30th June 2024. This significant increase can be largely attributed to our focused go-to-market strategy that aggressively promoted all categories of funds.

Friends, in addition to our strategic focus on product categories, we have expanded our investment research universe, which has been instrumental in consistently improving the performance and competitive ranking of our various schemes. Notably, the fixed income category has witnessed a marked revival in recent months, which has further helped in growth of our AUM. The strategic approach has enabled UTI AMC to sustain its upward trajectory, delivering value to all our stakeholders. Regarding launch of funds, we are also focused on launching new products as needed by our investors.

During the quarter, we successfully launched the UTI Nifty 200 Quality 30 Index Fund and the UTI Nifty Private Bank Index Fund, both performing well in their respective index fund categories. We now offer 15 products under the Index Fund category with closing AUM of ₹ 36,505 crore as of September 30, 2024. Geographically, our stronghold is in beyond 30 cities and we are extremely strong there. Our AUM flow is close to 21% monthly average AUM which is higher than the industry average of 19%. To further capitalize on the emerging opportunities, there is a lot of focus on expanding and strengthening our distribution network. UTI has been constantly planning interventions like dedicated training and workshops to equip them with necessary knowledge and skills to navigate the evolving financial landscape. UTI AMC has been at the forefront of investor education drive to create awareness about the mutual fund category with our flagship program, UTI Swatantra. In the first half of September 2024, the company has held 383 Investor Awareness Program reaching out to 31,000 investors. Out of these, 115 sessions were specifically for women investors, engaging more than 5,000 participants. A targeted educational campaign was also conducted for teachers focusing on retirement planning.

Regarding digital assets, we are pleased to inform you that we are constantly augmenting our digital assets and processes to provide best in class technology with top-notch safety standards across our network. UTI is known for its culture and employees' welfare. Many initiatives and processes have been put in place to create a conducive environment for our team within the country and in our overseas offices.

Technology upgrades are being implemented to streamline operations, enhance performance monitoring, and improve client servicing.

Let me now share with you about our subsidiaries.

First of them, UTI International:

UTI International has opened a new office in New York. U.S. presents significant opportunities, offering large pool of institutional capital. Our existence in this market provides us with a unique opportunity. We have undertaken significant steps for the growth of this business. This has led to high employee and administrative costs. But these are critical steps for market expansion, operation upgrades and product development from a medium-to-long-term growth perspective. I am confident that our investment would be extremely fruitful in our future growth. A dedicated push for brand building along with the product distribution is planned for long-term sustainability and AUM growth. These relationships will serve as catalysts for potential future inflows as our track record of India focused investment differentiate us from other global peers.

We are actively hiring professionals in key geographies to accelerate business development. The Middle East is driven by sovereign wealth funds and institutional investors seeking global diversification, offering another important growth avenues. And therefore, we are upgrading our regulatory license in DIFC to give us greater flexibility to offer investment advisory services.

UTI Pension Funds Limited:

UTI Retirement Solutions Limited was renamed as UTI Pension Fund Limited at the beginning of this financial year. After obtaining a POP license from PFRDA and NOC from SEBI, we opened 16 branch offices across Bharat. We are in the process of building a strong sales & distribution team for NPS in order to grow our market share in the private sector. I am extremely delighted to share that UTI PFL fund performance during financial 2024 has been commendable. We have been ranked number one for the central government scheme and as well as for the state government scheme.

Our other subsidiary, UTI Alternatives:

We intend to dive deeper into existing business territory along with expanding into new ones simultaneously. Between financial year 2021 and half year September 2024, we saw high employee cost. This is due to the increase in hiring of good business executives.

During the same period, management fees income has also increased. Therefore, we can say with all confidence that the employee cost has increased commensurately with the growth of the business, and it provides us a great business opportunity in future. Sales function in this organization will continue to operate on lean models, and we will leverage on our distribution network largely. For sales support, we may also explore some tie ups. SDOF-I and SDOF-II expected to be fully closed. Existing funds which are currently in fund-raising mode will be entering their financial close soon.

Friends, at the group level, we are delighted to share that our subsidiaries are well capitalized. I would like to highlight that in UTI Group, our focus continues to be on:

- One, launching appropriate new products in all business lines.
- Two, increasing our geographical expansion.
- Three, investing in hiring and upskilling our human capital for the entire group.
- Four, investing in digital resources for the entire group.
- Five, enhancing the governance practices globally of the gold standard.
- Six, having robust risk management processes globally.
- Last but not the least, building a strong mechanism for strict compliance and regulation.

For further insight into UTI AMC's performance and other operations, update for Q2 and H1 of financial year 2025, I now invite Mr. Sandeep Samsi, Head of Investor Relations, Marketing & Corporate Communications to provide the details of our operations. Over to you, Sandeep and thank you.

Sandeep Samsi: Thank you, sir. I will first take you through UTI AMC performance during the 2nd Quarter and half year ended 30th September 2024. UTI had a market share of 6.2% of the total gross sales of the industry during this quarter and market share of 6.6% of the total gross sales for the H1 FY25. Our equity quarterly average AUM for the quarter ended September '24 stood at ₹ 98,638 crore, rising by approximately 26% as compared to the quarter ended September '23. Quarterly average AUM for index and ETF stood at ₹ 145,135 crore, up by 47% year-on-year in the 2nd Quarter. ETFs and index funds net inflows stood at ₹ 6,022 crore in quarter two of FY25.

UTI Mutual Fund has added 4 lakh 7 thousand folios during the quarter, taking up the number of live folios to 1.29 crore as on 30th September, 2024. Our SIP AUM witnessed a growth of 50.26% over the corresponding quarter of last year, reaching 39,882 crore as of September '24. The SIP inflows for the 2nd Quarter stood at ₹ 2,058 crore. The SIP gross inflows for the 2nd quarter for UTI Mutual Fund witnessed a year-on-year growth of approximately 25%, with the average SIP ticket size being ₹ 3,297 on September '24. For the half year, SIP inflows were ₹ 3,907 crore, higher by 18.42% as compared to ₹ 3,300 crore in the H1 of FY24.

On UTI financials on consolidated basis.

During this 2nd Quarter, the company posted a consolidated net profit of ₹239 crore higher by 31% year-on-year and down by 6% quarter-on-quarter, while the consolidated core revenue from operations stood at ₹373 crore higher by 28% year-on-year and by 11% quarter-on-quarter.

The core profit after tax for the 2nd Quarter was ₹ 132 crore, higher by 50% year-on-year and 14% quarter-on-quarter. For the half year, the consolidated net profit was ₹ 493 crore, higher by 18% year-on-year and consolidated core revenue from operations was ₹ 710 crore, up by 24% year-on-year.

On a standalone basis, PAT of UTI AMC limited for Q2 of FY25 is ₹ 201 crore reflecting a growth of 50% on a year-on-year basis and 8% on quarter-on-quarter basis. PAT for H1 FY25 is ₹ 387 crore, higher by 29% YoY. The core profit after tax for the 2nd Quarter was ₹ 116 crore higher by 65% YoY and 17% QoQ. The core profit after tax for H1 FY25 is ₹ 214 crore higher by 54% YoY.

On HR initiative, as part of its commitment for continuous learning, we successfully rolled out a new learning management system called UTI Pragati. This platform provides employees at all levels with opportunities for ongoing development and training.

On tax-related matters, we would like to highlight an important aspect on the additional deferred tax liability created in Q2 FY25 for ₹ 12.10 crore. As per the Indian accounting standards, we mark-to-market our treasury investment every quarter and create deferred tax liability on the notional gains. Till June '24, we had created deferred tax liability at a prevailing tax rate then, including indexation benefits. However, the capital gains tax rate has been changed in the union budget of 2024, including the change of tax rate for equity-oriented mutual funds to 12.5% and the indexation benefits have also been removed. Accordingly, we have recomputed the deferred tax liability on all the past M2M gains at the new rate. As a result, the deferred tax liability recorded on fair value gains on the investment as of June '24 has increased by ₹ 12.10 crore, thereby resulting in an additional one-time charge in the net profit of the company as on September 30, 2024.

Coming to the Group Company:

UTI Pension Fund Limited

Our 100% subsidiary, UTI Pension Fund Limited has recorded a growth of 24.64% year-on-year in its AUM reaching approximately ₹ 3.36 lakh crore as of 30th September ‘24 and currently it manages 25.12% of the NPS Industries AUM. The PAT of UTI Pension Fund Limited for the first half of the year is ₹ 29 crore, an increase of 16% year-on-year.

On UTI International:

UTI international represents our international business interest and has an AUM of ₹ 29,814 crore as on 30th September 24, up by 23.16% year-on-year. Our international clients are across more than 40 countries. These are primarily institutions, pensions, insurances, banks and asset managers. One of our flagship funds by India Dynamic Equity Fund, domiciled in Ireland, has an AUM of USD 1,136 million. UK International J. Safra Sarasin Responsible India Fund, an ESG compliant India Fund has an AUM of USD 76 million.

UTI Innovation Fund launched last year has an AUM of USD 56 million.

UTI Alternatives Private Limited:

UTI Alternatives Private Limited has an AUM of ₹ 2,856 crore. It has a well-defined ESG policy and strategy. It is committed to responsible investing. UTI SDOF-II & III have a well-defined ESG policy and strategy. It currently manages the following active debt funds:

- UTI SDOF-I received SEBI approval in August 2017 and has final close in May 2019. It has a net commitment of ₹ 71 crore and is in the exit stage.
- UTI SDOF-II received SEBI approval in February ‘21 and had the final close in May ‘22. It had net commitments of ₹ 467 crore and is currently in exit stage.
- UTI SDOF-III received SEBI approval in April ‘22 and has a net commitment of ₹ 540 crore. It is currently in fund raising and investing stage.
- UTI Multi Opportunities Fund-I, which had SEBI approval in February ‘22, has net commitment of ₹ 1,598 crore. It is currently in the investing stage.
- UTI Real Estate Opportunity 1 is currently fundraising and investing with commitment of ₹ 130 crore.
- UTI Alternative got Co-investment Portfolio Managers (CPM) license in August 2022.
- We have launched two more funds in Credit Opportunity Fund-I and UTI Asset Reconstruction Opportunities Fund.

We have three more funds registered in GIFT city which will be launched soon.

Just an update, UTI Venture Fund has been renamed as UTI Hart Financial and Investment Services Limited.

I would now request the Managing Director & CEO for his concluding remarks.

Imtaiyazur Rahman: Thank you, Sandeep for sharing operational and financial updates of the company for 2nd Quarter and the first half of Financial Year 2024-25. With this, we would like to open the forum for questions-and-answers session.

On behalf of UTI AMC, we wish you, your family a very happy Diwali and prosperous New Year. We would also like to wish our partners, investors and other stakeholders and to all Indians wherever they reside a happy Diwali. Thank you very much for joining this call. Over to you.

Moderator: Thank you very much sir. We will now begin the question-and-answer session. The first question is from the line of Dipanjan Ghosh from Citibank. Please go ahead.

Dipanjan Ghosh: Just two - three questions from my side. First, a data-keeping question. If you can quantify the ESOP expense for the first half for the standalone and consolidated business. Second, you know, we have heard in the conference call of some of your peers that they have either tweaked the renewal payout structures on the back book in some schemes or incremental flows that come in, they are going for a differentiated renewal payout structure for the flows that incrementally are coming in. So, just wanted to check, have you undertaken any such change either on the back book or on fresh flows? And also, as a philosophy, do you kind of concur with this view? And my third question is more from the perspective of UTI Pension. So, just wanted to understand how the yield trajectory or the realizations in this segment are really structured and how do you foresee it going ahead.

Vinay Lakhotia: So, Dipanjan, on the ESOP expenses, we have expenses close to around ₹ 3.5 crore for half year and for the whole of the financial year, the number should be in the range of around ₹ 5 crore only.

Dipanjan Ghosh: Just wanted to say if this one is standalone or consolidated basis?

Vinay Lakhotia: It is the same only. On the stock AUM, as far as the commission is concerned, no, we haven't carried out any rationalization of commission expenses on the stock AUM. On the fresh inflows, anyway, we are calling marginal expense ratios a policy where only on the sharing ratios on the incremental inflows is shared between us and the AMC. So, on an incremental inflow, that has been our policy over the last four to five years. But on the stock AUM, no rationalization has taken place. And the third question with respect to pension fund, the gross fees is close to around 3 basis points. And as you are aware, 50% of the fees is required to be paid back to PFRDA for development of pension fund. So, on a net basis, the incremental fees is close to around 1.5 basis points.

Dipanjan Ghosh: I just wanted to follow up on the second question on the marginal sharing fund. So, let's say a distributor sells a large cap fund or some other fund of yours, let's say the gross expense ratio on the fresh inflow for the year is, whatever, let's say around 1.75%. And on that, on the first year, you will have a certain payout and then you will have a certain distributor renewal payout also. But as the AUM goes, obviously, your gross expense ratio keeps coming down. I understand you're trying to say is that it's like a proportion of sharing. So, if the gross expense ratio comes down then on the year two, year three, year four onwards, also the percentage sharing between you and the distributor remains same and the sliding structure is followed. Is that a correct understanding on the fresh flow?

Vinay Lakhotia: Yeah, that's correct. But normally it happens that the second and the third year commission in many of the cases are on a lower side as compared to the first year commission. So, even though the arrangements are also there, as of now, we haven't reduced the commission on the stock AUM. That exercise we have not done.

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

Lalit Deo: First question is can you give us your segment wise yields, revenue yields for quarter-on-quarter basis across equity, debt & ETF? Second question was more from the flow perspective. So, again in this quarter we have seen some outflows in our core equity scheme. So, if you could give us some color on the gross flows as well as some color on the outflow redemption side also? And the third question was on the expenses side. So, how should we see our employees expenses for this year as well as the next year?

Vinay Lakhotia: So, on the yield part, I can say for equity and hybrid fund, it's close to around 75 basis points. ETF and index fund is roughly around 6-7 basis points. Cash and arbitrage is around 10 basis points and income fund at around 20 to 21 basis points. With respect to your, I think second question, Sandeep will reply. And the third question was with respect to the cost part. So, the employee cost, I think what we indicated in our earlier call also, employee cost for standalone basis, you can see a rise of just around 2%-3% on the FY24 number. And on the other admin expenses, the range, the increase would be around 8%to 10%.

Sandeep Samsi: Our equity funds have shown steady improvement in the performance and peer ranking over the last 6 months. And if you look at our performance on a one-year basis, 11 out of our 18 equity funds are now in the quartile 1 and 2. And if you look at my March numbers, they were about 6. So, from 6, we have moved up to 11. As mentioned earlier, many of our equity funds had a focus on quality style of investing for the portfolios, whereas the value style was preceding over quality in the last three to four years, which somehow impacted our performance. The turnaround of our fund performance should help us to build the momentum for a sustainable growth both in terms of assets and market share. Given the current market condition and volatility, we have been following our hybrid funds as the go-to-market strategy with a lot of thrust via sales campaign. This has led to some impetus to the performance. And if you look at our SIP AUM, this has grown by more than 50% to ₹ 39,882 crore as on the YoY basis. And our gross sales of the market share was 6.2% for the quarter 2 and 6.6% for the half year.

Vinay Lakhotia: So, and just to add Lalit, I think we are doing fairly well as far as the hybrid category is concerned. In fact, for the half of the financial year, we are mobilizing excess of close to around ₹ 2,500 crore on the hybrid category. So, this is one category we are actually focusing on and receiving good amount of inflows. And as Sandeep rightly pointed out, I think for the next two quarters, we should see some traction as far as the equity inflows are concerned.

Moderator: Thank you. The next question is from the line of Mohit from Centrum India. Please go ahead.

Mohit: Sir, my first question is if I look at the last 3 to 4 quarters, the number of branches and employees have reduced. You know what could be the reason for this?

Vinay Lakhotia: The number of branches in fact has increased by close to around 24 branches because last year we opened 29 branches; however, there have been some rationalizations of branches where the AUM doesn't justify the branches, so we have closed 5 branches. But net addition as compared to last year has been 24. The headcount of employees has actually come down because of natural retirement that is happening.

Mohit: But sir are we going to fill this and will this have an impact on the employee expense, the number of employees?

Vinay Lakhotia: Already for retirement, we have already explained earlier that we have recruited the management trainees over the last 2 to 3 years and they are being groomed to take some of these leadership positions. So, no new additions are to the employees' expense per se as of now.

Mohit: Alright. In terms of the market share, I think again we saw a minor decline in this quarter as well. So, are there any immediate steps that you're taking in terms of changing in responsibilities of any fund managers or something to gain more market share especially on the equity side?

Imtaiyazur Rahman: We are collectively working to increase our market share. Our fund performance is on the right side and right direction. We as a team, the investment, CEO office, as well as the distribution, we are working with our stakeholders to take our equity schemes to the market. And we are rightly placed to go to the market so far equity schemes are concerned. And that will help us to basically contain our decline in the market share and increase in market share. You have seen the other segment, we have increased our market share and I'm quite confident that on the backdrop of better performance and right product positioning and with the go-to-the market strategy, we will be in a position to gain our market share.

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

Abhijeet Sakhare: Sir, I have three questions. The first one is on the yield. Just wanted to clarify, you mentioned 75 basis points on the active equity funds, including hybrid. Just wanted to know what would this number be in the first quarter and last year full year, please?

Vinay Lakhotia: It's a very similar number. Last quarter also, it was close to around 75-76 basis points and similar quarter last year was around 75, so we have been able to maintain the yield number.

Abhijeet Sakhare: Understood. And secondly, on the cost front sir, again, just clarifying, you mentioned 2% to 3% for employees and the rest of it at 8% to 10%. But this is at the company level, right? Because I thought you mentioned for the standalone business. So, just wanted to clarify that.

Vinay Lakhotia: Yeah. Let me clarify, 2% to 3% at the standalone level, at the consolidated level, since you are building our business base in all the three subsidiaries, employee costs at a consolidated level could be in the range of around 4%.

Imtaiyazur Rahman: So, Abhijeet, there are two costs today. One is the cost to run the operation. Another is investment in future. So, we are hiring, as I mentioned in my opening remark, that we are hiring in all geographies. We have hired now two people in USA. We have started our office in USA. We have hired more people in France. We are in the process of hiring some more people in Singapore. We have already hired one person in Dubai, and it is a process of hiring more people in Dubai. And we are also relocating our CEO of UTI International from Singapore to Dubai. These are our investments in future, and therefore we need to be careful. And I don't want to quantify them as expenses. In accounting terms, it's expenses, but in business term, these are the investments in future. So, if our standalone is concerned and I think whatever we have promised 4 or 5 years back to the market, we are able to keep our commitment up. As against the 7% or 8%, 11% generally has been an increase in the employee cost and in the asset management space overall, the increase is only 2% to 3%. And it will further reduce in the next few quarters so as far as standalone is concerned. Be a bit careful to distinguish between investment in business and the cost to run an operation. Thank you.

Abhijeet Sakhare: That's it. Thanks for clarifying. And again, sir, last bit on the expense front. For non-employee cost, you mentioned 8% to 10%, right? That's the number to consider?

Imtaiyazur Rahman: Yeah. And they are also just be careful about. We are investing in our digital strategy that goes directly to the P&L. We have tied up with the Salesforce. We are revisiting our digital assets and we are also hiring in the digital space so far as employees are concerned. And this is globally applicable. We have already put in place a very strong risk management processes and therefore we have had the services of the various consultants across the globe to put in place the right business processes. But if you see on a line item wise, the expenses will be in the range of 5% to 6%. There are extraordinary expenses which we are not in a position to tell the market these are extraordinary expenses. But I mentioned to you the extraordinary expenses which we are incurring and these are the one-time expenses. For example, we hired the services year and a half back of Alvarez & Marsal to look into our investment processes. There is a cost to this one. And also we have Bloomberg in place. The Bloomberg is in dollars. So, any change in the exchange rate also increases our costs. So, far, the costs are not so much because the currency was a bit stable.

Abhijeet Sakhare: Thank you so much, sir. The last one is on flows. I think this quarter we've done better compared to trends in the past. So, again, going forward into next 12 months, do you really foresee overall net enclosed into active equity funds to be in a positive zone and possibly a substantial jump over the past run rate?

Vinay Lakhotia: That is the whole idea, Abhijeet, that the thought process since Sandeep rightly pointed out, the uptick in performance is there at least on the six month and now closer to one year. So, we are actively pushing our equity fund, Hybrid fund, as I explained earlier, we have been doing well in this particular segment, especially with the repositioning of our multi-asset fund. And this is the one fund where we are mobilizing a good amount of inflows. So, on the equity and the hybrid side, yes, the management focus is there, and we should expect good inflows in the next two quarters.

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

Madhukar Ladha: Most of my questions have been answered, but just on the employee expenses. So, finally we're seeing that expense line getting contained. And I wanted to know, are you completely done with all the hiring for the year and this current expense of about ₹ 115 crore, can we take that to be your sort of normalized run rate? And then post that in 26, 27, what sort of hike should be built in or how many more employees will retire over 26, 27. So, what sort of cost benefit can come through from there? That will be helpful to know. And then on a consolidated basis, what would that mean? Second, I think earlier in this year in 2Q, your direct TERs across most equity schemes went up, and that would have meant about 5 basis points incremental yield. So, why has that not played out? Because you are saying quarter-to-quarter your equity yields have remained stable. So, is there some expense which has gone up below the direct TER level. Is that why this has not happened, or what could be the reason for that? Those would be my two questions.

Vinay Lakhotia: Madhukar, I think we will stick to our guidance number as far as this particular financial year is concerned. At least 2%-3% increase on the employee cost on a standalone basis, and close to around 4%-4.5% on the consolidated level. And the overall guidance that we have been given till 2028-2029, the employee cost should be on a declining trajectory. As and when we progress to the next financial year, we will provide an overall guidance. We don't want to comment on the individual number of employees, but at the beginning of the next financial year, we will provide a guidance for the full year. But as we have stated earlier, the employee cost will be on a declining trajectory even after factoring the inflation number. Secondly, on the yield part, yes, the direct plan window has gone up by around 3 to 4 basis point, but obviously we have got fresh inflows also. So, equity and hybrid fund, there have been fresh inflows of almost around ₹ 6,000 crore to ₹ 7,000 crore during this half year. So, as you are aware, since the yields are lower on the fresh inflows and higher yield on the debt, we have been able to ensure that the overall yield at the stock level remain the same at around 75 basis points.

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

Prayesh Jain: Just a few questions. Firstly, on the rationalization of commission in the industry, in another couple of calls that have happened of your counterparts, have kind of mentioned about rationalization of commission structures linking them to the TER industry kind of moving towards that. So, do you think that even UTI would follow suit going ahead? That would be my first question. The second one being, in terms of debt, how do you see the kind of flows coming into the longer duration funds going ahead with the interest cuts likely to come through probably towards the end of the quarter or end of the fiscal? And lastly, how do you see the mix between mutual funds and other businesses from a 2 year to 3 year standpoint in terms of revenue and profitability mix? Those would be my questions. Thanks.

Vinay Lakhotia: From the first point, as far as the rationalization of commission is concerned, yes, we are exploring that option, definitely not in this particular quarter, but maybe quarter four or beginning of the next financial year, we will take a call on that. As far as debt inflows is concerned, over the last two quarters we have seen a significant amount of inflows coming only in short duration product. But if the interest rate cut cycle plays out, then definitely a longer duration product will be the flavor of the season and not only UTI Mutual Fund but the entire industry can witness a good amount of inflows as far as the long duration product is concerned. But as of now for the last two quarters the inflows are going into a shorter duration and a money market kind of product.

Vinay Lakhotia: On the mix side, as Mr. Rahman and Sandeep already pointed out, we are building our base in all the three subsidiaries. Alternatives, the yields are quite good and we are building our team and expanding our capabilities and in the process of launching three to four funds. So, definitely the business volume and the yield from that particular business segment should improve. On UTI International, the yield depends on inflows coming in and from which category. If it is coming under the equity category, and if the Indian market continues to attract NRIs and the foreign investors, we should see some yield improving on the international business as well.

Imtaiyazur Rahman: So, far as pension fund is concerned, as you know that the Government of India has already announced that Unified Pension Scheme and 10% more will be the allocation at the Central Government and as well as the State Government employees, that will help us tremendously in increasing our AUM and the profitability so far as the pension fund is concerned.

Prayesh Jain: In terms of scale in alternate business and do you think that you are at that level where incremental flows or incremental revenues will kind of flow down to bottom line and resultantly the profitability of the entire company, the core profitability can actually see significant boost up from something like an alternate assets.

Vinay Lakhotia: So, from the alternate we are quite hopeful that at least from the beginning of the next financial year this company will turn into core PAT positive. So, definitely from next financial year this company is going to add to the core PAT number of UTI AMC on a standalone basis.

Imtaiyazur Rahman: This company UTI Alternative has built a very strong track record in mobilizing the money and paying back to the investors. We have not seen any defaults so far and we have given extra ordinary return. So, this company has become the role model so far as credit funds are concerned in our country. And we are expecting a good traction in all our subsidiaries.

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

Jignesh Shial: I just have a couple of questions. First of all, sorry if I missed out. Your other expenses had on consol basis 19% kind of a YoY and 16% kind of a sequential growth. So, anything specific to read into or any one-offs in that?

Vinay Lakhotia: Not sure which numbers are you looking at.

Jignesh Shial: ₹ 74 crore which I was saying on other expenses.

Vinay Lakhotia: On a consolidated level you are saying?

Jignesh Shial: Yeah, on consolidated.

Vinay Lakhotia: So, the consolidated level as we pointed out, since we are expanding our reach as far as the international business are concerned, so we are building our team and Mr. Rahman rightly pointed out, we have opened an office in Paris as well as in the United States. So, initial establishment cost, as well as the rental cost of these two offices have come into. So, on a consolidated level, these expenses have gone up. And also we have opened 15 points of presence offices for our pension fund company. So, because of that, the expenses at the consolidated level has gone up.

Jignesh Shial: So, on a YoY basis?

Vinay Lakhotia: 10%- 12%

Jignesh Shial: 10% to 12%, right?

Vinay Lakhotia: Yes.

Jignesh Shial: Secondly, what I am seeing on your SIP flow, SIP flow has seen a significant improvement. But specifically if I see your monthly gross SIP numbers inflows, there has been a massive improvement in July, August and September this year. So, anything specific that you want to highlight that the steps that you have taken or what is the resultant? What are the reasons for such a significant improvement and how we are seeing it up SIP flow specifically in the coming months? Anything specific that you want to highlight from here?

Sandeep Samsi: So, Jignesh, I pointed out earlier also that we have been taking efforts to improve our market share with the fintech partners, as well as with all the distributors who are there with us. So, banks, national distributors, FinTechs are important partners who help us in our SIP count. So, with the fund performance being there, improvement in the equity fund performance, as well as the fixed income and the hybrid fund, there are significant inflows coming in the SIP format. And as you know that SIP has now become a popular trend in the country where young people who are coming into the industry are also looking at SIP as the first way of investing into mutual funds. So, that's the reason. UTI has also benefited from the SIP flows.

Imtaiyazur Rahman: But we have a very clear plan and we are executing it well. Each and every sales team member has got a target for our SIP and that is working well for us. The investment team and the distribution team are working cohesively and they are going to the market together. So, we are in a position to give a lot of confidence to the market and I am quite confident going forward this number will have further improvement.

Jignesh Shial: Why I was asking you because obviously the trend has been improving the last couple of months in itself. The last three months, I've seen a significant improvement. So, I was wondering whether is it coming up from hybrid because where your market share has gained and that is the reason why there is a significant improvement on month-on-month basis or something else to read into. But that's okay. That is fine.

Vinay Lakhotia: Hybrid is one category that we are focusing on. So, a major part of that incremental inflow here is coming into hybrid.

Imtaiyazur Rahman: Our focus is on all products, for example equity, we have some very good performing schemes. We have repositioned our funds in the market. We have a very focused way of selling them. We were waiting for turn-around of our flagship funds. And we are extremely thankful to our fund management team that they have been able to give a turn - around. And these all this will help us in going forward. Our Board is extremely particular. They review our performance, they advise us, they counsel us appropriately. So, it's an entire team work which is helping us to grow our presence in all fields.

Jignesh Shial: And lastly, just one more thing is that our index and ETFs have seen a massive improvement on the market share segment side and all. But typically what my understanding is that these are low-yield funds overall. But obviously our growth seems to be doing pretty, I mean, relatively it looks to be far higher. So, will that have any impact because obviously ETFs are anyhow getting very popular across the industry also. So, will that have any impact on our revenues or you don't see that happening much on because of this, no much impact at all? Any comments on revenues because your share and your market share and the growth in index and ETFs are far high? That's it from my side.

Imtaiyazur Rahman: Yield is a very difficult indicator. Overall yield will be different, but I strongly believe in the absolute profit, not the yield. And this is a volume business, passive is a volume business. Your yield may be the same, and overall yield may come down if you put on a per unit basis, but the overall profit will go up. So, I am considering as an overall profit. My profit number should go up. That is the focus.

Vinay Lakhotia: I think, Jignesh as earlier highlighted also in the call, I think PAT margin number is one parameter. I think most of you guys should look into it because the kind of industry we are in, yield margin numbers are bound to come down because of asset mix and the difference between the yield and the stock AUM and the fresh inflows. So, yield margins will be on a declining trajectory, but the PAT margin number is one, where due to operating leverage and because of volume growth, that number should keep on improving.

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

Gaurav Jani: Just one question pertaining to the net flows, right? Could you just clarify that the equity and hybrid net flows includes the arbitrage number, right?

Vinay Lakhotia: No, it doesn't include arbitrage. Arbitrage we are including in cash and liquid.

Moderator: Thank you. That was the last question for the today's conference call. I would now like to hand the conference to the management for their closing comments.

Imtaiyazur Rahman: Thank you very much once again. Again I would like to wish all of you and your family a very Happy Diwali and thank you for joining this call. May God bless all of you. Thank you.

Moderator: Thank you. Ladies and gentlemen, thank you for joining the call. In case of any queries, feel free to connect with Adfactors Investor Relations team. You may now disconnect your lines. Thank you.