



Ref/No/HDFCAMC/SE/2024-25/49

Date – October 18, 2024

National Stock Exchange of India Limited Exchange Plaza, Plot C/1, Block G, Bandra Kurla Complex, Bandra (East) Mumbai – 400051.	BSE Limited Sir PJ Towers, Dalal Street, Mumbai – 400001.
Kind Attn: Head – Listing Department	Kind Attn: Sr. General Manager – DCS Listing Department

Dear Sir/Madam,

Sub: Transcript of Earnings Call

Please find enclosed herewith transcript of Earnings Call for the quarter and half year ended September 30, 2024, conducted after the meeting of the Board of Directors on October 15, 2024 which can also be accessed on the website of the Company at: <https://www.hdfcfund.com/about-us/financial/shareholders-presentation>

Kindly take the same on records.

Thanking you,

Yours faithfully,

For **HDFC Asset Management Company Limited**

Sonali Chandak
Company Secretary

Encl: a/a

HDFC Asset Management Company Limited

CIN: L65991MH1999PLC123027

Registered Office : "HDFC House", 2ndFloor, H.T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai-400 020
Tel.: 022 - 6631 6333 Fax: 022 - 6658 0203 Website: www.hdfcfund.com email: shareholders.relations@hdfcfund.com



“HDFC Asset Management Company Limited
Q2 FY '25 Earnings Conference Call”

October 15, 2024



**MANAGEMENT: MR. NAVNEET MUNOT – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER
MR. NAOZAD SIRWALLA – CHIEF FINANCIAL OFFICER
MR. SIMAL KANUGA – CHIEF INVESTOR RELATIONS
OFFICER**

Moderator: Ladies and gentlemen, good day, and welcome to Q2 FY '25 Earnings Conference Call of HDFC Asset Management Company Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note, that this conference is being recorded.

From the management team, we have with us Mr. Navneet Munot, Mr. Naozad Sirwalla and Mr. Simal Kanuga. I now hand over this call to Mr. Simal Kanuga, who will give us a brief, following which, we will proceed with the Q&A session. Thank you, and over to you, Simal.

Simal Kanuga: Thanks, Nirav. Good evening, everyone, and thank you for joining in. We'll start with some bit of a background on industry. So, the industry reached an AUM of INR67 trillion with a number of unique investors crossing 50 million and folio count surpassing 210 million. Comparable AUM 3 years back, that is September '21 was INR37 trillion, a growth of INR30 trillion over the last 3 years.

Number of unique investors tells us a similar story. From 27 million then to 50 million now. This quarter, actively managed equity-oriented funds, saw net new flows of INR1,331 billion, highest ever quarterly flows. This has been accentuated with multiple NFOs. These 18-odd NFOs contributed INR368 billion, making up to 28% of the net new flows.

One more interesting statistic is that the net flows into these funds for the industry in the first 6 months of current fiscal has already surpassed net flows for the full year 23-24. As against INR2.37 trillion for FY 23-24 in actively managed equity-oriented funds, industry has recorded flows of INR2.45 trillion in the first half of current fiscal. INR245 billion is SIP's contribution in month of September 2024, again highest ever.

Debt and liquid funds witnessed positive net flows for the quarter, however, they were lower compared to quarter ending June 2024.

We now move to us. We closed the quarter with an AUM of INR7.7 trillion, market share of 11.5% with equity-oriented funds now comprising 65.7% on a quarterly average basis compared to the industry's average of 57.1%. Our actively managed equity-oriented AUM reached INR4.9 trillion with a share of 12.7%.

Debt and liquid funds registered a market share of 13.4% and 13%, respectively, on a closing basis. Our systematic transactions continue to thrive with a total of over 10 million systematic transactions amounting to INR36.8 billion for month of September 2024 as compared to INR22.4 billion in September of 2023. It is encouraging to note that 89% of our investors have registered their SIPs for over 5 years and 82% for over 10 years. We have reached 11.8 million unique investors, representing a 24% penetration in the industry.

We now move to financials. Our total income for the quarter added up to INR10,579 million, revenue from operations at INR8,873 million, a growth of 38% Y-o-Y. Our operating profit grew by 47% Y-o-Y to be at INR6,881 million. PAT for the quarter came in at INR5,769 million.

Before I close, it would be pertinent to talk of additional INR69.75 crores of deferred tax liability. As per Ind AS, we mark-to-market our investments every quarter and create deferred tax liability on the M2M gains at the end of each quarter. In the past, we created deferred tax liability based on capital gains tax rate prevailing then, including indexation benefit. This has now changed. So, for all past MTM gains, we have to account for deferred tax liability at new capital gains tax rate and without indexation benefit. Accordingly, the deferred tax liability recognized by the company on fair value gains on its investment as on June 30, 2024, has increased by INR69.75 crores,

thereby resulting in an additional charge on the PAT of the company for quarter ended September 30, 2024.

We can now open for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Raja Banga from RHW Trade & Commerce. Please go ahead.

Raja Banga: Congratulations on the good numbers. I want to know if you are taking any steps to get fresh investments from NRIs. Is there -- are you creating any avenues to attract NRI investors in Indian mutual fund?

Navneet Munot: So apart from the money that might be coming from the NRIs in our existing funds, what we are trying to do is we have set up a wholly owned subsidiary in GIFT City, our HDFC AMC International IFSC and there one of our products is going live very soon. And then we'll have another three products, all these four will feed into domestic mutual funds. And we think that from a procedure perspective as well as our ability to raise more money from the diaspora from different parts of the world would be greater.

Raja Banga: Thank you.

Moderator: Thank you. Next question is from the line of Saurabh from JPMorgan. Please go ahead.

Saurabh: Sir, just two questions. One is on this SEBI's new asset class framework. I mean, how do you read this? What are the opportunities you think it opens up for you? And the second is just on this quarter margin. So basically, is the entire margin thing explainable by the mix? Or is there something else -- I mean just trying to figure out the revenue yield, it should have actually done better, but I was just trying to figure out whether there was any part of the telescopic as well on this revenue yield as well?

Navneet Munot: Sure. So, on the new asset class, the way I look at this, it is one more opportunity for us. Currently, mutual funds are well bucketed by categories. You have like large cap, small cap, multi-cap, etcetera. They have restrictions on single stock exposure. And this will open up a new avenue with higher levels of flexibility and higher risk reward profile for a set of investors who are looking for the same. This will fall between mutual funds and let's say PMS or AIF where the minimum amount is higher than what in this new asset class would be. There would be potential for greater use of derivatives, greater flexibility for having more innovative investment strategies. One thing is clear that regulators want this category to be within the strong realm of mutual fund regulations. This means there will be some restrictions, well laid out principles, but this will open up more opportunities for us.

Saurabh: Okay. And sir, just in terms of revenue and your average AUM. Sir, your average AUM grew at 13%. Revenue was up slightly higher. So, the extra is just -- this is the mix towards equity or because there would have an impact of the telescope as well. So just trying to...

Navneet Munot: Yes. So, I think two reasons. One is, of course, as you rightly mentioned, mix of, the asset mix and some bit of rationalization on the brokerage. So, some partial benefit has come in this quarter. It was effective on 1st of August.

Moderator: Next question is from the line of Shreya Shivani from CLSA India. Please go ahead.

Shreya Shivani: I have two questions. First is on the tax, sorry if I missed it, but the June quarter's extra deferred tax liability, we've accounted for that in 2Q itself. So, is it fair to say 3Q, 4Q onwards, we will only have a steady-state tax rate and there will be no one-off due to this budget changes that has happened? First is that.

And sir, second on the equity segment on the inflows. If you can give us some idea on what kind of net inflows have you seen in your equity

book? How much of that has come from SIP? Some color around that would be useful.

Navneet Munot: Naozad, do you want to take that?

Naozad Sirwalla: I'll take the tax question. So, the impact of the changes in the capital gains tax rate on the MTM gains accrued until June 30. So, this is all historical MTM gains accrued till June 30 has been factored in the results in the deferred tax liability that Simal spoke about. Going forward, we'll accrue the deferred tax liability on the revised tax rate on the incremental MTM.

Simal Kanuga: Actually, we can clarify, right? this is not something that will accrue every quarter.

Shreya Shivani: Yes.

Simal Kanuga: For past, all of it is settled in this quarter.

Shreya Shivani: Correct. Okay, great. So, all the -- everything till June and then plus the September thing, all of it has come together in 2Q, so it is done with now.

Simal Kanuga: That's right. Now it will be the normal tax rate going forward. So, we don't -- actually, as you know, right, we don't disclose the net new flow number. We have disclosed in our presentation the monthly flows that have come in through systematic transactions. But one thing we have commented in the past and we can even state now that our flow market share is healthier than our book market share.

Shreya Shivani: Yes. So, sir, I mean, my simple -- some off the hand calculation, if the kind of flows that what we feel is your implied net flows, inflows into the equity segment, if something like that continues even for like another one or two quarters, you could very well close the year with decent about 30% growth on the overall AUM, just by back calculating from the equity segment. Will this be an exaggeration? Where do you

feel that the needle is going to fall? Any color around that will be useful.

Navneet Munot: Why the needle should fall? I mean, over the last 25 years, we have invested heavily in our business and I mean given our pedigree, our people, our partnerships, the whole product range, the platform that we have, we think that there is a long, long runway of growth. And as Simal mentioned earlier that the flow market share has been higher than the book market share. And yes, we expect to continue building on that. On one side, we want -- I mean, a fair market share. On another side, we continue to work on expanding the industry and be a bigger beneficiary of that.

Shreya Shivani: Got it. Sir, just last question on the indicative yields for the -- yields for the debt equity and the segments that you give out data keeping questions, yes.

Naozad Sirwalla: For the Q2, equity is 58 basis points, debt was 28 basis points and liquid is between 12 and 13 basis points.

Moderator: Next question is from the line of Abhijeet from Kotak Securities. Please go ahead.

Abhijeet: I have a question on yields. See, what has been the impact of commission changes in this quarter. And as you mentioned, some of it will roll forward. So, if it's possible to quantify or give a sense of how much is pending to be benefited in the next quarter?

Navneet Munot: Sure, sure. So Abhijeet, as you know, the regulator had modified the TER methodology and the AUM slabs effective 1st April 2019. Since then our active equity AUM has almost tripled. It was around INR1,600 billion odd to now almost INR4,800 billion plus. With the telescoping pricing, we have seen an erosion of nearly 18, 19 basis points to our weighted average TER that you would have noticed purely due to increase in size of our funds. And we have taken the

entire impact on our books over the last 5 years. Now we came to a situation where we had to cushion this impact to an extent.

But in doing this, a few principles. Firstly, we have not touched any assets that were brought in pre-April 2019. And for assets mobilized post that, we have rationalized commission to a small extent. We continue to take larger part of the reduction in TER. This has been effective 1st August, as I mentioned earlier, and our distribution partners do understand and appreciate the TER dynamics the way erosion has happened in the last few years. So, we have done it in a very collaborative manner.

As I mentioned earlier, look at the way our equity AUM has moved, forget the flows. If one looks at the last 9 months, that is the current calendar year, we have seen mark-to-market increase of around 25%. And to add to that, then you add the inflows, we mean -- I mean, both the AMCs and distributors shouldn't be complaining because revenues in absolute terms have been growing.

This kind of mark-to-market gain is not something that we will see every year. So, by rationalizing what we will achieve is the speed at which our margins were going down will see some bit of slowdown. So, let me clarify, Abhijeet, will equity margins keeps sliding? Of course, yes, with rising AUM. What we have tried to do is only soften the pace at which they were falling by doing this exercise.

Abhijeet: Thanks, Navneet for that. But the broader target or objective of keeping the operating margins within that band where we are today, I think that should be the objective going forward as well, right? That does not change with these changes?

Navneet Munot: Yes, I think we want higher margins and we want lower opex for sure.

Abhijeet: No, the idea was, are there any thoughts to really tightly manage these yields going forward? Or was it like a onetime exercise this time? And

going forward, probably based on the AUM growth, the decline follows whatever the capping is?

Navneet Munot:

I mean it's important for me to state that our relationship partnership with our distribution partners is deep-rooted. I mean, ultimately, we -- all of us are in the business of making absolute money and not basis points, the commissions and so have our fees grown at a pace which has positively surprised everyone in the last couple of years.

Most of our distribution partners have acknowledged that we have cushioned any reduction in TER for the longest time, and this is something inevitable. But -- I mean, to answer your question, what will happen in future. I mean, our businesses are intertwined, and it has to be a win-win both ways. And I'm sure our partners understand that and we understand that.

Simal Kanuga:

So, I think we can also clarify on what you asked, right? As Navneet mentioned, the new -- whatever the rationalization was initiated on 1st of August. So, the direct plan modifications happened first time in mid of September and you would have seen further modifications in month of October. So, I think this quarter is where all of it will come in. But some part of that has already been eaten away by the mark-to-market increase in the July to September quarter.

Abhijeet:

Got it. That's very helpful.

Moderator:

Thank you. Next question is from the line of Mohit Mangal from Centrum. Please go ahead.

Mohit Mangal:

Yes. First -- I mean I've got 2 questions. So, first is on HDFC Bank. I think the share is kind of pretty constant. And I think last time you said that it's our parent, that we'll have more better efforts to increase the share. So, if you could just spell out more efforts that you have taken to boost the market share of HDFC Bank.

Navneet Munot: I think about the channel, we mentioned earlier that our flow market share has been higher than the book market share. We have a greater focus on the SIPs and trying to get more and more granular there. And we continue to look forward to build on this momentum and explore further growth opportunities together. We've been engaging very deeply with the bank. If I got your question right, if it is that our growth is within the HDFC Bank share.

Simal Kanuga: Are you referring to the pie chart where you are seeing a number at 7-odd percent constant, that's what you're referring to?

Mohit Mangal: Yes, yes. So, from 5.9% is 6%. So, I think over the last three to four quarters, you're hovering around the 5%...

Navneet Munot: So, from the distribution pie data we have provided, it's important to note that you can't draw definitive conclusions about market share within a specific channel. It's possible that -- I mean, for one channel to grow faster than another, while our overall market share in both channels remaining stable. So, over the past 12 months, you would have noticed the direct channel has increased from 23.8% to 26.5%, over 2% increase, which is attributed to 2 factors. One is a favorable mark-to-market adjustment because direct plans have lower fees and a general uptick in direct investments with fintechs, RIAs being some of the contributors. So, the shift in mix reflects the overall landscape rather than a loss of share in any particular channel.

Mohit Mangal: All right. So, you say that in absolute terms, basically, it has kind of increased?

Navneet Munot: Yes.

Simal Kanuga: Actually, I think the way to look at it, right, we don't publish that data. But the way to look at this is out of INR100 of sales that HDFC Bank is doing, how much of that is coming to HDFC AMC. And as Navneet

touched upon, the number there is healthier than what is there in terms of AUM share.

Mohit Mangal: Understood. My second question is that in terms of unique investors, our market share has increased, it's around 24% odd. So, if you can give some flavor in terms of, say, which geographies like kind of driving that or maybe some age group or something, that would be very helpful.

Navneet Munot: So that's a penetration. I mean, not a market share as such. But we have seen over the last couple of years, I think the increase in the number of investors at our end, the unique investors as well as the number of folios have increased very sharply and it's attributed to many factors, whether it's a product performance, the new product launches, the efforts we are making on marketing, the distributor connect, so on and so forth.

Which geographies and all, that would more or less be in line with where the industry is growing. It wouldn't be dramatically different than that. We are present like across the country. You would know like we opened 24 new branches this year, early this year. And we serve like all distribution partners across the country.

Mohit Mangal: Understood. So, if you can bifurcate between, say, T30 and B30, I think that would be possible.

Navneet Munot: If B30 incrementally in terms of the new investor counts, in terms of new folio creation, in terms of the newer SIP accounts has been growing faster than the T30 from a lower base.

Moderator: Next question is from the line of Lalit Deo from Equirus Securities.

Lalit Deo: Congratulations on a good set of numbers. Sir, firstly, on the yield side. So just wanted to understand the rationalization which we have done. So, is it across all the equity schemes? Or is it like towards any 4, 5

certain schemes? And also, on the distributor side also, like is it across all the distributors community or is it to any particular channel where we have tried to rationalize the commissions?

Navneet Munot: So, depending on the scheme, distribution commission that was being paid, we have created a multilayer structure with a floor. We haven't reduced where the commissions were not high. I mentioned earlier that we have also not rationalized any asset that was brought to us pre-April 2019. So, all in all, we just rationalized rates, which seemed high with fall in TER, in the schemes where TER has fallen more in the last couple of years.

Simal Kanuga: So, we have done this in 10, 12 different schemes. So, we have done across many schemes.

Lalit Deo: Sir, the other question was in the alternative space. So, if you see like on a sequential basis, there has been a decent jump in the overall AUM as of now. Like it has grown from around INR2,400 crores to INR4,800 crores in the last 6 months. So, what is the progress over there? And what is the kind of revenue which we are getting over there?

Navneet Munot: So, we're very happy to announce that we successfully closed our VC/PE fund of fund, the Category II fund of fund on September 30, where we got commitments of around INR1,200-odd crores. So, one of the reasons is that and then some of the other mandates on the PMS side.

Lalit Deo: Okay. And sir, just lastly, on the expenses side, any particular reason the employee expense has gone down sequentially?

Naozad Sirwalla: So, we had explained in our previous quarter's call. We had an employee engagement event. So that was held in Q1. So that's why you see a drop from Q1 to Q2, otherwise, more or less consistent.

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

Dipanjan Ghosh: So firstly, on this new asset class, which is likely to be introduced. Just wanted to get some sense on how the expense ratios or the payouts will be structured in this category. I mean, what I understand is in the normal equity MF category bans, it's regulated with a certain threshold starting with 2.25%. So just want to get some sense of how the pricing will be regulated in this new asset class, whether it will be like the PMS entities or the equity MFs?

Second, in terms of now the AIFs or the alternate segment, you've got some commitments during the quarter end from PMS. Just wanted to get some sense of what are the yields in this segment or your revenue from the segment on a quarterly run rate basis?

And lastly, in terms of the repricing of the back book for certain distributors, just wanted to get some color on whether you have implemented this across your entire distribution landscape or it has been more scattered across different distributor categories?

Navneet Munot: So first, on the new asset class and what kind of TER structure would be. Dipanjan we'll have to wait for the final set of regulations. As I mentioned earlier, it's a new opportunity for us and we wouldn't be able to comment in terms of how the final regulation will look like. On the second question on the fee income, it's too early. In fact, it's looking at our overall revenues, I think it's very small, maybe as the time passes and we have a larger AUM, we'll discuss more on that. All I can say is that we remain committed to identify and capitalize on emerging opportunities within the alternatives and on the PMS side. But as of now, I mean it's not very meaningful to really talk about. I mean it's not really moving the needle given the current size. Of course, on INR1,200 crores over a period of time and as we build more products we hope to make it more meaningful.

On your third question, I think as I mentioned earlier that it was more at the scheme level, and any distributor who would have sold those schemes would have seen that rationalization, yes. It's same for everyone. Dipanjan.

Dipanjan Ghosh: Sir, can I just follow-up on the second question on the alternates. I mean, how does the product pipeline stack up or in terms of new initiatives or joint ventures, or anything that you're looking at to kind of scale up the non-MF portion, obviously, on a small base, but your incremental strategies on that part of the business?

Navneet Munot: So, we are laying the groundwork for the alternative business, and you'll expect to hear more updates from us on this front. I mentioned about the VC/PE fund of fund which got the commitments of over INR1,200-odd crores. Additionally, our private credit team is taking shape, and we anticipate launching a product in this area over the next couple of quarters. PMS business is developing steadily. I think I mentioned about the GIFT City initiatives earlier. We have received all the necessary approvals to launch funds, but that's the feeder fund into the mutual fund, but over a period of time, that would also offer opportunities for us to offer our abilities on the alternative side.

Dipanjan Ghosh: And no -- and is there any other sectoral NFO planned for the second half on the equity side?

Navneet Munot: We've got the best-in-class product bouquet. Over the last three, four years, we have done significant number of like product launches. In fact, our total product count has risen to almost like 100. I think over the next couple of quarters, there could be a few opportunities, but honestly not many. We would like to really build market share in each and every category where we are present. We are dominant in some of them. We want to be dominant in each one of them.

Dipanjan Ghosh: Got it. Thank you and all the best.

- Navneet Munot:** Thank you.
- Moderator:** Thank you. The next question is from the line of Amrish, Individual Investor. Please go ahead.
- Amrish:** Thank you for the opportunity. And good evening to everyone. I had two questions on the SIP. So first one was related to the systematic transactions, which you report both SIP and STP, which is at 10.31. There seems to be some sort of a jump quarter-on-quarter. Is there something happening here? If you could give some colour? And the second question is, is it possible to report SIP count as well? Thank you.
- Navneet Munot:** That's the number. I mean the number of SIP accounts that 10 million accounts that you are seeing, and the jump, I mean, it's been a trend over the last several quarters where we have seen increase both in terms of number of accounts as well as the size of our SIP book. We have mentioned it several times. This has been one of the big focus areas at our end to continue to build our systematic transaction book. And yes, it's been a very, very healthy growth, and we remain very optimistic on that count going forward as well.
- Simal Kanuga:** Sir, on second part -- I think we'll discuss internally and come back to you.
- Amrish:** Thank you.
- Simal Kanuga:** Thank you.
- Moderator:** Thank you. Next question is from the line of Madhukar Ladha from Nuvama Wealth. Please go ahead.
- Madhukar Ladha:** Hi. Congratulations on a good set of numbers. Just one question. You're seeing a pretty big jump in admin and other opex. I'm not sure whether this question was asked earlier. Maybe you can clarify what's happening over there?

- Naozad Sirwalla:** Yes Madhukar. So, the year-on-year delta for these expenses went up about INR19 crores, right? Of the INR19 crores, incrementally INR6.2 crores is due to CSR, that's mandatory expense. Additional INR2.5 crores have been spent on KYC expenses. So, our unique customers have increased by about 50% over a year-on-year basis to 11.8 million. So that's, in our mind, is an investment not an expense because more customers, hopefully, over time, will lead to deeper penetration and more AUM. So, these two are largely contributors for the increase.
- Madhukar Ladha:** And so, ex the CSR, the other expenses are sort of normal course of business?
- Naozad Sirwalla:** Yes. If you strip off almost INR9 crores, then on the base, it's a normal increase in expenditure. We, of course, invest in technology, cybersecurity, risk management, compliance, all the stuff that requires our investments continue.
- Madhukar Ladha:** Got it. Okay, great. Thanks a lot.
- Moderator:** Thank you. Next question is from the line of Devesh Agarwal from IIFL Securities. Please go ahead.
- Devesh Agarwal:** Thank you for the opportunity, sir. Sir you did mention that your flow market share is better than your AUM market share on the active equity side. But can you share some trend on the flow market share itself? How it has been trending over the last four, five quarters? And is there any decline in this particular quarter?
- Navneet Munot:** Decline on -- you're talking about a decline in the equity market share?
- Devesh Agarwal:** No sir. Flow market share trend over the last, say, five to six quarters. Is there any change in the market share of the flow?
- Simal Kanuga:** Like, this quarter versus the last four, five. I think, Navneet, the only thing is this time 28% was through NFOs, which was higher, and we

did not have any NFO. So maybe this quarter was marginally different. But otherwise, no major change in trend.

Navneet Munot: We had two NFOs in passive funds, but that were, of course, much smaller than some of the other NFOs that have happened in the industry. You would know that we had a large NFO in the previous quarter that manufacturing fund, which collected good amount of money. So, if you see a market share relative to March, that's been healthy, but quarter-on-quarter.

Devesh Agarwal: Right, sir. And I don't know whether you'll have this number handy, but if you were to ex the NFO inflows, then how is the market share trending? Does it remain same? Or is it improving probably that will give us a better underlying market share trend?

Navneet Munot: Ex of NFOs would be decent. if I remember correctly it's higher than the book share, yes.

Devesh Agarwal: Okay. And sir what would be the yields on the exit run rate for equity - active equity?

Simal Kanuga: Exit at the end of the quarter almost 58 basis points.

Devesh Agarwal: 58 and quarter average was sir you mentioned but I did not get that number?

Simal Kanuga: It was 58 only.

Devesh Agarwal: The same number. Okay got it.

Navneet Munot: Devesh I just checked the number and to confirm that, yes, ex of NFOs the flow share is higher than the market share -- I mean than the AUM share, book share.

Devesh Agarwal: Okay. Got it. Thank you.

Moderator: Thank you. Next question is from the line of Raghvesh from JM Financial. Please go ahead.

Raghvesh: Hi sir. A couple of questions. First in your book I observed that around 47%, 48% of the book is more than INR50,000 crores AUM. So, there would be no further repricing. So, if for a TER build and say a 1 basis point reduction, does it mean that for you it would be half of that?

Secondly, on the tax rate on a steady-state basis from now on, do we see -- I mean how much higher blended tax do we see at an effective basis compared to 20% levels we have seen in 1Q and 4Q '24?

Simal Kanuga: See your first assumption is not exactly the way it works. So, in sense what would happen is the new flows would keep coming in at 105 basis points as per the TER formula, but the weighted average still keeps coming down. So, for a scheme which is say today INR95,000 crores AUM scheme would have a TER say of 1.35%. So, every new rupee flowing in would actually keep diluting that number.

It is not like going forward there would be no so-called depletion in terms of yield. As the AUM keeps increasing even from say INR95,000 crores to say INR125,000 crores, you would see a depletion by whatever, a couple of basis points at every INR5,000 crores kind of a mark.

Raghvesh: Okay, sir. Got it. And on the tax?

Naozad Sirwalla: What is exactly your question?

Raghvesh: So, with the higher capital gains the -- in general the tax -- the effective tax rate would increase for you from 1Q and 4Q '24 levels?

Naozad Sirwalla: So, see the corporate tax remains the same. The capital gains -- the deferred tax liability on MTM is a function of how much gains are there in a particular quarter. So, the effective tax is a blend of both. So difficult to predict. It depends on where MTM goes.

- Raghvesh:** Okay sir. Got it. Thanks.
- Moderator:** Thank you. Next question is from the line of Prayesh Jain from Motilal Oswal. Please go ahead.
- Prayesh Jain:** Just looking at the industry data, if you look at the redemption levels in -- on the equity side, they have been clocking INR70,000 crores kind of number for the past few months. Is there any trend to pick up there that while the SIPs continues to be very strong, but is that the redemptions kind of picking up and what is the sense you guys are picking up from the ground on that?
- Navneet Munot:** The net retention would be around 50%-odd. I think gross flows in last quarter if I remember correctly was like INR3 lakh crores or so and the net flows were INR1.5 lakh crores. So, the retention was around 50%. It goes up or goes down a little bit here and there month-on-month.
- Prayesh Jain:** Okay. So, the point that I was trying to understand is generally when the equity markets go through a strong phase, wealth managers kind of start recommending pruning positions to equity funds and especially in a scenario where the debt -- the interest rates are likely to be cut, money for wealth managers particularly start moving from equity assets to debt assets. Have that kind of traction picked up or do we still see that's not happening in the near term?
- Navneet Munot:** No, not really. And also, another trend, I mean, if you notice the SIP flows, a very good part of the overall flows are coming in the form of SIPs now. I mean you have seen a INR24,500 crores. So overall flows are the two things. One is the NFO flows and the second is the SIPs account for a very, very large part of the net flows.
- Prayesh Jain:** Okay. Second -- the other question was you mentioned that there are about 11 to 12 schemes where the rationalization of payouts have happened. That would account for what 75%, 80% of the AUM equity?

- Navneet Munot:** I think so yes, somewhere there.
- Prayesh Jain:** Okay. And just last question on the debt side. How do you think the yield on the debt side should move? Do you see probably in the next 6 months to 1-year time frame money moving to higher duration assets, which I think the flows have kind of started indicating some bit of trends but not so strong trends yet, but do you see this happening? And the debt yields kind of start moving higher?
- Navneet Munot:** No, we have seen both actually. After 3 years of negative flows, we saw this year in the first 6 months, positive flows into debt and liquid. But a large part of that is at the short end of the curve. At the same time, we are also seeing some of the investors locking in into the long-duration products. But I mean, as a percentage that money would be smaller. And margins have been the same and I don't see a major change over the next few quarters, yes, unlikely.
- Prayesh Jain:** Thank you so much. And all the best.
- Moderator:** Thank you. Next question is from the line of Pavan Kumar from Ratna Traya Capital. Please go ahead.
- Pavan Kumar:** I wanted to understand the industry, I guess, including you have been trying to marginally increase -- very marginally the TER increases that have been announced in maybe September, October. So, is this trend going to continue? And at a higher level, my question is, do we expect because of all these kind of rationalization in commission and this TER increase right now? Are we going to see say, flat kind of yields going forward instead of the sliding yields going forward? What is the overall -- color on that?
- Navneet Munot:** There have been like a couple of people. This seem to be like the most asked question today. Let me reiterate one thing. Over the last couple of years, the mark-to-market gains have been phenomenal. Markets have been very kind to us. AUMs have gone up, and they have gone up

for both of us, for the asset managers like us as well as our distribution partners.

Everybody understands the telescopic pricing that when you have this kind of AUM growth, both on account of flows as well as mark-to-market, there would be impact on the margins. Over the last 4 or 5 years since the last rationalization happened in April 2019, we have taken the entire brunt of that. A stage came where we had to engage with our partners and tell them that, I mean in the interest of healthy partnership we need to share some bit of it. We have been very rational while doing that. I mentioned like a couple of things. We have not done anything for any asset that was brought pre-April 2019.

Also, the way rationalization has been done is like depending on the scheme. Wherever, I think the fall has been steep where we have rationalized it. And I think the partners are very important for us and partners also understand. And our business is like intertwined with them and both of us understand it has to be a win-win for both.

Pavan Kumar: Perfect. But over the medium term, do we intend to keep the yields flat? Or is it like going to be still kind of continuous drop as we saw in FY '24?

Navneet Munot: I mentioned earlier that equity margin will keep sliding with the rising AUM. That's a good problem to have. In fact, on every call we would have mentioned, we would like market to go up. We would like more flows to come in. All of us want to make absolute money, we are not in the business of like earning basis points. We want absolute money, and that will come when AUM grows. What we have tried to do is soften the pace at which they were falling by doing this exercise.

Pavan Kumar: And one last question from my side. So, the closing equity yield is around -- I'm guessing, 58 bps. So where do you expect this to stabilize? Or there is low flow to this? That's what you are almost indicating?

Navneet Munot: Like how do you think -- I mean, next year if market delivers another 50%, this will fall but that will be very healthy.

Pavan Kumar: So, at a higher level, are we saying if the market, let's say doesn't deliver we are going to have some negotiations with all the partners involved, including regulators. Is that higher level understanding?

Simal Kanuga: No, nothing like that. No. I think so what Navneet mentioned is if the market, for example, does not move and if the flows are muted, then the yields will stay constant. If market moves up, right? The yield in terms of basis points will fall but the AUM would increase and thereby, the overall revenues that would come to us would be high.

Pavan Kumar: Thank you.

Moderator: Thank you very much. Ladies and gentlemen, that was the last question. I would now like to hand the call back to Mr. Navneet Munot for closing comments.

Navneet Munot: Thank you so much. I wish you all a very happy Dussehra, and then best wishes for the upcoming festive season. Wish you all a very happy Diwali. Thank you.

Moderator: On behalf of HDFC Asset Management Company Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.