PCASL/74/2023-24
Date: 02.02.2024

To,
The National Stock Exchange of India Ltd,
Exchange Plaza,
Bandra – Kurla Complex,
Bandra (E),
Mumbai – 400 051
NSE EQUITY SYMBOL: **PRUDENT**

To,
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai- 400 001
SCRIPT CODE: **543527**

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Sub.: Transcript of Q3FY23-24 Results Conference Call on Un-Audited Financial Results for the Quarter ended December 31, 2023.

With reference to our earlier intimation No. PCASL/66/2023-24 dated January 19, 2024 and in terms of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the Transcript of Q3FY23-24 Results Conference Call held on January 29, 2024 on Un-Audited Financial Results for the Quarter ended December 31, 2023.

The same will also be available on the website of the Company at www.prudentcorporate.com

Thanking you,

Yours Faithfully,

For, Prudent Corporate Advisory Services Limited

Kunal Amrishbhai Chauhan
Digitally signed by Kunal Amrishbhai Chauhan
Date: 2024.02.02 13:45:48 +05'30'

Kunal A. Chauhan
Company Secretary & Compliance Officer
Tele No: 079-40209600
Email: cs@prudentcorporate.com

Encl.: As Above

"Prudent Corporate Advisory Services Limited
Q3 FY2024 Conference Call"

January 29, 2024

ANALYST: **MR. SWARNABHA MUKHERJEE – BATLIVALA & KARANI SECURITIES INDIA PRIVATE LIMITED**

MANAGEMENT: **MR. SANJAY SHAH– CHAIRMAN AND MANAGING DIRECTOR – PRUDENT CORPORATE ADVISORY SERVICES LIMITED**
MR. SHIRISH PATEL – CHIEF EXECUTIVE OFFICER AND WHOLE TIME DIRECTOR – PRUDENT CORPORATE ADVISORY SERVICES LIMITED
MR. CHIRAG SHAH – WHOLE TIME DIRECTOR –PRUDENT CORPORATE ADVISORY SERVICESLIMITED
MR. CHIRAG KOTHARI – CHIEF FINANCIALOFFICER – PRUDENT CORPORATE ADVISORYSERVICES LIMITED
MR. PARTH PAREKH – INVESTOR RELATIONS – PRUDENT CORPORATE ADVISORY SERVICES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Prudent Corporate Advisory Q3 FY2024 Earnings Conference Call hosted by Batlivala & Karani Securities India Private Limited. 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Swarnabha Mukherjee from Batlivala & Karani Securities India Private Limited. Thank you and over to you Sir!

Swarnabha Mukherjee: To give a brief update on the 3Q FY2024 results and address investor questions we have with us from the management of Prudent Corporate Advisory Services Limited Mr. Sanjay Shah, Chairman and Managing Director, Mr. Shirish Patel, CEO and Whole Time Director, Mr. Chirag Shah, Whole Time Director, Mr. Chirag Kothari. CFO, and Mr. Parth Parekh ,Investor Relations. Now we would request the management to start with their opening comments post which we can open the floor for Q&A. Thank and over to you Sir!

Sanjay Shah: Thank you Swarnabha and let me welcome all of you to this Q3 FY2024 earnings call. I thank you all for sparing your valuable time to join us today. I hope you all have got the access to investor presentation which has been already uploaded by us on the exchanges. While I will be discussing about the numbers, I will be giving reference to various slides. So before moving to company's results let me take you through slide #19. So there is a slide which deals with overall asset management business and how the year has been currently and December has been a really historic month for the entire industry where we cross 50 Lakh Crores of AUM. When equity and ETF/FOF contribution is almost 69% totally so it is very heartening. It is a big landmark with total unique investors has crossed 4.21 Crores in December 2023 and industry added almost 54 lakh investor in last 12 months against that Prudent has also added roughly about 2,15,000 new investors and which represent our market share in retail which is roughly about 4%. I thought that is very important milestone about the industry and I congratulate the entire industry, regulators all the participants for the significant efforts which they have put in for bringing industry together. Now let me take you to the regular business slide so please move to slide #44. So if you look at the slide, we have given the details of our closing AUM as well as quarterly average AUM so we began this fiscal that is April 2023 with an opening AUM of 56,200 Crores and we ended December with a closing AUM of 77,800 Crores. It is an addition of about 21,500 Crores of AUM in first nine months which is almost 38.4% growth. As you are aware that market has given a significant broad based rally in this last 12 months so mark to market growth has been very very, robust in this entire growth. If you see the chart on the right hand side our quarterly average AUM has grown by 30% year on year basis and 8% on quarter on quarter basis to almost 72,000 Crores. On standalone operations we have starting

January 2024 with a very good tailwind. As you see on the chart on the left hand side closing AUM as on 31st December is almost 8% higher compared to our quarterly average AUM of December quarter so we have started fourth quarter with a very good tailwind on the mutual fund front. So now please move to slide# 45. If you look at the slide we have provided you the details of what has moved our equity AUM on a year on year and quarter on quarter basis so as seen in the left hand chart equity AUM has moved by almost 42% Y-o-Y to around 74,450 Crores wherein almost 3/4 movement has been contributed by mark to market gain. Even on sequential basis if you look at our equity AUM has moved almost by 14% wherein 10.8% is contributed by mark to market gain. The strong momentum of Q2 in the net sales has also contributed in December quarter. We did net sales of about 1795 Crores in the quarter while the same number for Q1 was about 682 Crores and Q2 was about 1400 Crores so all in all for 9 month we did a net sales of almost about 3886 Crores in the equity funds. Now please move to slide #46. So this is a slide which provides details of our market share in overall equity AUM and the SIP data. Our market share in equity AUM ex ETF has improved from 2.50% in December 2022 to 2.52% in December 2023. On the bottom left we have given the data on monthly SIP flows as well as our market share in the SIP so during our quarter our monthly SIP book has crossed 6 billion mark and our monthly SIP flow as of December end has touched close to 650 Crores. We have added 166 Crores to our SIP book during last 12 months so it is a growth of 34%. In the same period industry SIP book has also moved significantly from 13,500 Crores to 17,600 Crores so industry also grew at a very healthy pace of 30% when against it we grew at 34%. The average value of new SIP in December was at 3400 which is much much better than our existing average SIP book which suggest that the retail investors now are able to contribute more towards SIP and their input value per SIP is increasing which shows the confident to the investment vehicle of SIP as a long term wealth creation. Given our strong focus on SIP we believe by March 2026 as we are aiming for 1 lakh Crores of AUM. We also foresee that our SIP book will cross 1,000 Crores by March 2026. From this quarter if you look on the same slide at the bottom we have given one line which talks about STP value as on December 2023 stood at 79 Crores which is not including in the above number. This numbers is reported on the actual realization so I think I wanted to highlight that from this quarter we have started providing our systematic transfer numbers. In the month of December we collected 79 Crores through systematic transfer route and this number is reported by us on the actual realization basis. As we are able to collect and properly formalize the data we will give more numbers in the STP book but if you look at I think couple of AMC do provide the data of SIP, STP combined and on that ground if you look at our SIP book was 651 Crores, my STP book was 80 Crores so that both put together also gives you a very healthy recurring money which can move to what you call the equity as an asset class, so as we believe STP are good data point and gradually will start providing you with more and more granular numbers. So I think this is more or less about the KPI now I will take you to the financial numbers. When I start talking about the financials please move to slide #49 which is the last slide of my presentation this talks about the standalone numbers pertaining to our mutual distribution vertical.. So as stated in the last quarter's call that revenue growth has not kept pace with the quarterly average AUM mainly on back of SEBI's decision to keep the B-30 incentive in abeyance from 1st March 2023. So if you look at revenue from operation of our mutual fund distribution business has grown by 25% year on year basis, lower than our quarterly average AUM growth of 30%. In FY2023 the previous year our yield on overall book through this B-30 commission was around 8 basis points roughly about 40 Crores from B-30 cities where our total income from mutual fund distribution was 501 Crores in last year. So if you remvoe this B-30 additional incentive our yield was 87 to 88 basis points in FY2023. In this quarter also ex of B-30 incentive our yield has remained stable. But 8 basis points yield on B-30 incentive in FY2023 has now dropped to two basis point in this quarter. If the impact of B-30 would not have been there our revenue would have been higher by almost 11 Crores in this quarter leading to an additional growth of 7% so if you combine current growth of 25% plus 7% I think the growth would out play our average AUM of about 30% so this explains reason for lower revenue growth compared to an average AUM growth. This two basis points of B-30 additional incentive which we have earned in this quarter will be very, very marginal in the last quarter and it will completely go away from March 2024 onwards. So in FY2025 assuming everything is constant, our yield should ideally move towards 87 to 88 basis points kind of range so this is the prime reason behind the lag you see between the revenue and average AUM growth. Our operating profit grew by 21.3% year on year basis. As stated in second quarter call we have started providing for the higher cost for our flagship Prudent Loyalty Coin Program in FY2023 and that is the reason it has been reflected higher in the operating expense. However if you look at it, you might see a higher cost on year on year basis. On quarter on quarter basis now last quarter also had a significantly higher base so quarter on quarter basis growth is not there significantly higher. Our standalone profit after tax grew by 32% Y-o-Y basis led by higher average income as our treasury book is now growing in size and treasury book is now close to 200 Crores so despite challenges coming from B-30 additional incentive and changing AUM mix to indirect leading to a higher commission payout ratio, we are extremely happy to report that in the first 9 months of our fiscal our profit after tax grew at a healthy pace of 34%. Now please move to slide #48, which talks about our consolidated number. So let me address about the insurance business. On the general insurance front which is predominantly a health business and that is also a retail health business for us, it is picking up really well and our fresh premium in first 9 month for the current fiscal has grown at healthy pace of 35%. On the GI front our total book has crossed 116 Crores which will give us a very good renewal premium for a longer period of time. In case of life one of our main products we sell on the life is non participating saving product. Given the bumper sales we had in Q4 of last year due to taxes and change we are witnessing a consolidation in this business and we have maintained the stance since the beginning of this year that FY2024 is going to be a consolidation year on the insurance front.. Also post regulatory changes on the EOM front, life insurance industry is still trying to adjust and absorb the changes. On account of this fresh premium in first 9 months of current year fiscal is lower by 17%. This drop will significant in fourth quarter on account of higher base. However the base of insurance will be normalized in FY2024 and we expect to move forward on our growth trajectory from FY2025 onwards. Our strategy to become a multiple distributor is well reflected in the numbers with revenue from product other than mutual fund is growing at a healthy pace on a Y-o-Y basis. During the quarter growth in non mutual product was almost 85% year on year basis and mix wise non-MF revenue is accounting for almost 21% of our overall consolidated commission & fee income. Our consolidated revenue is up 33% year on year basis. Other expenses also on a consolidated level are higher mainly as we explain you in the previous quarter is because of our spends in marketing branding and awareness for the insurance as a vertical So consequently our consolidated profit has grown at 25% year on year basis.

So lastly as I conclude my opening remark we are getting very closer to hit our 1 lakh Crores AUM by March 2026 as targeted and we have touched 80000 Crores of AUM during this month. The ability of mutual funds to deliver inflation between returns is well understood by retail and this product will eat into the share of bank deposits slowly but surely.. There are about 4.21 Crores unique investors in mutual fund industry and this number is expected to grow by leaps and bounds in the phase of Amrit Kaal where in per capita income is also likely to grow by almost 10x in next 25 years so we are aptly placed in this growing industry and we are sure we will be able to reap the benefit in years to come. Thank you very much I will just open the floor for question and answer now.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Rohan Mandora from Equirus Securities. Please go ahead.

Rohan Mandora: Good morning Sir and thanks for the opportunity and congrats on good set of numbers. Sir, on this MF yields like you explained there was an impact of B-30, but if you look at on Q-on-Q basis there is still an improvement from 91.3 to 91.9 so just want to understand the reasons for the same?

Sanjay Shah: There is no specific reason for, we were also trying to look at what is the reason for roughly about half-basis point will be going up, it might be a normal only. I do not think there is any specific reason for that, but we can assume that it will be in the range of 91.3 to 91.5, the total yield you are talking about right with B-30 right?

Rohan Mandora: Yes with B-30.

Sanjay Shah: Yes. So, there is no specific reason for yield improvement about half basis point.

Rohan Mandora: Second sir, if you look at the insurance business other opex to revenues while every quarter there is some volatility, but going into FY2025 if you look at Q1 it was around 43%, Q2 was 49%, Q3 was 45%, other opex to revenue in insurance business, so going into FY2025 what kind of a normalized level should we expect in this opex line item given that you have been spending on marketing and other activities here?

Sanjay Shah: You are talking about the operating expenditure as well as the brokerage payout combined right? You are looking from that angle?

Rohan Mandora: The other opex in the insurance basis, the non-employee expenses total?

Sanjay Shah: Roughly both one should be in the range of about 64%, 65%. You can say that non-employee cost, non-appreciation cost on the insurance vertical should generally be in the range of 60% to 65% probably 64%, 65%.

Rohan Mandora: So it will be higher than the current levels that means?

Sanjay Shah: Yes.

Rohan Mandora: Currently, it is around 45% to 49% in the last two quarters, other opex by revenues on the insurance part?

Sanjay Shah: Ideally it should sit in the region of 64%, 65%.

Rohan Mandora: Okay, sure and Sir thirdly on slide #29 where we are giving MFD productivity, if you were to look at it from the new to MFD clients. Is there any productivity difference in that case between a less than Rs.10 Crores and a greater than Rs.10 Crores MFD, because I assume for greater than Rs.10 Crores it could be that some of these new accounts or folio's are getting open from the existing clients and that is where the ticket size is higher? So just to get some color around that?

Shirish Patel: MFD, when he starts in the industry, initially majority of the business come's through SIP, the client acquisition also becomes with the smaller or the midsize clients. When he becomes bigger and bigger in the industry, he starts getting the bigger reference, bigger clients and that is how his business grows. Even if you consider the average AUM, if you split the AUM and the business mix between the smaller MFD versus the bigger MFDs in terms of AUM you always can say that the bigger MFDs might have a bigger share, but when you look at the SIP share, the smaller SIPs percentage share would be higher, so that reflects that the smaller SIPs are able to establish themselves with the newer relationship with the client with a smaller ticket size, with the SIP as a business and as they become mature at the more and more clients and more and more higher and higher amount comes with them. So I do not think the smaller MFDs' productivity would be lesser than the bigger ones, but this is a normal trend and this is how the business happens in the industry.

Rohan Mandora: Sure and Sir lastly with respect to FY2026 we were expecting roughly One Lakh Crores worth of AUM and we are already at Rs.80,000 Crores, so any revision in guidance there?

Shirish Patel: Basically again if you look at historically what we are trying to say that our net sales is equal to the SIP sales. Now today we are already at around Rs.650 Crores of SIP book. We are hoping to touch let us see hopefully we may be around 700 odd kind of SIP book by March 2024, so the way we see that our SIP gross sales would be the net sales that way you can see around Rs.7000 Crores, Rs.8000 Crores by way of SIP sales and remaining could be a mark to market. So historically if you see all the communication we are trying to say that in a medium to long term we assume that 10%, 12% kind of growth can come by way of SIP or net sales and 10%, 12% kind of growth can come by mark to market. All depends on the mark to market from here to March 2026, so that depends on the mark to market but in terms of the numbers what we believe that what we have delivered in the net sales it is in line with our expectations for the beginning of the year.

Rohan Mandora: Sure Sir. Thank you.

Moderator: Thank you very much. The next question is from the line of Hardik Doshi from White Whale Partners. Please go ahead.

Hardik Doshi: Thanks for taking my question. Over the last one year or so there has been a pretty sharp growth from a lot of these digital platforms like Groww and even Angel One in terms of the SIP number of accounts and the flow that they are getting, can you maybe talk a bit about the overlap between their target customer base and the customer base that we target because it sounds like they also getting a lot of their flows from the smaller town, smaller city not really urban phenomena either, so how are you viewing them from a competitive share perspective?

Shirish Patel: If you see the growth of all these Fintech definitely they are growing faster than the industry in terms of new SIP sales, but having said that if you see our market share in terms of SIP still either we are flat or I think still we are able to grow our market share.. One thing which definitely would like to say that today what we are seeing around.4.2 Crores of unique investors in the industry and almost 50-plus lakh new investors coming into the industry. I would say that majority of these clients, new to industry clients would have been acquired by many of these Fintech so one way, yes you can say that in the long run these kind of platforms may play as a competition to the platform companies like us, but at the same time we strongly believe that the kind of new client acquisition work these Fintech are doing, it definitely is going to help the distributors or the companies like us. Because as a sub-broker or B2B platform we might not be able to reach to smallest of the town with our business model. Obviously, the Fintech are able to reach to the smallest of the town, they will acquire the client, but we strongly believe that when there is some consolidation in the market, when the size of the client becomes little bigger. Obviously, they might need some kind of advisory and that time they might come back to us. So net-net we strongly believe that the Fintech platforms might grow or definitely will grow or the markets also might increase, but in the regular plan we strongly believe that we are still in a position to maintain and grow our market share. I do not think that it is competition to us as of now that way.

Hardik Doshi: Okay. Who do you think they taking market share from then because we are maintaining our market share?

Shirish Patel: I do not think that they are taking market share. One, I would say that they are creating the market share that is the first point I would like to say. Second is, any distributor who is not bullish or rather I would say that who is not optimistic about this particular business and direct client acquisition or the growth in the client acquisition is slowed down probably you can say that they are hitting into their client to certain extent and additionally they are creating the newer client so you can see in the industry who is growing and who is not growing you can assume on that perspective that they are eating some market share from those who are not growing and secondly they are creating their own market.

Hardik Doshi: Okay and just related to that a lot of the sales they are doing are direct plan so that then kind of instill the culture of direct plan within the retail as well and is that then a threat to our revenue model?

Shirish Patel: My belief and I do not know whether there is a study or not, but my strong belief is that 70%, 80% of the clients who are transacting through all these Fintech platform might not be aware about direct or the regular plan. They are going to these Fintech not to save that the distribution cost, but they are going there because all these Fintech have explained about the SIP concept and everything. Obviously, there are clients who know about the difference in the regular plan and the direct plan, but most important part is incrementally the more and more clients will also understand the importance of distributor or an advisor. So obviously you can say that from the cost perspective there is some benefit while going to the direct platforms but at the same time they do not get the advisory or the distribution thing. There are studies which says that distributors can add the alpha, so as and when the realization to all these even HNIs clients also would come who has already gone to the direct platforms I believe many of them might come back.

Hardik Doshi: Okay, got it. Thank you.

Moderator: Thank you very much. The next question is from the line of Harsh Shah from HSBC Asset Management. Please go ahead.

Harsh Shah: Thank you for the opportunity and congratulations to the team for a good set of numbers. Firstly circling back to the first participant's question on yield, when we were in last quarter that is Q2 of FY2024 at that time we had said that we will again take around two to three basis point hit per quarter till Q4 and we should on a gross commission we should settle somewhere around 87, 88-basis point? Versus that 87, 88-basis point we are at 92-basis point close now, so can you just help us bridge the gap between the earlier guided 87, 88-basis point on a constant basis minus B-30 to now around 91.9-basis point in this quarter? Is there a higher TR scheme where there was more flows in this quarter or is there some other reasons for that?

Sanjay Shah: Probably if you look at 91-basis point yield which you are talking about is inclusive of B-30, so I think B-30 would be roughly in the range of two to two-and-a-half basis point. If you take out that two, two-and-a-half basis point, this quarter our yield is looking reasonably higher by about half basis point, not more than that. So let me just tell you last year totally was roughly about if you take out that 8- basis point of B30 FY2023 last year 87, 88-basis points was our regular yield, this year in first nine month if you look at. First nine months we are probably in the same 87, 88-basis points only thing is in last quarter of October, November, December some half basis point extra yield is visible could be because there are a couple of cases of KYC revalidation this if you remember, for some there was some KYC hold and there was serious efforts of people putting into revalidate the KYC because there is some deadline, so some accumulated KYC but we are unable to identify that half basis point real impact. Coming to the answer to your question, we assume next year, our yield should be in the range of 88-basis point you can say. FY2025 April when your B-30 would be totally out, our yield should settle in the range of 87, 88 or 89 roughly in the range of 88 probably you can say.

Harsh Shah: So let us assume 88-basis point for calculation purpose and on a commission expense outgo basis we are constant at around 63-basis point? So this quarter we reported net commission of 29-basis point, should it go down to 25-basis point?

Sanjay Shah: So first of all expenses should be 62% because then the B-30 cost will also be out right, so you can look at 62% on the console basis which is inclusive of direct and indirect mix, so 62% cost of that is cost, if I am earning Rs.100, Rs.62 is the brokerage cost. So you can say, 62% of the 88-basis point is the cost of my brokerage..

Harsh Shah: So that is around 55-basis point, so 33 should be a net commission?

Sanjay Shah: You are right.

Harsh Shah: Right now at 29-basis point this quarter, is it correct?

Sanjay Shah: No, I think Parth can take you through separately on this entire part, because when I am talking about the 62% is the payout on the consolidated basis including direct and indirect, that number is steady.

Harsh Shah: Correct, okay. Let me take this offline. Second question I had you explained nicely in terms of your expenditure going forward also, but from revenue perspective how big is the scope for the insurance product considering Q4 of last year was heavy for you at Rs.35 Crores of revenue because of high one-off sale of non-par high ticket size entering this Q4 of FY2024 you think you can do a better Q4 FY2024 versus Q4 FY2023?

Sanjay Shah: Q4 of last year versus this year definitely because there was a one off revenue, if you look at last March itself in terms of fresh premium's in life was about Rs.98-100 Crores so I do not think it is going to be repeated but

what we are trying to say that whatever is going to be the dip in the insurance the current year versus last year is going to settle the trend and then you will be into a growth trajectory. Shirish can give you more idea what is our target for the current quarter what we are projecting.

Shirish Patel: Comparing straight away last year versus this year's Q4 definitely there would be a huge dip in terms of the premium, so last year whatever we had collected almost Rs.190 Crores of premium out of this almost Rs.100 Crores was collected in the last quarter. You can say that more than 50% was collected in the last quarter of the financial year which is not going to be the case in this quarter. So, one of course because of the taxation changes, there was a huge pull in the insurance premium. Second I would say that there was some kind of preponement of the purchase also so that is the reason last quarter of the last financial year was a bumper year. If you currently look at our premium collection in the life insurance business in Q3 FY2024 almost around Rs.30 Crores obviously if you compare our growth in this financial year quarter-on-quarter we are growing, obviously historically as we see that Q4 number ideally is better than the previous quarter number that surely it will grow compared to this quarter, but if you are comparing last year's Q4 it will be drastically down compared to the last year.

Harsh Shah: Understood just last question before I join back in the queue. From M&A perspective right now any mind share which areas should the company focus, are there good targets right now evaluated at a fair value or are they coming very expensive?

Sanjay Shah: We have not reached to that valuation stage still in any of the cases, but we have been definitely exploring regularly, but nothing is getting materialized because unable to identify something which is very, very close to our DNA, but we are open. We are definitely open and we are regularly trying to explore.

Harsh Shah: Understood. That was very helpful. Thank you and all the best. I will come back in the queue.

Moderator: Thank you very much. The next question is from the line of Srinath from Bellwether Capital. Please go ahead.

Srinath: Sir, one quick question. So if you see this quarter, mark-to-market, all asset management companies have been very large and many of the large schemes have kind of moved to a different TER bucket, how does this impact us from a payout perspective or from our revenue perspective both in new SIP and flows and backbook which was originated say 18 months to two years back? Thank you.

Sanjay Shah: If you look at as far as back book is concerned or the current book is concerned which is already built up with the margin which we have stated. So, probably there is one important message that with the increasing size my book which is already collected by, it not going to have any impact. So what yield which you are looking at right 87, 88-basis point which you are talking about is something which is fixed. Incrementally because particular schemes AUM has increased and now they are going to let us say they are charging 5 basis points less as an expense ratio on the TER front and if they pay me also less by two, three-basis points see my payout will also get adjusted. Say for example if my earning is 100-basis point my payout is 62% if my earning is 90-basis point my payout also would be 62%, so that is why we are trying to talk about the payout in the percentage terms, two important message, book is not going to be repriced, it is static and there is a very solid clarity of revenue which you can always keep in mind incrementally whatever new business which we book would be definitely at a newer rate.

Srinath: Thanks a lot Sir for the clear answer. I will get back into the question queue.

Moderator: Thank you very much. The next question is from the line of Pallavi Deshpande from Sameeksha Capital. Please go ahead.

Sameeksha Capital: Thank you for taking my question. Sir, just wanted to understand on the insurance side of the business, the take rate has increased to 22% this quarter from 20% and I just wanted to understand I am just looking at quarter-on-quarter the increase 20% than the previous, what would be the sustainable number going ahead and what is driving this increase?

Sanjay Shah: Pallavi, I think the insurance is still going through the adjustment process in the full year and that is the reason if you remember last time we said in the call that we are providing for revenue in your books of accounts only when there is a clear visibility and on the basis of confirmation. So in the current quarter you have seen that there is some improvement in the yield, it might be because some amount of confirmation might have come from the insurance company and there could have been the spillover of revenue of previous quarters and that is the reason our yield has improved from 20 to 22.=. From April, May, June of 2024 we will see a very clear visibility on the margins and then only I will be able to communicate what is going to be the real margin because by that time the entire insurance company board will approve everything which is going to be a part of system and it will start getting reflected.

Sameeksha Capital: Second question would be on this marketing expense, which was disclosed in the previous quarter from insurance, how much would that be this quarter?

Sanjay Shah: This quarter that cost is roughly about Rs.9.5 Crores.

Sameeksha Capital: Thank you Sir. That is all.

Moderator: Thank you very much. The next question is from the line of Viraj Sanghavi from Banyan Tree Advisors. Please go ahead.

Viraj Sanghavi: On your slide #10 in the presentation where you have given the AUM for investors will be around 4.8 lakhs right? And when you go to slide #35 again you see a table wherein we have the last column AUM for investor wherein for none of the age ranges maybe amount of more than 4.8 lakhs so I just wanted to see how those two data get matched?

Sanjay Shah: This is very important observation. Number one, the bifurcation which we have provided is for the total AUM and you will be just capturing the mark-to-market gain which has come from March 2023 to now that could be the reason, but so you are saying that my average AUM per investor is 4.2 lakhs here none of the number is showing 4.2 lakhs. So I think I need to go through that it is a very important observation. Need to go through that and probably there is some error in the data, we will try and rectify but I think Parth will definitely come back to you on this. You can probably talk to parth directly and we might provide the addition information in one week time.

Viraj Sanghavi: We have seen quite a lot of operating leverage in the business and most of it this is contributed from the employee cost since last two, three years so I just wanted to know how the line item of employee cost will move going ahead?

Sanjay Shah: So if you look at overall in this business where lot of back office cost is there by way of employees. If you look at probably the non-sales functions and the IT, customer care, Fundzbazar team, compliance, operations, research- I do not think this number is going to grow significantly and that is the reason in last two, three years what has happened that volume has grown significantly while the employee cost has not commensurately increased in the same way; however, the people who are facing the advisers or the IFAs or the branch expansion that cost might continue to grow. So overall you are right the growth in employee would not be in line with growth of the topline I also assume however in the lean period that again start outpacing because I assume that if the topline is continuously going to grow at 20%, 22% then definitely employee cost will be the biggest beneficiary as far as you are operating leverage is concerned.

Viraj Sanghavi: Got it and if you see a pure mutual fund yield, so they have improved a little, so one of the reason to my mind that comes is the equity mix has improved in your mix, so that will be the sole reason?

Sanjay Shah: That could be possible you are right. That could be the reason, so there is the improvement is visible between quarter-on-quarter, so Q2 to Q3, there is improvement about half-a-basis point and then the mix has not changed significantly, so that could be one of the reason on a Y-o-Y basis, but not on quarter-on-quarter basis, so I think this half-a-basis point something which I think we tried to look at but we are unable to get any concrete reason for that.

Viraj Sanghavi: Okay and with the Karvy and iFAST assets, so those are getting rebranded to Prudent name right, so do we have a track of that like how much of that AUM has been rebranded?

Sanjay Shah: There are two part to this. One is, the assets which is, for example in case of iFAST and Karvy, a lot of business was coming through the mutual fund distributors who were empaneled with them. Once they became mutual fund distributors with Prudent and once we have transferred that asset to their code they are merged with the organizations indirect business so which is not tracked then independently that IFA is tracked, the Karvy business is not tracked, so that is number one. Number two is wherever the iFAST this is fully distributed nothing has been left out. In case of Karvy still there are about 3000 or roughly about 4000 Crores of the asset which has been given as a lead to IFAs but it is still not mapped to anybody that number we are tracking and that number is not growing, roughly I can say that in last 12 months we would have degrew that business by about 10%, again the mark to market growth about 30%, but that asset is still not addressed by anybody.

Viraj Sanghavi: Got it.

Sanjay Shah: Am I able to answer your question.

Viraj Sanghavi: Yes and last question, so this other expense that has gone up that is because of two reasons right. One is increasing marketing expense in the insurance vertical and the other is the Prudent loyalty program, so can you provide a split of the two like how much has been invested?

Sanjay Shah: Marketing expenditure is significantly higher, but on the Prudent Corporate balance sheet, the Prudent loyalty program expenditure last year was roughly about Rs.6 Crores, we are assuming that cost would be in the range of Rs.12 Crores in the current year, so there is additional cost of Rs.6 Crores on the balance sheet of Prudent Corporate. Marketing expenditure as I explained roughly about Rs.9.9 Crores in this quarter which is emanating from the insurance that is the additional cost.

Viraj Sanghavi: Okay so you said Rs.12 Crores for the whole year right for the loyalty program cost?

Sanjay Shah: Yes, which under the Prudent Corporate, in case of insurance vertical also there is a Prudent Loyalty Coin Program cost that is separate cost, there I do not see huge escalation.

Viraj Sanghavi: Okay. Got it. Thank you.

Moderator: Thank you very much. The next question is from the line of Lakshmi Narayana from Tunga Investments. Please go ahead.

Lakshmi Narayana: Total distributable TER right which the mutual funds have for every scheme, so on a blended basis how much of the total TER of any mutual fund you actually take and how that number has actually changed in the last three, four years has it moved up or down?

Shirish Patel: You already know that our blended yield is around 91-basis point, our distributable TER every schemes, every AMC distributable TER is available in the industry, so you can definitely consider what percentage on a book basis or the AUM basis we are getting. Giving any ballpark number specifically on a percentage receipt from any AMC or on a blended probably every AMC would be having a different understanding with Prudent and various distributor definitely we would not be open on that particular front but if you see the yield as you said how it has moved in last three, four years, one definitely I would say that in the industry, there were assets prior to 2018-2019 wherein the upfront regime was there and the trail was less. So obviously whenever these money got churned and has come in the new regime that is I would say post 2019, overall the yield definitely has gone up on a book level, so last three, four years definitely the yield on a book has inched up slowly and gradually mainly as I said because the historical assets got churned with new assets, but now onwards we believe that now majority of the assets are post 2019, improving the yield as we said earlier also there is some money available for Karvy and iFAST with a lower yield. There is a potential to reprise those assets at the same time with the increasing TER there could be some downward revision in the yield on the new business, not on the old business. So, what we believe is that next few years we will not see the huge gap in the yield going up or going down probably we will be able to maintain this kind of yield for next few years.

Lakshmi Narayana: If you look at the total AUM, do you also do things like balance advantage fund, conservative hybrid fund or you are mostly focused on the pure equity growth oriented schemes?

Shirish Patel: When you say equity, it is not only equity, it is equity and hybrid both put together, so out of our total equity AUM almost 20% plus is contributed by the hybrid categories. So yes we do sell balance advantage, we do sell conservative hybrid and lately if you see the industry is also selling the multi-asset that also we do sell aggressively.

Lakshmi Narayana: Got it. Is our AUM reflecting broadly the industry or are we skewed towards midcap or small cap, because midcap and small cap has actually contributed to most of the flows, do you think that as a risk and what is our mix because we give an overall mix but in terms of midcap, small cap how is it, is it reflective of the industry or we are little skewed towards a particular category of funds?

Shirish Patel: Basically if you see definitely our mix is well diversified I would not say that we are completely skewed towards mid and small cap on the AUM basis but yes you can say that incrementally, the new business in this financial year, it was little skewed towards mid and small basis and that is the trend in the industry. But when you look at the total AUM, it is not that much skewed, it is in line with the industry.

Lakshmi Narayana: Got it and third on the net sales, how are we doing from a market point of view of the net sales as a percentage of the net sales of the industry, are we increasing as a market share?

Shirish Patel: Basically if I say, my net sales market share is higher than the AUM market share, so that say that on a net sale basis we are doing far better than the industry.

Lakshmi Narayana: Got it and one last question regarding your retention, so how much as a percentage of the redemptions and how much is our sales if you just look at it?

Shirish Patel: I could not understand your question. Please can you repeat again?

Lakshmi Narayana: If you look at our sales in a quarter and there is also people who would actually redeeming okay. So what is our retention ratio? How is it moved?

Shirish Patel: Basically if you see our gross sales for the quarter and if you see the net sales for the quarter, gross sale would be having two parts. One is the regular SIP part and second is I would say that the additional lump-sum purchase what we do. If you roughly see the last quarter you can say the retention ratio or the way it is almost 40%. If you look at the gross sale for the quarter in totality and what is my net sales you can say almost 40%, around 40% is the net sales.

Lakshmi Narayana: And how is it trending Sir over the last three, four years our retention ratio going up or directionally?

Shirish Patel: There are multiple parameters, you can consider in this particular ratio obviously market sentiment plays a very, very important role, but all said irrespective of the market condition you can say that my net sales ratio in all years you can say historically last four, five years or more than that my net sales market share is always higher than the AUM market share so that says that irrespective of the market condition, Prudent has delivered better net sales market share compared to the AUM.

Lakshmi Narayana: Thank you so much. I will get back in queue.

Moderator: Thank you very much. The next question is from the line of Sudhesh from Geojit Financial Services Limited. Please go ahead.

Sudhesh: Thank you for the opportunity. Regarding SIP book, now we have Rs.650 Crores what is the average SIP size per client?

Shirish Patel: On a book basis if you see my number of SIPs and the current SIP book, average SIP value is around 2800, but if you see the incremental SIPs what we are doing in this financial year is almost 3400 that way you can see that incrementally my new SIP average is higher than the book.

Sudhesh: So this is SIP ticket size?

Shirish Patel: Ticket size, average SIP.

Sudhesh: Just I wanted to know that what is the average SIP per client whether it is available in our PPT or presentation?

Shirish Patel: I am not getting you, average?

Sudhesh: SIP per client for example 650 from how many clients?

Shirish Patel: We have got 20 lakh SIPs roughly, but number of clients let me put it this way, we have got almost 16 lakh clients out of that almost 50% client has got the SIPs you can say that 8 lakh clients..

Sanjay Shah: Roughly about live SIPs you are right, roughly 50% people have started SIP, so you can say that 24 lakh SIP coming from 8 lakh average SIP per customer would be about three and which is probably industry number is also. Industry number is also about 2.5 average SIP per investor.

Sudhesh: Okay. My next question and last question LI premium for the quarter is Rs.30 Crores and total commission Rs.29.8 Crores whether we have any split of what is the commission from the fresh premium, fresh life insurance premium?

Sanjay Shah: That number is not separately provided. We do not have that handy also right. You are talking about out of Rs.29 Crores how much we earn by way of fresh premium and how much just came by way of renewal right?

Sudhesh: Yes, correct.

Sanjay Shah: That number is not handily available and there are some provisioning also which is on the overall book so that is the reason. I have been just trying to maintain that that in the current phase bifurcating overall revenue required or the income required from the insurance company between two would be difficult also, but still that exact number is not available.

Sudhesh: Because recently there is a change in the commission structure whether this have any impact in the total commission?

Sanjay Shah: Sorry, you are saying in the current year, there is a change in the commission structure and if you look at overall…sorry I am not able to hear you properly.

Sudhesh: My question is whether any change in the commission structure of life insurance in recent quarter, the last quarter?

Shirish Patel: Basically if you talk about both the insurance is what we normally talk about health and life insurance. In health insurance as such there is no change compared to what it was earlier and what it is now. When it comes to the life insurance as we said in the last call also there are certain clarities many of the insurance companies had given somewhere the second quarter end obviously certain payouts are linked to the various parameters now. If you look at the commercial structure given by the life insurance for the first year business, few of the percentages, few of the commissions are linked to certain parameters. As Sanjay bhai said that we came to and one question was why the yield has gone up, so one reason definitely would say that when we qualify for certain parameters, definitely we become eligible for that commercial in this particular quarter based on the last quarter's business. So in this quarter when we do the business, we are not sure that whether we are going to be eligible for this parameter or not after the business is over then and then only we will be able to get the clarity about the exact commercial. So if you consider that way yes, you can say that compared to the first quarter or the second quarter, this quarter’s yield has gone up but net-net looking at our historical number, looking at the quality of the business what we see in the long run we do not see there is a change in the commercial, but yes, compared to the first two quarters you are seeing the change in this quarter mainly because we became eligible based on those parameters and which insurance companies, we will communicate after the quarter is over. I hope this address is your question.

Sudhesh: Thank you very much.

Moderator: Thank you very much. The next question is from the line of Gaurav Nigam from Tunga Investments. Please go ahead.

Gaurav Nigam: Thank you Sir for taking my question. Just one question on the insurance business, can you explain how do we sell this insurance and as you explained right 62% of the commission received goes in the mutual fund business, how is that economic takes place in insurance business?

Shirish Patel: Basically if you see the insurance business is the mix of three parts. One is of course the POS business, second is our in-house team and third is the online business. When we talk about the average payout to our POS, yes you can say that that is in line, the sharing ratio is almost the similar like mutual funds, but yes that varies, because that varies based on the mix of the product what we sell. Now every quarter you will see that the product mix in the life insurance business would change. In certain product mix because we have to be aligned with the market reality, certain product mix the margin would be higher, certain product mix market margin would be lower, we will not be able to generalize that like mutual fund you can say that 62% is my cost, we will not be able to generalize for that particular number, but yes you can say that we are aligned to that number when we decide our pricing strategy.

Gaurav Nigam: Sorry sir I could not hear you said there are three channels one is own employee, second is online and third one is POS is that correct?

Shirish Patel: Yes, so incrementally POS is becoming bigger and bigger, so yes currently three channels.

Gaurav Nigam: Can you just broadly tell which one is the dominant channel like out of the three?

Shirish Patel: Historically, POS was the smaller one, incrementally POS is becoming stronger and stronger and we visualized that POS will become very, very strong. As you see our number of POS, last year it was around 6500, currently we are more than 10,000. Number of POS, registered POS is increasing and second is more and more POS are becoming productive with us. We strongly believe that over the period of time, POS contribution will become bigger and bigger that we overtake the remaining two channel.

Gaurav Nigam: Understood. So, in case of non-POS channel, there is no cost, it is absorbed in the employee cost, is that the way to understand?

Shirish Patel: Yes, you can say that perfect.

Gaurav Nigam: One more question on the P&L, console P&L, we have one revenue line item called interest income, what is that sir?

Sanjay Shah: Interest income mainly comes from specifically it is linked to a broking business, because many deposits which is lying with the exchanges and the DPC which come from the delayed payment charges, it is provided into interest income.

Gaurav Nigam: Last one question, SEBI started the campaign for mutual fund, what is the status of that and what progress has happened on that front?

Sanjay Shah: MFD Shuru Kare campaign is already there right, because they have been spending in between it was stopped probably, Shirish if you have any idea on that?

Shirish Patel: Definitely at the MFD level, they had a goal of around 5 lakh MFDs for the distribution community and keeping that thing in mind and Amfi had started this campaign, MFD Shuru Kare, yes, there is a big focus for at AMFI level or the SEBI level to increase the depth of this particular business or the number of MFDs, still they are continuing the campaign. If you see the outcome, overnight you might not see the response to this kind of campaign, but one good thing I would say about all these campaigns, because they are targeting mutual fund distribution as a good profession, they are trying to give the respect to this particular profession, we surely believe that in the medium to long term we will be able to see the result out of that, but immediately if you see has it increase the number of distributors in the industry, I would say no, but yes, incrementally it will become better and better.

Gaurav Nigam: Thank you for answering my questions.

Moderator: Thank you very much. The next question is from the line of Pallavi Deshpande from Sameeksha Capital. Please go ahead.

Sameeksha Capital: I just wanted to understand on the POS what will be the contribution to the business.

Sanjay Shah: Lion's share comes from POS, you need to understand ours is a pure B2B business, so technically significant business comes from them and then we also have our in-house team business, but exact percentage may not be available with me currently, but the POS is a lion's contribution in our total business.

Sameeksha Capital: Thank you.

Moderator: Thank you very much. As there are no further questions I now hand the conference over to the management for closing comments.

Sanjay Shah: Thank you very much for listening to us patiently and if still there are any query which could not be answered management as well as Parth Parekh our Investor Relations would be readily available to address any of your query. Thank you.

Moderator: On behalf of Batlivala & Karani Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.