Nippon LifeInd.Asset

Operator: Ladies and gentlemen, good day and welcome to the Nippon Life India Asset Management Limited Q2 and H1 FY27 earnings conference call. As a reminder, all participant lines will be in 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. I now hand the conference over to Mr. Prayesh Jain from Motilal Oswal Financial Services Limited. Thank you, and over to you, sir.

Prayesh Jain – Motilal Oswal Financial Services: Thank you, Steve. Good evening, everyone. On behalf of Motilal Oswal, I welcome you all to the Nippon Life India Asset Management Q2 FY27 earnings conference call. We have with us Mr. Sundeep Sikka, Managing Director and CEO, and the senior management team. We are thankful to the management for allowing us this opportunity. Just to inform you, Mr. Sundeep will be on the call until 4:40 PM, after which other senior members of management will take the Q&A. I would now like to hand it over to Mr. Sundeep for his opening remarks. Over to you, sir.

Sundeep Sikka – MD & CEO: Thank you, Prayesh. Good afternoon, and welcome to our Q2 FY27 earnings conference call. We have with us President and Deputy CEO Subrata Chatterjee, CFO Parag Joglekar, Deputy CFO Amol Bilagi, Chief Digital Officer Arpan Saha, CEO of our AIF subsidiary Ashwin Dogra, Bassison, nominee of Nippon Life, and head of our Alternate, Andrew Holland. I would first like to share the key highlights of our performance, after which I will hand over to Parag to speak in greater detail about the recent industry trends as well as our performance, following which we will move to the Q&A.

Coming to the key highlights, I would like to start by mentioning that NAM India was the fastest-growing AMC among the top 10 AMCs in H1 FY27 on overall and equity AUM. We also had the highest increase in overall AUM market share as well as equity AUM market share among the top 10 AMCs in H1 FY27. Our market share stood at 9.02%, relatively flat quarter-on-quarter. Importantly, both equity net market share and SIP market share remained well above our equity market share, both in the high single digits.

Moving to our financial performance, NAM India achieved its highest-ever quarterly operating profit of INR 5.23 billion, representing growth of 25% year-on-year. I am also happy to share that the Board of Directors has declared an interim dividend of INR 9.50 per share along with the Q2 FY27 results. Now, I would like to hand over the call to Parag for further details around the industry trends and our performance.

Parag Joglekar – CFO: Thank you, Sundeep. Let me start with the market. The equity market in Q2 FY27 witnessed a correction from the prior-quarter levels. The Nifty was down 5% quarter-on-quarter. The Nifty Midcap Index was down 2% quarter-on-quarter, while the Nifty Smallcap Index was relatively flat quarter-on-quarter. The repo rate was flat quarter-on-quarter at 5.25%, while the 10-year G-Sec yields increased by 44 basis points quarter-on-quarter to 7.19%. Gold prices were flat, up 2.5%, while silver prices were down 1% quarter-on-quarter.

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Now moving to industry AUM and flows. Industry quarterly average AUM grew by 13% year-on-year and 5% quarter-on-quarter in Q2 FY27 to INR 87.2 trillion. The share of equity in overall AUM increased by 1% quarter-on-quarter, ending at 58.2% for Q2 FY27. Equity excluding index and arbitrage witnessed a gross inflow of INR 2.69 trillion, higher by 9% quarter-on-quarter, and a net inflow of INR 1.08 trillion, lower by 5% quarter-on-quarter. The categories with the highest inflows were small-cap, mid-cap, and flexi-cap funds. The fixed-income category witnessed a net outflow of INR 59 billion in the quarter after an inflow in the previous quarter. The ETF category had a net inflow of INR 367 billion, higher on a quarter-on-quarter basis.

Quarter-end unique investors in the mutual fund industry increased by 11% year-on-year to 63.1 million. Moving on to SIPs, industry SIP flows for the quarter stood at INR 967 billion, up 12% year-on-year and 3% quarter-on-quarter. Monthly SIP flows in September 2026 stood at INR 325 billion, another all-time high. Contributing SIP folios for September 2026 increased by 9% year-on-year and 3% quarter-on-quarter to 100.6 million.

Now moving to our business performance. We closed the quarter with total assets under management of INR 8.66 trillion. This includes mutual funds, managed accounts, offshore funds, and Gift City. Our mutual fund quarterly average AUM grew by 19.9% year-on-year and 4.7% quarter-on-quarter to reach INR 7.87 trillion. We were the fastest-growing AMC among the top 10 in H1 FY27 on overall and equity AUM and had the highest increase in overall and equity quarterly average AUM market share among the top 10 AMCs in H1 FY27.

I would now like to share a few key highlights for the quarter. Our mutual fund market share increased by 51 basis points year-on-year to 9.02%. On a quarter-on-quarter basis, it was relatively flat. Our equity market share increased by 27 basis points year-on-year and 2 basis points quarter-on-quarter to 7.4%. We achieved a high-single-digit net-less market share in the equity segment excluding index and arbitrage. We continued to have the largest investor base in the mutual fund industry, with 24.3 million unique investors. We are humbled to have more than one in three mutual fund investors investing with us.

During the quarter, we also completed the NFO of the Nippon India Income Plus Arbitrage Omni Fund of Funds, raising INR 1.8 billion. I would also like to touch upon some of the important aspects of our systematic book. Our monthly systematic book rose by 2% year-on-year to INR 37 billion for September 2026. This resulted in an annualized systematic book of INR 445 billion. Excluding STP, SIP book growth was 9% year-on-year. SIP market share stood at 9.84% for September 2026, similar to June 2026.

Moving briefly to the ETF segment, we continue to be one of the largest ETF players, with AUM of INR 2.49 trillion and a market share of 21.12%, which increased by 135 basis points year-on-year. Our share of industry ETF folios and volumes remains strong at around 35%. Our ETF average daily volume across the fund remains far higher than that of the rest of the industry. For gold and silver ETFs, combined closing AUM for NIM was INR 182 billion, up 6.6% quarter-on-quarter. In terms of quarterly average AUM, our gold and silver ETFs represent 32% of ETF AUM and 12% of MF AUM.

Moving to our digital front, digital purchase transactions and new SIP registrations rose to 9 million in H1 FY27, up 15% year-on-year. Digital business contributed 78% of total new purchase transactions in H1 FY27. NAM India's digital business continues to strengthen its focus on long-term

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investor behavior, driving initiatives to scale the business and deepen SIP adoption while reinforcing confidence in disciplined investing amid market volatility.

Now I would like to briefly update you on the subsidiaries and Gift City. Starting with AIF, NAM India AIF offers Category II and Category III AIFs and has raised cumulative commitments of INR 99.8 billion across various schemes, up 14% year-on-year. In Q2 FY27, we raised INR 4 billion of commitments across various asset classes. Fundraising is currently underway for our listed equity fund, private credit fund, and direct VC fund. During Q2 FY27, we launched our second small-cap Category II fund, Undiscovered India Opportunity Fund 2. The third capital call for Nippon India Credit Opportunity Fund NICO 2 in Q2 FY27 was drawn down to the extent of 50%. For offshore funds, our managed AUM stood at INR 135 billion, while our Gift City AUM stood at USD 45 million.

Now on our financial performance. For Q2 FY27, revenue stood at INR 7.96 billion, up 21% year-on-year and 4% quarter-on-quarter. Operating expenses stood at INR 2.72 billion, up 14% year-on-year and flat quarter-on-quarter. Operating profit stood at INR 5.23 billion, up 25% year-on-year and 6% quarter-on-quarter. Profit after tax stood at INR 3.24 billion, down both year-on-year and quarter-on-quarter. However, this is mainly related to the exceptional item, which I will speak about shortly. For H1 FY27, operating profit grew by 28% year-on-year. Profit after tax grew by 12% year-on-year. Further, the Board of Directors has declared an interim dividend of INR 9.50 per share along with the Q2 FY27 results.

Lastly, I would like to speak about the exceptional item recognized in the financials. During the quarter, SEBI accorded its in-principle acceptance of the settlement applications filed by the company and certain officials in respect of an ongoing regulatory matter relating to past investments made by certain NIM schemes in Yes Bank AT1 bonds. This relates to the show-cause notice received by the company from SEBI dated August 30, 2024, and subsequent settlement proceedings. Considering the time, cost, and uncertainty potentially associated with generally prolonged legal proceedings, the Board decided to pursue the settlement process in the best interest of the company, since it brings the matter to quietus, which in turn allows management to remain focused on its core business.

As part of the agreed settlement terms, an amount of INR 96.76 crore has been paid, comprising INR 89.08 crore as a reversal of the management fee earned by the company on this investment, including interest, and INR 7.68 crore as a regulatory cost in respect of the company and certain company officials. The settlement amount of INR 96.76 crore has been fully paid and recognized in the financial results for the quarter and half year ended September 30, 2026, as an exceptional item. However, further communication from SEBI is awaited. With this, I would like to conclude my remarks and open the floor for questions.

Operator: Thank you, sir. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

Operator: The first question comes from the line of Shreyas with Nomura. Please go ahead.

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Shreyas – Nomura: Hi, thank you very much for the opportunity. My first question was on yields. We have seen a slight deterioration in yields compared to last quarter. While other AMCs and peers have seen a quarter-on-quarter increase in yields, can you explain why this is so?

Amol: Hi, Shreyas, Amol here. The compression in yield was mainly on account of the increase in equity AUM and due to telescopic pricing. That was the main reason.

Shreyas – Nomura: What we have seen in peers is that the equity mix has changed and, therefore, the equity yields have improved. In that regard, has our equity yield, or the mix in equity AUM, changed, or has it remained similar?

Amol: If you look at our equity growth, it has been the highest in the industry, and that is why you see the compression in the yield specifically.

Shreyas – Nomura: Understood. Can you throw some light on the AT1 bond case and what exactly it was? That was my second question.

Saugata: Hello, Shreyas, Saugata here. I think we have covered the details of the case and the settlement that we paid in my opening remarks. We do not have anything further to add at this point.

Shreyas – Nomura: What was the non-compliance that SEBI alleged regarding certain provisions of SEBI regulations, if you can explain that issue briefly?

Saugata: Shreyas, there is nothing further to add on that. At the appropriate point, we may come back and disclose more on the same, but currently we have provided in the financials and the opening remarks whatever we have to submit at present.

Shreyas – Nomura: My third question was on AIF. What has been the process we are following, and when can we see an AIF being launched by the company? Peers have said, and we have seen in the industry as well, that it has been a very important product and has been garnering a lot of flows. What is the strategy there?

Saugata: Hi, Shreyas, Saugata here. Of course, as we have spoken about in the past, we have definitely started working at the drawing board on what our AIF launch strategy will be. We are awaiting clearance for the AIF from SEBI. Once we receive that, we will be in the market to launch our ideas.

As we have also discussed, we have Antony Rose and the team, who have been working in this space for the last year. This particular category requires experience. We feel that we have enough experience within the system to exhibit the true AIF strategies in the market. At the right time, we will come forward to explain and launch our ideas.

Shreyas – Nomura: Thank you very much. Those were my questions.

Saugata: Thank you.

Operator: Thank you. Participants, if you wish to ask a question, you may press star and one. The next question comes from the line of Sunil with Diamond Asia. Please go ahead.

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Sunil – Diamond Asia: Hello?

Operator: We cannot hear you. There is a lot of disturbance coming from your side.

Sunil – Diamond Asia: Hello? Is it better now?

Operator: Yes, it is better.

Sunil – Diamond Asia: Thank you for the opportunity. I wanted to ask again about yields. If we look at the yields for other AMCs as well, while they have also seen a mix improvement, the decline here looks sharp. This quarter we also have an additional day. Adjusted for that, the decline in yields looks sharp. Is it only because of telescopic pricing, or perhaps because the commission to distributors may not have been passed on due to the regulatory change? Could you throw some light on that, because the drop seems a little high in comparison?

Saugata: No, Sunil, Saugata here. I would like to tell you that our growth in equity AUM is one of the highest in the industry, and it is purely due to telescopic pricing. Any changes due to the regulatory change had already happened in the first quarter, so there is nothing related to that in this quarter. This is purely due to the growth of our AUM and the flows we are garnering, which has resulted in lower equity yields due to telescopic pricing.

Sunil – Diamond Asia: Thank you. Secondly, if you look at the current market trends, a lot of our flows are coming into small-cap, flexi-cap, and mid-cap schemes. Recently, a lot of correction has happened in small-cap funds, and many MF books have seen some drawdown in this area. How are we viewing investor thought processes here? Do the flows in this category see a sharp decline or redemptions? What kind of investor psyche are we seeing? If this correction continues, what mitigants do we have? These are technically some of our biggest schemes. How do we view this category going forward?

Saugata: If you look at the Nippon India Mutual Fund flows, we have had flows in our traditional funds, such as multi-cap, large-cap, mid-cap, small-cap, and hybrid funds. Industry flows in small-cap and flexi-cap funds may be higher, but as you know, we stopped taking any lump-sum flows in our small-cap fund three years ago.

What is happening is that the money flowing to us is more dispersed, coming into more multi-cap and large-cap opportunities. Yes, market volatility does impact investor sentiment. We are now seeing HNI investors slowly exiting large caps. Until about last month, the large-cap category had seen some negative net sales, although our fund had not seen any negative net sales. At an industry level, net sales had been negative. Therefore, we have to wait and watch as we progress from here.

If the downside becomes sharper from here, some fund houses that have received flows in small-cap and other sector funds may see some erosion and may see higher redemptions. From our perspective, however, we have a very strong SIP book, which protects us in these circumstances. As we know, we have close to 3,200 crores of inflows coming in every month, which is more structural in nature, more fragmented, and coming from deeper parts of India. Therefore, we have protection around net sales across our equity funds.

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Sunil – Diamond Asia: Thank you, sir. This was very helpful. Lastly, if I may ask, in the current situation, what communication do you have with your distributor network? What are you communicating to all the distributors right now, and what strategies are you using? Could you throw some light on that?

Saugata: As I mentioned, for the last year we have been promoting hybrid funds. We have been speaking about multi-asset allocation products. We have also been speaking about large-cap, multi-cap, and more broad-based strategies. We are also bringing a lot of fixed-income focus to our distributors. As we all know, the industry is very underpenetrated when it comes to fixed-income funds, particularly in the retail and HNI segments.

As a fund house, we took the lead much earlier. Asset diversification, along with less risky products, is what we are trying to communicate. We conduct a lot of activities and communication with our distributors and investors around why SIPs should not stop in these markets, because SIPs become more fragile if long-term returns start becoming negative. We are undertaking a lot of proactive activities digitally as well as face-to-face with our distributors to address investor behavior and volatility in flows.

Sunil – Diamond Asia: Thank you, sir. This was very helpful. Thank you for answering the questions, and all the best for the future and the quarter.

Operator: Thank you. The next question comes from the line of Madhukar Ladha with JP Morgan. Please go ahead.

Madhukar Ladha – JP Morgan: Good evening, and thank you for taking my questions. First, I am not sure whether you have provided this or not, but can you give me the yield by asset class? Second, can you comment on how your net inflow market share is trending? Perhaps you can give a comparison between Q1 and Q2 and whether you are seeing an improvement or decline. Third, I noticed that in the equity mix you have seen a slight dip in the direct share. What is driving that? Is there anything that we should read into it? Those would be my three questions. Thank you.

Amol: Hi, Madhukar, Amol here. For the yield, the equity yield was 62 basis points for this quarter, debt was 25 basis points, liquid was 12 basis points, and ETF was 25 basis points.

Saugata: On the net inflow market share, if we compare Q1 and Q2, we are still in the higher single digits, basically touching around 10%. That is the net flow figure for equity. There has not been any major deviation from a flow perspective.

The nature of the money coming to us, as I mentioned, is more toward diversified funds as well as hybrids, which is where we would like investors to participate rather than moving into NFOs and smaller-cap products available in the market. We continue to be in that segment, and that is probably helping us maintain our net sales growth.

When it comes to the ratio of direct versus regular, these may be temporary quarterly phenomena, and there is nothing to read into those numbers. We continue our efforts, and for us, what matters is the flows that come into our funds. Typically, HNIs try to exit during market volatility, so this might skew the percentage of direct AUM in certain quarters.

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Amol: Madhu, just to add on the yield, the blended yield is 43 basis points.

Madhukar Ladha – JP Morgan: Can you also split the equity yield between arbitrage and the balance, meaning equity and hybrid funds?

Amol: No, we do not provide that kind of data, Madhukar.

Saugata: We are not very significant in arbitrage, and we do not focus on that category.

Madhukar Ladha – JP Morgan: Understood. Got it.

Saugata: Thank you, Madhukar.

Operator: Thank you. The next question comes from the line of Mehak with LKP Global. Please go ahead.

Mehak – LKP Global: Thank you for the opportunity. I have two questions. First is on employee costs. Employee expenses have been largely flat on a sequential basis. I wanted to understand how we should view them for the balance of the year and going forward over the medium term.

Secondly, my question is on ETFs. Our ETF market share has been largely stable sequentially. However, we have seen some contraction in volume market share. Could you share your comments on this?

Management: I will take the ETF part first. If you look at the entire ETF market over the last year and divide the last year into two halves, the first 6 months were driven by very strong flows because of the entire commodity momentum in commodity ETFs. In the last 6 months, these flows have slowed down somewhat on the commodity side, and hence the volumes appear lower. Equity markets have also been volatile, and inflows into equity funds have therefore slowed down somewhat.

When it comes to us as an asset management company, our flows have continued to be positive. Net flows into our ETF products continue to be strong. In fact, our net flows are higher than our market share. That is how we are positioned in the system.

The positive aspect is that our volumes are higher than those of our competitors, and we stand out in the industry because, as we have historically discussed, we believe in volumes. We have sufficient volumes on the exchange because of the strong retail base we have built across all our equity ETF products. We have very strong tracking error, our tracking errors are very competitive, and we have the lowest impact cost when it comes to ETFs. Therefore, investors prefer us as a go-to category, along with the multiple options we provide to investors. From an ETF standpoint, we continue to remain relevant in the market.

On the employee cost front, employee costs would probably remain in a similar range, except for new hires that we may make to strengthen our teams, as well as expenditure on training and investment on that front. As guided in Q1, on the overall cost front, we continue to maintain our guidance of 18-20% growth over the next 8-12 quarters.

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I would also like to add that while the mutual fund AMC business will be almost flat, the AIF business unit is where we plan to expand if we look at the consolidated business. We are in the process of adding some new senior team members. Some have already joined, and we are in the process of adding more professionals. Therefore, you may see incremental costs in our AIF subsidiary over the next 3-6 quarters.

Brojesh Chen – Motilal Oswal: Understood, sir. Thank you very much. Thank you for the opportunity. While this is a small decline, we have seen a marginal sequential decline in both the unique investor count and total folios this quarter. Is there any reason for this? Are you seeing any challenges, particularly toward the exit rate of the quarter, when we also saw some weakening in fund performance? Did we face any challenges toward the end of the quarter in terms of client additions or flows?

Management: I think that is a good observation. What is happening is that, because of market volatility, investor flows into the mutual fund industry have also started slowing down. Investor growth has been flat, which is also reflected in our SIP industry AUM book, and SIP inflows are also beginning to flatten.

When it comes to us, we have not launched any NFOs in the last 2 quarters. NFOs do have a tendency to bring in new investors, but we stay away from that. The second point is that we measure ourselves on controllable factors. Our SIP folio growth continues to be positive, and our total investor acquisition is also positive. Some moderation can happen because of market dynamics, but we do not consider that a major concern because we still believe there is a significant opportunity for investor growth. However, there is certainly a slowdown in the industry.

Brojesh Chen – Motilal Oswal: Understood. Secondly, while it is attributed to a slowdown in the industry, have you seen any divergent trends between direct customers and assisted customers? Are direct channels such as yours indicating that direct customers are churning much more than advised customers? Are you seeing that trend changing, and what are your thoughts on the new PMS product for mutual funds that has been allowed by SEBI?

Management: From an investor perspective, the direct investor and the HNI investor, as I mentioned earlier, do tend to have short cycles. When there is volatility and one-year or two-year performance is not reflected in their portfolios, as you have seen, there has been some migration of investors to AIFs, some migration into alternative assets, and some migration into direct bonds and other categories where investors are definitely receiving positive returns. Therefore, in any market cycle, investor behavior can change. We are also experiencing that behavior.

Regarding the mutual-fund-only PMS, I think it is a very good new initiative by the regulator. It will help expand the market on the ground. It also brings in more advisors who can advise investors and gives them a formal route to help their investors invest.

While it is very early to comment on how things will play out, since this is supposed to invest in mutual fund schemes, at Nippon we believe that, because of the long-term track record of our schemes, we will benefit from it. More importantly, because of our substantial and strong position in ETFs, a lot of this money could indirectly flow into us as well.

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As I said, these are very early days. We need to evaluate how investors respond to it, but I think it will be good for the industry. We also believe it will be good for established mutual funds, especially mutual funds that are well established in ETFs.

Brojesh Chen – Motilal Oswal: Got it. Thank you very much.

Operator: Thank you. The next question comes from the line of Mohit Mangal with Centrum Broking. Please go ahead.

Mohit Mangal – Centrum Broking: Good evening, everyone, and thank you for the opportunity. My first question is on employee expenses. I was looking at your press release, and it said that ESOP expenses were about 15 crores for H1, while you have guided for about 60–80 crores for the entire year. Should we assume that your ESOP expenses will be higher in H2?

Management: Regarding ESOPs, the 60–80 crores that we mentioned was for the new ESOPs granted. That expense accrues over a period of 4 years. What we mentioned in the financial results relates only to the new ESOP grant. If you look at the overall ESOP expense for the quarter, it was around 14.55 crores, and for the half year it was around 28 crores.

Mohit Mangal – Centrum Broking: I was looking at your press release, on slide 12 or 14. It said that ESOP expenses were about 15.93 crores for the half year ended September 30, as the non-cash component of employee benefit expenses.

Management: For the year, the expected amount is around 58 crores for the entire year.

Mohit Mangal – Centrum Broking: For the first half, it was around 28 crores, correct?

Management: Yes.

Mohit Mangal – Centrum Broking: Understood. That is helpful. My second question is on the offshore business. As we understand, due to several macroeconomic issues, AUM has declined. Are we doing anything to increase growth? Is there any particular strategy for this?

Management: The reason for the overall decline in offshore AUM has been the USD-INR equation. With the rupee depreciating over the last year or so, there has been a decline in flows from FPIs into India.

What we have seen, though, is that money is coming into real assets. However, global macroeconomic conditions will have to improve. Once we see rate-hike cycles possibly nearing an end or reaching a resolution, we could see money coming back strongly. That is one of the main reasons we have seen both institutional and retail flows from overseas moderate. We continue to engage with important investors and placement agents overseas, so that continuous engagement is ongoing.

Mohit Mangal – Centrum Broking: Are there any particular new schemes that you will launch in the next 3–6 months?

Management: Are you talking about offshore or onshore?

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Mohit Mangal – Centrum Broking: Offshore.

Management: We will possibly look at a couple of ideas, perhaps feeder funds into one or two of our master funds in India, including through GIFT. There is also possibly an opportunity for an outbound fund strategy through some of our strategic partners. However, this is at a formative stage right now, so we will not be able to share too many details about it.

Mohit Mangal – Centrum Broking: Understood. Lastly, in terms of yields, you said that equity yields were around 52 basis points excluding arbitrage. In Q1, that number was around 54 basis points. I wanted to know whether the 2-basis-point decline was primarily due to telescopic pricing or whether there was another element as well.

Management: It is primarily due to telescopic pricing and the new flows that continue to come in while the old flows go out. That is the main reason. There will obviously be shifts between the various schemes within equity. Otherwise, there is nothing specific on that front.

Mohit Mangal – Centrum Broking: Understood. That is very helpful. Thank you, and I wish you all the best.

Management: Thank you.

Operator: Thank you. The next question comes from the line of Meghna Luthra with Incred Equities. Please go ahead.

Meghna Luthra – Incred Equities: Thank you for the opportunity. I have a few questions. Regarding the Gold ETF, I wanted to understand what proportion of our SIPs comes from Gold ETFs.

Management: Meghna, we do not share the scheme-level SIP book, but this would be a small portion of our SIP book because it is mostly equity-oriented.

Meghna Luthra – Incred Equities: Understood. In the context of the recent restrictions on flows into FoF funds, do we see any impact? If so, what sort of impact are we assessing on this front?

Management: If you go back 2 months, the entire industry had stopped taking lump-sum and large-ticket flows into commodity ETFs. It did not impact the flows at all because, in ETFs, buying and selling takes place. Even if there are investors looking to build a gold or silver portfolio, there is always a counterparty to create a market.

Therefore, the net growth in gold tonnage is very insignificant. Even with the current restrictions we have undertaken in these Fund of Funds, the ETF business is not impacted because ETFs will continue to remain open for investors to come in and buy and sell. ETFs are actually more prominent than Fund of Funds when it comes to gold and silver. Buying and selling therefore continues irrespective of flows being restricted in some funds.

Meghna Luthra – Incred Equities: Understood. I also wanted to understand whether we had any provision for the expense or one-time exceptional item relating to AT1 bonds.

Management: We booked that as an expense in the current quarter.

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Meghna Luthra – Incred Equities: Understood. That is all from my side. Thank you.

Operator: Thank you. The next question comes from the line of Abhijit with Kotak Securities. Please go ahead.

Abhijit – Kotak Securities: Hi, thank you. Good evening, everyone. My first question is to clarify the point on OPEX. If I heard correctly, you mentioned 18–20% growth for full-year OPEX. Given how we are heading into the current quarter in terms of topline momentum, I wanted to clarify whether you are still sticking to that guidance of 18–20% growth. My second question was on the flows, but more broadly for the industry and then specifically for Nippon.

Two quarters were weaker than the first quarter. Could you highlight, across all the channels, where you have seen the maximum flow pressure, specifically for Nippon? My third question is on {? 81 ?}. I wanted to check again what was really the trigger for taking this particular action in the current quarter. Was it regulatory-driven, was it based on Board discretion, or can you provide some color on that?

Saugata: Coming to the first part, from a flow perspective, as I mentioned, between the 2 quarters our net flows have been more or less similar. What is happening in the industry is that, if you track the entire industry flows on the equity side, the pecking order of fund houses is changing every quarter.

A few new fund houses have entered the market and started garnering assets because of the new strategies they have launched. Some of the older fund houses have started losing market share there. It is a very interesting trend that we are seeing in the marketplace.

Fund houses like us, which have been trying to remain in the traditional space and advocating large-cap, mid-cap, multi-cap, and multi-asset strategies, continue to receive normal flows. We are not receiving abnormal flows, and we are happy with that. However, there are AMCs receiving flows in certain categories because, as I mentioned, either they have launched a new fund or an existing fund has been repositioned.

That is how the trend line is shifting. We are clear that we will continue to do what we believe is right from the investor's standpoint, and we will continue to discuss our traditional products.

On the expense side, we have been mentioning that we will continue investing for the long term, and that thought process remains. Obviously, we are watchful of investment market cycles and other factors. However, it is important to continue investing in technology, the brand, digital, people, and various segments of the business. That is critical, and we will continue doing so. We will also remain mindful of the overall market environment.

What was your third question? I think I missed it.

Abhijit – Kotak Securities: It was on {? 81 ?}, sir. What triggered the provision this quarter?

Saugata: We received the in-principle settlement from SEBI, which is why we paid the amount and made the necessary provision, as mentioned in our opening remarks.

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Abhijit – Kotak Securities: Understood, sir. Just one follow-up for Saugata on the first point. Could you provide some color on whether Nippon, compared to the rest of the large listed space, has a higher or lower flow market share from the digital, self-directed channel? Which is leading to more stable flow behavior?

Saugata: I could not answer that part of your question earlier. The flows coming to us through digital and fintech channels continue to be steady. As we are more of a retail fund house, we also continue to receive a higher share from our MFDs. Both the digital channel and MFDs make a higher contribution to our flows, with the other channels contributing as well.

Because these 2 channels are more retail-oriented, we have not seen any significant impact on flows. I think this is slightly different from the inflow behavior of other AMCs. Thank you very much.

Operator: Thank you. The next question comes from the line of Shobhit Sharma with Elara Securities. Please go ahead.

Shobhit Sharma – Elara Securities: Thank you for the opportunity. I would like to continue with the earlier participant's question on unique customers. If I look at the incremental unique customer count, acquisition, or market share of incremental unique customers, I think it has been significantly lower than what it used to be in the previous 10-12 quarters. Have we seen moderation in our counter share in any particular channel that is leading to this?

Secondly, is it correct to assume that, because our flagship schemes, both small-cap and mid-cap, have grown faster than overall equity, this is actually leading to yield dilution?

Saugata: I will answer the first question, and perhaps Parag can take the other question. Regarding investor count behavior, as I mentioned a few questions ago to the previous participant, NFOs continue to attract investors. As an Indian investor, the INR 10 price is still an attraction. Whenever NFOs are launched by new AMCs entering the industry, as well as by some existing AMCs launching new ideas, they attract volumes both digitally and through other channels.

We are definitely away from that space because, in a very volatile market, we would not want investors to enter funds that do not have a track record. Therefore, we stay away from that. Hence, you may be finding that our investor count growth is flattening.

However, let me also say that it was communicated in the opening remarks that we crossed the 40 million folio count during this quarter. A 40 million folio count and 2.5 crore unique investors position us at 37% of total unique investors in the MF industry. That is a very large number in itself, and it is incrementally growing for us. A few lakhs here and there should not worry us because we are definitely growing our investor base.

Parag: Shobhit, the overall yield has declined mainly due to the yield on equity, with the growth in AUM and the new flows we are receiving impacting the overall yield. The mix between the various equity schemes has also contributed. There is nothing specific to read into from the distributor or investor side. It is generally a result of the growth and the flows that have come in.

Shobhit Sharma – Elara Securities: Just a small follow-up, Saugata. If an NFO is launched, which channel actually helps garner most of the flows? I believe you are quite large on the fintech and

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MFD sides. Could you provide some color around that?

Saugata: We have stopped launching NFOs, so I can speak about the industry because the behavior is similar. Whenever a new idea is launched in the market, retail investors participate through MFDs and fintechs. These 2 channels are the go-to channels for any asset management company. The remaining channels, such as banks, direct investors, and wealth managers, also participate.

Therefore, the flows are definitely skewed toward the 2 retail channels. Today, mutual funds are available in 300 locations across India. Getting investors from any part of India has become convenient because the fintech reach is very large and the MFD distribution network is also very strong. These 2 are the go-to channels for any fund launched.

Shobhit Sharma – Elara Securities: Understood. Thank you, and all the best.

Saugata: Thank you.

Operator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to management for closing comments.

Saugata: Thank you all for taking the time to join us on the call today. If you have any further queries, we will be happy to address them after the call. You can get in touch with Aasish for those. Thank you very much.

Operator: Thank you. On behalf of Motilal Oswal Financial Services Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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