UTI Asset Management Company Limited

UTI Mutual Fund

Ref. No.: UTI/AMC/CS/SE/2022-23/0225

Date: 2nd August, 2022

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 ended 30th June, 2022

Dear Sir / Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are forwarding herewith the transcript of the earnings conference call on financial performance for the quarter ended 30th June, 2022 held on Wednesday, 27th July, 2022.

The transcript of the aforesaid earnings conference call has been uploaded 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 respective websites.

Thanking you,

For **UTI Asset Management Company Limited**

UTI ASSET MANAGEMENT COMPANY LIMITED
MUMBAI

Arvind Patkar
Company Secretary and Compliance Officer

Encl.: As above

UTI Mutual Fund

UTI Asset Management Company Limited
Q1 FY23 Earnings Conference Call
July 27, 2022

Moderator: Ladies and gentlemen, good day and welcome to UTI Asset Management Company Limited Q1 FY23 Earnings Conference Call. From the management we have with us Mr. Imtaiyazur Rahman – Managing Director and CEO, Mr. Surojit Saha – Chief Financial Officer, Mr. Vinay Lakhotia – Head Operations, Mr. Sandeep Samsi – Head Investor Relations and Corporate Communications. As a reminder all participants' 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. 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 now 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, everyone. It is my great honour to welcome all of you to the Earnings Call for the first quarter of financial year 2023. I thank you for joining us to discuss the financial and operating performance of UTI Asset Management Company Limited. It has been a momentous occasion for the country as Honorable Shrimati Droupadi Murmu took the Office as the youngest President of India and the first person from India's tribal communities to serve as our President. I have with me my distinguished colleagues Mr. Surojit Saha – Chief Financial Officer, Mr. Vinay Lakhotia – Head of Operations and Mr. Sandeep Samsi – Head Investor Relations and Corporate Strategy.

Friends, the global economic recovery post the pandemic is posed with challenges following the geopolitical conflict in Europe. Central Banks around the world are tackling the surging inflation. In response to the rising headwinds, the Reserve Bank of India through its monetary policy, has taken stance to withdraw accommodation to ensure that inflation remains within the target going forward, while supporting growth. With the supply outlook appearing to be favorable and several high frequency indicators pointing to resilience of the Indian economy during the quarter. RBI expects that inflation may ease gradually in the second-half of the financial year.

The Indian equity market witnessed corrections during the quarter. The benchmark indices for the equity markets closed in red with Sensex closing at 53,019, down by 9.5% and Nifty ending at 15,780, down by 9.6%. Friends over the last two quarters, the decline in equity markets has impacted the Quarterly Average AUM of the Mutual Fund Industry. The Quarterly Average AUM of MF industry as on June 30, 2022 stood at Rs 37.7 lakh crore, marginally down from Rs 38.4 lakh crore as on March 31, 2022. Despite correction in the equity market, number of folios rose to 13.47 crore as on June 30, 2022 from 12.95 crore as on March 31, 2022, a jump of around 4%.

In order to give you the further details of UTI Mutual Fund and AMC's performance, I now handover to Mr. Sandeep Samsi, Head – Investor Relations & Corporate Strategy and Communications to take the discussion forward.

Sandeep Samsi: Thank you sir. Good afternoon to everyone. I will start with UTI Mutual Fund and UTI AMC's performance. We are pleased to inform you that during the first quarter, UTI AMC was one of the two Mutual Fund amongst the top 10, which saw AUM growth. As compared to the last quarter, our QAAUM increased by Rs 437 crore. UTI MF QAAUM as on 30th June 2022 stood at Rs. 2,24,279 crore, witnessing a year on year growth of 19.80% or by approximately Rs. 37,069 crore, from Rs. 1,87,210 crore in Q1FY22. This has led to an increase in our market share to 5.94% for the quarter ended June 2022 from 5.83% for the quarter ended March 2022. On closing AUM basis, our market share has increased by 3 bps to 5.89% as on June 30, 2022 from 5.86% as on March 31, 2022.

Our Equity QAAUM market share is 5% for the April – June 2022 quarter. Our Equity QAAUM for the quarter ended June, 2022 stood at Rs. 66,693 crore, with an increase of 23.49% as compared to the quarter ended June 2021. The QAAUM for Index & ETFs recorded a Year on Year growth of 45.95% to Rs. 65,199 crore for June '22 quarter. Net sales for UTI Mutual Fund for the Q1 FY 23 stood at Rs. 3,771 crore, while the overall industry saw an outflow of Rs 4,539 crore. The Equity net inflows for UTI Mutual Fund amounted to 4% of the industry net inflows and stood at Rs. 1,953 crore as compared to net flows of Rs. 975 crore for Q1 FY 22, while ETFs & Index Funds net inflows stood at Rs. 4,854 crore gaining 11.8% of the industry net inflows. Hybrid funds witnessed a net outflow of Rs. 164 crore for the quarter. 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 15% over the corresponding quarter of previous year and stood at Rs.

13.82 lakh crore as on 30th June, 2022, as against Rs. 12 lakh crore as on 30th June, 2021.

During the quarter under review, UTI added 1.38 lakh folios taking up the number of live folios to 1.20 crore as on 30th June 2022 from 1.19 crore as on 31st March 2022. During the quarter, our number of SIP accounts rose by 5.44% taking the total numbers of live SIP folios to 22.67 lakh as of June 2022. The new SIP registered during the quarter were 2.58 lakh. Our SIP AUM witnessed a growth of 14.59% over the corresponding quarter of last year, reaching to Rs. 17,788 crore as of June 2022 from Rs. 15,523 crore as of June 2021. The SIP inflows for the quarter stood at Rs. 1,550 crore, rising by 4.1% over the fourth quarter of last financial year and by 53.66% from the corresponding quarter last year. The SIP gross inflows for UTI MF witnessed a year-on-year growth of 53.66% as against the industry growth of 37.08%, with the average SIP ticket size being Rs. 3,365 for June 2022.

Keeping up with our commitment to deeper and better access to B30 cities, 23.3% of our Monthly Average AUM for June 2022 came from B30 cities while the industry stood at 16.6% in terms of its B30 MAAUM. 108 out of our 167 UFCs are in the B30 cities.

Weighted average AMC yield slightly reduced to 40 bps from 41 bps in the previous quarter.

Now I come to the UTI AMC financials.

UTI AMC continues to undertake cost control measures and improve its profitability and margins. During the first quarter, the Company posted a consolidated net profit of Rs. 94 crore, and consolidated core net profit of Rs. 111 crore. This Core PAT excludes Mark to Market Gain, Income from the sale of the Investment and Other Non-Operating Incomes as against Rs. 86 crore in Q1 FY 22 reflecting a growth of 29%.

There is growth in the Core profitability of the UTI group:

For UTI AMC Ltd (Standalone): The Core PAT of UTI AMC Ltd in Q1 FY 23 is Rs. 101 Crore reflecting a growth of 71% Quarter on Quarter from Q4 FY 22 & 44% YoY from Q1 FY 22. Whereas the core income is at Rs. 234 Crore in Q1 FY 23, growth of 9% Year on Year from Q1 of last FY and negative 2% QoQ from Q4 FY 22.

For UTI Retirement Solutions Ltd: The AUM of UTI RSL has increased 14.5% on closing basis to Rs. 2,01,919 crore from Rs. 1,76,338 crore in Q1FY22. PAT of UTI RSL is at Rs. 10.7 crore, a decrease of 18.89% compared to corresponding quarter of last year.

UTI International Ltd: The Management fees of UTI International is at Rs. 32 crore, an increase of 23% YoY from Rs. 26 Crore in Q1 FY 22.

UTI Capital Pvt. Ltd.: UTI Capital has made a net loss of Rs. 1.2 Crore in Q1FY23. The operating profit margin as a percentage of AUM for Q1 FY 23 was 17bps as against 16 bps for Q1FY22.

Employee Cost of the group in Q1FY23 was Rs. 101 crore witnessing an increase of 7% YoY as against the amount of Rs. 94 crore in the Q1 FY 22.

For the Subsidiaries: I would like to provide a brief highlight on the performance of our subsidiaries.

UTI International has an AUM of Rs. 25,990 crore as of 30th June, 2022. Our international clients are across thirty-eight countries. These are primarily Institutions – Pensions, Insurance, Banks, and Asset Managers. One of our flagship fund, the Indian Dynamic Equity fund (IDEF) domiciled in Ireland, has an AUM of USD 970.6 million and is widely recognized internationally. UTI International's J Safra Sarasin Responsible India Fund, an ESG compliant India fund, has AUM of USD 93.2 million. We have also launched UTI India Innovation Fund during the 1st quarter of this FY. This Quarter, we have commenced operations from our Office in Paris, France, to strengthen our foothold in the European markets.

UTI Retirement Solutions Ltd. has been managing the NPS corpus for the Government & non – Government sector. As of 31st March 2022, its AUM is Rs. 2,03,786 crore and has a share of 27.37% of Industry AUM.

UTI Capital with total AUM of Rs. 1,551 crore currently manages Active Debt Funds which includes the UTI Structured Debt Opportunities Fund (UTI SDOF) I, launched in August 2017 and closed in May 2019, having AUM of Rs. 281 Crore. Currently the fund is in exit mode. UTI SDOF II was launched in September 2020, having AUM of Rs. 507 Crore, and the fund is currently in Fund raising stage as well as investing stage. UTI SDOF II has a very well defined ESG Policy and strategy. UTI Multi Opportunity Fund I launched in March 2022, which has an AUM of Rs. 763 crore. Currently the Fund is in the Investing stage. Further, UTI Capital has set up another fund i.e., UTI Structured Debt Opportunities Fund (SDOF) - Growth Theme Fund I (SDOF GTF I) which was approved by SEBI in April 2022. The investment thesis of the fund being similar to SDOF I & II, this fund has now been rebranded to SDOF III and will be launched in the market by September 2022 quarter.

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

Imtaiyazur Rahman: Thank you Sandeep. Friends I would like to reiterate that we shall continue to focus on growing our high yield assets as well as on our People, Process and Performance. With this, I would like to open the forum for your questions. Thank you for joining us on this call.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Viraj Kacharia from SiMPL.

Viraj Kacharia: So just have couple of questions. First is on the domestic mutual fund business. If you kind of look last few months we have seen a very significant normalization of commission payouts by various competitors, especially the ones who have been very aggressive in last few years in the market. But still if we can see our overall yield in the domestic market, we still see a pressure on the yield. So just wanted to understand what will be the drivers of that and going forward how should one understand the yield movement for us in the domestic mutual fund business. So that is one. Secondly is again on the domestic mutual fund. We have seen some moderation in our domestic mutual fund market share, especially in active equity. If we look at our performance ranking, some of our major schemes like Flexi Cap, they have also kind of moderated in last one year. But at the same time when you look at our share of SIP that has been kind of stable at about 4.5%. So just wanted to understand what is driving this moderation and how should we understand our market share play going forward? What kind of levers you think you have to drive the market share up?

Vinay Lakhotia: I'll take the question on the yield. As far as the competition pricing are concerned, I stated in the earlier call as well, the ratio of pay out between a manufacturer and the distributor is close in the range of around 50% to 80%. 50% being the lower end of the spectrum that is being shared with the individual financial advisor and 80% to 85% in case of a normal high-end distributor like a bank and a national distributor. Things hasn't changed much as far as this sharing is concerned. Yes, while the industry had witnessed lesser NFOs where the pricing structure gets distorted but as far as the open-ended schemes are concerned the pricing ratios between the manufacturer and the distributor remain the same. We do have some impact on our yield as well, so as compared to the last quarter the AMC margin yield has actually fallen down by 1bps and we expect some dilution in the yield going forward as well of maybe around 1 to 2 basis points, primarily because of three factors. Firstly, as you all know equity inflows that is actually coming, the fresh inflow is coming at a lower yield as compared to the stock AUM yield which is close to around 85 to 90 basis points. That drag the overall yield. Secondly, the industry has witnessed exponential growth in the ETF and Index AUM over the last 2 to 3 years. We see that trend to continue in near future as well. As you are aware that ETF, our AMC yield is in the range of around 5 to 6 basis points and we have a sizable share of ETF AUM and with AUM growing, it kinds of drag our overall yield number. The third reason is we are witnessing some kind of uptick in the performance of our fixed income fund, which has been demonstrated in the one-year and the three-year return and our focus is to increase our market share which we have lost in last 2 to 3 years. Since you are all aware the AMC yields under the fixed income category is in the range of around 25 to 28 basis points. So, any growth in the fixed income category and the market share may have some kind of an impact on the overall yield number going forward. So yes, we may see some bit of dilution in the management yield number going forward but as stated earlier, the core PAT yield remains strong at around 20 basis points and we don't see much of dilution in that, primarily because of the cost reduction exercise that is happening and because of operating leverage the, core income should support our PAT yield number and the profit margin number actually has been improving quarter-on-quarter over the last 2 to 3 years.

With respect to your second question that is on the market share we have seen some bit of a dilution or reduction in our equity market share which has fallen by roughly around 17 basis points. Actually, overall, the Net sales percentage as compared to industry for UTI during this quarter was 4% which was lower than our 5.2% market share which has impacted. But this we believe primarily is due to the lumpsum redemption. In the SIP book, our market has actually improved by almost around 22 to 23 basis points over FY 22 as being presented in our investor presentation. So, while we are seeing some bit of traction in the SIP book but because of some lumpsum redemption the market share under the equity category has slightly fallen.

Viraj Kacharia: This is a follow up on the first part, on the yield part. I understand there the impact of new money coming in at a much higher profit sharing than the old book. But last one year as you rightly said we have seen a lot of many NFOs and the intensity was also quite high from the competition. Since that is also normalizing, one would probably think that there's avenue to kind of increase the yield or normalized the yield back to the levels they were, 3-6-8 months or a year back. But that is not really happening anymore. Why is that?

Vinay Lakhotia: Viraj you need to appreciate that the AMC margins on the NFO is at the significantly lower rate. However, for the ongoing scheme as well, the yield that the AMC is earning vis-à-vis a stock AUM there is a differential. So, because of that the downward pressure on the yields remain. Yes, I do agree the number of NFOs have actually slowed down, but still since the fresh inflows is coming at a lower yield as compared to the stock AUM yield of equity fund which is close to around 85 to 90 basis points there'll be some kind of impact on the overall yield number as well.

Viraj Kacharia: One last question and I'll come back in queue. Of the total book especially in active equity, how much will be new versus the old book, just any indicative? Just to get a sense with this kind of when we should kind of expect this to settle down in the increment number?

Vinay Lakhotia: No, we don't have that kind of numbers available here.

Moderator: Next question is from the line of Kunal Thanvi from Banyan Tree Advisors.

Kunal Thanvi: My first question was on UTI International. Can you throw some light on the AUM, it continues to be under pressure? I understand we had raised some money in the last quarter which is not visible. On the other side if we look at the profitability it has improved on a QOQ and YOY basis. If you can throw some light both on the AUM and the profitability for this quarter and going ahead, how should one look at it? Second was on employee cost. Again, if you see this quarter, there's of course a reduction QOQ basis but that's more of variable cost going out. We had talked about reduction in employees and a reduction in cost. By when should one expect it playing out in the P&L, will it be this year or next year?

Surojit Saha: In respect of the UTI International business, let me just tell you that in the space of India dedicated offshore fund, UTI is amongst the top three Indian AMC. It is because we started our offshore, 20 years back and we have dedicated teams in the different cities around the world and these are local people which gives us very good connectivity with the international market. While FII has sold $25 billion from India in last 9 to 10 months, in our offshore fund UTI have a net positive to the extent of $250 million from 1st April '21 till date and $2 million from Jan '22 to till date. This mainly includes UTI's investment in the IDEF corpus. Overall, we are very confident in respect of the growth in AUM of the UTI International and we have new funds in the pipeline. We have seen lots of traction in respect of our good performance in the international market.

Kunal Thanvi: And on the profitability?

Surojit Saha: Profitability you must be seeing, our revenue has been continuously increasing over there. But it is mainly because of the mark to market loss which has happened in respect of one of the schemes that is IDEF. With respect of IDEF I can tell you in the offshore business whenever we launched funds the investors always ask us about our skin in the game. Therefore to show our conviction about the fund we invest our own money as seed capital. While IDEF has shown a negative return, it has almost doubled since inception. Like today cost wise it is Rs. 116 crores is outstanding, it values to around Rs. 257 crores. Thus, we get a good fees from it. To add to that, this is the corpus which has been invested in basically quality and growth strategy stock. Portfolio is exactly same as UTI Flexi Cap and since the growth stocks have declined in the last six months, the NAV of IDEF has also seen a sharp decline. But we feel is a temporary impairment and we are confident of a positive impact on the fees as well as the AUM.

Kunal Thanvi: What I meant was not MTM loss. I was more of looking at the operating profits. So if we see this quarter we have reported a loss of 15 crores versus say 1 crores and 4QFY22. From an operating profit point of view how should one look at it going ahead because is it like with the flows coming back, up fronting of commission, the operating profit will come down or it will continue to be the way it is in this quarter?

Surojit Saha: The operating profit will definitely go up. You see the rise in revenue which has taken place in the last three months as well as in the last year. With respect to operating profit of around 15 crores in INR; because of the mark-to-market you are seeing a 16 crores negative loss in the PBT position. So, we are very confident of a good performance and operating profit in the international business.

Kunal Thanvi: And on employee cost.

Surojit Saha: UTI International, we are restructuring the business. You want the employee cost of the UTI group as a whole or for the UTI International?

Kunal Thanvi: Group.

Surojit Saha: For the group the quarter-on-quarter employee cost you would see a decline of 12% to Rs. 101 crores in Q1 FY23 from Rs. 115 crores in Q4 FY22. The annual appraisal cost was already factored in the quarter's financials on a proportionate basis. On the year-on year basis the employee cost has increased by 7% mainly on account of increase in the staff cost of UTI International and UTI Retirement Solution due to the restructuring of the business. That you all know that because of the Brexit we have opened a new office at Paris which will be looking into the European business and for UTI Retirement Solution, after the study done by BCG we are doing some restructuring of the sales force, because of which the cost has increased. The employee cost is dependent on the four pillars that is core employee costs, variable costs, insurance costs and ESOP expenses. The core employee cost is on a stabilizing trend even after considering the annual increment wage hike, the variable cost will be in tandem with the revenue growth and AUM growth. The insurance cost should be on a declining trend based on the increase in the interest rate movement. The ESOP expenses however will be dependent on the management decision. However, at this point of time we don't have any plan regarding this. On the overall we see a stabilizing trend in the employee costs even after the incremental annual wage hike.

Kunal Thanvi: My question was more on the reduction part, we have laid down a strategy to reduce our absolute cost of employees by reducing number of employees. Will we on the same path for FY23?

Surojit Saha: Yes. Definitely, there is a natural retirement which we have already told you in the last few calls and that is already there. We are also rationalizing our cost to the extent possible.

Kunal Thanvi: The last one if I can squeeze in is on, if we look at our balance sheet, we have quite a sizable of cash on the balance sheet. Any thoughts on buyback at this point of time?

Surojit Saha: We are deliberating different options but we have not yet taken the decision, at the management level, we are on the job.

Moderator: Next question is from the line of Madhukar Ladha from Elara Capital.

Madhukar Ladha: First again, going back on the employee costs. They continue to remain high despite employee reductions. Can you give us some breakdown of the four elements in this quarter?

Surojit Saha: Madhukar, the cost of employee includes Core employee cost, variable and insurance cost. For this quarter variable cost we have considered around Rs 11 crores. The managerial cost is around Rs. 47 crores and the non-managerial is around 17 crores on standalone basis. Overall variable as I told you, we have taken around 11 crores and the insurance cost is around Rs. 5 crores and the ESOP cost is around Rs. 4.5 crores. The above numbers are on standalone basis.

Madhukar Ladha: So, the core salary bill is 47+17 now on a quarterly basis, 54-64 crores and this should reduce?

Surojit Saha: Yes, definitely with the natural retirement which is in the pipeline during the next nine months this will be on a reducing trend.

Madhukar Ladha: Do we have sort of this number of the core salary cost number for Q1FY22 and for the last quarter?

Surojit Saha: Yes, we have it. For standalone basis it's around 85 crore.

Madhukar Ladha: I think consolidated basis is better.

Surojit Saha: Yes. I will give you in the four different pillars which I have informed you.

Madhukar Ladha: This quarter if I do a little bit of a back of the envelope calculation then have equity yields improved on a QOQ basis?

Vinay Lakhotia: No. It's actually in the range of around 84 basis points Madhukar. Very much similar to last quarter.

Moderator: Next question is from the line of Dipanjan Ghosh from Citi.

Dipanjan Ghosh: Just a few questions from my side. First is if you can give some color on the gross inflows that you're seeing from the top 10 to 25 distributors and how this would have changed over the past 1-2 or 3 years? The second one is just a data keeping question, if you can give the number of unique investors and not the overall accounts as of date and how it has changed YOY and QOQ? My third question is more on the subsidiaries. I mean if I look at the core profitability, just from a ratio perspective and compare it with your standalone business, the core profitability on some of these businesses are definitely quite low compared to a standalone business. Given that a decent part of the profit stems from mark to market or other income on these businesses, your overall profitability for the consolidated entity is to some extent kind of tend to be volatile income when we compare it with some of the other listed peers. So, any thoughts on how you see the subsidiaries going ahead? What are your thought processes on some of them? These are the three questions.

Sandeep Samsi: To reply to your first question. If you look at some of the key distributes like the banking channel, our gross sales with respect to equity which is the more important category because the other categories are more—if you look at liquid its more—direct. If you look at banks then in the last quarter which was Jan to March my share of wallet was about 2.74% while in this quarter it has improved to—from the bank - it has improved to 3.20%. So, there is an improvement which we are seeing. Similarly for the mutual fund distributors who are the large mutual fund distributors it has improved from 6.60% in the last quarter to 6.85% in this quarter. So, these are some of the important parameters. Again, if I look overall, it has remained steady at 3.92% in the last quarter to 3.90% in this quarter. So that is the overall trend in the gross sales.

We have the number of the total number of folios and which I mentioned that it is about 1.20 crore folios on an overall basis.

Dipanjan Ghosh: Do you have the number of unique investors amongst that?

Vinay Lakhotia: No, that de-duplication exercise we haven't done yet. We are disclosing the number of folios only.

Dipanjan Ghosh: Just one follow-up on the first question, I was more trying to understand given the fact that your distributed pay-outs will vary between smaller distributors versus larger ones. So, while we look at the wallet share and it is clearly showing a good picture. Wanted to get some color on how the mix of flows is between the top distributors in the MFDs versus the smaller distributors and how that would have shaped up, both MFDs, national distributors and banking channel.

Sandeep Samsi: If you look at the banking channel generally the banking channel the payout is on the higher side. So, when I give you those numbers, these are generally on the higher side because the banks are the main distributors. So, there we are seeing increase in our share of AUM as well as gross sales and mutual fund distributor, it's a mix but if you see the recent trends, we're seeing that large distributors have been distributing a higher amount as compared to some of the smaller distributors. So, there also we have seen an increase in the gross sales share of wallet.

Dipanjan Ghosh: On the last question on the subsidiary. Any thought process is more from a long-term perspective on some of them and how do you see them let's say growing or delivering in terms of profitability or margins?

Imtaiyazur Rahman: Good question Mr. Ghosh. So far as subsidiaries are concerned there are three subsidiaries and the most profitable today, the UTI Retirement Solutions and margin is very good. We are further building this particular subsidiary and we are going to develop competencies in-house for the distribution of the NPS product. This particular company will continue to grow and continuing to contribute in a better way. UTI International is also a very stable subsidiary and this subsidiary will make a lot of money but whenever there is a M2M gain or loss it affects the profitability. But going forward, it appears as the outlook is, the market volatility will settle down and this company will continue to have the core profit very strong. We are building the UTI Capital and therefore UTI Capital will take couple of more years to start contributing. We have very strong business plan; we have built a very strong track record in the fixed income product at credit side and we have built a very good team. We have very good processes and now the team supervises, the entire investment operations. So therefore, I believe that going forward UTI Capital, another subsidiary will also be equally strong. All subsidiaries will contribute meaningfully to the parent company as a whole.

Dipanjan Ghosh: Just one question if I can squeeze in. What is the product pipeline looking like in the standalone business for the remaining part of the year?

Sandeep Samsi: If you see we have recently launched the Gilt 10 years constant maturity fund. Apart from that we have filed certain papers with SEBI in various categories. One for the passively managed debt index funds, then for ETF and we are also planning to launch an international fund of funds. These are some of the funds in the pipeline and we will be launching them in the coming quarters.

Moderator: The next question is from the line of Prayesh Jain from Motilal Oswal.

Prayesh Jain: My first question is on the yields again. If you spoke about debt, it is being in the range of 25 to 28 bps. So how would they have pended in the last 4-5 years? What I have been trying to understand is that these are possibly the lowest yields what we've seen in the past few years. And now with kind of the 10-year yields the kind of closer to topping out there will be incremental flow towards a higher duration asset, the longer duration assets. Do you think that the debt segment yields can move higher and provide some cushion to the falling or to the decline in yields? That will be my first question. Secondly, could you give some thoughts about the other expenses in line item wherein we've seen a sharp decline on a sequential basis on how to look at that number going ahead and thirdly if you could break down your cash investment into the compulsorily held which you have to regulatory follow the investments and what is the free available cash?

Vinay Lakhotia: I will take the first question on the debt fund yield. So, debt fund yield yes, I had stated earlier its currently in the range of around 25 to 28 basis point and that has been the trend over the last 2 to 3 years as well. But if you see, we believe that the interest rate cycle is actually peaking up, there may be a scope of a higher duration yield fund where the AMC yields can be slightly higher than the 25 to 28 basis points. The high duration product will have a higher AMC yield of around 30-35 basis points but equally the market is also there for a shortened duration or a ultra-short duration product where the yields are in the range of around 15 to 20 basis points. Overall, we do see at least for the next 6 months or so fixed income product should be in the weighted average yield of around 25 to 28 basis point only. Surojit you can take on the PAT.

Surojit Saha: Can you repeat your next question please?

Prayesh Jain: My second question was on the other expenses line wherein we have seen a sharp decline on a sequential basis. What were the reasons from the same and how do we see it in terms for the full year?

Surojit Saha: The decline if you see is mainly because of the two-three reasons like if you see on the last quarter our variable pay was much more compared to what we anticipated. Because of that and this year we have considered in the range of 45 to 50 crores and we as an institution have agreed to do an actual calculation on a quarterly basis and so that Impact has come in the cost for this Q1FY23 because of the current scenario which is existing in respect of the market as well as industry scenario. But our specific other cost, if you see the Q1 FY23-Q1 FY22 those are in almost on the same range as well as on a consolidated basis. For certain reasons like Q4 it was around 65 crores and for Q1 FY23 its around 49 crores, the difference is mainly because of the BCG expenses if you remember which has come in respect of UTI Retirement in the last Q4 of around 3 crores. CSR expenses the MoU execution is in process for the first quarter, the CSR expenses has not been accounted to the full extent because as per Ind-As we cannot accrue that CSR expenses. Lastly because of the trail fees which you remember in the Q4 the trail fees for UTI International was on a higher side and this quarter it is around 5.3 crore. We expect that to maintain this run rate for the financial year '22-23.

Prayesh Jain: The third question was on the PAT break up between your requirement to maintain your investments in the fund as per the regulation, what would be that amount?

Surojit Saha: Yes, as per the regulation inclusive of the risk-o-meter we had invested our around Rs 160 crores as per the statutory requirement.

Prayesh Jain: The last question is on the Retirement Solution business. We are now at a market share of around 27%. If I remember correctly it was supposed to be almost equal between the three government entities and we have done lower than that. We had seen some slow down and closed the first half. How do you see this business, do you see that there can be an incremental market share gains or how do we see this business in terms of growth from here on?

Surojit Saha: No, if you see UTI Retirement Solution on a year-on basis it has grown up by 14.5%. That is to Rs. 2,03,786 crores from Rs. 1,76,338 crores and during the year-on-year the inflow was i.e. from June '21 to June '22, it is around 36,675 crores. On the quarter-on basis the flow has been normalized and we are getting like from December '21-March '22, each quarter we are getting around 7,000 to 9,000 crores AUM.

Prayesh Jain: What will be your share in the flows? I think that the share in the flows is decided by a particular formula by the NPS authority, right? So, what is the share in the flows currently?

Surojit Saha: Share of the flow is now almost 33%.

Moderator: The next question is from the line of Jignesh Shial from InCred Capital.

Jignesh Shial: Just going quickly first on this, the businesses of yours apart mutual fund. So, what will be the yields that we will be making from all these businesses? And is it part of your total revenues or it gets clubbed in the other income if you can just give me some idea on that?

Vinay Lakhotia: Come again with your question. Didn't get it.

Jignesh Shial: The international businesses and the retirement fund, the yields that you make it out; is it part of your total revenues or it gets clubbed in other income?

Surojit Saha: It's part of the sale of service shown in the balance sheet, in the line item.

Jignesh Shial: Secondly just out of curiosity you had this investment losses that you recorded 37 crores under OPEX. Generally, most of the other AMCs has been doing it up as a part of other income and all. So, any specific reason because if I exclude that then if I can see sequentially there is roughly around 20% dip on the overall OPEX side. Anything to read about it or its general practice that we guys are having with us?

Surojit Saha: Our auditors are BSR LLP (KPMG) and we follow the Ind-As very clearly. So according to that whenever there is income it has to be shown in the total income and if there are any loss it has to be shown in the as a part of the expenses. It is more of a presentation purpose followed as per the guideline. And we have clearly mentioned as a line item so I don't think there will be any problem for you as such in reading the financial.

Jignesh Shial: This is pretty clear but then when we compare to the OPEX we have to specifically exclude that line?

Surojit Saha: So that's why I have clearly mentioned over there that the net loss there is 37 crore. We have clearly mentioned so accordingly you can always take your judgment.

Jignesh Shial: Other way around also had been that, I understand that we have been consistently pushing hard for overall employee charge to get reduced and all. Having said that, if you see even last year numbers also, we are roughly around our total expenses 61% to 63% kind of charge comes up from employees' side whereas for the rest of AMC which would be somewhere between 45 to 48 or somewhere around. So gradually do we see that we will also be able to reach out to that kind of levels whereby your overall employee charge would be somewhere between 45%-50% kind of a level of the total expense or how do we see it up? If that is a journey how long do we think that the normalization of employee charge will be happening over a period of next 2 years-3 years, how do we see it up?

Vinay Lakhotia: It will be a 2 to 3 years kind of a journey at least.

Jignesh Shial: This will be happening through, the majorly will be through the old and retiring employees will not be getting replaced and all. So overall additions would be relatively lower, is that correct?

Vinay Lakhotia: Yes, correct.

Jignesh: Lastly from my side I mean that I do understand that old equity had been a higher yield and incrementally equity flows were coming up are genuinely I mean gradually we will get a better old yields and all. How do we see it up I'm specific for because that already you have explained that once it starts long tenure debt coming in you will see that debt yields will be improving? How do we see that good yields would be improving? What will be the strategy to improve equity yields for us? Anything which is there in your mind or anything that uses a kind of a way to see that yields will improve even on the equity side. Anything from your perspective?

Vinay Lakhotia: That depends on the rationalization of the commissions structure across the industry.

Jignesh Shial: So, for now the commission, I mean the competition hasn't yet built in so it's difficult to see that the rise would be happening at least in near-term? Is it a fair assumption?

Vinay Lakhotia: Yes.

Moderator: Next question is from the line Kaushik Agarwal from Haitong Securities.

Kaushik Agarwal: I have three questions. Firstly, the question is relating to slide #27 so where we are basically highlighting geographical reach across the country. The numbers which are mentioned across the employees' core sales team and the mutual fund distributors; these numbers are quite different or they have significantly changed from the last quarter. How do we read this, number one? Number two is on the debt schemes. The composition of the debt AUM as part of overall mutual fund quarterly average AUM has actually come down and the only category which has seen significant decline in the AUM is debt schemes. So, which kind of schemes are seeing redemption pressure? And lastly on the employee cost, earlier if I remember you have mentioned that the cumulative employee ESOP cost would be of around 58 crores odd and as per my calculation we have already booked a cumulative ESOP cost of about 63 crores till FY22 and another 4 crores has been booked in this quarter. So, how much amount is still left of this employee ESOP cost and till what period shall we continue booking it? So, these are the three questions.

Sandeep Samsi: I will just take the first question. If I come to slide #27, so if you see the total number of employees that we are giving, we have just given a qualification that these are the total number of employees including the UTI Mutual Fund employees which is 1,328 and which was the number we were giving till last quarter and 55 employees of our subsidiary. So total number of employees is 1,383 which is under the UTI AMC. And the other numbers are same I mean my number of UFCs were 167 in the last quarter also. Mutual fund distributors keep on changing here and there. Other sales number is also similar. So, the only thing which was different was the total number of employees which till last quarter was the only for the standalone. This quarter we have given for the consolidated and we have mentioned that as a qualification.

Vinay Lakhotia: And on the fixed income side yes, it's an industry wide phenomenon where there have been an outflow in the fixed income categories. We also lost money but that primarily because of the closure of the fixed maturity plan that has not actually been rolled out. There have been a series of fixed maturity plan that has redeemed but because of the interest rate, the fixed maturity plan is not currently that much in flavour but with interest rate, peaking up ; we believe that a longer duration product will become attractive and that is an area where we believe that we should be able to improve our market share going forward. On the employee cost I will ask Surojit to respond.

Surojit Saha: Yeah, I think your last question was regarding the ESOP cost. For '22-23 the ESOP cost to be charged is Rs 12.93 crore on Consol basis in FY 22-23 out of which Rs 4.72 crore has been charged in Q1. For '23-24 it will be Rs. 3.78 crores and for '24-25, it will be Rs. 0.84 crores. The Tranche 1 where there was Rs. 29 crores which has already been charged off and the balance which is for the new one which has been given in '19, that is a Rs. 16.85 core. Out of that Rs. 12.93 crore will be in '22-23 and '23-24 will be Rs. 3.78 crore and '24-25 it will be Rs 0.84 crore and Q1 FY 23 we have already charged Rs 4.72 crore.

Kaushik Agarwal: Just a follow-up question on the first question which I have asked. This on slide #27, this 722-core sales team, this is part of my 1,383 UTI AMC employees' number or is it different?

Sandeep Samsi: Yes, part of that only. This is not additional; this is part of that.

Moderator: Next question is on the line of Akshay Jain from JM Financial.

Akshay Jain: I have a question on your investments balance. So, if I do a rough calculation, you have close to Rs 3,000 crores worth of cash and investments. If I exclude say the PE and the offshore investment of around 600 crores and say 160 crores odd of a regulatory requirement into your own schemes. Even if I take say additional 500 crores to that, it still leaves around 1,500 to 1,800 crores odd worth of cash on your balance sheet. Lot of investors have been raising questions that why so high cash balance on your balance sheet rather than you can use this cash balance to say either pay out as dividend or a buyback. We have been listening to a lot of answers that you are deliberating on this but is there any timeline on when this cash will be utilized? And number two on the dividend policy, dividend policy one of the so I'm looking at the UTI consol. It's the dividend payout has been in the range of around 50% while some of your competitors are paying in excess of 60% and one competitor is even paying in excess of 80%. Why not pay higher dividends? And number two why not utilize this excess amount of cash on your balance sheet? So, these are my two questions.

Imtaiyazur Rahman: Let me answer first on the dividend. This time we have paid 67% dividend and we have a baseline in our policy that the Board may approve minimum 50%. Last year we had given the 61% dividend, there is an improvement in the dividend payout and we will be consistent in paying the dividend. Regarding this utilization of the cash, yes this is the cash is kept to have any acquisition, that didn't work out and (b) is whether we should do the buyback? We are still exploring; on the dividend payout we will discuss this with our board and take an appropriate decision in due course. But we are cognizant that we are sitting on cash and we are exploring the strategies how do we service this cash better in the interest of the shareholder.

Akshay Jain: If we can get some timeline on this because your cash is like around 3,000 crores, your market cap is 8,000 crores odd like it's a more like around 35% to 40% of your market cap is sitting in cash. It will be very helpful if we can get some time line on when this cash can be utilized.

Imtaiyazur Rahman: Good suggestion. We will discuss internally with the Board and hopefully in the next call we will be in a position to deliberate it better.

Moderator: Thank you very much. I now hand the conference over to the management for closing comments.

Imtaiyazur Rahman: Thank you very much for organizing this call and thank you very much indeed for your active participation. UTI AMC needs support of all of you. We are committed to serve all our stakeholders and thank you very much once again.

Moderator: Thank you very much. On behalf of UTI Asset Management Company Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.