Ref. No.: UTI/AMC/CS/SE/2023-24/0308

Date: 4th May, 2023

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

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

Sub: <u>Transcript of the Earnings Conference Call on financial performance for the quarter and financial year ended 31st March, 2023</u>

Dear Sir / Madam,

Pursuant to Regulation 30 read with Schedule III Part A Para A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Listing Regulations), we are forwarding herewith the transcript of the earnings conference call held on Thursday, the 27th April, 2023 on financial performance of the Company for the quarter and financial year ended 31st March, 2023.

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

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

Thanking you,

For **UTI Asset Management Company Limited**

Arvind Bhagwan Das Patkar

Digitally signed by Arvind Bhagwan Das Patkar
Date: 2023.05.04 17:43:10 +05'30'

Arvind Patkar
Company Secretary and Compliance Officer

Encl.: As above

UTI Asset Management Company Limited

Q4 FY23 Earnings Conference Call

April 27, 2023

Moderator: Ladies and gentlemen, Good Day and welcome to the UTI Asset Management Company Limited Q4FY23 Earnings Conference Call. From the management we have with us Mr. Imtaiyazur Rahman (CEO & Managing Director); Mr. Surojit Saha (Chief Financial Officer); Mr. Vinay Lakhotia (Head – Operations) & Mr. Sandeep Samsi (Head – Investor Relations and Corporate Communications). We also have with us our investor relations team from Adfactors joining us on this call. As a reminder, all participant lines will be in listen-only mode, and you will be able to ask questions after the opening remarks conclude. If you need assistance during the conference, 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 will 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. Thanks for joining us today to discuss our operational and financial performance. Though the year witnessed some turbulence globally, the major economies world over, are taking measures to tackle the inflation in the best possible manner. It is also encouraging that these economies are taking all possible measures to effectively manage the rising interest rate scenario and the challenges being faced by the financial sector.

The Indian economy too remains robust, receiving recognition globally for our economic resilience and growth prospects. Our mutual fund industry also has demonstrated resilience and steadfast growth. Various factors like rising household savings, the broader geographical reach of financial products in Tier 2 and Tier 3 cities and the growing share of Mutual Funds in financial savings are positive factors that will help drive the development of the sector in a significant manner over the next decade.

The year was characterized by volatility in terms of inflows and outflows from Mutual Fund schemes. However, the flows into equity funds have been positive and so has been the SIP flow. The SIP contribution in March 2023 was Rs. 14,276 crore. The positive inflows into the Equity funds are testimony to retail investors' confidence in the Indian equity markets and these investments are supporting the benchmark indices amidst investor sentiments.
The total Assets under Management for UTI Group registered a growth of about 15.4% over the corresponding quarter of the previous year and stood at Rs. 15.56 lakh crore as on 31st March 2023. This is the figure for entire UTI Group.

Friends, at UTI, we are focusing on the following five key objectives:

1. To be among the Best Board Governed Companies

   Governance is one of the most important pillars on which UTI stands. 6 out of 10 Directors on the UTI AMC Board are Independent

Directors. UTI AMC Board along with the Boards of all our subsidiaries have women representation.

2. Building an A-class Human Capital

   Realizing the importance of Human Capital in an investment organization like ours, we have been investing in acquiring, building and retaining talent with focus on gender diversity. Accordingly 32% of the hires in the last 4 years were women and currently ~27% workforce is made up of women employees. We have initiated measures for Creche facility for our employees.

   We have made significant investments to create state-of-art infrastructure for our investment team. We are also building the capabilities of our team. We have created customized training & development programs for employees at different levels.

3. Digital first organization

   During the year, we saw very good response from Investors and Distributors in respect of our digital sales & digital engagements. Our Digital campaigns have resulted in influencing sales across all touch points of UTI AMC. We are in the final stages of re-launching superior Digital Assets (Website & Mobile App) for our partners and Investors.

4. Geographical expansion & financial awareness program

   We are planning to open 29 new offices during the financial year 2023-24 to reach newer markets across the country. Our Investment Team has been travelling to various locations all over India to spread awareness about our investment philosophy and processes. Considering the potential of the B30 cities, we already have 108 out of 166 UFCs in these locations.

5. Deeply embedded ESG-compliant framework:

   We have formed an ESG Committee of the Board which provides guidance and oversight. We have in place a robust ESG framework covering all relevant aspects for planning and effective implementation. Friends, we are using 100% renewable energy for our corporate office and have received a Green Energy certificate. During this month, we also published our first sustainability report.

Under our Social initiatives, our CSR projects supplement our commitment to ESG for social upliftment and conservation of the environment.

Our subsidiaries for retirement business, alternate investment products and offshore funds are growing with expansion in operations & business.

I would like to share some highlights about our group companies.

UTI International which is a 100% subsidiary of UTI AMC, has formed a new subsidiary in the United States named UTI Investments America to capture the opportunities in North American markets.

At UTI Capital, we are building a strong team for opportunities in the Alternatives business space. We are also planning a series of fund launches such as the Real Estate Opportunities Fund, and others in the alternate segment and are filing necessary documents with the regulators. While the company is fully capitalized, we have recorded a net loss of Rs. 3.3 crore due to various investments being made to build the business.

UTI RSL. The Retirement business in the country is a very big opportunity and we have plans to expand our team and open new points of presence across the country. The business has been growing rapidly and we aim to capitalize further on the same and enhance NPS business.

To summarize, we initiated several progressive measures like building resources in sales & investment, enhancing engagement of fund managers with our distributors and partners, conducting investor awareness programmes, launching learning & development initiatives for employees, enhancing focus on KYC compliances, upgrading the infrastructure of the company as well as its subsidiaries. As, One of the positive developments, UTI was appointed as one of the asset managers for EPFO's investment in ETFs for a period of 3 years and Central Public Sector Enterprises have also enabled a policy to continue their investments in all Mutual Funds including UTI.

In the financial year 2023 -24, the participation by retail investors in the Indian growth story is likely to be the key factor for the Indian markets in FY24. For this call, I have my distinguished colleagues Mr. Surojit Saha, Chief Financial Officer, Mr. Vinay Lakhotia, Head – Operations and Mr. Sandeep Samsi, Head - Investor Relations and Marketing.

I will now hand it over to Mr. Sandeep Samsi, who will give the details of UTI MF's performance. Over to you Sandeep and thank you.

Sandeep Samsi: Thank you, Sir. I will first take you through UTI Mutual Fund's performance during the fourth quarter and for the full year FY 23.

UTI MF PERFORMANCE

- The total Assets under Management for UTI Group registered a growth of about 15.4% over the corresponding quarter of the previous year and stood at Rs. 15.56 lakh crore as on 31st March 2023.
- For UTI Mutual Fund, the quarterly average AUM as 31st March 2023 stood at Rs. 2,38,791 crore, up 6.7% year on year against the industry growth of 5.6%.
- As on 31 March 2023, our market share has increased to 5.89% for the quarter ended.
- The QAAUM for Index & ETFs recorded a Year-on-Year growth of ~33% to Rs. 82,871 crore for the fourth quarter. Our Equity QAAUM for the quarter ended March 2023 stood at Rs. 70,494 crore, rising by ~2% as compared to the quarter ended March 2022.
- UTI was able to capture market share of 8.5% of the gross sales of the industry during fourth quarter.
- UTI Mutual Fund recorded a net sales of Rs. 1,208 crore for FY23.
- ETFs & Index Funds net inflows stood at Rs. 1,100 crore. Hybrid funds witnessed an outflow of Rs. 719 crore for the quarter.
- During the quarter under review, UTI added 36,000 folios taking up the number of live folios to 1.22 crore as on 31st March 2023 from 1.19 crore as on 31st March 2022.
- Our SIP AUM witnessed a growth of 17.5% over the corresponding quarter of last year, reaching to Rs. 21,509 crore as of March 2023 from Rs. 18,311 crore as of March 2022.
- During the quarter, our number of new SIP accounts rose by 2.14 lakh taking the total numbers of live SIP folios to 25.2 lakh as of 31st March 2023.
- The SIP inflows for the quarter stood at Rs. 1,667 crore, rising by 12% year-on-year with the average SIP ticket size being Rs. 3,262 for March 2023.

- 22% of our Monthly Average AUM for March 2023 came from B30 cities while the industry average stood at 17% in terms of its B30 MAAUM.
- Weighted average AMC yield was at 35 bps for the quarter and was 37 bps for FY 23.

UTI AMC FINANCIALS

- During the fourth quarter, the Company posted a consolidated net profit of Rs. 86 crore, recording a growth of 43% QoQ and YoY growth of 59%.
- For the financial year 2023, the consolidated net profit stood at Rs. 437 crore.
- For UTI AMC Ltd (Standalone):
    - The PAT of UTI AMC Ltd in Q4 FY23 was Rs. 98 Crore reflecting a growth of 31% YoY & a decline of 10% on a QoQ basis.
- For UTI Retirement Solutions Ltd:
    - UTI Retirement Solutions Ltd. has been managing the NPS corpus for the Government & non – Government sectors.
    - The AUM for UTI RSL has increased by ~19.2% to Rs. 2,40,709 crore in Q4 FY23 and has a share of 26.78% of Industry AUM.
    - PAT of UTI RSL is at Rs. 46 crore, an increase of ~10% compared to the corresponding quarter of last year.
- UTI International Ltd:
    - UTI International has an AUM of Rs. 21,703 crore as of 31st March 2023.
    - Our international clients are across more than thirty-five countries. These are primarily Institutions – Pensions, Insurance, Banks, and Asset Managers.

- One of our flagship funds, the India Dynamic Equity fund (IDEF) domiciled in Ireland, has an AUM of USD 852 million.
- UTI International's J Safra Sarasin Responsible India Fund, an ESG-compliant India fund, has an AUM of USD 75 million.
- UTI India Innovation Fund, launched in the first quarter of the last financial year has an AUM of USD 19 million.
- The Management fees of UTI International are at Rs. 129 crore, an increase of 1.6% YoY from Rs. 127 Crore in Q4 FY22.

- UTI Capital Pvt. Ltd.:
    - As Mr. Rahman highlighted, we are building this business.
    - UTI Capital has a total AUM of Rs. 1,707 crore, currently managing Active Debt Funds:
        - UTI Structured Debt Opportunities Fund (UTI SDOF) I, launched in August 2017 and closed in May 2019, having an AUM of Rs. 137 Crore. Currently, the fund is in exit mode.
        - UTI SDOF II launched in September 2020, having an AUM of Rs. 506 Crore, and the fund is currently in the investing stage. UTI SDOF II has a 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.
        - UTI SDOF III launched in September 2022, has an AUM of Rs. 300 Crore, the fund is currently in the fund-raising as well as Investing stage
- Employee Cost of the Group
    - Employee Cost of the group for FY 22-23 was Rs. 415 crore witnessing an increase of 2% over FY 21-22.

- Employee Cost of the group in Q4 FY23 was Rs. 107 crore witnessing a decrease of 7% YoY as against the amount of Rs. 115 crore in Q4 FY22.

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

Imtaiyazur Rahman: Thank you, Sandeep, for sharing operational financial highlights on this call for the fourth quarter and financial 2022-23. With this I would like to open the forum for your questions and thank you for joining this call today.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. We have the first question from line of Swarnabh Mukherjee from B&K Securities. Please go ahead.

Swarnabh Mukherjee: Three questions from my side. The first one is on the yield. So there has been a quarter-on-quarter drop in the yield. So just wanted to understand what would be the factors driving there. The second question is in terms of the other expenses. This had also seen some amount of increase. So if you could highlight the reasons behind that increase. And thirdly, in terms of international business, the AUM for the business is now around Rs. 21,000 crore. So it has seen some reduction. Is it the Markets or anything else to read into this if you would highlight that.

Vinay Lakhotia: Hi, this is Vinay here. So I'll take the questions on the yield and Surojit will take the questions on other expenses as well as the international piece. On the yield part, the marginal decline of the yield of around half a basis point is primarily because of the decline in the yield under the equity category where the yield has actually fallen by close to around 2 basis points during the last quarter. Two reasons for this - the fresh inflows are coming at a lower yield as compared to the stock AUM and plus there has been a redemption of the older AUM which has been carrying a slightly higher yield. So these are the two primary factors because of which the yield has actually come down marginally to around half a basis point as compared to the previous quarter.

Swarnabh Mukherjee: Sir, just to follow up, can you indicate what is the yield you are seeing on the stock AUM and the fresh AUM on the equity segment right now?

Vinay Lakhotia: On the stock AUM, the yield on the equity and the hybrid side, is around 75 basis points. I can't give an indicative number on the fresh AUM because the distribution mix between the distributor and the AMC varies depending on the categories of the IFA and the distributor. But normally the distribution is within the range of around 50% to 80% of the total expense ratios of the fund, so an indicative range won't be possible.

Swarnabh Mukherjee: OK, got it, Sir.

Surojit Saha: In respect of the other expenses, the increase is around Rs. 16 crore from Rs. 56 crore in Q3 to Rs. 72 crore in Q4, which includes expenses like an amount of Rs. 4 crore towards CSR. CSR amount has to be booked on actual outflow and it is not based on the accrual basis. The actual payment was in the last quarter. Though there was a commitment towards CSR in Q3 FY23, there was no actual payment since the amount was not requested by the concerned institution to whom we had committed. The same has been accounted for in the last quarter and reflected in the increase in cost. After coming out of the COVID situation last year, our business operations significantly increased with business travels, and visits of the fund managers to different centres for the purpose of creating sustained growth in business and creating awareness about our investment philosophy across the country. For the first time, we conducted a sales meeting in which the entire sales team across the country participated in the strategic sales discussion and this has reflected in the increase of cost of Rs. 3 crore which includes the travel as well as the related expenditure, we considered as an investment for the future. During the quarter we also spent Rs 2.5 crore for the digital initiative, security of the business application and disaster recovery systems across our applications. Further, the subscription fees for index funds have increased corresponding to the increase in AUM. The subscription fee is linked to the quarterly average AUM. UTI Nifty Bank ETF AUM increased significantly from Rs. 70 crore to Rs. 2,500 crore over the year, the UTI NIFTY 50 Index Fund AUM increased from Rs. 6,300 crore to Rs. 10,000 crore and the UTI Nifty200 Momentum 30 Index Fund went up from Rs. 1,100 crore to Rs. 2,200 crore. In view of this trend during the year there is an impact on Q4 also. In view of the linkage of the index fees to the AUM, the quantum of the fees paid during the quarter also increased by Rs. 1.5 crore. Further, there was an increase of Rs. 2 crore in the PFRDA fees paid by UTI RSL, which is in tandem with the increase in the management fees. UTI RSL has started business promotion expenses, increasing the NPS business by reaching out to the pan-India opportunity. And lastly towards the promotion of ESG in our company, we took membership of Sustainability Accounting and Standard Board (SASB), an internationally recognized organization. And we did the sustainability and value reporting, which has an expenses of Rs. 1 crore. These are the major expenses and out of this Rs. 15 crore around 50% will be one time expenditure and around Rs. 8 crore will be a recurring expenditure. Lastly, Bloomberg expenses.

Because last year also we have added few terminals and we initiated Bloomberg terminals for all our investment fund managers. So there was an increase of Rs. 1.5 crore.

Imtaiyazur Rahman: Also, the depreciation in the currency has also contributed to this.

Swarnabh Mukherjee: And just to follow up on these index-related charges, we are paying to NSE.

Surojit Saha: NSE as well as BSE. Charges are paid to both.

Swarnabh Mukherjee: OK and how is it accounted for? Is it as the whole charge paid in Q4 every year?

Surojit Saha: It is done every quarter. So this particular quarter it was around Rs. 1.5 crore, which is an increase compared to last quarter.

Swarnabh Mukherjee: Ok. And in terms of the business, the PFRDA charges that the increase that you mentioned has come because our AUM has increased?

Surojit Saha: Yes, AUM has increased. If you see over the full year, the AUM has increased by ~Rs. 40,000 crore. And 5 bps is accounted as sale of services and 1.5 bps are accounted as an expense.

Swarnabh Mukherjee: Right. OK. So that incremental Rs. 40,000 crore part of that has come this year

Surojit Saha: Yeah, lastly in respect of UTI International AUM, actually we have a few funds which are periodic funds like Phoenix Fund. Two Phoenix Funds have matured during this particular period. One is a Rs. 1500 crore fund, which is a B19, then another Rs. 2900 crore and another one is around Rs. 1600 crore. So the total is around Rs. 6000 crore in this respect. India Dynamic Equity fund which is a leading fund for the international business also there was a repurchase - redemption pressure. So it's around Rs. 2000 crore and the fund is doing well. Globally the growth stocks have not been performing well, so we expect a turnaround. Mr. Rahman has already informed during his part, that we have opened offices in Paris and America to improve our international business.

Swarnabh Mukherjee: In IDEF, the redemption is coming from us only because I remember that you mentioned last quarter you had redeemed.

Surojit Saha: We have not yet redeemed our seed capital. This is one of the HNI investors at this market level who has invested when the scheme was launched, who redeemed his investments. We have not done it yet. We are waiting for the opportune moment, and we'll definitely try to reduce our exposure in this seed capital.

Imtaiyazur Rahman: No, but redemption is very minimal, is more on the currency which is depreciated by 6%-7% and 17% is basically the performance issues. But the redemption is only to the extent of 5.5%-6%.

Swarnabh Mukherjee: OK, Sir. And out of this Rs. 20,000 crore, how much do we hold right now? Our investment.

Surojit Saha: Rs. 7000 crore is the total IDEF size now, we should be around Rs. 350 crore.

Swarnabh Mukherjee: So you're initially Rs. 31 crore. And that has gone up to how much? That is what I wanted to know.

Surojit Saha: Initially we invested USD 25 million and we have already repurchased around INR seven crore.

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

Viraj: I just had two questions. The first is on the book, so if I look at the equity and the hybrid book, can you just give some colour on what share of the book is now new flow, one which comes in a much higher sharing with the distributor? So can you just give some perspective?

Vinay Lakhotia: Less than 20% of the overall book is actually the old AUM and almost 80% is the new AUM only.

Viraj: OK, so basically then going into FY24, we should see the yield should be more or less stabilized for us. Because now the book is by and large new.

Vinay Lakhotia: Yeah. Unless there's a significant redemption on the older AUM, we should see some stabilization in the yield. But the overall yield will still have a drag-down effect because of the growth under the ETF and the index category.

Viraj: OK. And second question is largely in terms of the competitive dynamics. So if I look at a year back, we had and not just us, but the industry had seen a very high competitive pressure and there was also a significant increase in sharing with the distributor. How is that, if you could just provide some perspective in terms of the competitive landscape and especially in the sense of pricing and sharing of TER with the distributor in channel? So has that normalized or has that corrected or is it still elevated?

Vinay Lakhotia: I think it has more or less become a standardized distribution ratio only. As I stated earlier, most of the entries are sharing in ratios of around 50 to 70. In some cases, it may be slightly higher. So depending on the distributor category, whether it's an individual IFA or the larger national distributor or a private or a foreign bank, the ratios are changing. I don't think the competition has anything to do with that. I think over the last two years also the pricing has become more or less standardized as far as sharing is concerned between the manufacturer as well as the distributors.

Viraj: OK. And just one last question, if I can squeeze in on the expansion part? What I heard, correct me, you said that we'll be looking at adding another 29 branches. Now if you look at the spread of our current network itself. And based on the last few calls and what we understand, there's still a good amount of potential throughput which we can further leverage from existing branches itself. So compared to the potential the AUM per branch or the turnover at the branch level is still relatively lower than what the potential could be. So what is the thought process behind adding another 29 branches when we still have scope for increasing the throughput in the existing branch network? And in relation to the digital-physical mix expansion strategy we talked about over the last one or two years.

Sandeep Samsi: So Viraj, good question. This is not an either-or strategy. This is an 'and' strategy. So while we look at different markets, we realize that there is enough amount of potential in the top 30 markets. We have also mentioned that we have work to do, and we are continuously working with our partners in those markets. However, India or Bharat as it is called, is growing and we see a lot of potential in these smaller markets also. Now there is a huge amount of education which is coming into this market and there are people who are ready to work in this market. So that's why we want to open and tap these markets, which have got the potential for us to grow over the next maybe three to five years. They will not be immediately mature enough, but over the next three to five years they will give us good returns. The second part is yes, we are also focusing on the digital part, but India is still not completely digital. It's still a Phygital world where in India, people while they want to use digital mode, also look at physical mode. So you have to follow an and strategy. You have to focus on the top 30 cities. You have to look beyond 30 cities. You have to open in the Tier 3 Tier 4 cities. As well as we have to have a very clear digital strategy to be present whether it is on the website or the app or any other mode through partners.

Viraj: So what kind of OpEx we will be looking to incur for these 29 and typically what is the gestation period in terms of the branch to start contributing in terms of profitability?

Surojit Saha: Yeah, we are expecting it should break even in around 1.5 to 2 years. We have plans and based on the potential, what we already have, we are opening these branches. So our existing plan is to open these 29 branches and it should break even in 1.5 to 2 years.

Viraj: Investment, Sir.

Surojit Saha: Investments for these 29 branches will be around Rs. 3.2 crore because we are expecting to open around 500 square feet to 600 square feet area. The total restructuring is what we are doing in respect of our big offices which we have.

Imtaiyazur Rahman: Viraj, there are two distinct strategies which we are working on. We had a strategy meeting here in Jaipur and we are attending this call from Jaipur. One is the top eight cities. It is our key focused area and 2nd is the rationalization of our branch offices. Earlier we opened a lot of branch offices, bigger in size, which is no longer required. So we are going to rationalize all our branch offices in this financial year. We are also here to expand. The saving which will come out of that rationalization will be good enough to meet our expansion requirements. So we are not expecting much pressure on our P&L account. Other than three to four crore, which Surojit has highlighted to you. Secondly, we are investing in our digital strategy. We have a fourteen members team in digital space. We may hire more people in digital, particularly data analysts and also give the state-of-art IT and digital assets to our investors. As young Indians, they would like to interact or make investments digitally through apps. We have three different strategies, one - top eight cities, second - expansion. We need to go beyond 30 cities because they are growing. And third, digital. All three cylinders will be fired.

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

Lalit Deo: Just one question. So like in the last two to three quarters we have been seeing our market share of more than 8% in gross sales, but it has not been reflected in our net sales numbers. So now within this 8.5% market share of gross sales, could you bifurcate between like how is the market share in the gross segment and in the equity segment or the hybrid segment and what are we doing to both improve our net income as well?

Vinay Lakhotia: You want a gross sale percentage across scheme category. Is that question correct?

Lalit Deo: Yes.

Vinay Lakhotia: OK. So for quarter 4, our share of wallet for equity is around 2.5%, ETF is around 9%, income fund is 4.5% and Liquid fund is actually 9%. So on a weighted average, roughly around 8.5% is our share of wallet as far as the gross sales is concerned.

Lalit Deo: Just to follow up on this, now within this equity segment, we have a 2.5% market share; in terms of AUM market share, we are at about 5%. How are we looking to improve our catch-up on the market share gain going ahead? What are the different strategies we are looking to reach over there?

Vinay Lakhotia: So the focus is actually on performance. As and when your fund is performing it should take up the sales. So, the focus strategy is that we should have three to four equity funds that deliver superior returns for our investors and the outcome will be the sales number.

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

Prayesh Jain: Firstly, on the ETF portfolio, what will be the share of EPFO in our ETF portfolio overall? And secondly with respect to equity market share, while fund performance is a focus area, are any other strategies with respect to distribution that you guys are working on in order to kind of really recoup the market share in terms of flows? And just adding to that, what would be a flow market share?

Vinay Lakhotia: I'll answer the ETF part. In terms of gross inflows, the EPFO share is around 50%. The remaining 50% comes either from a retailisation of index funds as well as selling to the corporate fund houses. On the overall AUM, I don't have the exact number, but it could be very well in the range of around 60% to 65% will be the EPFO mandate. I'll come back to you with the specific number on the overall book AUM.

Sandeep Samsi: So far as the sales strategy is concerned, yes, we realized that one of our strategies which was on the growth stocks has not been doing well, because growth stocks overall have not been doing well. But we have been positioning our flanking products in this category. I don't want to take names, but we have enough strategies which are in place to tide over this issue. Secondly, we are again approaching our distribution partners with these new strategies for marketing our products. So we are hopeful that with all of these, we should be able to get a good share of our market in the equity funds.

Imtaiyazur Rahman: Our products are on the platforms, including banking platforms. We are in continuous touch with our distributors. Our sales team is completely engaged, and it is our focused strategy today, to work with the sales team to basically regain our market share on the equity side.

Prayesh Jain: On the SIP flow market share and how do you plan to increase the same?

Sandeep Samsi: Yes. So our gross inflows in the SIP for the month of March were about Rs. 573 crore, our average ticket size is around Rs. 3,262 and the closing SIP count is around 25.18 lakh.

Vinay Lakhotia: So the market share on the gross sale is close to around 4.2% to 4.3% and the market share on the overall book AUM is close to around 3.5% to 3.6%.

Moderator: Thank you. We have the next question from the line of Dipanjan Ghosh from Citi. Please go ahead.

Dipanjan Ghosh: Just two questions from my side. First, can you give some colour on the possible expense drag in FY24 or 25 because of the new fund launches in your subsidiaries, mostly UTI International? And second, while you give the equity flow equity gross flow market share, if you can give some colour on the similar market share on the equity side across the major channels?

Imtaiyazur Rahman: UTI International launch of any fund - we are expecting some expenses in the UTI International balance sheet that will be the legal cost. We don't have the right number at this particular point in time, but we are also in the process of hiring the team for our U.S. market and all legal expenses towards registrations will also be there. The exact number I don't have at this particular point in time. So, for the launch of products in UTI Capital is concerned, we are not expecting many expenses in launching the fund because there's only the license cost or document filing cost which we need to pay to SEBI which is not very high.

Dipanjan Ghosh: And on the second question? Your equity flow market share may be across some of the larger channels.

Sandeep Samsi: Yes. So if I look at my share across the various channels - across the banking channel, my equity share is around 2%. And this is pure equity, it does not include ETF and index. While for other MFDs it is around 7.5%. So for equities, these are the main two channels.

Dipanjan Ghosh: Just to clarify, this is on AUM or on gross flows?

Sandeep Samsi: This is on the AUM.

Dipanjan Ghosh: OK, would you like to get some colour on the flow side also?

Sandeep Samsi: I don't have the numbers on the flow side and maybe offline I can share it with you.

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

Abhijeet Sakhare: The first one is on the expense line. How should we look at growth in staff costs and non-staff costs for FY24? Is there some indicative range that you would like to give?

Imtaiyazur Rahman: Generally as per Hewitt report, the financial services may give raise of 9% to 11%. We are not expecting to give such a raise to our employees. But we will also have the advantage of the retirement during this financial year. So our staff cost is expected to grow at around 3.5%. Because we are not expecting to give that 10% or 12% raise to our employees.

Abhijeet Sakhare: Got it. That's useful. And on the non-staff, because I think that's where you'll have a little bit of cost pressure.

Imtaiyazur Rahman: As for Non-staff, as our CFO Mr. Surojit Saha has mentioned that there is a CSR expense as we grow and make more profit which continues to be there, but one-time expenses of sales meet which we had, where we called the entire sales team to Mumbai and we have sales meet, these expenses will not be there. Travel will continue to be there. We don't know how the currency will behave, and this year's investment in IT will be less than the previous year. We have already incurred a lot of expenses in revamping our IT assets. These one-time expenses will go, but the expenses towards the CSR will again come because of the profit to meet the regulatory requirement. NPS expense is a variable expense, and it is related to the income that is charged to the profit & loss account of the retirement solution. One-time expenses will be eliminated. We may have the renovation cost because we plan to renovate 2 1/2 floors more in the existing building which will have some expenses.

Abhijeet Sakhare: Got it. So this year, I think we closed the year with overall annual expense growth of 6% and again for next year, you're looking at a few more initiatives that will add to costs and some savings as well. But I do think that going ahead, you can do better than this.

Imtaiyazur Rahman: We have especially targeted to basically optimize our costs and to ensure that the costs are not increased. If you recall our data, for the last 6-7 years we have been outperforming inflation. We will continue to do that, and we will keep you updated on the quarter-on-quarter basis as we go along to share with you our cost management strategy. We are not expecting much rise in administrative expenses rise.

Abhijeet Sakhare: Sorry. On the hybrid side, we've seen continuous net outflows, so probably that is linked to how the fund performance is shaping up. Do you think that pressure will remain? Is it driven by the more retail IFA channels, or you've seen funds kind of being removed from focused lists or recommendation lists? So if that's the case, I think this pressure can sustain for a few more quarters. So how should we look at the next two numbers for the next few quarters?

Imtaiyazur Rahman: I would like to submit that none of our schemes has been removed from the list of distributors. Vinay will give you further details, but from a strategic perspective, we don't have a BAF product with us. We have submitted our application. Maybe we are expecting approval from SEBI, and we will launch the BAF product that will help us in raising funds.

Vinay Lakhotia: So in the hybrid category, just wanted to clarify there is within our scheme categorization, the arbitrage is being categorized under the hybrid fund category only. The arbitrage fund is actually a Liquid fund in terms of nature and because of the yield that has been receiving, there has been a lot of redemption pressure. So for pure hybrid fund, If you see the net sales are more or less it's actually flattish, it's not positive. Net sales are not there, but we are quite hopeful with the view and force of a Balanced Advantage Fund that is expected close to around the beginning of the next quarter or maybe the end of this quarter, the inflows under the hybrid funds should actually improve.

Moderator: Ladies and gentlemen, we will take one last question from the line of Gaurav Jani from Prabhudas Lilladher. Please go ahead.

Gaurav Jani: Thank you, Sir. Firstly a question for Vinay Sir. Sir, could you quantify on a stock basis FY23 versus '22 what would have been the reduction in equity yields?

Vinay Lakhotia: '22 versus '23, it will be close to around 7 to 8 basis points.

Gaurav Jani: And just trying to sort of get your sense of so the fall in equity yields in '24 and '25 would not be as sharp, right?

Vinay Lakhotia: Again, depending on the redemption analysis. If the older AUM is getting redeemed at a faster pace, maybe the yield drop can be sharp, but that will provide respite for the coming financial year. Otherwise, it will be a marginal decline.

Gaurav Jani: And stock basis FY23 if you could quantify the equity yields? For the full year, I mean the average yield in equity.

Vinay Lakhotia: Close to around 75-76 basis points.

Gaurav Jani: Secondly, will we launch any equity NFOs in FY23 and if you share the amount, please?

Sandeep Samsi: So we launched a number of funds, but not directly in the equity category. We launched ETF and we launched the fund of funds.

Gaurav Jani: Understood. Thirdly, Sir, just a question to Sandeep Sir on a YOY basis, the Banking Channel share on the equity side is about stable at or static at 12%. What measures are we taking to actually increase that at a faster pace?

Sandeep Samsi: So as Mr. Rahman also mentioned that our products are listed on various banking channels, and we are in continuous touch with the distributors at the banking end to promote our products. This is again, there are two things. One is the performance of the fund. So whenever there is a good performance of the fund, automatically, the inflows also improve. And also the level of interaction and relationship which has been maintained by the relationship manager of the banking channel. So we are trying on both. While as I mentioned earlier that some of our funds, the strategy was different and we couldn't capitalize on that in the last year, but we have now got flanking products to support these funds and our people are in continuous touch with the distributors as well as the bank and we hope that with these measures we will be able to improve the share.

Gaurav Jani: So understood, just last bit slightly different question on the cash side. So this year, Sir, there's a fair bit of an increase in the payout from about 50% to about 63% on a consol level. Fair to assume, this should be maintained, or this is the payout would increase actually.

Surojit Saha: Yeah, you are correct. In 21 we have given 48% and in 22 we have raised it to 63.21% and we hope to maintain this payout ratio, or we'll improve it definitely.

Imtaiyazur Rahman: It depends upon the board's decision from time to time.

Surojit Saha: I just want to clarify one point to Swarnabh of B&K the total out of the 7000 crore of the seed capital investment today is Rs. 265 crore.

Moderator: Thank you, ladies and gentlemen, due to the time constraints that was the last question, I would like to hand the flow back to the management for closing comments. Please go ahead.

Imtaiyazur Rahman: Thank you and thank you very much. I also like to thank my team for their participation and thanks a lot.

Moderator: Thank you, ladies and gentlemen, for your participation in our Q4 FY22-23 earnings conference call. In case of any further queries, you may get in touch with the Investor Relations team at Adfactors or feel free to get in touch with us. We look forward to interacting. Thank you.