

“Reliance Nippon Life Asset Management Limited Q1 FY2020 Results Conference Call

July 29th, 2019



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- Moderator:** Ladies and gentlemen good day and welcome to the Reliance Nippon Life Asset Management Limited Q1 FY2020 Earnings Conference call hosted by Reliance Securities Limited. As the 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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Mona Khaitan from Reliance Securities Limited. Thank you and over to you Ms. Khaitan!
- Mona Khaitan:** Thanks operator. Good evening everyone and thank for joining the call. On behalf of Reliance Securities, we welcome you all to Reliance Nippon Life Asset Management, 1Q FY2020 post results conference call. We have with us today the management team of Reliance AMC represented by Mr. Sundeep Sikka, ED and CEO, Mr. Minoru Kimura, Board member and representative from Nippon Life and other senior members of the management to discuss earnings for the quarter gone by and key business strategies going forward. Over to you, Mr. Sikka!
- Sundeep Sikka:** Good Evening all and welcome to our Q1 FY20 earnings conference call. We have with us Kimura San who is our Board member & Head of Asia Pacific Nippon Life, Prateek Jain - Chief Financial Officer, Saugata Chatterjee Co Chief Business Officer Distribution, Aashwin Dugal Co Chief Business Officer Institutional and other senior team members.
- I am very happy to share that Reliance Nippon Life Asset Management is one of the largest asset manager in India with total assets under management of Rs. 4.31 trillion - an increase of 6%.
- Even in a year like this where there have been so much headwinds, we were able to build on our strengths of growing retail assets, equity AUM, SIP book, beyond top 30 cities AUM and expand our international offerings for Indian Markets.
- Despite the near-term challenges, I am happy to share that for the quarter Total Income at Rs 3.25 billion Net profit rose by 13% to Rs 1.25 billion year on year.
- We continue to have one of the largest Retail AUM of approx. Rs. 863 billion driven by strong on ground presence and robust distribution network. Our Retail AAUM contribution to Total AAUM is amongst the highest in the industry at 40%.
- Despite volatile markets, our annualized Systematic Investment Plan book is Rs. 103 billion and SIP Count increased by 14% to approx. 3.2 million. Over 79% of the incremental SIPs have a tenure of over 5 years.
- I am pleased to share that our Equity Assets, including ETFs, rose by 19% at Rs. 1.16 trillion. We continue to be amongst the leaders in ‘Beyond Top 30 cities’ segment. This segment contributed AUM of more than Rs. 431 billion. Nearly 20% of total assets are sourced from this segment, as against 16% for the Industry.

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On digital front, I am happy to share that Digital contribute 41% of total RNAM new purchase transactions. Our investments in the digital ecosystem is yielding results and our digital purchases including SIP doubled from last year to 3.91 lakh transactions.

RNAM remains well diversified in terms of distribution, with no single distributor contributing to more than 5.4% of the total mutual fund AUM. Our distributor empanelment went up from 68,500 in June 2018 to more than 73,400 as on June 2019.

As an Asset management company, we also operate in ETFs, Alternative Investment Funds & offshore business. Let me share brief update on these business lines.

As part of our strategy for attracting higher International flows into India, ETF Securities Australia has launched the first Indian ETF in Australia in collaboration with RNAM.

RNAM is the 2nd largest ETF player with a market share of over 19% in the ETF segment. It has an AUM of Rs. 270 billion for the quarter ended June 19.

I am glad to share that we are at advanced stage for the launch of our first Fund of Fund in the Tech/VC Space. It was announced recently during the bilateral discussions between the Prime Ministers of India and Japan, on the side-lines of the G20 summit at Osaka. Japan and India are committed to strengthen industrial competitiveness in both countries by creating funds to invest in India's fast-growing start-ups. It was mentioned in the official press release that RNAM as a General Partner signed letter of intent along with Limited Partners: Nippon Life, Mizuho Bank, Development Bank of Japan. We are honored to manage this fund. Reliance AIF has commitments of over Rs. 26 billion across various AIF schemes.

RNAM is managing and advising AUM of approx. Rs. 85 billion from offshore business. Nippon life has investments in Asset Management companies across the globe, we will continue to work closely with Nippon Life Insurance to leverage on their global tie ups for attracting higher flows from International Investors. We believe this as an opportunity for attracting higher share of flows into India and as part of profitable growth strategy.

As filed with the exchanges earlier, Nippon life has signed definitive binding agreement for increasing its stake in RNAM to 75% from its current stake at 42.88%. Also, as part of the deal, Reliance capital will exit its entire RNAM Shareholding. The management team continues to remain the same, we will continue to benefit from Nippon Life's leading business practices, also leverage its global network to significantly enhance capital inflows into India and will continue to build this franchise even further. With those comments, we are happy to take your Questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Amit Nanavati from Nomura Securities. Please go ahead.

Amit Nanavati: Sir, just wanted to check on your debt AUM. So, month-on-month, when I look at the data, you have been losing market share, also you have been losing absolute debt AUMs. Sir, if you can give some color on segment wise, where you are losing whether it is only corporates, whether it is HNI

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retail, also there you have started losing because I see your retail AUMs also have declined quarter-on-quarter, I am not too sure whether it is mark-to-market impact or there is some underlying outflow there as well?

Sundeep Sikka: Let me answer the second question first. Retail inflows have not come down, rather retail flows and number of SIPs have only been increasing. What you might be seeing in the retail segment would be mark-to-market impact. However, ever since last September when the NBFC crisis had started, the industry has seen an outflow and we have been impacted by that. Broadly majority of the Industry debt outflows has been primarily to do with the corporate and HNI category. We have lost AUM in that segment, but we are very confident to regain it back.

Amit Nanavati: But if you can give some color on how the absolute retail movement has been in the debt side, I understand the outflows post crisis, but when I look at other players within top five, except one or two who is disproportionately gaining, the others have actually seen some stabilization and for us even in the June month we have seen that fall to continue.

Sundeep Sikka: What I mentioned earlier about the retail AUM was overall retail AUM which included debt, equity and other asset classes. Normally in the retail category flows primarily comes into the equity side, majority of the outflows has been on the corporate and HNI segment.

Amit Nanavati: Sure Sir. That is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Shailendra Mundra an individual investor. Please go ahead.

Shailendra Mundra: Congratulation on good set of numbers. I just wanted to know what the impact is now that we have seen few months of the new SEBI guidelines on restriction of fees as well as on expenses to individual funds, impact on profitability.

Prateek Jain: The SEBI regulations came into effect from October 22nd 2018 and compared to our previous quarter number despite decline in assets, we have shown growth in terms of operating profits which is excluding other income and depreciation. We see that this is as a new normal and expect to grow more profitably going forward.

Shailendra Mundra: Could you please give some insights, I can see that probably your expenses at asset management company level have gone down, and there have been charged to the respective schemes and probably there is a pass through, the distributors have taken a share of deduction of commissions, so is that the correct way to think about it?

Prateek Jain: Absolutely, Our total decline in the AUM versus the total decline in our fees is correspondingly matching almost 4% to 5%, which reflects that we have passed on the majority of the TER cut and therefore we have been able to maintain profitability.

Shailendra Mundra: Going forward, do you see any disincentive to the distributor to sell, particularly what I have seen is the SEBI has because of the scaling, the bigger the AUM, the lower the commission so is the

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distributor incentivized to sell smaller schemes and therefore hitting the bigger schemes, how does it work, the large cap versus small cap, or small schemes versus larger schemes?

Sundeep Sikka: Whether it is the distributor or Asset Management Company we will have to all work in the interest of the investor rather than looking at which scheme the highest fees is being charged. From a long-term point of view, I clearly see the growth of the industry will come from keeping the investor in the center. Even today when I look at the total AUM of the industry at approx. Rs 25 lakh Crores equity AUM is only Rs 11 lakh Crores, there is a lot more scope whether for the AMC and the distributor. The profits will go up by increasing the volumes rather than looking at basis point.

Shailendra Mundra: I understand it from the asset management point of view. I agree that you will do the right thing, but I am concerned about what is the reaction of the distributors?

Sundeep Sikka: What we have seen is that all distributors have been selling what is right for the investors rather than looking at where they are getting higher fees.

Shailendra Mundra: Thank you Sir.

Moderator: Thank you. The next question is from the line of Kunal Shah from Carnarian Asset Management. Please go ahead.

Kunal Shah: One thing which is very clear about the global strategy that we have as far as inflow of funds from global market scores with the help of Nippon coming into the picture, but if you could help throw some light on India strategy because as it was discussed earlier in the call as well, we are losing debt AUM per se the first part of the question and second part question if you could share what is the direct business in the overall scheme of AUM that we get other than the distributors because now the distributor margins coming under the pressure, how do we see our growth in the AUM, so if you could throw some light more on the domestic business per se, how do you guys see digging it forward in the light of two things, so one is how do we see the direct business coming through Nippon, which will help increase our BPS as a percentage of AUM and second question since the distributor margins are coming down, how do we see that panning out for the growth in the AUM for us?

Sundeep Sikka: About the domestic mutual fund opportunity it is not only the penetration remains low, but with the kind of acceptability of the mutual fund as a product is seen in small cities and towns, we have never seen anything like this before. During this last one year, which have not been one of the best years for the mutual fund industry, still the kind of new investors, which are coming from B30, and not only B30, but also B100 and above, the small cities have been very, very encouraging. For us we do not see this as the reduction in distributor commissions or the fees, things will change whether it is distributor, or an AMC. Clearly, we see a big opportunity, increase in volume will compensate the reduction in bps. Also what you have to understand is there is another set of distributor advisors which is called, RIAs which are also going to play a very big role in times to come. I would like to also highlight the fact that as we go deep into these small cities and town, we have been able to execute our digital strategy very well. Last quarter we did 3,91,000 transactions

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in our digital business which is almost doubled from last year, It is going to be multipronged strategy. We remain very excited about the domestic operations, international is only going to be add to profitable growth because for us what we intend to do is leverage the Nippon Life network to get further assets into India majority of which should be fee-based income, and there is no incremental cost involved in it. That was the reason of giving this. But within the domestic and international, domestic is what gets us more excited, and we are more positive on that.

Kunal Shah: Also could you share the number of direct business?

Sundeep Sikka: The total direct AUM in equity that we have at this point of time is ~ 15%.

Kunal Shah: I will join the queue for other question.

Moderator: Thank you. The next question is from the line of Ajox Henry from B&K Securities. Please go ahead.

Ajox Henry: Thanks for the opportunity. Sir my question was with respect to the SIP. The average ticket size went down from Rs 2953 to Rs 2687 roughly a 10% drop from last year June numbers. So could you just shed some light on that? Is it because of move into B 30 or is there anything else?

Sundeep Sikka: It is a mix of two things. One is we moved into Beyond top 30 cities and the other one is also the SIP flows through digital channel. With the increase in digital SIP flows coming in, what we have seen is average ticket size in digital is much lower than what comes through advisors and distributors. With the digital proportion increasing the average ticket size has slipped down, but the way we see it the penetration is increasing among retail investors.

Ajox Henry: Sir on the unique investor count also there has been much growth compared to the history of course the number has gone up pretty strong but where do you see that number like in a year or two? Do you have any target internally or do you see that stabilizing?

Sundeep Sikka: For us one of the biggest focus will be to keep increasing the penetration for which the unique number of investors and unique number of SIP's are going to be more important metric. In last 12 months, overall the markets have been quite volatile where equity returns has been flat and the debt has seen risk off happening. I will request not to see the last one or two quarters to build a conclusion. The kind of on-ground distribution that we have created and the digital capability that we are building up, we remain confident that our unique investor count will be growing and would remain one of the key focus areas.

Ajox Henry: Sir just a book keeping question, SIP split between equity and debt do you have?

Sundeep Sikka: 99% of SIPs are equity.

Ajox Henry: Thank you very much Sir. Thank you for your time.

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- Moderator:** Thank you. The next question is from the line of Madhukar Ladha from HDFC Securities. Please go ahead.
- Madhukar Ladha:** Just a couple of questions; I see an increase in staff cost. I believe this probably is an account of the ESOP issuance. Can you quantify what is the amount that has caused this ESOP expense?
- Prateek Jain:** We are more or less in line with the last quarter reported numbers, so there has not been very significant increase from there. As against Rs 73 Crores in the fourth quarter we have reported Rs 77 Crores, just a 6% increase, which is partially due to the increments, bonus provision for this year and partially due to the ESOPs.
- Madhukar Ladha:** Can you quantify the ESOP amount in it?
- Sundeep Sikka:** The overall difference is only Rs 4 Crores, so this is not very significant.
- Madhukar Ladha:** On the other income, the other income has dropped substantially on a Q-o-Q basis, any particular reason for that is 52 Crores?
- Prateek Jain:** This is purely function of mark-to-market. We are preparing financial as per the Ind-AS, which says that every asset needs to be mark-to-market, all our investments are standard ones and these are just mark-to-market impact of that.
- Madhukar Ladha:** But considering debt yields are down, debt funds should actually done quite well, and equity until June 30, was not that bad?
- Prateek Jain:** If you compare on quarter on quarter basis that is where the difference is coming in. If you compare to the year on year, the difference is not as steep.
- Madhukar Ladha:** No in fact on a Q-o-Q basis, the difference is?
- Prateek Jain:** On a year on year basis, the number is almost flat in the March quarter, we have seen the increase in the mark-to-market as there was an appreciation compared to the previous quarter. Due to equity was up at that point of time and debt yields had gone down at that point of time, therefore mark-to-market was higher in the fourth quarter.
- Madhukar Ladha:** Actually the yields went down substantially in the first quarter?
- Prateek Jain:** Third quarter number was far lower because of the NBFC crisis and then seen some recoveries which came in the fourth quarter therefore this number was significantly higher.
- Madhukar Ladha:** Final question on your exposure to sort of a stressed NBFCs and ADAG companies, so we did analysis on the exposure between March and June and we saw that a substantial amount of exposure to ADAG actually be in written off or written down at least, so what is the recoverability of this amount and also if you can give some perspective on what is the overall exposure is through the debt funds to some of the stressed NBFCs in the systems today.

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- Sundeep Sikka:** Firstly, there is no incremental exposure in the last quarter or before that. As you have mentioned, whatever write-off, the valuation impact has been taken based on regulatory guidelines. On a face value basis the total exposure to schemes that we have is Rs 1340 Crores. At this point of time, we have marked down everything based on valuation. We are confident that we will be able to recover majority of this money because of the underline securities we are holding as far as this is concerned. On the AMC balance sheet side we have Rs 380 Crores to Reliance ARC, Reliance Infra and Reliance Power which has been there before listing. If you were to look at the results today, we have mentioned in the notes to accounts as well.
- Madhukar Ladha:** Yes I read that Note 3, very, very confident this.
- Sundeep Sikka:** We are confident that this would be recovered once the transaction is getting closed.
- Madhukar Ladha:** Got it and Sir any comments on exposure to DHFL or some of the other names right now in the system?
- Sundeep Sikka:** It is very difficult for me to comment because it's an open question. Everyone can have a different perception on different names. The DHFL exposure that we have was at peak Rs 1400 Crores, today we have at about Rs 400 Crores face value, not the written down value and ADAG exposure we have already touched upon. IL&FS we did not have anything, Essel we have already exited, and anything else specific is available in the fact sheet.
- Madhukar Ladha:** All right Sir. Thank you. Thanks a lot and all the best.
- Moderator:** Thank you. The next question is from the line of Jignesh Shial from Emkay Global. Please go ahead.
- Jignesh Shial:** Thanks for the opportunity. Just quickly two questions, so now quarterly run rate is around Rs 125 Crores for us, with all the regulations already been done, and Ind-As already been implemented and all, can you say this is a safer run rate at least for the next three quarters or you see a percent improvement from 125 Crores to moving up. If yes then what will be the key contributor for it? That is number one. Number two since now Nippon is upon taking over, I am already seeing a lot of synergies are coming in the international market, if you can guide us little further that what kind of further synergies you are seeing as far as flows are concerned. Once the entire charge has been taken over by Nippon because we are seeing the exits from HNI and the corporate, so are we seeing that traction to return for us once Nippon takes it over fully? These are my two questions. Thanks.
- Prateek Jain:** We have been able to pass on the majority TER cuts and this is the new normal in terms of expenses and realization is concerned. Importantly, we have lost some assets in the past and as Sundeep mentioned we are very confident to regain post this transaction which is basically on the debt side. We are very confident that the HNI and corporate AUM which we lost on the fixed income side will be able to regain and the moment we regain that we expect a higher profitability. While we do not comment on future but remain confident. Given the distribution reach we have will be able to leverage the relationships with the corporates post change to Nippon Life and will regain the lost

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market share. As regards the international business, would ask Kimura San who is our Broad Member to comment on that.

- Minoru Kimura:** Thank you for the question. My name is Kimura. About the global flows into India, we cannot say exact number at this moment, but Nippon Life is very much committed. Nippon life has large network not only in Japan but other Asian countries and other parts of the world from where the money will flow into India. At this moment cannot give a number but definitely we are very much committed and expecting future potential growth.
- Sundeep Sikka:** Just to add, we have recently launched Indo Japanese Tech fund which was announced during the G20 Summit. Would not have been possible without Nippon Life. The new products that we will be launching on the international as well as alternate side will be the products with the carry. The technology fund that we are talking about is a fund which has a carry structure. It is going to be the focus area and will continue to aid profitability.
- Jignesh Shial:** Okay and because since we are talking about that we are confident that we will see the HNIs and corporate coming back with Reliance moving way, what is the strategy towards maintaining or improving this retail inflows further, so what is the key strategy that we are working on as far as the retail inflows to strengthen further from here on just if you can just guide on that particular side?
- Sundeep Sikka:** As far as retail is concerned, irrespective of the brand the key lies on ground execution. We are confident with the on-ground execution capability that we have built over last 23 years and the digital ecosystem we will see incremental retail inflows coming in post the change of shareholding.
- Jignesh Shial:** Thanks a lot and all the best.
- Moderator:** Thank you. The next question is from the line of Anand Laddha from HDFC Mutual Fund. Please go ahead.
- Anand Laddha:** Sir all my questions have been answered. Thanks.
- Moderator:** Thank you. The next question is from the line of Nishant Chandra an individual investor. Please go ahead.
- Nishant Chandra:** Thanks for this. What will be the strike rate of the ESOPs?
- Sundeep Sikka:** Previous ESOPs which were given at Rs 202.
- Nishant Chandra:** Okay. 202 and that continue for incremental ESOP issuance.
- Sundeep Sikka:** No, incremental ESOP's will be issued at the market price based on 30-day average.
- Nishant Chandra:** The second one is on the international fund sourced from the Nippon, what is the fee that RNAM gets?

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- Sundeep Sikka:** Again, it will depend on the mandate, the size, whether it is segregated portfolio, how you are running it, but on average anything between 30 and 50 bps is what we target net from that.
- Nishant Chandra:** Yes. I understood. And that would roughly be what about 25% of the overall fee charged to the investor, I am just trying to understand how much comes to the on-ground entity managing versus the total charge?
- Prateek Jain:** Again, it all depends on the strategy and how we have raised the assets. There is no single formula towards that. If it is segregated portfolio as Sundeep mentioned and collected directly then it could be 50:50 in terms of share in between Nippon Life and us.
- Sundeep Sikka:** Just to clarify, it is not always sharing the Nippon Life and us, it could be another entity, so let us take an example we have tied up with Bangkok Bank in Thailand and their asset management company has launched India product with us so sharing is with Bangkok Asset Management and not Nippon Life.
- Nishant Chandra:** Generally, the thesis as what ETFs or is it actually a niche within India equities?
- Sundeep Sikka:** It is a mix of everything in the last six months we have increased our offerings. First is the private equity fund which is Indo Japan technology fund, which is a fixed fee and a carry structure. The other one is ETF in Australia and third one is the pure equity product. So it is all depends on the risk appetite.
- Nishant Chandra:** Last question is on this new normal that you are talking about from a PAT perspective right and the fee and commission expenses of 20 Crores for this quarter that should run down to zero by the end of September right?
- Prateek Jain:** Yes. as mentioned in our last call, the total carrying value was approx. Rs 50 Crores. Of this Rs 25 Crores we have already provided. There will be some amount as far as close ended schemes are concerned, but it will be significantly lower amount.
- Nishant Chandra:** Hence if you had to look full year for 2020, from an EPS perspective it should be somewhere between Rs.9 odd right, currently the run rate tracking around Rs.8 per share?
- Sundeep Sikka:** If we go by the same run rate the profitability will improve from here on.
- Nishant Chandra:** I do not have any further questions. Thanks.
- Moderator:** Thank you. The next question is from the line of Hitesh Gulati from Haitong Securities. Please go ahead.
- Hitesh Gulati:** Thank you for taking my questions. I just had one question on other expenses. Can you just elaborate like what are the split of the other expenses, because that is also come down quite significantly?

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- Prateek Jain:** These are typical administrative expenses which includes the rent, admin expenses, marketing, advertisements, publicity expenses and various legal & professional fees. The annual breakup is available in our annual report, and during the quarter we do not disclose the breakup of these expenses.
- Hitesh Gulati:** But this has come down quite a lot so is this as you were talking about this being a new normal so that includes the other expenses part as well? Is that right?
- Sundeep Sikka:** If you compare it with the fourth quarter, it is in line and but in the previous years, there were expenses which were towards the distribution expenses like the upfront commission which used to be accounted in the AMC books and then amortized. Now upfront commission is not allowed and scheme related expenses are now charged to the scheme and these expenses have come down as proactively we have reduced our discretionary spend.
- Hitesh Gulati:** Thank you Sir. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Shubhranshu Mishra from BOB Capital Markets. Please go ahead.
- Shubhranshu Mishra:** Thank you for the opportunity. My first question is with regards to the TER cut that you have shared with the distributors, what is the exact amount that has been shared with them Sir?
- Sundeep Sikka:** You can see from the numbers, almost 80 to 90% of that amount has been passed to the distributor.
- Shubhranshu Mishra:** Why should they source more if the cut has been passed on entirely to them for your equity flow Sir and that sounds a little counterintuitive?
- Prateek Jain:** Most of the industry players have also been doing the same. It is not that we are doing something which is different from the industry. Also, majority of our schemes are more balance in terms of size. We do not have significantly large schemes as compared to some of peer groups and therefore we have a lower impact compared to some of other AMCs who have significant concentration in their AUM.
- Shubhranshu Mishra:** So you remain confident of other equity flows from the IFAs?
- Sundeep Sikka:** Yes. We remain very confident.
- Shubhranshu Mishra:** My second question is actually a follow-up question on your debt and liquid fund Sir, I cannot follow that part which is asked earlier, so you had net outflows in the last six months is that the understanding correct?
- Sundeep Sikka:** Yes.
- Shubhranshu Mishra:** And what would that amount be Sir?

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- Sundeep Sikka:** From the last quarter , we have lost about Rs 11000 odd Crores of assets, predominantly we have gained on ETFs and equities like Rs 8000 Crores. We have lost in liquid and debt assets almost about Rs 18000 crores.
- Shubhranshu Mishra:** Sure and the ETF that you are talking about is largely exemplar which has been the strategy earlier or there is some chunkiness in the ETF?
- Sundeep Sikka:** No. This is part of the CPSE which is predominantly retail and not chunky. It is a part of strategy. Mix of HNI, corporate investors, and it is no one single investor, We clearly see this business also very scalable in times to come.
- Shubhranshu Mishra:** Just coming to your transactions where you have stating 391,000 what percentage of that and what part of that is actually retail because the large part of them would also be done at the distributor end, so what part of it is actually unique and retail?
- Sundeep Sikka:** That is given in the presentation if you see our retail AUM has been provided. Our equity is completely retail assets. It is available in our presentation.
- Shubhranshu Mishra:** The slide 17 where you are referring to digital purchases which has 391000?
- Sundeep Sikka:** That is completely retail.
- Shubhranshu Mishra:** That is completely retail and that is entirely unique or is there any redundancy there?
- Sundeep Sikka:** Approx. 50% would be unique and we have distinct investors would keep moving to the digital platform, it is a mix of both.
- Shubhranshu Mishra:** Just one data keeping question if you can help me with that Sir, the expectation of net new money in this fiscal year?
- Sundeep Sikka:** Difficult to give a number to it. We are very confident that due to certain headwinds whatever AUM we have lost over the last 12 to 18 months, we will regain that back.
- Shubhranshu Mishra:** Thank you for your time Sir and best of luck.
- Moderator:** Thank you. The next question is from the Akshay Kumar Jain from JM Financial. Please go ahead.
- Param:** Sir I wanted to ask you about the offshore business, what visibility you have for growth over here, how do you see this business scaling up over the next three to five years, if you could comment a bit on that?
- Sundeep Sikka:** Kimura San has just now mentioned about the international flows. We clearly believe with we becoming Nippon Life subsidiary there is going to be a strong focus on trying to get flows into India using the entire Nippon Life network. It is very difficult to put a number to it but can share

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with you this could be a very important part of the overall strategy, and we will keep updating you all every quarter.

Param: Okay. Sir any number you want to put for the next three to five years where you see this business scaling up?

Sundeep Sikka: If you see the total inflows into India which is there that is being managed by various asset management companies put together is miniscule. We would not like to put a number to it, but it is exciting because the kind of platform that we have now. Nippon Life has multiple asset management companies which are in their portfolio and various Life Insurance Companies across the globe which have been investing in India till now directly we see ourselves playing a bigger role here.

Param: Thank you Sir.

Moderator: Thank you. The next question is from the line of Rishabh Parikh from Sunidhi Securities. Please go ahead.

Rishabh Parikh: Congratulations on a decent set of numbers, just one question that I missed. What was the outstanding book of season commissioning to be written-off during September?

Prateek Jain: See last quarter as of March, we mentioned that the total carrying value was Rs 50 Crores, we have already provided close to about 25 Crores in this quarter, so the balance remaining is about Rs 25 odd Crores.

Rishabh Parikh: Going forward how will this line item move? Will it become completely zero, or will there be some residual fee expenses that you will have to book?

Sundeep Sikka: See from the mutual fund piece this will be absolutely zero as per SEBI regulation. From the PMS side, you will have some small amount as we raise the funds on the PMS front.

Rishabh Parikh: Thanks a lot.

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

Shailendra Mundra: I just wanted to know what is the exposure of the AMC Company itself towards the ADAG group and face value if you have broken down anything and what is the prospect of recovery?

Prateek Jain: As mentioned that the total face value outstanding is Rs 380 Crores and the total value with the carrying provision is about Rs 400 Crores.

Shailendra Mundra: This is secured lending and what are the prospects of recovery of this money?

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- Prateek Jain:** This were given in the form of ICDs and expect that we will be able to recover majority of the outstanding ICD's
- Shailendra Mundra:** So the valuation will be adjusted accordingly is it?
- Sundeeep Sikka:** If you could go and look at our note to accounts, there has been a reference to that Kindly go through it.
- Shailendra Mundra:** Thank you.
- Moderator:** Thank you. The next question is from the line of Akash Jain from Money Curves Analytics. Please go ahead.
- Akash Jain:** Good evening Sir. I have two questions. One is basically on the commission that we have pay. In the earlier regimen, part of the commission got paid upfront and then there was a smaller trail commissioned paid over the next two to three years. In the current regimen, upfront commission goes away but I am resuming that trail commission will consequently go up so what I want to understand is, the total commission that is paid out broadly the same and it is only timing difference or even the overall commission has come down? That is one question. Second question is on the other income part, just a quick detailing so the other income must be to the ICDs that we have given to the group companies and part of it will probably be coming from our own investment in our own scales. Can you give me a broad breakup of what is the income coming from ICDs and what is the income coming from overseas? Thank you.
- Prateek Jain:** I will answer the second question first. Predominantly, these we invest into our own schemes and therefore most of the revenue what we see is because of our investments into our own schemes; however, as mentioned earlier there is close to about Rs 400 odd Crores of the ICDs and there are Rs 400 Crores odd in bank fixed deposits. So, there is a corresponding income from this bank fixed deposit and ICDs.
- Akash Jain:** Just a broad breakup for me, please?
- Prateek Jain:** As against that total investment book of Rs 2000 odd Crores out of that Rs 400 crores in ICD's and Rs 400 crore in the bank fixed deposits, rest is all into our schemes. To your first question whether upfront versus trail commission, earlier upto 1% was allowed to pay as upfront commission and let us say even 75 to 80 basis points was paid in upfront now if that has to be distributed even if we say that amount is similar it will be distributed over a period of four years, so to that effect the overall cost becomes lower. Because incase the investor goes out in between earlier 1% was written-off over a period of one year that is now in the form of trail to be amortized over a long period of say four years., Therefore the overall effective cost has come down against what we used to pay earlier.
- Akash Jain:** Thank you so much.



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Moderator: Thank you. Ladies and gentlemen that was the last question for today. I would like to hand the conference over to Ms. Mona Khaitan for closing comments.

Mona Khaitan: Thank you all for your active participation in the call. I would also like to thank the management for taking time out and sharing their perspective on the business. Thank you and have a good day.

Moderator: Thank you. On behalf of Reliance Securities Limited that concludes this conference. Thank you for joining us. You may disconnect your lines.