

“Reliance Nippon Life Asset Management Limited Q3 FY-19 Post Earnings Conference Call”

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MODERATOR: MS. MONA KHETAN – RELIANCE SECURITIES

Mona Khetan:

Good afternoon everyone and welcome to Reliance Nippon Life Asset Management Conference Call. Today, we have with us Mr. Sundeep Sikka – ED & CEO, Mr. Prateek Jain – CFO and the entire senior management team to discuss Q3 FY19 Earnings and key business strategies going forward. So over to you Sir.

Sundeep Sikka:

Good evening and welcome to our Q3 FY19 earnings conference call. We have with us Prateek Jain – CFO and Tanaka-San from Nippon Life Insurance and other senior management team members.

Last quarter was one of the rare quarters we have probably for the first time in last four years we have seen mutual fund industry AUM declining predominately because of issues related to NBFC crisis, state elections and other macro related issues like crude, currency volatility triggering institutional investors and FIIs looking for flight to safety. However, we are happy to inform that we continue to have the highest retail AUM of Rs.830 billion driven by robust distribution network and strong retail brand, also our retail assets have grown highest in the industry at Rs.120 billion in the last 12 months.

Our retail AUM contributes to a total AUM is 35% which is amongst the highest in the industry, overall for the industry this number is 25%. For the quarter the operating revenues at 3.5 billion, net profit stood at 1.1 billion, we remain committed for our journey of profitable growth. Our systematic investment plan book is 101 billion grew by 30% and SIP count increased by 30% to 2.9 million. Over 79% of the incremental SIP's have a tenure of greater than five years. I am pleased to share our equity assets including ETF rose by 12% at 1.03 trillion. Our folio count grew by 16% to 8.8 billion. We continue to be amongst the leaders in beyond top 30 cities segment, this segment contributes AUM of approx. Rs.429 billion. Over 18% of the total assets are sourced from this segment against the industry average of 15%.

We have strengthened our customer offerings through multiple channels as penetrating deeper into Bharat and investing into digital platforms. The company has a pan India distribution network with presence in nearly 300 locations. We plan to focus on locations beyond top 30 cities as assets from small cities are more persistent and are more profitable. RNAM remains well diversified in terms of distribution with no single distributor contributing more than 4.5% of the total mutual fund AUM. Our distributor count went up from 68,000 in March 2018 to 72,500 as on December 2018. As an asset management company, we also operate in ETF, asset alternate investment fund and offshore businesses.

Let me share brief update on all these business lines:

I am happy to share we have successfully raised Rs. 17,000 crores as a part of Further Fund Offer 3 of CPSE ETF with participation across all categories of investors. RNAM is second largest ETF player with the market share of approx.17% in ETF segment. It has an AUM of Rs.169 billion for the quarter ended December 2018. RNAM is the only AMC which has 17 years track record in managing ETF. India has also seen significant higher inflows from institutional markets.

RNAM is managing and advising an AUM of approximately Rs 87 billion from off shore investors. We have taken further steps to capture a higher flow from international markets and have recently launched our UCIT India Fixed Income Fund. We continue to work closely with Nippon Life Insurance to leverage their global tie-ups.

On the regulatory front, SEBI circular dated October 22nd, 2018 imposed a ban on payment of upfront commission and made it mandatory that all scheme related expenses to be paid from scheme accounts only. This will necessitate the change in the way the accounting has been done in the past and would result in lower top line and lower expenses in the AMC financials. Further, SEBI recently clarified that the revised slab structure of TER will be applicable from April 2019. Accordingly, the cost of mutual fund investments will be reduced for the investors, this will help in positioning mutual fund as a preferred mode of investments as compared to other financial products and aid a greater retail participation. We believe, this would result in increased volumes hence be beneficial for all stake holders.

I am very happy to announce the board has declared its interim dividend at Rs.3 per share. As part of stated dividend policy to share 60 to 90% of the profits with our shareholders.

With a wide distribution network retail strength, strong brand recall. RNAM is in a state of readiness for AUMs and profitable growth in the current quarters. With those comments we are happy to take your questions. Thank you very much.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Amit Nanavati from Nomura Securities. Please go ahead.

Amit Nanavati: Sir the question is on profitability. When I look at your core EBIT and that's the only matrix I think would relevant now given that you have changes around upfront moving to trail. I would have ideally thought that the cut in the non-employee OPEX would generally be larger than cut in the revenue, but when I look at your core profitability the OPEX to core EBIT to AUM has declined by 2-3 basis point sequentially core EBIT is down 15% and that primarily is because your revenues are down by around 400 million Q-on-Q. And your non-employee OPEX is down by 200 million, so if you can explain because I would have thought upfront cutting would be a larger impact than trail adding up.

Prateek Jain: Basically, what has happened during the quarter due to risk off we have seen decline of almost about Rs 10,000 odd crores of debt AUM and also there has been movement between the debt funds to liquid & ETF funds, therefore the overall realization is slightly down. Further scheme related expenses have been debited to schemes hence there is a corresponding decline in the revenue.

Amit Nanavati: Shouldn't the decline in expenses be higher than the impact on revenue because you would be apportioning only 30 basis points instead of 1% on the incremental book in the first year right.

- Prateek Jain:** I was here talking about the SEBI circular which mandated that all scheme expenses to be charged to the schemes, therefore there will be a corresponding revenue decline and there is a corresponding expense decline. In terms of upfront cost since it is only applicable for two months and we have not seen large inflows in our equity funds therefore the decline is not as sharp.
- Amit Nanavati:** Okay
- Prateek Jain:** So as and when the equity assets grow or when we get the flows, you are right that the impact of that which is like 1% upfront commission versus trail commission which will be extended for a three years period. Industry did not witness this as changes has come in recently and during this period of two months industry did not witness very large inflows of equity assets.
- Sundeep Sikka:** Overall equity gross flows of approx. Rs 42,000 crores monthly for the previous financial year now is coming to about Rs 18,000-20,000 crores. Because of volatile markets the new flows are down and mark to market on the assets impacted the overall portfolio. On the debt side, fixed income money has moved into liquid schemes due to flight to safety and we have seen this many time before. These trends change very fast.
- Amit Nanavati:** Okay. And secondly on your new IFA additions so new empanelment's that you disclose it is around 1400 this quarter the run rate was closer to 3000 odd, so anything to read into their or it was just one-off quarter here or you find it difficult now to empanel IFA has given the cut in profits.
- Sundeep Sikka:** I would not like to see with too much detail. The market volatility decides mood many times. Very difficult to see every quarter how many new distributors got empaneled because the previous one or two quarters will always have a bearing on new distributors who enter the market. You need to start seeing with the perspective that this was the most difficult quarter even with that people are willing to join this profession. In my view this is the pull of the product.
- Moderator:** Thank you. The next question is from the line of Haresh Kapoor from IIFL Asset Management. Please go ahead.
- Haresh Kapoor:** Sir just taking that question forward, couple of things one is obviously your profitability yield has been maintained this quarter larger driven by the other income component and obviously the EBITDA fallen QoQ. So, you have mentioned a couple of aspects but, if you could just talk about if we have some targeted yield by we could look at because obviously the fall in revenue and the fall in expense it is obviously not going hand in hand from a yield perspective which is obviously impacting us on the EBITDA side. So, something that some initiatives if you are talking in terms of the cost side and something that we might have missed which you could talk about. And second also if you could just you have mentioned some money moving to liquid which is obviously evident from the AMFI data. But for you particularly that impact was in Q2 where the money moved to liquid and we have seen that number going up but if we look at the debt portion compared to the industry there is a sharp de-growth for you also looking at the

quarterly average AUM also. So, could you just comment on that what is the reason for the sharp fall in the debt absolute number.

Sundeep Sikka:

The fall in the debt AUM as I mentioned earlier it is across the industry. It is flight to safety and post the NBFC crisis, a lot of HNI and corporate money is moving from long dated bond funds into money market funds and that had an impact. Because, a money market fund will be charging 15 to 20 bps compared to a bond fund where we are charging about 60 to 100 bps. Like I mentioned we have seen in the past these trends change very fast and since we are focused on the retail debt flows and debt fund has given low single digit returns on a one-year period which also has a bearing on the fresh flows coming in. Again, this is a function of the interest rate cycle and the credit cycle, I believe you will see this changing soon.

Haresh Kapoor:

Okay. And sir could you also talk about your other income side again if I am talking about which is supported the profit yield so even that has moved up significantly from last quarter Rs 30-33 crores to Rs 54 crores, so what is the reason for this.

Prateek Jain:

This is completely related to mark to market on our treasury portfolios, as we mentioned that most of our investments are invested into our own mutual fund schemes almost Rs 250 crores into equity funds, close to about Rs 760 crores into fixed income funds and some part in tax free bonds. Now all these investment because of the Ind AS need to be mark to market and therefore you see some volatility. If you see yields have softened a bit from last quarter and therefore there has been gain. With regards to the realization just to add to what Sundeep said, our overall nine months realization is still at around 63 basis point which is marginally down from the previous nine months period. However, this is largely a function of the asset mix as in when we get back the money which has moved into the liquid fund back to the Debt schemes and see a sharp amount of increase in the equity inflows you will see this increasing going forward.

Haresh Kapoor:

Okay. Sir and if you could also in terms of the negotiations with the distributors, etc could you just talk a little bit on that, I know you have mentioned it in the last call to but any change in that in terms of the ability to pass on and what is the status now in terms of the sharing of the impact on with the distributor because the communication that we are having with the distributor does not indicate the positive stance that is there with lot of these asset management companies compared to what can be passed on. So where do we stand on that and any change and any numbers again that you might want to share.

Prateek Jain:

Even if you see from the past in Feb18 had mentioned that we will be passing out the entire 15 bps and we did that. Again, with regards to the new change, which will be in effect from April 19, we have mentioned in our communication to the distributors that as and when the draft guidelines come in, the burden of the same would be passed on because when the increase happened we have given this as part of the trail commissions.

Sundeep Sikka:

Just to add to this, as we have mentioned earlier this is a trend that we see in the bigger and significant AMCs majority of them have taken the same stand and are passing on major portion of this to the distributor.

- Haresh Kapoor:** For you it is 50-60% right that you can pass on.
- Prateek Jain:** No, we have always maintained that almost everything significant will be passed on. You must understand two parts to it, the first is the new flows which we are getting and the other is existing book assets. The new flows have already been re-priced because everything is now coming as part of the trail commission due to upfront commission being banned and now going forward more likely a sharing formula will evolve. But with regards to the existing book whenever the reduction of TER will happen, the corresponding trail commission will be reduced.
- Haresh Kapoor:** Okay, that is great. Sir and just two very small things. I know it might not really be significant but when I am looking at the quarter on quarter SIP monthly inflow and retail monthly inflow for you there is a slight drop so anything to read into that or it is normal because I know there might be a value de-growth on the retail AUM but have the inflows on a Q-on-Q basis been stable has it fallen could you just give some indication on that.
- Sundeep Sikka:** No, broadly they have been stable, retail flows continue to increase, the only thing to highlight is whenever the markets are volatile for a longer period of time you see some redemptions and not to read too much into it because from a 12 to 24 month period you will always have one or two months where it can be volatile. Overall YTD basis, we have added about Rs 10,000 crores in retail assets, industry has added about Rs 68,000 crores. This clearly shows that we are growing in retail more than our overall market share. Remain confident of the retail franchise that we have built up and as the financialization of economy happens more money will be flowing into the mutual fund industry, we will keep getting higher proportion especially from the retail segment.
- Moderator:** Thank you. The next question is from the line of Madhukar Laddha from HDFC Securities. Please go ahead.
- Madhukar Laddha:** Just continuing the previous set of questions. So the decline in the yield is more than the decline in admin and other OPEX this is despite the fact that if you look at the AUM mix on a quarter-on-quarter basis equity AUM has gone up 150 bps, debt AUM is down about 300 bps but my sense is that the equity AUM going up by 150 bps should compensate for that. And even then if we just run the numbers the revenues is actually down almost 4.7 bps on a quarter-on-quarter basis whereas the admin and other OPEX are only down about 2.8 bps on a quarter-on-quarter basis. So it seems that we are not able to reduce expenses as much as the yields have declined.
- Prateek Jain:** No, you cannot decide in this way because the asset which have come in will be accruing only for that one month so when you look at it the asset growth you are seeing will be only contributing for that month and while you are comparing with the absolute cost.
- Madhukar Laddha:** No, I am using the quarterly average AUM data. So, and I am using average quarterly average AUM data versus the previous quarters data so would that make an impact.

- Prateek Jain:** What has happened is equity including ETF has gone to about 1,03,000 crores however the open ended equity will be about 90,138 crores versus last quarter of 91,778 crores, It is down about 1,640 odd crores quarter on quarter. Debt funds has come down from 93,557 crores to 83,670 crores. This data is available in AMFI website and our presentation.
- Madhukar Laddha:** Yes, but as a mix has not changed so the yield should not change that.
- Sundeep Sikka:** Because the Equity ETF gets included in the equity assets, but the ETF realization is far lower than the equity open ended scheme therefore you need to bifurcate and then look at it. Effectively 17,000 crores are in ETF, does not yield 110 basis points of equity because of that effectively 10% of the assets are low yielding which you are calculating in equity.
- Madhukar Laddha:** No, I am actually excluding ETFs in these numbers so if I look at share of equity it is 33.4% to 34.5%, arbitrage is from 3.6 to 4% and ETF is from 5% to 7% so this is on a share basis.
- Sundeep Sikka:** No, our overall AUM has gone down therefore on a percentage basis it shows an increase but on absolute basis the debt assets are down from 93,557 to 83,670 crores and open ended equity is down from 91,778 crores to 90,138 crores.
- Madhukar Laddha:** Okay. The other question was the staff cost continue to be quite high and we ended the quarter with Rs 75 crores.
- Prateek Jain:** This is in line with the previous quarter and we mentioned that in the last quarter itself, it is now stable because from the first quarter you saw the jump and then it has been aligned with the industry and also we had made one time provision in the first quarter and thereafter the expense have been aligned in the last two quarters.
- Madhukar Laddha:** Right. So this would be the normal run rate now about 75 crores.
- Sundeep Sikka:** This is going to be the norm at least for the next few quarters. We do not plan to add anything further, so this will be the norm.
- Moderator:** Thank you. The next question is from the line of Shubranshu Mishra from Motilal Oswal Financial Services. Please go ahead.
- Shubranshu Mishra:** My first question is with regards to your ETF market share which has gone up very significantly how do we read into that and what is the strategy going forward on ETFs?
- Sundeep Sikka:** Broadly we have always believed as an asset management company we need to be offering all products. The reason for increase in the market share and proportion of ETF's share increasing been very large offering which we did for CPSE ETF. We clearly believe going forward both active and passive will continue to be an important part of our strategy and continue running both these businesses parallelly. We as an asset management company remain committed to any investor whether he is looking at active funds for which we have a track record of 23 years and

ETF or passive strategy have a wide range of ETFs. We give investor the choice and clearly believe both will complement each other.

Shubranshu Mishra:

Alright. Any guidance on ETF as a proportion of your AUM in FY19 and 20?

Sundeep Sikka:

No, again do not want to put a number to it. When we had acquired GSAM which was earlier Benchmark mutual fund our objective was to be ahead of time and be ready as the investors mature. Clearly see one of the very few asset management companies which can say that even if the investors move to ETF's they do not move out of the asset management company because we will keep offering both. India is not now ready for ETF's but few institutional investors have started investing and today with the track record believe we have disproportionate advantage.

Shubranshu Mishra:

So let me put it a little more directly are we ready and aspirational to put a dent in the market share of the market leader right now which is SBI?

Sundeep Sikka:

Let me put it very simply, SBI ETF's whatever public information is available, flows has been coming from EPFO. However, if you look into the investors folios, we have more than 55% market share of all the ETF investors in India. So, our strategy is to keep increasing our investor base. Exactly what we are doing in retail, we are trying to sweep the market and are trying to invest in the market for future. SBI and us will not be a like to like comparison because they are more for institutional investor and also this is reflected on the daily volume at the stock exchanges. Liquidity is essential for ETF to be successful, as per the last data available our traded volumes on the stock exchange of all the ETF's is 90%

Shubranshu Mishra:

Right, sure sir. My next question is with regards to your distribution mix which is on slide 14. Now this is the total distribution mix how do we look at the distribution mix in T30 cities and B30 cities separately?

Sundeep Sikka:

As we go down from 10th city to 50th city the percentage of retail, IFA's and national distributors keeps increasing. What happens is the percentage of AUM in banks and HNI is much more in bigger cities. As you go to smaller cities and towns the retail which is catered both by IFA's and national distributors keeps increasing that is the reason we are seeing strong growth coming from there. IFAs have been our strength, will be seeing a lot of flows coming from them in small cities and towns.

Shubranshu Mishra:

Sure, sir. We already had B30 and I am sure you would have also had internal discussions on how you would access mobilize funds from B 50 or B 100. So, if you can please share those insights with us that will be great sir?

Sundeep Sikka:

What we have been doing over the last few years is investing into smaller cities and towns whether it is to do with the branch network, the IFA network, we have been seeding this market. Believe execution holds the key while the opportunity is there for everybody. The fact that in the last 12 months, the overall retail AUM added in the industry was about Rs 78,000 crores and

we have added about Rs 12,000 crores clearly tells you we are executing rightly in the small cities and towns.

Shubranshu Mishra: Sure, sir. And just wanted to squeeze in one last question. This is with Slide #7 where we have a dip in the average quarterly AUM so going forward if we could have the inflows as well as the MTM impact in between I think it would be great?

Sundeep Sikka: Sure, we will try to capture that.

Moderator: Thank you. The next question is from the line of Nikhil Jain, an Individual Investor. Please go ahead.

Nikhil Jain: I have a couple of questions. So, first one is about this dividend payout so right now I think you get interim dividend and the earlier strategies have been that you will pay out 60 to 90% of the overall profits. So, we can expect maybe some more dividends coming in maybe in quarter four or towards the annual thing, right?

Sundeep Sikka: We have a stated dividend policy to pay a 60% to 90% of the profits back as dividend. We do not require further capital in the company. In today's Board meeting the directors have approved Rs 3 per share as dividend. Will not be able to talk about how much dividend in the future. But our stated policy remains the same and over the last four to five years we have been paying about 80% to 90% of profits as dividend.

Nikhil Jain: Right. My second question is that other mutual funds yields as you have talked also is roughly between 60 to 63 basis points. But the profit that we generate out of that is something around 21 basis points. However, some of the other AMC that I have seen are able to generate let say a profit of 30 basis points on similar kind of 62, 63, 65 basis points mutual fund lead so is there any specific reason for this where we are spending more in building up the business or some other rational. Why profitability as compared to other company is lower?

Prateek Jain: From a perspective that you are referring to other AMCs you have to see what is the kind of asset mix they have because realization is a function of two things, one is what is your total AUM size and another is your mix. As previously we were discussing that equity as an asset class earns higher compared to the other asset classes like liquid and ETF. Therefore, for us right now we have almost 38%, 35%, 19% and 7% in terms of our equity, debt, liquid and ETF assets where some of the peer group have a higher amount of equity assets obviously their realization could be higher.

Nikhil Jain: But I was saying that mutual fund yield as we show is basically same it is around 62-63 basis points. The only thing is about the profit that are coming.

Prateek Jain: In terms of expenses I would not get into details of other expenses but however, as far as we are concerned we use our own infrastructures, facilities and branches. While in some cases where you have your parent or subsidiary company you can use their distribution network. In our case, as Sundeep mentioned earlier we have our own branches which cater to the distributors, IFA

community as well as the retail investors over there. Therefore, our expenses are slightly higher than the other AMCs.

Nikhil Jain: And they will continue to remain so as we move forward also?

Prateek Jain: No, as AUM grows they are not likely to grow because we have already established ourselves in nearly 300 locations. We have all the connectivity, all the infrastructures and people in place so as the AUM grows, the cost of those elements does not grow.

Nikhil Jain: Okay. My next question is related to this, I have looked at this value research online Money Control, Morning Star and all. Somewhere I am finding that the Reliance Mutual Fund equity category funds are not let say on top of the charts in many categories right so out of let say 20 odd funds we may have two funds are doing very well but rest of the 15-16 funds are not doing so well let's put it that way. There are other newer mutual funds AMC who are actually hogging the limelight in terms of getting the thing. So, what is managements view is it like you are okay with that or my interpretation is wrong and there is something which I am missing?

Sundeep Sikka: If you were to look at majority of our equity schemes they consistently have been in the top two quartile. The same value research data you will see 50% of the schemes drop out of the five star the next year, again 20% drop out next year after that. Our philosophy is to be consistent because we cater to the retail investors. On a risk-adjusted basis our performance has been consistent whether they are in number one or number two ranking or not, but the consistency is more important for us rather than just a ranking.

Moderator: Thank you. The next question is from the line of Nischint Chawathe from Kotak. Please go ahead.

Nischint Chawathe: This is with reference to Slide #12 of your presentation which is on SIP monthly inflows. Now if you could kind of help us really understand as to how this Rs 8.48 bn has gone down to Rs 8.42 bn basically we just wanted a little bit of color in terms of how many kind of customers discontinued, how much of AUMs kind of discontinued and how much of new got added during the period?

Sundeep Sikka: Broadly if you were to see while the new additions have been almost similar, we have seen this quarter a few assets which were maturing are not renewed. As mentioned earlier ultimately this is cyclical business because of the volatility and immediate returns, some investors have formed the view because they have not seen return. We see the positive side even in the most volatile quarter like this about 90,000 new SIPs got added on a monthly basis.

Nischint Chawathe: And what was the average ticket size for the 90,000 that got added?

Sundeep Sikka: Typically for us as always been on an average of Rs 2400-2600, we operate at 50% lower than the market, our rational on that we have seen the stickiness of SIP's which have smaller ticket size compared to other SIP's. That's why our entire SIP book is an average of Rs 2700-2900.

- Nischint Chawathe:** What you said is, that your entire SIP book is it around Rs 2700-2900 but for the inflow the ticket size would be around Rs 1400-1500?
- Sundeep Sikka:** Not really, it will be almost similar, broadly like I said the book has been in the range of about Rs 2500.
- Moderator:** Thank you. The next question is from the line of Omkar Hadkar from Mirabilis. Please go ahead.
- Omkar Hadkar:** Sir my question is related to the other operating expense, so on the sequential basis the decline is it largely reflected of the upfront commission amortization or is there some other element to it?
- Prateek Jain:** This expense if you see the amortization has not yet stopped it has happened with the same pace, the reduction has been in terms of the other discretionary and administration cost. On a 9-month basis we have reduced almost Rs 80 odd crores of expenses which was largely in terms of marketing and discretionary spend. Going forward the expenses like trips, other incentives, etc. will also be lower. There was some part of expenses related to bank charges, custody charges and the R&T charges now being part of the scheme expenses and therefore lower. Out of Rs 80 crores large part was more of discretionary spend which we have brought it down.
- Moderator:** Thank you. The next question is from the line of Kamal Verma from CLSA. Please go ahead.
- Kamal Verma:** Just a few clarifications, so two regulatory changes regarding charging all the scheme expenses directly to the scheme and not paying any upfront commission and just trail commission. These happened in September and so the full quarter this quarter includes the full impact right it's a clean quarter?
- Prateek Jain:** No, because circular was issued on 22nd of October from that date this has been followed.
- Kamal Verma:** Okay. And also, in your other expenses of Rs 148 crores roughly for this quarter what portion of this would be the broking commission part, distributor commission part?
- Prateek Jain:** We started the year with almost about Rs 176 crores of unamortized distribution cost now this is about Rs 116 odd crores outstanding, which will come down to Rs 65 odd crores by March end. This amortization will keep happening because that is a function of the business we have done in the past year or earlier but by the end of Sept 19 we will have minimal amortization left because that would have been completely written-off.
- Kamal Verma:** So, by the end of September next year the past book amortization will get completed?
- Prateek Jain:** Yes, as of March it will be about Rs 65 crores. will not be very significant as compared to almost Rs 270 crores odd numbers which used to be a year and half back,

- Kamal Verma:** Okay. So, with these changes which have already happened under scheme TER structure changes which happens on April what kind of yields on AUM will we generate for equity and debt from next year for FY20?
- Prateek Jain:** It will be similar only except for newer assets the trail expenses will go up and that will be compensated by the upfront which we will not be paying.
- Kamal Verma:** But like a ball park number of the yield like for example on equity you will generate 120 bps or 130 bps what will come in the revenue?
- Prateek Jain:** So, again depending on the size of the scheme it should be in the range of 100 bps to 120 bps for the equity and for fixed income it will be more driven by the yields they are generating but will be in the range of 50 to 75 bps. Larger the scheme lower is your propensity to charge and therefore the yields will go down based on the size of the scheme as well.
- Kamal Verma:** Okay. And what is the trail commission on these for equity and debt?
- Prateek Jain:** The new business model is being evolved. Earlier there used to be a upfront plus trail model now it is more like a sharing formula where whatever is our expense ratio which we are able to charge to the investor, we will be now be sharing a part of it with the distributor. As regards the other expenses are concerned we are getting away from the AUM based expense regime for the R&T custody and are working out a step up or staggered AUM or fixed expenses for a particular level of AUM.
- Kamal Verma:** Okay. But the sharing formula like what percentage will be shared with the distributor and what percentage will be yours?
- Prateek Jain:** We have banking distributors, national distributors and then IFA's further categorize them into platinum, gold and silver. So, where banking distributors are the one which basically bring in significant large amount of AUM, large ticket size therefore their propensity to negotiate the rate is slightly higher as compared to the one who is a smaller IFA in small cities and towns, therefore the sharing will range between 50% to 70% of the TER.
- Kamal Verma:** Okay, 50% to 70% with the distributor?
- Prateek Jain:** Yes, again you have to see because that this is the range, but our average effective would be somewhere around 60% as large part of our assets come from the IFAs.
- Moderator:** Thank you. The next question is a follow up from the line of Nikhil Jain an Individual Investor. Please go ahead.
- Nikhil Jain:** So, I had one or two more questions for which I came back. One was as per SEBI norms you had to have a follow on offering to reduce your public share to 75% or at least have 25% public shareholding and that has to complete by November 2020 so is there any thought that has been given right now or it is too early at this moment.

- Sundeep Sikka:** We will be in line with the SEBI thought process, I will leave it to both the shareholders to take the call. As of now nothing has been decided but it will be done before the deadline.
- Nikhil Jain:** Okay. Second thing was about this EPFO the funds that have been managed for EPFO, PFRDA and other two government bodies. So, what is the kind of yield that we actually get on those funds which are ETF and earlier it was 20 bps so in that context what is the yield that we get for those funds.
- Sundeep Sikka:** This being confidential we will not be able to share. However, can share with you these are not typical mutual fund mandates, they are fixed fee mandates. However, where we earn higher fees is on the offshore funds which is in line with domestic mutual funds and operating leverage comes to play there because all these funds are mirror images of our existing funds.
- Moderator:** Thank you. Ladies and gentlemen this was the last question for today. I now hand the conference over to Mona Khetan for her closing comments. Over to you ma'am.
- Mona Khetan:** We thank the investors who are actively participating in the call and the management for sharing their perspective. Thank you everyone.