Ref. No.: UTI/AMC/CS/SE/2022-23/0280

Date: 8th February, 2023

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 for the quarter and nine months ended 31st December, 2022

Dear Sir / Madam,

Pursuant to Regulation 30 read with Schedule III Part A Para A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are forwarding herewith the transcript of the earnings conference call held on Thursday, the 2nd February, 2023 on financial performance of the Company for the quarter and nine months ended 31st December, 2022.

The transcript of the aforesaid earnings conference call is also available on the website of the Company at www.utimf.com.

We request you to kindly take the aforesaid information on record and disseminate the same on your website.

Thanking you,

For **UTI Asset Management Company Limited**

Arvind Bhagwan Das Patkar

Digitally signed by Arvind Bhagwan Das Patkar
Date: 2023.02.08 16:55:49 +05'30'

Arvind Patkar
Company Secretary & Compliance Officer

Encl.: As above

UTI Asset Management Company Limited
Q3 FY23 Earnings Conference Call
February 02, 2023

Moderator: Ladies and gentlemen, good day and welcome to UTI Asset Management Company Limited Q3 FY23 Earnings Conference Call. From the management, we have with us Mr. Imtaiyazur Rahman – Chief Executive Officer and Managing Director, Mr. Surojit Saha – Chief Financial Officer, Mr. Vinay Lakhotia – Head Operations, and Mr. Sandeep Samsi – Head Investor Relations and Corporate Communications. We also have Investor Relations team from Adfactors. 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 this conference call, please signal an operator by pressing "*" 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 risks 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 would now like to hand the conference over to Mr. Imtaiyazur Rahman for opening remarks. Thank you and over to you sir.

Imtaiyazur Rahman: Thank you very much. Good afternoon to all of you. It is a great pleasure to connect with you for the third quarter and nine months ended earning call for the financial year 2022-2023. This is also a very momentous occasion for UTI, yesterday, 1st of February 2023, marked the beginning of the Diamond Jubilee Year of the brand UTI that started its operation on 1st of February 1964. We also completed 20 years of UTI Asset Management Company, which began operation as a SEBI Registered Mutual Fund on 1st February 2003. On this wonderful occasion, it is my privilege to thank all our stakeholders for being a great source of strength and support to UTI in this long journey. Friends, this week is marked as Union Budget Week 2023-2024. Yesterday, the Honorable Finance Minister, Nirmala Sitharaman ji, presented the first budget of the 'Amrit Kaal' of India. The era of 'Naya Bharat' will be driven by technology and sustainable energy to create a knowledge-based economy which could have strong public finances and well developed financial sector. The budget listed out seven guiding principles rightfully termed as 'Saptarishi', to help the country navigate to new heights in this Amrit Kaal. The Saptarishi are intricately linked to each other, as one is needed to ensure the fulfillment of the other and achievement of all the priorities will empower the economy to reach the objectives of 'India at 100'. The first priority - inclusive development or what I would like to refer to as 'Sabka Saath Sabka Vikas' cannot be seen without a reference to the second Rishi -

reaching the last mile. After all, we are a nation that is spread far and wide with people from every socio-economic and cultural background. The development of all of us is dependent on the fact that investments are being made to enhance the infrastructure throughout the length and breadth of the country, which has been outlined as our third priority. This will also help us to create a vibrant financial sector that would enable us to achieve our economic goals while supporting the development of our nation. And while we talk about inclusive development, it has to be a growth that is sustainable, and this cannot be achieved without emphasizing on the growth of green energy and amplification of sustainable practices.

This country belongs to the future, that is the Youth. Their empowerment is a key to unleash the true potential of our country, from being one of the finest innovators to demonstrating best governance. With the government's encouragement to inculcate financial literacy and financial education, we, at UTI, as a member of financial sector and the mutual fund industry, take an added responsibility to continue to be the front runner on the investor education front. With the announcement of a well-balanced budget that emphasizes on the economic growth while maintaining fiscal prudence, the gears are all set to spur the consumption, savings and capital investments. The budget for 2023-24 continues with the government's vision of complementing the macroeconomic level growth focus with a microeconomic and all-inclusive welfare emphasis.

While it is usually difficult to achieve all the objectives at one go, this budget has managed to do so. There is high focus on capital spending, impressive fiscal management, while ensuring duration supply is moderate, thus creating enabling conditions for sustained economic growth. Let me share with you about the tax benefits for individual. The announcement towards the personal income tax could benefit the people, especially the working population, as the government has introduced several benefits, more so, with concessional tax regime popularly known as new tax regime. Also the maximum tax rate would see reduction from 42.74% to 39%. These favorable changes in the tax regime will provide individuals with surplus income that can be channelized to the capital markets and to the mutual fund industry. UTI will also be beneficiary of this change.

Along with the several tax regime modification which could help inflow in mutual funds, the announcement relating to simplification of KYC norms would also highly benefit the industry. Reducing the cost of compliance and simplified KYC norms based on risk based approach would help us to bring new investors in the mutual fund industry and in UTI. The strengthening of our industry would also help the country achieve its goal of having a strong financial sector, which will contribute to the objective of the $5 trillion economy. And as the mutual fund industry grows, UTI, with its wide presence across the length and breadth, will stand to benefit and help our fellow citizens on their wealth creation journey. UTI is looking forward to deepening its geographical presence in our country. With all the ingredients in place, India continues to be the fastest growing emerging economy. This will help us in the growth of the mutual fund industry and UTI.

Coming to the major purpose of this call to discuss our quarterly performance. I have with me my distinguished colleagues, Mr. Surojit Saha, Mr. Vinay Lakhotia and Mr. Sandeep Samsi. With this, I now hand over to Mr. Sandeep Samsi, to share with you about our performance. Over to you Sandeep and thank you.

Sandeep Samsi: Thank you so much Sir. I will first touch upon UTI Mutual Fund's performance. For us the quarterly average AUM as on 31st December 2022, stood at Rs. 2,40,841 crore, up by 7.2% year-on-year. As on 31st December 2022, our market share stood at 5.98%, consistent from the quarter ended September '22 and up by 15 basis points from 5.83% for the quarter ended March '22. Our equity quarterly average AUM market share is 4.82% for the October to December '22 quarter. Our equity quarterly average AUM for the December quarter stood at Rs. 73,631 crore, rising by 5.1% as compared to the quarter ended December '21. The quarterly average AUM for Index and ETF recorded a year-on-year growth of 35.2% to Rs. 81,580 crore for the third quarter. Net sales for UTI Mutual Fund for quarter three of FY 23 stood at Rs. 3,962 crore, while the overall industry saw inflows of Rs. 31,802 crore. The ETFs and Index fund net inflow stood at Rs. 4,729 crore gaining 13.1% of the industry net inflows. UTI was able to capture market share of 8.5% of the gross sales of the industry during the quarter.

The total assets under management for UTI Group registered a growth of about 14% over the corresponding quarter of previous year and stood at Rs. 14.98 lakh crore as on 31st December '22 as against Rs. 13.11 lakh crore as on 31st December '21. During the quarter under review, UTI added 23,000 folios, taking up the number of live folios to 1.21 crore as on 31st December '22 from 1.16 crore as on 31st December '21. During the quarter, our number of SIP accounts rose by 3.6% taking the total number of live SIP folios to 24.66 lakh as on 31st December 2022. The new SIPs registered during the quarter were 2.30 lakh. Our SIP AUM witnessed a growth of 18.6% over the corresponding quarter of last year reaching to Rs.21,495 crore as on 31st December '22 from Rs. 18,126 crore as on December '21. The SIP inflows for the quarter stood at Rs.1,656 crore rising by 4.22% over the second quarter of the current financial year and by 22.5% from the corresponding quarter last year. The SIP gross inflows for UTI Mutual Fund witnessed a year-on-year growth of 22.5% as against the industry growth of 21.6%, with an average ticket size of Rs.3,231 for December '22. Keeping our commitment to deeper and better access to the B30 cities, that is beyond B30 cities, 23% of our monthly average AUM for December '22 comes from these B30 cities while the industry stood at 17% in terms of B30 market monthly average AUM. 108 of our 166 branches are in the B30 cities.

I would like to highlight some of the digital initiatives that we have taken at UTI in the last quarter. We have increased our distribution outreach by partnering with investor and distributor facing platforms and other aggregator platforms. The focus is on lead, traffic and

API led partnerships. We have partnered with more than 10 such platforms. We are aggressively investing in our digital marketing efforts with the aim to acquire new customers, as well as to create awareness by targeting relevant audience through paid marketing while engaging existing customers via multimedia campaigns. We are on the path to be a data first organization riding on our analytics and personalization at scale and are working on multiple such initiatives covering various business functions such as sales, digital marketing, product, investment, etc. We are revamping our contact center operations by riding on upgraded technology, digital solutions and skilled resources for inbound and outbound calling, chat and co-browsing activities. This will result in enhanced customer service and customer delight. We are on the path to cloud journey and moved 92% of the workload on Agile and moving toward micro service based architecture with an ultimate roadmap towards office-on-the-go model. Our applications are secured through multi layered security architecture and encryption standards with incessant security surveillance in place. Data classification and enhanced privacy controls are enabled too.

Now, I turn my focus towards the UTI AMC Financials. During the third quarter, the company posted a consolidated net profit of Rs. 60 crore as against Rs. 127 crore in quarter three of the financial year ‘22 reflecting a decline of 53%. The consolidated core net profit stood at Rs. 76 crore for this quarter. Core PAT excludes the mark to market gains, income from sale of investment and other non-operating income. For the nine months of FY 23 the consolidated core net profit stood at Rs. 253 crore up by 1% as against Rs. 250 crore in the corresponding period of the last year. There is growth in the core profitability of the UTI group.

UTI AMC Limited:

For UTI AMC standalone, the net profit of UTI AMC Limited in quarter three of FY 23 is Rs. 108 crore, reflecting an increase of 4% year-on-year as against Rs. 104 crore in the same period last year and a decline of 9% quarter-on-quarter as against Rs. 119 crore in quarter two of FY 23.

The core net profit of UTI AMC Limited in quarter three of FY23 is Rs. 60 crore, whereas the core income is at Rs. 226 crore in quarter three of FY 23 reflecting a slight decline of 4% quarter-on-quarter and is constant from quarter three of FY 22.

UTI Retirement Solutions: Our AUM in UTI Retirement Solution has increased by 19% on closing basis to Rs. 2,30,560 crore from Rs. 1,93,331 crore in quarter three of FY 22. PAT of UTI RSL is at Rs. 12 crore, an increase of 15% compared to the corresponding quarter of the last year.

UTI International Limited: The management fee of UTI International for the period ending December ‘22 stood at Rs. 33 crore, a decrease of 8% year-on-year from Rs. 36 crore for the corresponding period during ‘21.

UTI Capital Limited: UTI Capital Limited made a net loss of Rs. 1 crore during this quarter.

The operating profit margin as a percentage of AUM for Q3 FY 23 was 15 basis points on a standalone basis.

Employee cost of the group: Employee cost of the group in quarter three of FY 23 was Rs. 104 crore, witnessing an increase of 7% year-on-year as against the amount Rs. 97 crore in quarter three of FY 22.

I would like to provide a brief highlight on the performance of our subsidiaries. UTI International has an AUM of Rs. 23,826 crore as of 31st December '22. Our international clients are across 38 countries. They are primarily institutions, pension funds, insurance, banks and asset managers. One of our flagship fund the India Dynamic Equity Fund (IDEF) domiciled in Ireland, has an AUM of $1,080 million. UTI International J Safra Sarasin Responsible India Fund, an ESG-compliant India Fund has an AUM of $82 million. UTI India Innovation Fund launched in the first quarter has an AUM of $17 million.

UTI Retirement Solution has been managing the NPS corpus for government and non-government sector. As on 31st December '22 its AUM is Rs. 2,30,560 and has the of 27.01% of the industry AUM.

UTI Capital with a total AUM of Rs. 1,643 crore currently manages active debt funds, like the UTI Structure Debt Opportunities Fund which is called the SDOF – I, launched in August 2017 and closed in May 2019. It has an AUM of Rs. 204 crore. Currently the fund is in exit mode. UTI SDOF-II which was launched in September 2020 has an AUM of Rs. 507 crore, and the fund is currently in fundraising stage as well as investing. UTI SDOF-II has a very well defined ESG policy and strategy. UTI Multi Opportunity Fund I, which was launched in March '22, has an AUM of Rs. 763 crore. Currently the fund is in investing stage. Further, UTI Capital has launched another fund, the UTI Structure Debt Opportunity Growth Fund I which was later rebranded as SDOF-III, and it has an AUM of Rs. 169 crore.

I would now request the Managing Director and CEO to give his concluding remarks. Thank you.

Imtaiyazur Rahman: Thank you Sandeep for sharing operational and financial highlights of our company. As we enter the Diamond Jubilee year of UTI brand, I would like to reiterate our commitment towards our investors and this nation. Our emphasis on our people, process and performance is undeterred and continues to remain the backbone of our operational excellence. With this, I would like to open the forum for Q&A. And thank you for joining this call today.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. Anyone who wishes to ask a question, may press "*" and "1" on their touchtone phone. If you wish to remove yourself from the question queue, you may press "*" and "2". Participants are requested to use a handset while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We have the first question from the line of Swarnabha Mukherjee from B&K Securities. Please go ahead.

Swarnabha Mukherjee: I have three questions. My first question is on the standalone business. So in the mutual fund business, the ETF share has gone up quite significantly and there is a bearing on the yield because of that. So if you could explain that, whether the yield which has come down is primarily because of ETF share increasing or is there something else also at play there. As well as is this primarily the EPFO contribution and how should we think about the ETF growth going ahead? So that will be the first question sir.

Vinay Lakhotia: ETF business during the previous quarter has actually gone up as percentage to our overall AUM from 31% to 34%. Yes, in the ETF we charge an asset management fee of close to around five to six basis points that has a marginal drag on our overall weighted average AMC fees. So if you see the weighted average AMC fees, it has marginally dipped from 38 basis point during the earlier quarter to around 37 and the corresponding AMC fees in the last financial year for this particular quarter was also 37 basis points. So it is a marginal impact as compared to the previous quarter. And coming to the question that where the inflows are coming, primarily the inflows under the ETF categories are from EPFO, plus we have lot of institutional clients as well who are investing their provident fund money into ETF funds.

Swarnabha Mukherjee: Okay sir, so this is expected to continue going ahead at the same rate. So we should see the yield dilution also going ahead?

Vinay Lakhotia: Yes, there'll be a marginal yield dilution because of the growth in the ETF business.

Imtaiyazur Rahman: The absolute revenue will be up.

Swarnabha Mukherjee: Got that sir, of course because the overall AUM is growing. Right, my second question is on the international business side. So in the international business, sequentially the AUM has gone down. So is this primarily due to mark to market loss or is there any kind of also, any client loss or something like that has occurred, which is resulting in this and is this the primary reason why we see M2M of investments in the P&L of the international business, if we could highlight and also on the expense increase in this business. So what is going on there if you could let us know?

Imtaiyazur Rahman: I will tell you about the clients, we have not lost a single client, we have added more clients and regarding our financial data about mark to market, Sandeep over to you.

Sandeep Samsi: So, UTI International which is a subsidiary of UTI AMC, it has invested in India Dynamic Equity Fund, which is a diversified equity offshore fund having a fund size of around Rs. 8,940 crore or about US$ 1080 million, the investment was provided as a seed capital for the fund. The book value of this investment is Rs. 116.2 crore and the market value as on 31st December '22 was Rs. 280 crore. The impact in the financials is due to the decline in the NAV from September '22 and the currency impact from the financial reporting purposes. As the fund has grown over time and the AUM has crossed 1 billion, UTI has reduced this investment by booking profits in '21 and '22. UTI will continue to redeem from the IDEF gradually and reduce the investment further over the next few quarters. The fund has given an absolute return of around 86.32% from the inception in dollar terms and has steadily given management fees to UTI International over the years. So, that is about the financials of the UTI International.

Imtaiyazur Rahman: So far as expenses are concerned, the main expenses are legal expenses to open our office in Paris. UTI International is starting one of its office in Paris to meet the requirements of European investors and this is one time legal expenses which you will find in the profit & loss account of UTI International. And we are also heading for the US, there will be some more expense on the US strategy as well.

Swarnabha Mukherjee: Okay. So the run rate for UTI International will continue to remain at a similar level on the expense side for upcoming quarters?

Imtaiyazur Rahman: No, I am saying only one time expenses, the legal expense is one time, we need not incur any more costs there.

Swarnabha Mukherjee: Okay, but something will come from the US also, something you mentioned there, right?

Imtaiyazur Rahman: US strategy we are working it out so next year, some more expense may come as a one-time expenses.

Swarnabha Mukherjee: Okay, sir got it.

Vinay Lakhotia: But may not be in this financial year.

Imtaiyazur Rahman: There is nothing in this financial year.

Swarnabha Mukherjee: Sure, sir that's helpful. Lastly on the SIP inflow share. So, if I calculate the inflow numbers that you have provided and also the industry level data that we get, there is very minor but there is some like in second decimal point kind of loss in market, should we be concerned on that or this is just like one time deviation if you could throw some light on that, this will be helpful.

Vinay Lakhotia: You are speaking about the overall percentage or only for equity fund?

Imtaiyazur Rahman: SIP.

Swarnabha Mukherjee: For the SIP, sir.

Vinay Lakhotia: The market share is close to around 4.15% of the fresh inflow. In fact that number has actually improved by three basis points from the corresponding quarter of the last financial year.

Moderator: Thank you. We have the next question from the line of Viraj Kacharia from Securities Investments. Please go ahead.

Viraj Kacharia: I just have three questions. First is on the yield part. If I look at purely the domestic mutual fund business, we've seen a very sharp moderation in yield, so both sequentially and year-on-year. The moderation in excess of 2.5 basis points. So, if you can just kind of give some color, what is driving this so, if I have to compare the yield which we get now in new flows vis-à-vis the old flows, what will be the yield which is accruing to us in the new flows?

Vinay Lakhotia: Now, I am not sure which numbers are you looking at, because yield on a sequential basis as well as on a year-on-year basis, there has been just a marginal decline. So, corresponding on a year-on-year basis, the yield was at 38 basis points, with respect to the previous quarter also the yields was at 37 basis points and for this particular quarter, quarter three of this financial year, the yield is around 37 basis points. That primarily, as I stated earlier, is because of the growth in the ETF and the liquid fund business. In fact, yield on the equity fund has actually marginally improved as compared to the previous quarter by around a basis point or so. But having said that, still because of the growth in the ETF and the liquid business, there has been a marginal decline of yield by one basis point. Coming to the yield on the fresh business**,** we had stated earlier also the yield on the fresh mobilizations are lower as compared to our stock AUM. Almost 50% to 70% of the total distributable expense ratio gets shared between the manufacturer and the distributors. That will continue as long as they are going there'll be a marginal impact on the yield of the equity fund. As stated in earlier call also, profit margin is one number that you should look at it and that number with the reduction in the cost going forward, that number will keep on improving on a quarter-on-quarter basis.

Viraj Kacharia: So when I say gain on domestic business, I basically look at the earnings we had for our domestic business, the revenue was around Rs. 216 crore and if we look at the overall QAAUM, which is around Rs. 2,40,000 crore, so, we get a blended yield for the domestic mutual fund of somewhere around 35.9 or 36 basis point as against 38.5 last quarter and 38.5 again the same quarter last year.

Vinay Lakhotia: So, quarterly average number what you stated is 2,40,000 crore.

Viraj Kacharia: Right sir.

Vinay Lakhotia: So, against that the AMC fee number will come down to 37 basis points from 35.6 in this quarter is Rs. 216 crore actually.

Viraj Kacharia: Yes, sir that's what I meant, and that's what I have been saying. Sir, basically on that derivation, we get a yield moderation or somewhere around 2.5 basis point.

Vinay Lakhotia: So, Viraj, maybe we can connect offline, but the yield moderation is actually not even one basis point is less than half a basis point as compared to the previous quarter as well as on the year-on-year basis as well.

Viraj Kacharia: Okay. Second question is based on broadly on the cost structure. So the employee cost part, for us, if I look at overall performance in terms of say regular market share or incremental share in terms of the SIP flows also. And if I kind of correlate that with the overall mutual fund scheme performance, we've seen some kind of underperformance vis-à-vis the market. So, just trying to understand how should one really understand the performance incentives or the ESOPs and other part, going forward considering?

Imtaiyazur Rahman: On incentive part, we are working. We have provided in the accounts, which Surojit will tell you, his throat is bad so, Sandeep will highlight our incentive plan. Indeed, the performance of our flexi cap scheme is low now and based on the performance only we will pay the variable pay to our employees.

Sandeep Samsi: So, Viraj if you see the variable pay or ESOPs which are given to the employees are all based on a very well defined KRA for investment as well as the sales team and are completely dependent on the performance of the schemes. And we have highlighted that whatever we have been accruing. So, for the nine months for this financial year, we have accrued so far, a variable pay of Rs. 43 crore which is in line with the performance of the scheme as well as the performance of the sales team. And we expect that this quarter will be equally good for the organization based on the performance of our schemes, as well as what we have been doing on the debt side. So, it's not arbitrary, it's completely based on the KRAs that are there for all of the sales team as well as the investment team.

Viraj Kacharia: Just two questions, and I'll come back in queue. One is how much we have booked the performance incentive in ESOP, how much we have booked in the current quarter. And second is, our expectation in terms of employee costs itself was that it will keep on moderating, but every quarter we see a very different and same increasing trend. So, just trying to understand on an absolute level also, by when do you really expect cost to moderate down?

Sandeep Samsi: So, Viraj if you look at the ESOP cost that we have booked so far in the three quarters it's about Rs. 15.1 crore and for the fourth quarter, because it is already prefixed, it is Rs. 5.70 crore. So, a total comes to Rs. 20.80 crore on the ESOP cost. On the employee cost if you see last quarter also, the quarter two, the total cost which you had including fixed cost, variable cost as well as insurance and welfare expenses, it was Rs. 103 crore and in this quarter, it is Rs. 104 crore, so there is not a significant change in the number.

Surojit Saha: And Viraj one more thing, for the nine months if you see the employee cost, core employee cost is Rs. 265 crore and the variable pay is Rs. 43 crore. So, if only the core employee cost if you just annualize it, it comes to around Rs. 353 crore and FY 22 the core employee cost was Rs. 345 crore, if you just take a blanket 7% annual increment which we give, figure should have been Rs. 369 crore. But we expect this financial year this will be around Rs. 353 crore. So, there is a downward trend in the overall core employee cost.

Viraj Kacharia: How much performance incentive in ESOP you said in the quarter we have booked, for this particular quarter?

Sandeep Samsi: For the quarter is about Rs. 6.53 crore on the ESOP cost, and on the variable pay which we have booked it's about Rs. 14 crore.

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

Prayesh Jain: Again, the question on the yield. Now, if I look at your AUM growth on a sequential basis its 3%, while your revenue is down by 4% sequentially when compared sequentially, so from 2Q to 3Q. So that clearly indicates and when we calculate the yield on basis, we get a two and a half basis point kind of a decline what the previous caller was asking. I don't know whether there is some disparity in the numbers. Secondly, on the same thing, last year around this time there was some mention about you kind of front ending the cost on certain schemes for the full year, you front-end the cost in Q3 while most of the companies kind of do it after Q3, and that impacted the yields in 3Q of last year. Something similar has happened in this quarter where in your margins have been impacted and possibly some recovery can be expected in Q4?

Vinay Lakhotia: No, as you rightly said the growth in the AUM is of 4%, but then you have to see the category, which category your growth has actually happened. So, in the hybrid category there have been slightly a de-growth because of redemption pressure. And that has actually come down while the growth has actually happened in the ETF category and the liquid category where the fees are actually lower. So that's why you can't compare an AUM growth along with the fees growth. And because of that you're finding this difference.

Prayesh Jain: But there is nothing of the expenses that happened last year?

Sandeep Samsi: No, so Prayesh there was no front ending what we had mentioned last time that variable pay was coming at a single quarter last year, but then we said that we will average it out over the four quarters. And that's what we have done this year.

Vinay Lakhotia: That is in the AMC balance sheet, nothing to do with the yields on the scheme.

Prayesh Jain: No, so I am talking about the scheme accounts only, last year 3Q when the yields had dropped sequentially, there was an explanation given that last year again the dip was from 42 bps in 2Q FY22 to 38 bps in 3Q FY 22. Something similar kind of drop has happened this year as per our calculation. And last time in 3Q FY 22 an explanation was given for the yields that because on the scheme side you kind of front end the cost for the full year in this in particularly third quarter that's the reason the yield fell. And that's the reason in 4Q we saw a recovery which went to 41 bps. So, that can be expected in this year also that is my question.

Vinay Lakhotia: No, there is no concept of front end of the commission or the fees as far as the schemes are concerned. This particular quarter the decline is primarily because of the growth in ETF AUM, and we expect to grow the full year at around 37 to 38 basis points only.

Prayesh Jain: Okay, so no expectation for this?

Imtaiyazur Rahman: There is some disconnect in the understanding; may I request you to take it offline with Vinay and Surojit.

Prayesh Jain: Sure, I'll do that sir.

Imtaiyazur Rahman: So that proper data can be exchanged, and you'll get a very clear picture. There is nothing like the front ending and there is nothing like the back ending of any expenses, all our expenses are fully audited on a daily basis. We have a concept of concurrent audit where everything is audited on daily basis on NAV, and we carry out a limited review regularly. Our schemes also we do the half-yearly limited review. So, it's a part of very diligent, transparent processes, there cannot be any front loaded or back loaded expenses accrual. There is some confusion about understanding therefore, I will request you to speak to Vinay offline, clear your data points and that will give the better picture.

Prayesh Jain: Sure, sir I will do that. And sir secondly on the talks in the media of about SEBI kind of thinking about constraining the expenses especially of TER ratios further for the large AMC actually having equity AUM of 50,000 crore plus and also subsuming the GST rates and the brokerage rates into the TER which were exclusive beyond the TER now, any comments there that will be helpful.

Imtaiyazur Rahman: Friend, this is a regulatory issue and a media article. We can't give any comment on the speculation. Whatever happens will happen for the entire industry. So, I respect that and therefore it is not appropriate for me, particularly representing UTI to speak anything on speculation. So please wait for that if anything has to happen will happen. A new regulation will come if it has to come and that will be uniformly applicable to all asset managers. It will not be unique to us. And I can't comment on this at this particular point of time.

Prayesh Jain: Okay. And sir my last question is on the debt side, where there has been a lot of outflows from the industry. Is there an expectation of the flows kind of coming back on the medium to longer duration, and in that scenario, how do you see the yield moving on the debt books from next year onwards and how would that impact the overall yields as well that was my last question.

Imtaiyazur Rahman: I'm quite optimistic on the fresh inflows into the debt segment of the business. We at UTI we are witnessing a positive inflow. I hand over to Vinay and Sandeep to answer your question.

Sandeep Samsi: Yes. So, if you see Prayesh, 2022 was a difficult financial year due to high global inflation and ease of monetary policy. Therefore, we saw a multiple number of factors which led to inflation taking the front seat and rising significantly above the comfort level of the local Central Bank. To rein in this inflation the Central Banks globally started hiking the interest rate including our Central Bank - RBI. Closer to home, now the union budget, which was presented yesterday, it has created enabling conditions for sustained economic growth and maintaining high focus on capital spending while ensuring debt fiscal management, market expectations and policy rates are that it will peak at around 6.50% and this presents a scenario where debt is an asset class looks relatively attractive at this juncture, when real returns are positive which was not the case in the last couple of years. So this is what I would like to say. And on the inflows Vinay would you like to add.

Vinay Lakhotia: We expect the policy rate to peak at around 6.5% and we believe that thereafter, debt as the asset category should actually look attractive especially on the intermediate duration strategy of one to four years. So some of those strategy like a short term duration fund or a Banking PSU fund, we expect to receive inflows under these categories of fund going forward.

Imtaiyazur Rahman: And using this particular medium, I would request the investors to invest in the debt fund, it is the right time to invest in.

Prayesh Jain: So, any impact on the debt yields?

Vinay Lakhotia: Policy rate we expect to peak at around 6.5%.

Prayesh Jain: No, I am asking about the debt AUM on which you earn certain amount of yields which could be possible.

Vinay Lakhotia: Yield is close to around 26, 27 basis points.

Prayesh Jain: That should move higher with the flows moving in.

Vinay Lakhotia: Slightly a longer duration product that may improve by a basic point or few.

Moderator: Mr. Jain thank you. The next question is from the line of Akshay Jain from JM Financials. Please go ahead.

Akshay Jain: So, Sir my question is again on the yields. So, I was just back calculating so like your equity and hybrid MF AUM that is down by around Rs. 800 odd crores even if I assume say a 1% yield on this for a quarter the revenue should have been down by only Rs. 2.5 odd crore, however the revenue on a quarter-on-quarter basis is down by nine to 10 odd crore. So, what explains this decline in the revenue on a quarter-on-quarter basis?

Vinay Lakhotia: So, the revenue decline has been because of the lower AUM under the equity and the hybrid category because of that there has been a marginal decline. Almost around 7 crore decline under the equity and hybrid category because of mark to market depreciation under these two category. And ETF obviously since the yields are stagnant at around five and a half to six basis point, there have been absolute growth as far as revenue is concerned, but marginal decline under the overall category to around 37 basis points.

Imtaiyazur Rahman: So, the main is because the AMC fees is down by eight crores mainly because of the M-to-M**.** So, as you know the market has been very volatile and therefore there was an impact.

Akshay Jain: Okay sir. I'll take it offline. The next question is on one of your disclosures. I am looking at the disclosure for commission payout to distributors which you are going to put out annually. So, I was just looking at the total numbers so for FY 22. The total commission which has been paid as per the disclosure is around Rs. 200 odd crores and the total distributed AUM stands at around Rs. 30,000 odd crores. However, if I calculate so that you say that around 70% of your equity AUM is distributed so of the 1 lakh crore, 70,000 crore should have been distributed. So, why is this discrepancy accruing, total AUM distributed should have been close to around 70,000 odd crores however, it is only showing 30,000 odd crores. So any comment on this?

Vinay Lakhotia: But that disclosure is with respect to the total commission paid including the commission paid on the stock premium as well. It's not only on the fresh sale.

Akshay Jain: Yes. So, I'm talking about AUM only, so there, the total AUM is only 30,000 odd crores, I am looking at the average AUM with the total AUM of the 1500 odd distributors which you have disclosed. However, if I calculate the total distributed AUM, which is close to around say 70% of the equity AUM that comes to around 65 to 70,000 odd crores. So it’s like only half of the AUM has been disclosed over here, so how will it work?

Sandeep Samsi: It is only for the top 1000 or 1500 distributors where there is a requirement for this. It's a regulatory requirement which we have to give the data for and it's above a certain threshold. So that's why the AUM and the commission which has been paid on an overall basis as Vinay mentioned it is on the tail commission which has been given. So that's why the numbers would be different.

Akshay Jain: Understood, sir. That clarifies it. So, any specific on the threshold, so like only top 1500 or is there some amount or is there a threshold which is there?

Sandeep Samsi: I'll have to check on that Akshay, I can get back to you offline I don't remember whether it's on the AUM. There is a regulatory requirement to disclose above a certain limit, I will have to check it is based on the top 1500 or is it based on the AUM if it is above 1 crore or something like that.

Akshay Jain: Understood. My next question is on the international side. So an international AUM has been declining for like past five or six quarters, so it has declined from the highs of 35,000 crores to almost 24,000 odd crores in this quarter. So any specific reason for this, you'd like to attribute and number two. So there was around 60 odd crore MTM loss, which you have reported in this quarter in the international business. So what is the reason for the same?

Imtaiyazur Rahman: First of all, the M-to-M loss.

Sandeep Samsi: First on the MTM loss as I just mentioned and I will just report this again, UTI IDEF which is one of the funds where we have a fund size of around Rs. 8,940 crore or $ 1080 million, the investment which was provided as a seed capital and the book value of this investment is around Rs. 116.2 crore and the market value around 31st December 2022 was Rs. 280 crore. The impact of the financial is due to the decline in the NAV from September and the current impact on the financial reporting purpose. As the fund has grown over time and has crossed US$1 billion, UTI has reduced the investment by booking profits over time. And we will continue to reduce our exposure from IDEF gradually. The fund has given an absolute return of 86.32% from inception in dollar term and has given steady management fees to UTI International over the years. And if you look at while the AUM has reduced, there is a marginal decline from the quarter two where the AUM was Rs. 25,105 crores to Rs. 23,826 crores. One of the primary reasons for the reduction was the fall in the AUM of UTI India Dynamic Equity Fund, which has gone down from Rs. 1,139 crore to Rs. 1,080 crore. And some of the equity funds have also had an impact due to the market depreciation.

Imtaiyazur Rahman: So, Akshay let me just share with you, UTI International have investment in three schemes as a seed investment, IDEF, balance fund and innovation fund. So, there is M-To-M effect is up 24 crores is there and the currency impact is of 38 crore is there. So, the total impact is 62 crore. IDEF is down by 40 crore, Balance Fund by five crore and Innovation Fund by 17 crore. So, therefore the M-to-M both currency and the margin is Rs. 62 crore. There is no significant case so far as a loss of investor is concerned, this particular product is very popular and we are continuously receiving the money in this particular fund.

Akshay Jain: Understood. The last question is on the cash on the balance sheet. So, what is the strategy on 3200 odd crores of investments and cash on the balance sheet? So, what is the strategy of utilizing this going ahead so it is the plan for some dividend or some special dividend or anything like for this?

Imtaiyazur Rahman: We don't have any plan giving any special dividend at this particular point of time. Last year we gave around 62% of our profit we distributed, we are very sensitive about the cash management. We are also investing in the growth of the organization as I indicated that some of the resources may be required. Next year onwards we will start investing in a geographical expansion and also in our digital strategy. The board has to decide. If the board would like to consider any special dividend or not. Now we are in the last quarter, we will discuss this at the end of this quarter. In the next call you will have a better picture Akshay.

Akshay Jain: Understood. Then last question is again on the yield side, so what will be the current yields on the equity AUM and number two, what will be the outlook going ahead like maybe if you can give some idea on it. How much of the AUM is still on the old regime where you have already paid upfront commission and what will be the proportion of new?

Vinay Lakhotia: So we can comment only on the stock AUM yield that is close to around 77 to 78 basis point on the equity and hybrid category. On the fresh AUM yield as I told you, it's very difficult to put any number of that because of the distribution expense ratios that varies from IFAs to IFAs.

Imtaiyazur Rahman: And Akshay, I would also like to mention to you we are seriously reviewing our sales strategy. So, next call, we will be in a better position to give you a color about what would be the likely yield for the next financial year 23-24. So, please give us some time and market will also be a bit stable a lot of volatility is there in the market.

Moderator: The next question is from the line of Mohit Mangal from the BOB Capital. Please go ahead.

Mohit Mangal: Sir, my first question is in terms of the market share in equity AUM. So, last if you look at seven, eight quarters we have, the market share in equity AUM has been reduced. So, overall we have maintained but equity AUM has reduced so any strategy to gain the market share in equity AUM?

Imtaiyazur Rahman: We are quite focused in our equity strategy. Our team is continuously in touch, we have the three flagship product we are pushing it very hard, and we are quite confident that our equity market share should improve on a quarter-on-quarter basis. As I mentioned to you on every call that we are quite focused on high yielding assets. Our strategy should focus on high yielding assets, we are quite committed, and the performance of schemes is also more or less on our side, and we will differently improve our share in the equity schemes. The most important thing I would like to mention here besides the number is our investment team. I believe that we have got the right team in place. They are people with high ethical and moral values, very diligent and committed to our investors and the stakeholders. So the investment team is place, we have a right distribution team in place. We are quite focused to go deep and deep in the market more than top 50 cities and beyond 50 cities. So hopefully we will see the good improvement in our equity market share as well as a part of our strategy and I can't give you any forward looking numbers.

Mohit Mangal: Perfect, sir. Going into financial year 24 any plans to launch new scheme or any pipeline if you can share with us?

Imtaiyazur Rahman: Yes, we have, Sandeep.

Sandeep Samsi: Yes, so Mohit if you look in the last month, that is January, we launched three funds one is the CRISIL SDL Maturity Fund, then we launched the Focus Fixed Term Income Fund and we launched the Nifty SDL Plus PSU Bond Fund. We have the approval from the regulators for launching five funds. And depending on the market condition we will be looking to launch these funds, which includes the Silver ETF, the Nifty 50 Equal Weight Index Fund, the FTIF Series XXXVI – I & II, Nifty SDL plus AAA PSU Bond Index Fund and the Long Duration Fund. But this will all be launched subject to market conditions. So, this is a pipeline of the funds which has been approved by the regulator so far.

Mohit Mangal: Right. The last question is just a clarification. If I look at the consolidated so, this M2M loss that we had for this quarter, wherein it was income in previous quarters was primarily because of UTI International right?

Imtaiyazur Rahman: Yes, primarily, UTI International.

Moderator: The next question is from the line of Aman Shah from Jeetay Investments. Please go ahead.

Aman Shah: On a longer-term basis, my question is on the employee cost. If I just see ourselves versus the three other players, the AUM size of the other three players are roughly 20% to 40% higher while the total number of employees is lower by 20% to 40%. So, there is roughly a 40% higher employee base that we are having. I know it will actually take time to correct it, but just wanted your thought, how do we see like though the retirees that we are having we are not substituting it with any new employees that is well appreciated, but beyond that if we have to see this 40% of expanded employee base that we are having, how do we see that getting corrected over a medium term period. Thank you sir.

Imtaiyazur Rahman: One is the number which Sandeep has shared with you, there is improvement. As Surojit also mentioned that if you compare on the year-to-year basis with the yearly salary increase, there is saving of around 20 to 25 crore on a year-on-year basis. The question now is the high productivity and the rationalizations of manpower. Some of the manpower we may use also as we expand our reach further, and we are seriously thinking of the rationalization of the manpower. So, you will have to give us some time, the next quarter will be in a better position to answer this. And details of employee cost numbers Sandeep has shared with you. And Surojit can you share this number once again.

Sandeep Samsi: Yes, so if you look at the number of people who are retiring in this year, the total number is 60. In the next financial year, we have 50 more people who are retiring and the year after we have another 71 people retiring and in 2025-2026, we have 111 people retiring. So to see there is a trend of retirement which is continued for the next four, five years.

Imtaiyazur Rahman: We aim to rationalize our manpower; we are quite committed to this.

Aman Shah: So we won't see a substitution to this retirees?

Imtaiyazur Rahman: We will not see any substitutions of the retiree of class three, class four, which is the non-managerial staff. But we may see the substitutions in our sales team, but it will be at a lower cost. It will not be high cost as these are the duration employees for 30-35 years, but when we hire new employee, the cost is almost one third.

Aman Shah: Second question was sir, our quarterly net sales numbers. When I see that number in the category of equity and hybrid put together, our market share is much lower than what our book market share is of the AUM. So in Q3, we had a net outflow of quarterly net sales. In Q2 also we had a net outflow while industry did saw net inflow of the net sales number so one is the performance part, but second is the sales part also, would we want to make some changes in that sales machinery sir?

Imtaiyazur Rahman: Sales is a focus area we are working to revitalize, reenergize and reorganize our sales team.

Moderator: Thank you. Ladies and gentlemen, this would be the last question for today. And the question is from the line of Abhijeet Sakhare from Kotak. Please go ahead.

Abhijeet Sakhare: Sir, on the cost side again, where do you plan to end this year in terms of overall OPEX if you could guide us toward some range, and then maybe some, let's say indication for overall OPEX growth for next year as well that would be helpful.

Imtaiyazur Rahman: What is your second question?

Abhijeet Sakhare: OPEX growth outlook for next year.

Surojit Saha: I will take it in two parts the employee cost if you see on a quarterly basis, it's almost stabilized around Rs. 104 crores and it will be on a downward trend. And in respect of the OPEX, if you remember in the last call of October also, I said it should be in the range of Rs. 54-55 crore. And on a consolidated basis this year also the other expenses is around 56 crore. So that should be our target and run rate it should be around Rs. 55 to 56 crore.

Abhijeet Sakhare: Got it. And sir, you mentioned that in terms of variable staff cost, you said part of it is linked to fund performance. So, if you could give some color in terms of how do you measure it, like what's the timeframe that you look at, when you assess the performance of the investment team?

Sandeep Samsi: It is different for different teams and different for the sales team, different for the investment team, we would not like to get into the details of the internal KRA system that we have, because it's proprietary to the organization and we have developed this over a period of time. But be rest assured it is based on a very scientifically used qualitative and quantitative measures, which are there for the fund team as well as for the sales team.

Imtaiyazur Rahman: But let me just share it with you when we calculate the incentive part for investment team. We do consider the short term, medium term, long term performance, we also consider the peers comparison and how are we are performing against our peers. It's a well laid down KRA which we have, very stringent system to monitor the performance, the performance of the Chief Executive Officer and KMPs are monitored by the board on a quarterly basis. So, we have a very well laid down and stringent review process with our NRC and the Board. And a very, very transparent system.

Abhijeet Sakhare: Got it sir and lastly, we will end the full year with the overall tax rate at close to 25, because there's been some volatility in that number?

Vinay Lakhotia: Could be around 21, 22.

Imtaiyazur Rahman: Yes, 21. And thank you.

Moderator: Thank you. As that was the last question for today, I would now like to hand the conference over to the management for closing comments. Over to you sir.

Imtaiyazur Rahman: Thank you, friends. Thank you for joining this call and we continue to need your support and thank you for supporting UTI and the management team. Thank you so much.

Moderator: Thank you sir. Thank you everyone for your participation in our Q3 and nine months FY22-23 earnings call. In case of any future queries, you may get in touch with Investor Relations team at Adfactors. We look forward to interacting, thank you. On behalf of UTI Asset Management

Company that concludes this conference. Thank you for joining us and you may now disconnect your lines.