January 27, 2025

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 December 31, 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 December 31, 2024, conducted after the meeting of Board of Directors held on January 23, 2025, 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-Q3-FY-2025.pdf

Thanking you,

Yours faithfully,
For **Nippon Life India Asset Management Limited**

VALDE VARGHESE PONTHOKKEN
Digitally signed by VALDE VARGHESE PONTHOKKEN
Date: 2025.01.27 17:50:18 +05'30'

Valde Varghese
Company Secretary & Compliance Officer

Encl: A/a

Nippon Life India Asset Management Limited
4th Floor, Tower A, Peninsula Business Park, Ganapatrao Kadam Marg, Lower Parel (W), Mumbai - 400013 | CIN : L65910MH1995PLC220793
Tel: 022 6808 7000 | Fax: 022 6808 7097 | https://mf.nipponindiaim.com
Email: Investorrelation@nipponindiaim.com

Nippon Life India Asset Management Limited
Q3 FY2025 Earnings Conference Call

January 23, 2025

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. AASHWIN DUGAL – DEPUTY 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 Asset Management Q3 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. I now hand the conference over to Mr. Jignesh Shial from InCred Equities. Thank you, and over to you, sir.

Jignesh Shial: Yes. Thanks, Manav and good evening, everyone. On behalf of InCred Equities, I welcome all to Nippon Life India Asset Management, Q3 FY '25 Earnings Conference Call. We have along with us, Mr. Sundeep Sikka, Executive Director and CEO 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: Thanks, Jignesh. Good evening and welcome to our Q3 FY25 earnings conference call. We have with us, Chief Financial Officer – Parag Joglekar, Chief Business Officer - Saugata Chatterjee, Deputy Chief Financial Officer - Amol Bilagi, Chief Digital Officer - Arpan Saha, Head ETF - Arun Sundaresan, Head AIF - Ashish Chugani, Deputy Head AIF - Aashwin Dugal and Shin Matsui-san, nominee from Nippon Life Insurance (Japan).

I would first like to share key highlights of our performance in the quarter and post that I will hand-over to Parag, to speak in greater detail on the recent Industry trends as well as our performance, post which we will move on to QnA.

Coming to the Key Highlights:

1. I would like to start by mentioning that as of Q3 FY25, NAM India was the fastest growing AMC among the Top-10 AMCs on a YTD basis, as well as over a 1, 2 year and 3 year period.
2. This led to a continued increase in our Overall AUM & Equity AUM market share.

3. Further, our Equity Net Sales market share and SIP market share remained well above our Equity AUM market share.
4. We achieved a high-single digit market share in terms of Equity Net Sales, while our SIP market share moved into double-digits in the quarter.
5. Further NAM India has achieved its highest ever quarterly Operating Profit at INR 3.76 bn.
6. I would also like to share that; Nippon Life India Asset Management Ltd. has set up a branch in GIFT City and has taken a Fund Management Entity (FME) license to manage funds.
7. The first GIFT fund - Nippon India Large Cap Fund GIFT was launched in Jan-2025. This feeder fund will invest in our existing large cap mutual fund which has a long and proven track record.
8. More fund launches are in the pipeline and will likely happen later during the calendar year.
9. Lastly, to conclude my comments, I would like to state that we will endeavour to continue our journey of profitable growth going forward, including the scaling-up of our non-MF businesses.

Now I will hand over the call to Parag for further details on Industry trends and our performance.

Parag Joglekar: Thank you, Sundeep and good evening to everybody.

Let me start off with the markets:

Equity markets in Q3 FY25 witnessed a drop from prior quarter levels. The NIFTY declined by 8.4% QoQ, while the NIFTY Mid & Small Cap indices declined by 5.2% & 3.6%, respectively. RBI held the repo-rate steady at 6.50%, while the 10 Year G-Sec yield increased marginally by 1 bp QoQ to 6.76%.

Coming to data on the Mutual Fund industry:

1. Industry QAAUM grew by 3.6% QoQ and 39% YoY in Q3 FY25 to INR 68.6 trillion.
2. The share of Equity in overall AUM remained relatively flat QoQ, ending at 60.8% for Q3 FY25.

Now, moving to Industry flows:

1. The Equity category (excluding index funds and arbitrage funds) witnessed a gross inflow of INR 2.53 trillion and a net inflow of INR 1.39 trillion. Gross inflows were lower QoQ, however net inflows were higher for a sixth successive quarter.
2. Categories with the highest inflows were Sectoral/Thematic funds, Multi Cap and Flexi Cap funds.
3. Moving on to SIP - Investments via the SIP route further increased, with the SIP contribution for the quarter being INR 771 bn, up 49% YoY and 8% QoQ.
4. Monthly SIP flows in Dec-2024 stood at INR 265 bn, which was another all-time high.
5. The Fixed Income category i.e. (Debt + Liquid), witnessed a net inflow of INR 438 bn which was lower on a QoQ basis.
6. The ETF category had a net inflow of INR 143 bn.

At the end of the quarter, unique investors in the Mutual Fund Industry increased to 52.6 mn i.e., an increase of 25% YoY.

Now moving to our business performance:

1. We closed the quarter with total assets under management of INR 6.56 trillion. This includes Mutual Funds, Managed Accounts and Offshore Funds.
2. Our Mutual Fund QAAUM grew 3.8% QoQ & 51% YoY to reach INR 5.70 trillion. We 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 1 bp QoQ and 63 bps YoY to 8.31%. This is the seventh successive quarter of market share increase that we have witnessed.
2. Our Equity market share also continues to improve. It increased by 3 bps QoQ and 31 bps YoY to 6.99%. This is our highest Equity market share post Dec-2020.
3. The share of Equity AUM in our overall AUM was flat QoQ at 51.1% for Q3 FY25.

4. We achieved a high single-digit market share in net sales in the Equity + Hybrid segment in Q3 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 20.0 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 14 quarters, which has led to an increase in market share.
2. SIP market share increased by 12 bps to 10.00% over September 2024 to December 2024. This also represents an increase of 396 bps over March 2023 when our SIP market share was ~6%.
3. Our monthly systematic book rose by 7% QoQ and 60% YoY to INR 33.6 bn for December 2024. This resulted in an annualized systematic book of INR 404 bn.

Moving on briefly to the ETF Segment:

1. We continue to be one of the largest ETF players with AUM of INR 1.50 trillion and a market share of 18.14% (which increased by 278 bps YoY).
2. Our share in the industry's ETF folios is 55%. We also have 55% 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. To further augment our Passive offerings, we launched 2 New Products in the Index Funds Category in the quarter, namely the Nippon India Nifty Realty Index Fund and Nippon India Nifty Auto Index Fund.

Moving on to our digital franchise:

1. Digital purchase transactions rose to 4.08 million in Q3 FY25, up 141% YoY. Digital Business contributed 73% of the total new purchase transactions Q3 FY25.

2. We are delighted to announce a groundbreaking feature on our Mutual Fund Android App - Voice Integration - aimed at making investing easier, inclusive, and empowering for all. This feature has been thoughtfully designed to enable seamless transactions through voice commands, introducing the power of conversational commerce to redefine how investors interact. With this innovation, every investor, including differently abled individuals, can experience independence and ease in managing their investments.

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 69.8 bn across various schemes.
2. Fundraising is currently underway for our Listed Equity AIF, Performing Credit AIF, and Direct VC Fund.
3. Fund deployment across all the strategies was robust in Q3 FY25, with 5 active investments in Performing Credit, and full deployment in our Tech/VC FoF.
4. The team has been strengthened across functions which positions us well for future growth.
5. On the Offshore front - We continued to witness good equity inflows in the quarter from various international geographies. Offshore AUM grew 34% YoY to INR 167 bn with our UCITS Equity Fund reaching an AUM of ~USD 530 mn.
6. We continue to expand our footprint in the Japanese Institutional space in conjunction with Nissay Asset Management, Japan.
7. A new offering in the Indian Mid & Small Cap space, which has been our forte in the domestic market, has now been made available to international investors, providing additional options for the investors to invest into Indian Equities.
8. We continue to work with Nissay Asset Management, Japan on this new offering and market it in the Japanese retail space.

Now on to our Financial Performance:

1. For Q3 FY25, Revenue stood at INR 5.88 bn, up 39% YoY and 3% QoQ.
2. Other Income stood at INR 0.15 bn, down 86% YoY and 87% QoQ.
3. Movement in Other Income was on account of Mark To Market impact on the Investment Book and was impacted by adverse capital market movement during the quarter.
4. Operating Expenses stood at INR 2.12 bn, up 23% YoY and 3% QoQ.
5. Excluding the impact of ESOPs, Operating Expenses grew 17% YoY for Q3 and 19% YoY for 9M FY25 - driven mainly by investments in talent, non-MF businesses and technology infrastructure.
6. Operating Profit stood at INR 3.76 bn, up 50% YoY and 3% QoQ.
7. Profit After Tax stood at INR 2.95 bn - up 4% YoY and down 18% QoQ.
8. For 9M FY25, Operating Profit grew by 55% YoY, Profit After Tax grew by 29% YoY.

We would also like to mention that we have rationalized distribution costs for existing AUM in our Large Cap & Multi Cap schemes in the quarter, which have a combined AUM of approximately INR 760 bn, while also moving to a proportionate sharing model on these schemes going forward. We will continue evaluating opportunities for similar rationalization in other schemes 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. We have a first question from the line of Swarnabha Mukherjee from B&K Securities. Please go ahead.

Swarnabha Mukherjee: Hi sir. Thank you for the opportunity and congrats on a great set of numbers. Three questions from my side. Firstly, I wanted to understand in this first few days of this quarter, how are you seeing in terms of flows spanning out in your organization? Is there any kind of pressure coming because of the market performance?

So just wanted to understand how the flows are panning out. Of course, in December, we have seen that the SIP flow numbers are very steady for you guys, it has in fact increased QoQ, but I wanted to get that color for January. So sir that would be my first question. Second is if you could elaborate a little bit on the rationalization that you have done the proportional sharing how it has impact on the yields for the equity segment?

And when exactly in the quarter, you have done that and should we expect some favorable impact on the yields in the coming quarter as well? And thirdly, sir, in terms of the other expenses, so just wanted to understand that given the market movement and maybe near term the equity even growth might not be like what we have seen in the earlier quarters. How should we read the other expenses number going forward?

Should we be planning to curtail on our variable expenses? So these are my three questions. And also if you could also share the yields of the different asset classes that would be very helpful?

Parag Joglekar: Sure, Swarnabha. So thank you for the question. I'll take the other expenses question first and then I will hand it over to Saugata for the closing question. So other expenses, there is slightly an increase mainly due to the investment which we have done in technology and our AIF business. But our endeavour is to keep the overall expenses ex of ESOP in the range of around 15% to 16% to 17% range only.

That is our endeavour over going forward and futuristic also. So that is the one. And on the yield question, the equity yield in the range of around 57 basis, the debt yield is in the range of around 25 basis, liquid remains more or less 10 to 12 basis flattish. ETF is 15 basis and the blended yield is 37 basis.

Saugata Chhaterjee: On the flows side, at least the early trends in the month of January does not indicate any sort of distortion. We are more or less at par with the December numbers, but we'll wait and see how it goes, how the behaviour of the SIP and the HNI investors come in as we go ahead from here on because the trends are quite volatile, but initial trends do not indicate any major shift of flows from a December comparison.

Sundeep Sikka: The only thing I'd like to also add is that whenever we have seen in past markets are volatile, it is the HNI flows which slow down. The retail and SIPs, they continue to add stability. So we do not expect unless and until it is a very prolonged 12 months to 18 months kind of a volatility continues from here. We do not expect the retail SIPs to slowdown.

Parag Joglekar: And Swarnabha on the rationalization question you asked. So, yes, we have recently done in almost fag end of the quarter. So the impact may not be seen in the current quarter. There will be some impact going forward. But on the overall AUM, it will be very flattish on miniscule. And going forward, it will help us to a certain extent to streamline the yield. That is the only thing I can comment.

Swarnabha Mukherjee: Sir, the proportional sharing method would that imply that it will allow you to consistently pass on the reduction in tier on the back book going forward?

Sundeep Sikka: Yes, your understanding is correct.

Swarnabha Mukherjee: So does that mean that should the equity yield dilution that we have seen so far would be at a lower level than what we have seen like -- maybe we remaining in this mid-50s kind of a number, even if the AUM growth is there? Would that be a fair estimation?

Sundeep Sikka: I think we won't like to be able to give the number, but as we said directionally that's the objective of the proportionate sharing.

Swarnabha Mukherjee: Right sir. Understood. Very helpful. Thank you so much and all the best.

Moderator: Thank you. We have our next question from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain: Sir, just on this extending the point on the adjustments that you've done to the commissions. And so -- why did this chose these two schemes and why not some of the other large schemes like a small cap, probably it has one of the largest AUMs. So why not on that as well or do you think that you're probably going down the road, you would start doing it for the entire space. Are there any initial signs where the distributors have kind of raised some concerns around it and whether the entire industry is kind of moving towards it?

Sundeep Sikka: I'll take the second part of the question. I will not be able to comment on behalf of the industry because as mentioned many times in the past, every company shareholders will have a different objective. From our point of view profitable growth is the key, which is point number one. You have question, why scheme A, why not scheme B? I think the way you should see small cap had already been done.

Large cap and Multi cap have been done now. All the three schemes put together; the average AUM is about 45% to 50%. So directionally, you can understand which way we are going.

Prayesh Jain: Got that. Sir, second question was on the SIP closures and the SIP run rate that people have been and media has been alluding to the number of SIP closures are going up significantly in the past couple of months. Whether that is reflective of the kind of growth we saw 3 years ago when there's like some -- Zerodha Groww, Angel One kind of -- right now started their mutual fund operations and started scaling up. Is that kind of tenure closure that's happening or what is the kind of trajectory we should be seeing here now?

Saugata Chatterjee: So Prayesh, Industry has seen a higher percentage of discontinuation in the month of December which is around 70s in the mid-70s. But what happens these are again cyclical stuff. We'll have to keep seeing like Sundeep mentioned, we have seen in the past the SIP customer of the past and in the last 2 years, 3 years are more resilient.

Hopefully, these percentages may not be the norm as we go ahead. In our case, we have percentage discontinuation is much lesser than the industry numbers. So which again shows that if we have been able to get to more retail customers, more fragmented customers, that's our business model. We have better retention in our SIP book. We'll have to wait and see how it goes, but our SIP behaviour should be much better than the industry behaviour.

Sundeep Sikka: But the past trend whenever there's a volatility tells us, higher the ticket size of SIP I mean they are the ones they get discontinued, more retail you have the better it is, they are more sticky.

Prayesh Jain: Okay. Got that. And the other bit and the last question is on the international business. Any thoughts that you can share as to what is your 3-year kind of targets or any aspirations in terms of AUM size and revenue potential out of that business that can accrue to the company?

Sundeep Sikka: As we have mentioned in the past also, widely the focus for the company has been to raise more offshore money. But the last 4 years, 5 years, it was important for us to consolidate our position on the mutual fund side and that was where a lot of energies were put. With the mutual fund business doing well now market share increasing.

At this time, we are working closely with Nippon Life Japan, Nissay Asset Management Japan and other associate companies of Nippon across the globe. It will be difficult for us to give a number. But all I can say is at this point of time, we are more positive than ever before because a lot of funds are getting launched, a lot of dialogues are on. And as and when we have more numbers to report, we'll keep coming to you. But directionally, you can expect more positive flows come into an addition top line and bottom line.

Prayesh Jain: Great. Thank you so much. That helps and all the best.

Moderator: Thank you. We have our next question from the line of Madhukar Ladha from Nuvama Wealth Management. Please go ahead.

Madhukar Ladha: Hi, thank you for taking my question. Sir most of my questions have been answered. I just have one question on the other income. So we've seen a very sharp drop in other income, but when I look at your exposure to equities that's much lower. So, for example, it's at about INR500 crores of a total book of INR3,300 crores. So can you give a little bit of color on the breakup of this mark-to-market movement? How much of it is equity and debt, if you have that split?

Parag Joglekar: So Madhukar, I will just give you the broader picture. So basically, we have our alternate asset business also, where we have to put a lot of money in the seed capital of the schemes which we have launched, which is mainly in category 3, which are all equity schemes. And there we invest in listed equity. So there we have seen a lot of movement because there the majority money goes in equity. And in the NAM side, whatever seed capital requirement which we have to do, which we have done, which has some impact due to mark-to-market losses on the equity in the market.

Madhukar Ladha: But this is largely only driven by equity?

Sundeep Sikka: Yes, largely equity in AIF.

Parag Joglekar: And it is getting bit impacted in the consolidated.

Sundeep Sikka: Yes.

Madhukar Ladha: Understood. Got it. All the best.

Moderator: Thank you. We have our next question from the line of Mohit Mangal from Centrum Broking. Please go ahead.

Mohit Mangal: Thanks for the opportunity. First thing I wanted to ask in terms of the total number of branches, while we have seen your competition opening a little -- lot more branches. We are not very keen on that side in terms of expansion. So just wanted to know your thoughts in terms of the next 10 months to 12 months are you intending to expand?

Sundeep Sikka: So just from our perspective, I don't think you'll see us opening substantial number of branches. There could be -- even if it is, it will not be like competition. We believe in increasing the efficiency of the existing branches, we already have a big number of the largest network. And we believe leveraging technology to get more efficiency from both physically as well as online and offline part of our business. So we will not -- we do not intend to open multiple branches.

Mohit Mangal: Okay. Got it. And in terms of the product pipeline, I mean, you told they have launched a couple of the things in the passive side are now say going next two to three quarters, do you have any product pipeline?

Sundeep Sikka: So we'll continue launching some as mentioned in the last few quarterly calls, we will continue launching a few schemes in our passive business. Having said that, we have taken an internal view that we will not be launching any active mega NFOs. Broadly, the strategy of the company will be to keep launching funds, have them build up a track record and gradually let business come.

We believe NFOs distract the company and impact the overall flows, which are much more stable. So we'll continue focusing on ongoing sales, SIPs, only new launches that you will see will be in our passive. And even if there is a scope for us to launch a scheme in active, we will not go for mega NFO.

Mohit Mangal: All right. Got it. Just one clarification that we continue to maintain double-digit market share in the equity and hybrid schemes in the flows segment?

Sundeep Sikka: Yes – double-digit ex of NFOs.

Mohit Mangal: All right. Thank you and wish you all the best.

Moderator: Thank you. We have our next question from the line of Manas Agrawal from Sanford C. Bernstein. Please go ahead.

Manas Agrawal: Yes, I had two questions. One, is can you help us understand, what is the management fee or expense ratio for the GIFT feeder fund. What I want to understand is, is pricing better at a console level for the entity if money comes in from this route?

Sundeep Sikka: It's going to be feeding into the existing fund. So it's more to do with the volumes. It gives us an access to international investors to invest. So a certain set of investors who could not invest or it was not easy for them to invest, they will have access to come into large cap fund, but the pricing of the underlying remains the same.

Manas Agrawal: Underlying is same. Okay, understood. The other thing I wanted to understand is this year, industry flows from mainly households into active equity trending 2x of previous year? Now a lot of this is lump sum, I understand, but how should one think about growth in flows from here because markets have also cooled down. I wanted some understanding on that, how you are thinking or how the industry would think about this?

Sundeep Sikka: I wish I had the answer for that. I cannot predict future how things will be. But from our point of view what the way we see it is, over the last 5 years, you are seeing a very strong focus on SIPs. We strongly believe lump sum will always get impacted whenever the markets are volatile, to the extent our SIP market share has gone up from ~5% to 10% in the last 24 months and is moving up faster.

So which gives us a cushion, even if the markets were to slow down or the incremental flows were to slow down. So from our point of view, it will be more qualitative growth. We will not be worried too much about lump sum. But for sure, we are a part of the industry. If markets turn volatile or negative, it definitely impacts the sentiment and there could be a slowdown compared to where the flows have been coming down.

Manas Agrawal: Understood. Thank you, sir.

Moderator: Thank you. We have our next question from the line of Abhijeet Sakhare from Kotak Securities. Please go ahead.

Abhijeet Sakhare: Hi, good evening. See the first question is again coming back to the commission cuts. Is it possible to give an indication of what would be the basis point impact on the opening book for these two schemes starting 4Q?

Parag Joglekar: So Abhijeet, it's very difficult to specifically mention on that, but the idea that the slowdown in the overall yield should have some reduction. That is the idea because we keep on getting new flows and the AUM keeps on growing. So it is difficult to mention on it, but overall basis it will be very small because the overall impact will be not much on the overall equity yields.

Sundeep Sikka: So Abhijeet, what it shows is the direction in which we are going.

Abhijeet Sakhare: Got it. So the way to look at it would be that because these schemes are gathering a lot of flows. So instead of the usual decline in yields, you would probably target the yields to remain flat over the next few quarters?

Sundeep Sikka: So the idea is basically to slow down the pace of the fall in yields basically.

Abhijeet Sakhare: Got it. And then again sorry, sticking to the same point. So now you have kind of cut commissions on large cap, small and multi-cap like these would be the three largest schemes for you? And then in your initial remarks, you mentioned that you would look at continuing some of these measures going ahead. So would you look at these same set of schemes because any commission cuts elsewhere probably would not have a similar impact?

Sundeep Sikka: The team continues evaluating depending on the market conditions, situations, and the environment. So it will be difficult to give us an answer. But directionally we will keep rationalizing and be conscious that the fall is arrested.

Abhijeet Sakhare: Got it. And second question was it possible to give the number for ESOP costs in 3Q?

Amol Bilagi: INR 11 crores. Overall 9 months is INR 31-odd crores.

Abhijeet Sakhare: Got it. And Parag sir your guidance on opex, you stripped out ESOP. So I just wanted to ensure if there is anything to look forward to over the next 12 months that could move the overall opex line beyond that 17% number you mentioned?

Parag Joglekar: I don't see anything specific. But obviously, as I mentioned earlier that we will keep on investing in technology and other things. And we will keep on investing in our alternate business and other subsidiaries. So that we will keep on doing. But there is nothing specific we can see.

Abhijeet Sakhare: Got it. Thank you so much.

Moderator: Thank you. We have our next question from the line of Madhukar Ladha from Nuvama Wealth Management. Please go ahead.

Madhukar Ladha: Thank you for taking my question again. So just coming back to the distributor commission rationalization. So 50% of the AUM has been done. Now do you envisage that the other 50% will also be sort of -- you will also be taking measures on that over the next few quarters. Could you give some outlook on that? Yes, that's the only thing?

Sundeep Sikka: So Madhukar, at this point of time, we may not have specifics to share, but whether the reduction will continue in the existing schemes or we'll extend it to all other schemes. As I mentioned earlier, we'll continue evaluating. But the guidance that we are giving is the directional approach is that we'll try to arrest the downfall that was there in yield.

Madhukar Ladha: Understood. Thank you, sir.

Moderator: Thank you. We have a question from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain: Thank you for the opportunity again. Just on this cash balance we were at around INR 4,300-odd crores at the end of June. Now we are at around INR 3,300 crores is primarily dividend nothing else?

Amol Bilagi: So it's on account of two factors, one is, as you rightly mentioned, dividend and another that have invested in our corporate office space. So these are the two reasons why there is a drop in the investment assets.

Prayesh Jain: Okay. And just another clarification there. When you say the AIF seed fund and all this is sitting in other assets, right? The breakup that you've given on the contribution of financial effects, the seed funds of AIF that you would have invested that would be sitting in other assets category?

Sundeep Sikka: Yes, you're right. Yes.

Prayesh Jain: So that is sitting there in other assets, right?

Sundeep Sikka: Yes.

Moderator: Thank you. We have our next question from the line of Shreya Shivani from CLSA. Please go ahead.

Shreya Shivani: Thank you for the opportunity. I have -- my question is on the offshore business. So just wanted to understand if you could help us understand this book usually is not volatile, usually picks up pace and continues. I mean maybe here and there; I can see a decline. This time sequentially there's been a decline. So just trying to understand what exactly plays out in terms of book declining at this pace?

I get that you've given the mix between managed and advisory, but even there, there can be -- there is a slight bit of decline. I just want to understand what happens in this business that it can change directions at this stage?

Amol Bilagi: So the movement in the asset that you're looking at is mainly due to mark-to-market majorly getting in the flow of the assets.

Shreya Shivani: Okay. So this may not be reflective of lack of -- like not reflective of redemptions, more to do with mark-to-markets?

Amol Bilagi: Yes.

Shreya Shivani: But there can be like higher redemptions also that can come through, if my understanding is correct?

Sundeep Sikka: Nobody can predict redemptions, but at this point of time for the results that we've declared, we have not seen any redemptions.

Shreya Shivani: Okay. Got it. That's useful. Thank you so much.

Moderator: Thank you. The next question is from the line of Yashodhan Nerurkar from Ionic Wealth. Please go ahead.

Yashodhan Nerurkar: Thank you so much for giving me the opportunity to have a question. So the first question that I had was on the ETF business. So we have seen a sharp scale up from, say, FY2018 levels to 2024. As a percentage of your total AUM has

gone up to somewhere around 26%, 27%. And if I consider -- I mean, amongst the passives the retentions are higher than liquid funds as well.
So what plans do you have in terms of scaling this part of the business as well? Because as I see -- I mean it has got a tremendous potential, you already have significant head start in terms of the volumes, in terms of the market share. So how do you see this business how lucrative is it for you? And what do you see the growth for this business?

Sundeep Sikka: So Yashodhan, broadly you're right. We have a head start. We were one of the early ones to invest into this business. And we clearly believe both active and passive will continue to grow. There are different set of investors who will continue investing in active and in passive. Our objective is to help these clients in the center and -- whatever decision investor wants to do, whether he wants to come to active or passive, we'll try to offer the best in both to them.

Coming to future, we remain very optimistic about the passive business. And the pace that it is growing, clearly -- it's already demonstrated in the numbers. About our future plans, we clearly as mentioned earlier, we may launch certain new schemes. But one good thing about this business is if you look at globally also this business normally, the top two, three players continue commanding higher market share because of liquidity, low tracking error and various other parameters.

Unlike mutual funds, typically where an investor will invest in five to six different schemes, because in ETFs and passive the underlying is the same. We do not over diversify. So we believe we'll continue building on the head start that we have and continue building other products soon. At this point of time, we have 48 passive products. We may launch a couple of more, but this business is all about scale.

And from a more than basis points we believe with the kind of AUM that we have and the basis that we're earning, it is now adding substantially to our bottom line.

Yashodhan Nerurkar: All right. Perfect. That's helpful. And another question that I had was on the SIP discontinuation that you have faced. You already said that the discontinuation is lower than the industry. But I mean, is there any efforts taken from your end to minimize the discontinuations or the cancellation, because I'm sure there would be people who will be pausing SIP for a month or two.

So are there any initiatives from your end that you might be reaching out to the investors and trying to somehow make sure the cancellations will go through?

Sundeep Sikka: Let me answer it in two ways. First, definitely there is an ongoing effort from the company by reaching out. We have basically created in the portfolio while we have roughly about 3 crores folios. We try to segment investors into different categories based that artificial intelligence and data is used and a different kind of handholding, centralized handholding is done, the kind of creates better than that is one part.

But I'll go a step back a little. It's more -- it's not about what we do after we acquired the investor. The quality of sourcing depends is a very important thing. If you are trying to get investors which are more, HNI, they typically are little more volatile.

And -- but when we are sourcing, lower the SIP size, getting smaller citizen towns. We have seen these SIPs are more stable and they do not discontinue when the markets are volatile. So it's a mix of both the things, both while sourcing also as well as continuous efforts are done by the digital team.

Yashodhan Nerurkar: Okay. All right. And just a last question that I had on -- was on total AUM. So if I consider just the equity AUM, roughly half of it has contributed by just 3 to 4 schemes, the larger ones. And you said that you don't want to launch any newer schemes and your focus remains towards scaling the existing ones.

But I mean, most of the schemes that are there in equity, they are still below say INR 10,000, INR 5,000 crores of AUM. So what -- I mean, how do you intend to scale those up? And what are your plans for those schemes?

Sundeep Sikka: So you're right, a couple of schemes are below INR 10,000 crores. We do not want to aggressively push any particular scheme - that we have stayed away from. We've seen in the industry; the thematic funds have been getting a lot of allocations. We do not want to push funds where we do not believe. We believe majority of the investors should be in the -- vanilla products, large cap, small cap, mid cap, rather than thematic funds.

So we are in no hurry to scale up the schemes because these are niche schemes - the sectoral funds and all. We let the advisers and investors take the call. But from our perspective, what we've mentioned, we will not launch schemes.

Please read the schemes as NFOs. We may continue adding schemes, but we do not want to launch mega NFOs, which we believe the assets are not sticky.

Yashodhan Nerurkar: Right. So basically, it's going to be an approach where any investor -- so you have all the options open, so any investor that he chooses right option for him, he can go towards this. So that's the kind of thought process that you have towards the investors?

Sundeep Sikka: Perfect. You're right.

Yashodhan Nerurkar: All right. Thank you so much for that.

Moderator: Thank you. We have next question from the line of Ankit Bihani from Nomura. Please go ahead.

Ankit Bihani: Congrats on a good set of numbers. So my question is on the performance of the two top equity schemes that you have small and multi-cap, which have seen a slight softness in performance over the 6 months to 9 months. So are you seeing any slowdown of inflows into these schemes given that mutual fund distributors, while pushing their scheme, recent performance may be a 6 months or 1-year performance becomes a selling point for them?

Saugata Chatterjee: Yes. So Ankit, I'll take this question. Our method of getting equity assets in our company has always been retail, has always been explaining to the distributors that you should look at 3-year, 5-year, it's not longer performance. Even if the 6 months, 9-month performance has slightly dipped, the 3-year, 5 years makes sense.

So it's continuous education, communication, telling them about the processes, what we have built in this company. That's what probably is helping us to keep retain the flows and moving the direction of the distraction from near term performance to long-term performance.

Ankit Bihani: So what do you mean to say is the flows are resilient in these schemes, you have not seen any slowdown?

Sundeep Sikka: Yes. broadly, your understanding is correct. One more thing I'd like to mention, this is not only about our schemes. What we've seen is the distributors and the investors have matured a lot. They understand equities 6 months, 9 months is nothing. I mean you'll always have this glitch; you're not investing in fixed income. So I don't think so they react to it the way they used to react about 5 years back or 10 years back.

So it is not only for us. Going forward you'll see schemes which have a long-term track record even if there's a blip for 6 months, 1 year, you will not see the kind of reaction what you used to see in the past, because investors are also understanding and appreciating an equity has to be a long-term view. And 3 years to 5 years is what needs to be looked at not 6 months of 1 year.

Ankit Bihani: Okay. Thank you.

Moderator: Thank you. As there are no further questions, I now hand the conference over to Mr. Jignesh Shial for closing comments. Over to you, sir.

Jignesh Shial: Yes. Thank you, everyone. On behalf of InCred Equities, I would like to once again thank the management.

Amol Bilagi: Thank you for joining the call.

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