Ref. No.: UTI/AMC/CS/SE/2023-24/0371

Date: 26th October, 2023

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

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

Sub: Transcript of the earnings conference call on financial performance of the Company for the quarter and half year ended 30th September, 2023

Dear Sir / Madam,

Pursuant to Regulation 30 read with Schedule III Part A Para A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the SEBI Listing Regulations) and SEBI Circular no. SEBI/HO/CFD/CFD-PoD-1/P/CIR/2023/123 dated 13th July, 2023, we are forwarding herewith the transcript of the earnings conference call held on Thursday, the 19th October, 2023 at 1700 hrs IST on the financial performance of the Company for the quarter and half year ended 30th September, 2023.

The transcript of the aforesaid earnings conference call is also available on the Company's website at www.utimf.com in compliance with Regulation 46 of the SEBI 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: 2023.10.26 15:20:12 +05'30'

Arvind Patkar
Company Secretary and Compliance Officer

Encl.: As above

UTI Asset Management Company Limited

Q2 FY24 Earning Conference Call

October 19, 2023

Moderator: Ladies and gentlemen good day and welcome to the UTI Asset Management Company Limited Q2 & H1 FY24 Earnings Conference Call. From the management we have with us Mr. Imtaiyazur Rahman (Managing Director & Chief Executive Officer); Mr. Vinay Lakhotia (Chief Financial Officer & Head - Corporate Strategy); Mr. Surojit Saha (Group Financial Advisor); & Mr. Sandeep Samsi (Head – Investor Relations, Marketing and Corporate Communications). We also have the Investor relations team from Adfactors PR.

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 "*" and 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 over the conference to Mr. Imtaiyazur Rahman for his opening remarks. Thank you, over to you sir.

Imtaiyazur Rahman: Good evening, everyone. Thank you for joining us today to discuss our operational and financial performance for the second quarter and the first half ended September 30, 2023. It is my privilege to welcome you all. You might have gone through our press release and investor presentation available on our website as well as on the websites of the stock exchanges.

The world economy is yet to reach the pre-pandemic levels of growth and is witnessing inflationary pressures. But this has paved way for emerging markets like India to have a prominent contribution towards the global economic growth. The economic scenario in India is optimistic, continuing the momentum of last couple of quarters. For the current fiscal, IMF has raised the GDP growth forecast to 6.3% for India.

During the quarter, there was another milestone achievement for the Indian capital markets – JP Morgan announced inclusion of Indian sovereign bonds into its Emerging Markets Index. According to industry experts, this inclusion is likely to result into inflows of around $30 billion in investments into Indian debt markets, which have traditionally been held primarily by banks and financial institutions. Inclusion of Indian bonds with effect from the next fiscal, with maximum weightage of 10%, is a testimony of India's emerging significance in the global financial markets.

Coming to the equity markets, the Indian indices have well captured this optimism as is evident from the new all-time high touched by both benchmark indices during the quarter. This has also led to an increased participation in the Indian Mutual Fund Industry. I am to share with you that the September 2023 data from AMFI reveals that the industry now have 40 million unique mutual fund investors in India.

Coming to UTI, I am happy to share with you that on 29th September 2023, we successfully inaugurated 29 new offices across the country taking the total number of UTI Financial Centres to 195. We continue to be committed to growing our presence in the Beyond 30 (B30) locations and make mutual funds more accessible to the people in the Tier II & Tier III cities in India. 134 of our UFCs are now present in these locations. Staying committed to guide more and more people about mutual funds, UTI conducted 82 Investor Awareness Programmes pan India covering ~4,600 participants during the first half of FY 23-24.

While the geographical reach has increased, we are also working on our digital strategy & reach. We re-launched our Mobile Apps for our investors and distribution partners with a better user interface and have also adopted state-of-the-art technology for our contact centres.

On the HR front, we now have a new CFO – Mr. Vinay Lakhotia, who is a career UTIian and also handling the Corporate Strategy function of UTI AMC. We have also elevated Mr. Anurag Mittal to be the Head – Fixed Income of UTI Mutual fund.

Now sharing numbers for UTI Group. The total Assets under Management for UTI Group registered a growth of about ~16.89% over the corresponding quarter of the previous year and stood at ₹ 16.89 lakh crore as on 30th September 2023. The domestic mutual fund business witnessed a growth of ~14.22% year-on-year with the QAAUM as on 30th September 2023 at ₹ 2.67 lakh crore.

We launched four successful NFOs during the first half of this fiscal year – UTI Nifty50 Equal Weight Index Fund, UTI S&P BSE Housing Index Fund, UTI Balanced Advantage Fund & UTI Innovation Fund during this half year.

Now, I hand over to Mr. Sandeep Samsi, Head Marketing & Investor Relations, who will update you with UTI AMC performance.

Sandeep Samsi: Thank you, Sir. I will first take you through UTI Mutual Fund's performance during the second quarter and half year ended September 30, 2023.

UTI MF PERFORMANCE

- UTI was able to capture a market share of 7.8% of the gross sales of the industry during this quarter.
- Our Equity QAAUM for the quarter ended September 2023 stood at ₹ 78,291 crore, rising by ~9.2% as compared to the quarter ended September 2022.
- With passive investments gaining traction, we have witnessed a growth of about 35.82% in the QAAUM for Index & ETFs taking it to ₹ 98,421 crore for the second quarter.
- ETFs & Index Funds net flows stood at ₹ 2,364 crore.
- UTI added 1.03 lakh folios taking up the number of live folios to 1.22 crore as on 30th September 2023.
- Our SIP AUM witnessed a growth of 29% over the corresponding quarter of last year, reaching to ₹ 26,541 crore as of September 2023 from ₹ 20,565 crore as of September 2022.

- The SIP inflows for the quarter stood at ₹ 1,648 crore. The SIP gross inflows for UTI MF witnessed a year-on-year growth of ~3.70% with the average SIP ticket size being ₹ 3,140 for September 2023.
- Coming to the contribution from B30 cities. 23% of our Monthly Average AUM for September 2023 came from B30 cities while the industry average stood at 17% in terms of its B30 MAAUM.

<u>UTI AMC FINANCIALS</u>

- During the second quarter, the Company posted a consolidated net profit of ₹ 183 crore.
- The consolidated revenue from operations for the second quarter stood at ₹ 404 crore.
- For the first half, the consolidated net profit was ₹ 417 crore, higher by 43% YoY.
- The consolidated revenue from operations for the first half stood at ₹ 872 crore, up by 27% YoY.

On a standalone basis:

- PAT of UTI AMC Ltd for Q2 FY24 is ₹ 134 crore reflecting a growth of 14% on YoY basis.
- PAT of UTI AMC Ltd for H1 FY24 is ₹ 299 crore, higher by 38% YoY
- We are happy to inform you that our 100% owned subsidiary, UTI Retirement Solutions Limited has recorded a growth of ~24% year-on-year in its AUM, reaching ~₹ 2.7 lakh crore in Q2 FY24 and currently it manages 26.4% of the NPS AUM
- The PAT of UTI RSL for the first half of FY 24 is ₹ 25.2 crore, an increase of ~11.5% Y-o-Y.
- UTI International which represents our International business interests, has an AUM of ₹ 24,207 crore as of 30th September 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 $ 961 million.
- UTI International's J Safra Sarasin Responsible India Fund, an ESG compliant India fund, has AUM of $ 78.4 million.

- UTI India Innovation Fund launched last year has an AUM of $ 25.6 million.
- UTI Alternatives Pvt. Ltd. has a total AUM of ₹ 1,799 crore and has a well-defined ESG policy and strategy. It currently manages the following Active Debt Funds:
  - UTI Structured Debt Opportunities Fund (UTI SDOF) I, launched in August 2017 and closed in May 2019, has an AUM of ₹ 132 Crore. Currently the fund is in exit mode and has returned 1.1 times the capital invested.
  - UTI SDOF II launched in September 2020, has an AUM of ₹ 507 Crore, and the fund is currently in the investing stage.
  - UTI Multi Opportunity Fund I launched in March 2022 has an AUM of ₹ 763 crore. Currently the Fund is in the Investing stage.
  - UTI SDOF III launched in September 2022, has an AUM of ₹ 398 crore, the fund is currently in fund raising as well as investing stage.
  - UTI Real Estate Opportunities Fund I is currently in the fund-raising stage with pre-commitments of ₹ 110 crore and net commitments of ₹ 30 crore.
- UTI Alternatives has also received the Regulator's approval for two more funds – UTI Credit Opportunities Fund I and UTI Asset Reconstruction Opportunities Fund I. We will be launching these funds soon.
- UTI Alternatives has the Regulator's nod for providing Co-Investor Portfolio Manager (CPM) services. We have onboarded 7 clients as co-investors till September 30, 2023.

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

Imtaiyazur Rahman: Thank you, Sandeep, for sharing operational and financial highlights for the second quarter and half year of financial year 2023-24. I would also like to inform you that we have received the approval from SEBI to start our US operations. With this, I would like to open the forum for your questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Swarnabh Mukherjee from B&K Securities. Please go ahead.

Swarnabh Mukherjee: I have couple of questions on the yield side. First of all, the yield compression that we have seen in this quarter; just wanted to understand is it only a factor of the mix sales that is coming from the ETF or within the equity category also, there has been some compression as fund size has increased. If you could call out also the yields for individual product categories, that would be very helpful. That one is on the mutual fund business. On the international business. If I try to calculate the yield, I see some softening on that front as well. What has happened there and how to think about it? These both on the yield side.

On the cost side, there is been some increase on a sequential basis on the employee benefit expense in the mutual fund business. If you could highlight the reason and how should we think about for the rest of the year?

Related to the US operations that you have mentioned. Whether we should expect any kind of additional costs and what will be the quantum of that in this year and next year in our P&L. Thank you. These are my questions.

Vinay Lakhotia: I'll take the question on the yield part and the employee cost. Let me first give you the break up on the yield part. On equity fund, the yield for the second quarter is around 72 basis points; on the hybrid fund 84 basis point; and on the ETFs and Index Fund is 4 basis point. Cash and arbitrage funds around 7 basis points and income fund 22 basis points. During the quarter; while the equity yields are more or less stabilized at around 72-73 basis points, we have seen some headwinds as far as the other scheme categories are concerned.

On the hybrid fund, since we launched an NFO which is UTI Balanced Advantage Fund, we have seen some yield compression from 90 to around 84 basis points, because of the mobilization of the new fund is at slightly at a higher cost and the yield on the new NFO is close to around 30 to 35 basis points.

We have reduced the expense ratios and the management fees under the ETF category of the fund from overall 7 to 4 basis points. Because of that, there is some yield compression under the ETF category during this particular quarter.

On the income fund, both at the industry level as well as UTI, significant inflows are coming into a shorter duration product where the yields are generally lower. We have mobilized significant amount of inflows under the income category during this particular quarter, which have been through the shorter duration of the product on which the management fees are lower as compared to a longer duration product. Because of that the yield on the income category has also fallen from 26 to around 22 basis points. Due to this overall yield compression is around two basis points lower; however, for the equity funds the yield has stabilized at around 72 to 73 basis points.

On the international business, I don't think there is any yield compression. There is some marginal decline in the overall AUM because of some redemption under the IDEF category of the fund and because of that, you might see some reduction in the management fees.

Coming to your second question on the employee cost. Overall, employee cost on the standalone basis has gone up by around ₹ 6-7 crore. There are three factors behind this increase. First is the normal wage increase. Despite reduction in retirement benefits, this has gone up by around 2-3%. Secondly, there is ESOP amortization cost, which has gone up as compared to the previous financial year by around ₹ 2 crore. Lastly, there has been an actuarial valuation increase for leave encashment. The one-time impact on this until the interest rate goes down is around ₹ 3 crore.

On the US subsidiary, as of now, we do have the approval from SEBI, but the operation hasn't started yet. As and when we open the offices we expect the overall cost actually to increase.

Imtaiyazur Rahman: This year there will not be any cost because by the time we get the license, it will be March 2024. We may see some cost next year. This year there will not be any cost. Other are legal expenses to the extent of ₹ 1 crore.

Swarnabh Mukherjee: A couple of follow-ups. If you could highlight why the expense ratio on the EPFO side was rationalized? I understand the expense ratio at the industry level is lower than four basis points. I mean yield should be higher on the EPFO side. Some color on that would be very helpful.

Vinay Lakhotia: We have submitted a revised bid for the EPFO mandate. There are competitors whose expense ratios are even lower than four basis points. Basically because of the revised bid submission, the expense ratios and the management fees have actually come down.

Imtaiyazur Rahman: In EPFO our yields are best in industry.

Swarnabh Mukherjee: Right, Sir. And since a new player has also come in the EPFO flow, what would be our share in the incremental flow going ahead? Any color on that?

Imtaiyazur Rahman: 23.5%.

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

Mohit Mangal: Thanks for the opportunity. I will ask three questions. First, as you said, you opened 29 new offices, so what would be the impact on OpEx for that?

Vinay Lakhotia: So OpEx for this particular financial year, our OpEx might increase by around ₹ 60-70 lakh, especially on the rental side. On employee cost, there won't be any increase because we'll be leveraging on our existing employees.

Mohit Mangal: Right my second question is that we did see equity segment having net inflows which is good. But if I look at equity market share, there is a decline by around 22 basis point QoQ and 75 basis point YoY. Any particular strategy to redeem the market share on the equity side?

Sandeep Samsi We have seen some pressure on the equity side and we are working towards it. As we had mentioned earlier the performance of some of our funds was impacted because of the strategy that we developed. We were following the growth strategy when the market was tilted towards the value strategy. However, as we have mentioned earlier also, we are on course correction and if you see in other categories, that is the income category, we have seen a good net inflow. Similarly, in the hybrid category also we have seen inflow. We believe the strategies that we are employing will work and will help us to claw back the market share.

Imtaiyazur Rahman: We are repositioning some of our equity schemes which are performing very well. We have a very detailed strategy in place and that will help us to recapture our market share in the other category of equity schemes other than the Flexicap fund. We are repositioning other equity schemes which is well performing like hybrid equity scheme, focused equity fund etc.

Mohit Mangal: This is helpful. Lastly, if I look at SIPs' gross sales. It has declined this quarter; wherein for the industry, it has increased. What could be the reason for that?

Sandeep Samsi: What we have done is we provide data only for live SIPs. In that what we mean is that SIPs which are live and not paused SIPs are considered. If there are no inflows for the last four months then we call it a paused SIP and we don't show it in our numbers. In the last six months and this quarter specifically, we have done a lot of exercise of de-dup, so we saw whichever SIPs were paused, earlier we only considered direct SIPs Now we have also included paused SIPs from distributors and that is why there is a marginal decline in the numbers of SIPs for us.

Mohit Mangal: You meant to say that had you been disclosing those numbers, that number would have looked a lot better?

Sandeep Samsi: Yes, it would have looked better. But we don't want to show all SIPs. We only want to showcase our live SIPs and so that number has come down.

Moderator: Thank you. The next question is from the line of Madhukar Ladha from Nuvama Wealth Management please. Go ahead.

Madhukar Ladha: Thank you for taking my question. Frankly, most of my questions have been answered. Just one on the wage increase. What would be our guidance for the year because we would have expected some sort of moderation, but still on a QoQ basis, salary costs are up by 5%. We expected some sort of operating leverage to play out of here.

Vinay Lakhotia: Madhukar, I don't see overall number increasing by more than 4 to 5% as compared to the previous year. We have some slightly higher employee cost on the international business front where because of opening of Paris and US operations, there could be additional increase in salary expenses. On the standalone front for UTI AMC, the salary increase will not be more than 2 to 3%. On a consolidated level, it could be maximum 4 to 5% increase.

Madhukar Ladha: Got it. And the other thing while you explained the yield decline not being that related to sort of equity but we are seeing net outflows from equity as well. Isn't that hurting our book? What will that have sort of resulted in lower equity and hybrid yields.

Vinay Lakhotia I think equity yields are more or less flat at around 72 to 73 basis points. But yes, if the stock AUM is redeemed and is being replenished by fresh inflow, it's definitely going to impact the yield. That has been the trend in the earlier quarters and not in this particular quarter. Going forward, if the stock AUM is being replenished at a faster rate, yield compression might be there.

Madhukar Ladha: And final thing Sir. Any sort of sense of what is our stock AUM right now in equity and hybrid?

Vinay Lakhotia: Very difficult to give any exact number Madhukar. Because within the stock AUM itself, there are many banks and distributors who for the last 7 to 8 years have been working on a trail commission. It's not possible to provide correct number.

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

Lalit Deo: Good evening. I have few questions. First one was on the investment book. In this quarter's investment book, you can see there is a shift from investment from mutual funds to G-Secs and bonds. Any particular reason for the same? We also see a dip in the equity MF investment book. What could be the reason for this?

Vinay Lakhotia: Maybe we have got a better yield in some of the bond and G-Secs. Otherwise if you see the normal allocation of around 60% of our book is into mutual fund. Yes, the allocation to bonds and G-secs have slightly increased, but no specific reason. Only the incremental allocation has gone to Bonds and G-Secs.

Lalit Deo: Second one was on your net outflows in the core equity scheme. This was the second quarter where we have experienced net outflow. Just to understand this better like in which of the channels we are experiencing more pain resulting in the outflows because for the industry this quarter has been a good quarter for the equity net sales.

Sandeep Samsi: The outflows have been across. It's not specific to any channel. If we have to pinpoint the channel, maybe Banking where there is a higher churn. But otherwise it's been across and as Mr. Rahman mentioned that we are now positioning our flanking products there and through those products we will be able to get back our share in equity.

Lalit Deo: Could you also give us the gross equity sales which you have done during the quarter?

Vinay Lakhotia: Gross, you are asking for this particular quarter?

Lalit Deo: Yes Sir.

Vinay Lakhotia: Close to around ₹ 2,000 crores.

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

Prayesh Jain: Firstly, if I look at your market share it's been weak across segments, not just equity even hybrid in spite of the product launch that we had we just have a flattish market share sequentially. On income fund we have an improved market share, but the major categories we still have a decline. What is the strategy that we would do to improve the market share? One, I think you mentioned on the equity side, but on the overall strategy, what would be the steps that you would be taking.

Imtaiyazur Rahman: The decline in market share is because of the two reasons. One, I will tell you the appreciation, since the equity market has gone up significantly and as a result of which the various fund houses, which have high equity AUM, they have got the advantage of the improvement in the market share. However, in the fixed income we have done far better. We have launched the Balanced Advantage Fund so we will be in a position to arrest the loss of market share in the hybrid. In the equity front, there are five or six schemes which we are working, and we are repositioning in the market and that will help us to regain our market share, and these are Hybrid Equity Fund, Core Equity Fund, Equity Saving Fund and they are well performing funds, including arbitrage and the multi asset fund. These are the few funds which we are repositioning to recapture our market share.

Vinay Lakhotia: So just to add, I think hybrid and income category of funds are performing both on the quarterly average as well as closing average. We have increased our market share in the cash and arbitrage, which is a seasonal product. We are quite optimistic and seeing the kind of performance that we have especially on the fixed income side, the market share should actually improve in next few quarters.

Prayesh Jain: Any measures on the distribution side where you plan to increase commissions or something?

Vinay Lakhotia: No. I think commission payout structure is more or less standard. There is no thought process of increasing payout to increase any market share. That's not the case.

Prayesh Jain: Just extending that point, the yield on the balanced Advantage Fund that was launched was much lower. We've been hearing from your competitors that the environment in the NFO market has been better than what we had seen in the last couple of years. But still our yields were much lower on that. Is that a challenge to get new funds and that reason you had to bring in at that rate or what was the thought behind keeping it at that low rate?

Vinay Lakhotia: Normally if you see historically also the yields on the new NFO is lower as compared to yields on the fresh ongoing scheme sales under the equity and the hybrid category. That has been the trend in the industry for the last few years and we don't see any reversal of that particular trend.

Prayesh Jain: Got that. And last question, your seed investments in the international funds. What is the quantum of that and you had earlier highlighted about reducing that. Where we are in that? How should you think about it?

Surojit Saha: We have plans to reduce it. But in these six months, we have not reduced it. We have plans. We are waiting for the opportune movement with the sales increasing in IDEF, which is a flagship scheme as you all know. We are constantly expanding our footprint. We are not only expanding in Europe, but also expanding our reach in the Asia as well as Australia. Once we improve upon the overall AUM, then we will think of further reducing the stake in the seed capital.

Prayesh Jain: What is the current stake?

Surojit Saha: Current stake is around USD 18 million.

Moderator: The next question is from the line of Abhijit Sakhare from Kotak Securities.

Abhijit Sakhare: Hi, good evening. Sorry I missed the numbers on equity yields. If you could just reiterate the numbers in terms of the stock and the flow.

Vinay Lakhotia: There's no disclosure of yield on flows. The stock AUM yield on the equity is around 70 to 73 basis points.

Abhijit Sakhare: And would you have the numbers, let's say a year back on the similar basis?

Vinay Lakhotia: Last year, it was roughly in the range of 80 basis points.

Abhijit Sakhare: And the second one is that the 4 to 5% expense growth guidance, is that on an overall basis or only on the staff cost?

Vinay Lakhotia: On an overall basis.

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

Dipanjan Ghosh: Just a few questions. First from the international business. All of the expenses that you need to incur for the Paris and the US facility, have they been incurred, or can we see some lump sum expenses coming in the second half?

Vinay Lakhotia: Yeah, some legal expenses that Mr. Rahman told will come in the second half. But any major expenses, including the hiring of the employees and other establishment costs that may come in the first quarter of the next financial year.

Dipanjan Ghosh: Second. On a standalone basis, in the last two or three quarters we have seen increase in your employee base quite significantly. Even in a situation where probably AUM growth has been relatively weak. We just wanted to get some sense of where you're really adding these employees and are you strengthening your sales distribution or where are we adding them in?

Vinay Lakhotia: Mostly in the distribution side, as you might be aware we opened 29 offices. We also are planning to open roughly around 8 to 10 resident offices across the length and breadth of the country. Any employee increase will be mostly to our sales and distribution.

Imtaiyazur Rahman: We are also planning to go for the direct and therefore there are a lot of sales team - senior people are retiring. In order to keep the bench ready we have appointed additional management trainees from the campus.

Dipanjan Ghosh: Two more questions. One on your product pipeline for the second-half or the next year 6 to 9 months on the equity or hybrid side.

Sandeep Samsi: We have approval from SEBI for 3 funds as of now. One is UTI Nifty IT ETF, one is UTI Nifty 10 years benchmark G-Sec ETF and third is UTI 5 years benchmark G-Sec ETF. So as and when there is an opportune time to launch, we will be launching these funds.

Dipanjan Ghosh: So just if I get it correct there is no active equity sort of spectral form that you are planning to launch in the next.

Vinay Lakhotia: No. Mostly all-around the passive side.

Dipanjan Ghosh: Last question. In some of schemes where you have seen weakness in performance, or at least now maybe the one-year category has worsened, the beating maybe gradually gets reflected in three- or five-year market. Are you taking any steps out there and if so, can you just elaborate on that?

Imtaiyazur Rahman: I don't feel I should be in a position to give any color on it. Our fund management team is true to their philosophy and they are fully committed. We have very competent team led by Mr. Vetri Subramaniam and Ajay Tyagi. They continuously review their portfolios. But I don't have any idea to give you any color about this one.

This is led by our fund management team and they have the complete authority and autonomy to decide and we do every bit in the best interest of the investors. We are true to our philosophy both for the growth and the value opportunity philosophy.

Moderator: The next question is from the line of Gaurav Jani from Prabhudas Liladhar. Please go ahead.

Gaurav Jani: The question is for Vinay Sir I missed the comments on the yield, so I believe the equity yield of 70-73 basis points is on the stock basis for the quarters. What would they have been in the last quarter?

Vinay Lakhotia: It was similar. The equity yields are almost flat at 72 to 73 basis point. There is a marginal decline in the yields under the hybrid category where as I stated earlier, because of this NFO, the yields have actually dropped.

Gaurav Jani: OK. And debt you would have seen some decline?

Vinay Lakhotia: Yeah, that also as I stated earlier in the debt schemes, the significant inflows are coming into a shorter duration product where the yields are lower because of that also they have been a four basis point decline on the fixed income yield on QoQ basis.

Gaurav Jani: Understood. And ETF would have been about 1 or 2 basis point.

Vinay Lakhotia: Yeah, almost around three basis point on the ETF. As I stated earlier, that was because of the revised expense ratio that we submitted to EPFO.

Gaurav Jani: The three basis points decline would be on the stock?

Vinay Lakhotia: Yeah, it's on the stock as well as on the fresh inflows.

Gaurav Jani: Understood, Sir. Second question on the tax rate. This quarter, again we saw lower tax rate. One of the reasons for that and secondly you know drawing parallels to the last year generally we after a couple of quarters of low tax rate, we see a bump up in the tax rate. Should we see more sort of the numbers in the second-half or how do we look at the overall tax rate of the year?

Vinay Lakhotia: I think overall tax rates should be in the range of around 20.

Surojit Saha: We don't go by the effective tax rates of any particular quarter. For the year, the effective tax rate will be in the range of 20 to 21 percent. Quarter wise, we don't get into that because it depends on investment income and our deferred tax on such investment income. Annually, the effective rate will be in the range of 20-21 percent.

Moderator: The next question is from the line of Bhuvnesh Garg from Investec Capital. Please go ahead.

Bhuvnesh Garg: I just wanted to understand the structure of our trail commission for NFO. For a recently launched, is it a fixed percentage throughout the tenure of the fund or is it a step-down structure? For example, higher commission in earlier 1-2 years and then lower commission? And how this structure has changed in the last two or three years? Just your thoughts on that.

Vinay Lakhotia: Yeah. Normally the first-year payout is slightly higher and 2nd and 3rd year onwards the trail commission gets reduced. This the trend over last 2 to 3 years.

Bhuvnesh Garg: Is there any particular limit as such that how much higher commission you can pay in the first year and how much lowest commission you can pay in the subsequent years?

Vinay Lakhotia: No, there is no limit. SEBI doesn't allow the commission to exceed the distributable expense ratio. When I say distributable expense ratio, it is the scheme expense ratio minus the operating cost, that's the limit being defined as per the SEBI guideline.

Moderator: Thank you. The next question is from the line of Sunil Shah from SRE PMS. Please go ahead.

Sunil Shah: My question is from the industry perspective. The way in which regulator is addressing the expense ratio. The industry's volume will certainly go over a period of time, but in between for the near term will we see pressure for most of the AMC companies. Because of regulatory thing their secondary competition will increase and technology also plays a big role. All those factors will result in the enemy charge that we actually take from the customers. Will that number see a shrinkage overall from an industry perspective? Not from the company perspective, but for the industry, could you help to understand? That is one part. Second is more and more passive funds are being launched rather than active ones. Their charges to the customer would are at a lower rate versus the direct active fund management. Would those things be right in my assumption that overall the income for the industry could see some kind of correction before the volume really coming over the long term and then the market really explodes. That's the second situation. Could you help me understand this better? Is my thought on the right direction?

Vinay Lakhotia: I think industry thought process, I can say very clear if any TER reduction come that will be passed on to the intermediaries. AMC margin, I think most of the AMC will try to protect the margin and the TER cut will be passed on the long term. Yes, there will be some pressure as far as the margin is concerned, but we believe that the volume growth itself will compensate with the overall revenue growth. Margin may contract little bit because of the reduction in the TER. But overall the AMC margin should get protected and the volume will actually play a much important role going forward. As you rightly said, with the growth of the ETF and the passive fund, the overall management fees will come down, and hence volume is where we need to look. Overall revenue number we believe should be improving on a year on year basis.

Obviously operating leverage play a role in this part since the costs are not going to increase substantially, the PAT margin should improve from here onwards.

Imtaiyazur Rahman: It is important to see this as a business opportunity. The industry is growing with the great speed and therefore regulation is there to help the investor. Regulation is not there to harm the investor. We should not see from the regulation perspective. We should look at the opportunity perspective and I believe the tremendous opportunity for the entire industry to grow. As Vinay has rightly pointed out, the OpEx so far as the passive is concerned is not going to increase. Only the volume will increase and therefore the absolute yield will be far superior for the entire industry. We are quite confident.

Sunil Shah: If I can dwell upon one more point. Given the rate at which the country itself is growing and lot of things which are very positive, which are happening right now at India versus the world. Can we try to look at global investments looking at AMC as a platform through which they can increase Indian exposure? Can we work towards getting money from the international market because getting money in India is perhaps and sorry to use, this word has become a commodity wherein one AMC differentiates from something and the other AMC tries to replicate it overnight. But if we try to get money from the international market and have some presence there, is there any thought that we have within the organization on such a point?

Imtaiyazur Rahman: Yeah, I don't feel. These are always the commoditized products. We will not be in a position to give you any color about that. India is a great destination. India is the only country which is now talked globally and in every conference room India has been spoken about and discussed. I was there in London four weeks back and I see the huge amount of optimism about India. Whether the product is commoditized or not, there will be differentiation coming from the performance of the fund and the fund manager and that's how we win a position to differentiate. But India will continue to be in destination despite the fact that the products are commoditized.

Mr Vinay Lakhotia: And we are focusing on in the international business and the testimony to the fact is we have opened an office in Paris and we are also opening an office in USA so the international business focus is very much there and we expect volume growth from that business as well.

Moderator: The next question is from the line of Dipanjan Ghosh from Citi. Please go ahead.

Dipanjan Ghosh: Just two small questions. One is could you just repeat your point on the ETF yields and why they declined during the quarter and 2nd from a fundamental perspective when there is, let's say slight change in your equity AUM. I would presume that the gross expense ratio gets reset immediately, but do you have any flexibility on the payouts on the back book or is it like is just a pass through to your net payers which also declined by almost a similar magnitude, just talking on the back book?

Vinay Lakhotia: Let me answer for the first question. The ETF field drop has been because we have submitted the revised proposal to EPFO and because of that, the expense ratios and the management fees have actually come down by around 2 to 3 basis points.

Imtaiyazur Rahman: The EPFO came out to the revised RFP and four of us were selected - SBI, UTI, ICICI and Nippon and everybody put this revised quote. Amongst all of them we are getting a share of almost 23.5%, but amongst four our fee is the highest.

Vinay Lakhotia: Could you repeat your second question?

Dipanjan Ghosh: Sir, before that, just a follow up to this question. Can you quantify your EPFO AUM within your ETF space if that's possible?

Imtaiyazur Rahman: We can't share with you those data.

Dipanjan Ghosh: On the second question, Sir, let's say when your AUM grow on the equity side or even on the hybrid side and you see a change in slab for the TER structure. I would assume that your gross tier resets immediately, but do you have any flexibility on the distributed payout on the back book or do they continue to remain at whatever levels they are?

Vinay Lakhotia: Yeah. Normally we don't. You're asking on the stock AUM?

Dipanjan Ghosh: On the stock, yeah.

Vinay Lakhotia: On the stock AUM, the commission part remains as it is and maybe in due course of time, we will correct that, but on the fresh inflows, the commission gets adjusted immediately.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to Mr. Imtaiyazur Rahman for his closing comments. Over to you, Sir.

Mr. Imtaiyazur Rahman: Thank you. I would like to express our sincere thanks to all of you for your participation. Thank you and good night.

Moderator: Thank you. Ladies and gentlemen, thank you for joining the call. In case of any queries, feel free to connect with Adfactors Investor Relations team. You may now disconnect your lines.