



**“Reliance Nippon Life Asset Management Ltd. 4Q  
FY2018 Post Earnings Conference call”**

**April 26, 2018**



**MANAGEMENT: MR. SUNDEEP SIKKA- ED & CEO, RELIANCE NIPPON  
LIFE ASSET MANAGEMENT LTD  
MR. YUKI TANAKA - NIPPON LIFE INSURANCE, JAPAN  
MR. PRATEEK JAIN – CFO, RELIANCE NIPPON LIFE  
ASSET MANAGEMENT LTD**

**MODERATOR: MR. ASUTOSH MISHRA – RELIANCE SECURITIES**

**Asutosh Mishra:** Thank you. Good morning everyone and welcome to the Reliance Nippon Life Asset Management. Q4 FY18 Earning Conference call. Today we have with us, Mr. Sundeep Sikka – ED and CEO along with the entire senior management team to discuss the Q4FY18 Earnings and the Key Business Strategies going forward. So over to you sir.

**Sundeep Sikka:** Good morning to all of you and welcome to Q4-FY2018 Earnings Conference Call. Today we have with us, Mr. Prateek Jain – Chief Financial Officer, Mr. Tanaka San from Nippon Life Insurance, and other senior management team members.

It's been a historic year for the company as we got listed, and also we posted our highest ever profits. For the financial year 2018 the total income increased by 26% to Rs. 18.15 billion and Profit after Tax grew by 30% to Rs.5.22 billion.

For the quarter ended March 31<sup>st</sup>, 2018, the total income increased by 26% to Rs.5.14 billion. Profit after tax rose by 35% to Rs.1.62 billion. The Return on Equity stood at 25% for the financial year 2018. We remain committed towards the journey of profitable growth.

Our retail asset has grown highest in the industry at Rs 206 billion in this fiscal. Our strong retail brand and the robust distribution network has helped us growing the retail asset by 39% to Rs. 732 billion and also post the demonetization industry added Rs 1.95 trillion retail assets and we have added the highest retail assets Rs.293 billion.

Our retail AUM contribution to total AUM remained highest in the industry at 30.5%. I am happy to inform that our equity assets grew from Rs 570 billion to Rs.871 billion which is a growth of 53% year-on-year.

Reliance Mutual Fund equity composition in total asset increased from 27% to 36% as on March 2018. We continue to be a leader in “Beyond top 15 cities” segment. This segment contributes AUM of more than 512 billion, an increase of 25%. over 21% of our total assets are sourced from beyond 15 cities vs the industry of 18%.

Systematic investment plan (SIP) book grew by 70% in financial year 2018. The number of systematic investment plan grew by more than 2.5 billion resulting in the annualized fixed inflows of approximately Rs.90 billion as on March 31<sup>st</sup>, 2018. 77% of the incremental SIPs that has been added has a tenure of over 5 years.

We have also strengthened our customer offerings through multiple channels that penetrate deeper into Bharat and investing into digital platforms. The company has a pan India distribution network with presence in 282 locations. We have added 120 locations to our overall coverage during the year. We continue to focus beyond the top 15 cities as the assets from smaller cities have shown higher persistency and are more profitable. RNAM remains well-diversified in terms of distribution and no single distributor contributes more than 4.5% of the total mutual fund AUM . Our distributor count went up from 55,000 to more than 65,000 as on March 2018. We have derisked business model from the perspective of distribution, asset

class and geographical presence. The clear objective is to create long-term wealth for both unit holders as well as shareholders.

Our investment in digital platform is seeing traction. Digital purchases have more than doubled in Q4 FY18. We handled 3.25 lakh digital transaction in Q4 FY18. As an Asset Management Company, we also operate in ETF, Alternative Investment Funds, and Offshore Business. Let me give you a brief update of the following business lines:

RNAM is the second largest ETF player having a market share of 17.5% in the ETF segment. It has AUM of more than 133 billion for the quarter ended March 2018. RNAM is the only AMC in India having a track record of managing both active and passive funds for more than 15 years.

India has also been seeing increased inflows from international markets. We have been taking steps towards that and have been closely working with Nippon Life Insurance to leverage on their global tie-ups. RNAM is managing and advising an AUM of 87 billion from offshore business.

Reliance AIF has over Rs 20 bn commitment across AIF Scheme as on March 2018.

Our business has low capital requirement and people are the real assets of the company, which may not get reflected in the balance sheet. I am delighted to share Reliance Nippon Life Asset Management has been certified as the “Great place to work” 2018 among the top 15 companies in BFSI . This recognizes the organizational culture and high focus RNAM has on people

Summing up:

AMFI has forecasted Mutual Fund AUM to grow more than 4 times by 2025. Industry has massive potential for growth, and as we have only 20 million unique mutual fund investors vis-à-vis 290 million PAN holders in the country. With our wide distribution network, retail strength strong brand recall, RNAM is very well-poised to disproportionately benefit from the macro tailwinds. We are expanding in newer markets where no other AMC has any presence. Our intention is to drive the change of the behavior of Indian retail investors to invest into mutual funds for long term wealth creation.

We are also pleased to announce the 3 new board members who have joined us. Happy to have from Nippon Life, Shibata San and Komura San and from Reliance Jai Anmol Ambani.

With these comments, we would like to take your questions. Thank you very much.

**Moderator:**

Thank you. Ladies and gentlemen we will now begin the Question and Answer session. The first question is from the line of Avinash Singh from SBI Cap securities. Please go ahead.

**Avinash Singh:** Couple of questions I have. The first one that, if I see your other income that has grown substantially even if I look at the full year basis. Can you provide some more color around that and how sustainable that is going to be? And related to that is, if I look at the EBITDA, if I just sort of clean for these changes or increase in other income, the core EBITDA growth is close to 12%-13%. would like to know how the trajectory of this core EBITDA is going to be? This will be my first question. And the second question is that if I see correctly that employee expense has increased significantly YoY and even QoQ. I understand that this could be driven by the kind of locations we have added. But again, some outlook on that, as to how this is going to pan out in the next year? Thank you.

**Sundeep Sikka:** Okay. I think broadly let me take all the three questions and then I will request my colleague, Prateek Jain, to also add to it. From our point of view if you look at the core EBITDA, during this year we have invested about Rs. 50 crore to Rs. 60 crore on branch network, advertising, and technology the way we see it basically, we have taken it to the P&L, it's a capital investment which we clearly see giving us results over a longer period of time. If you see over the last 2-3 years whatever we have been investing in the digital and physical infrastructure, that has already shown results. Post-demonstration the highest inflows that have come into industry out of about Rs 190,000 crores, Rs 29,300 crores has come to us. And majority of this has come from smaller cities and towns. These 50 crores to 60 crore which has been added as an expense this we do not see going forward, that is number one. As far as the employee cost is concerned, it is a mix of two accounts. One is because yes we have been adding more people, and also there is one-time expense as this being a historic year for us.

**Avinash Singh:** Okay. So, but can you provide more color on the other income because that is substantial.

**Prateek Jain:** We have been having investments into various schemes of mutual funds, including close-ended schemes, etc., and the interest accrued on various of our investments. Because of the higher base of investments, we have accrued higher income. Further there has been a certain tax-free income due to maturity of certain fixed incomes schemes which has got booked into this year. About the margin, removing some of the expenses about to 50 crore - 60 crores as Sundeep mentioned, and about 10 crores -15 crores of employee expenses, our EBITDA margin is in the range of 25%.

**Avinash Singh:** Okay. So, this other income is broadly income on your own investment.

**Prateek Jain:** Yes. These are accrual on our investments as well as gains from the investments in our mutual funds schemes.

**Moderator:** Thank you. We have the next question from the line of Siji Phillip, from Axis Securities. Please go ahead.

**Siji Phillip:** I just need to know the numbers for brokerage and the incentives that have been incurred for the quarter and for the full year usually I think that has been included in other expenses, so if you can give the bifurcation for other expenses.

- Prateek Jain:** They are is in the range of Rs 250 crores last year, this year it is about Rs300 odd crores.
- Siji Phillip:** And this is for the quarter sir?
- Prateek Jain:** It is for the full year.
- Siji Phillip:** So, what is the trajectory of EBITDA margins that you look forward in the next year?
- Prateek Jain:** If you look at it consistently we have been maintaining a PAT-to-AUM ratio of about 20 to 22 basis points, last 2-3 years we have been around that. And our realization is also around in the range of 67-69 basis points. We endeavor to continue in the same trajectory. However, due to the operating leverage coming into play and we continue to grow our equity/ retail mix our EBITDA margin is likely to improve.
- Sundeep Sikka:** See our focus will remain to keep increasing our equity assets. This financial year, equity assets as a percentage have gone up from 27% to 36%. and, now if you see, the SIP book has become from Rs 5600 to Rs 9000 crores. I think all this will keep adding to the operating leverage going forward.
- Moderator:** Thank you. The next question is from the line of Prerna Lotlikar from Mosaic Advisor. Please go ahead.
- Prerna Lotlikar:** I want to understand with regards to the recognitions that has come up on the fee cap. So, when SEBI has announced a 15 bps cut in the fees. So how do you see this been passed on. Do you see this being passed on entirely to the distributors, or what's your take on that?
- Sundeep Sikka:** The entire thing when it was introduced was added to the distributor commission and therefore it is logical that the entire thing after the reduction to be passed on again to the distribution commission.. This 15 basis points that you mentioned is yet to be notified because gazette is yet to come. But we clearly see that will also be passed on to the distributor because whatever extra was coming was given as an extra commission.
- Prerna Lotlikar:** Sir you don't see any impact on margin on your earning because of this?
- Prateek Jain:** We see negligible impact because majority or entire of this will be passed on to the distributor.
- Prerna Lotlikar:** Okay. This is yet to happen?
- Prateek Jain:** Yes, this is yet to happen. The gazette is yet to come.
- Moderator:** Thank you. The next question is from the line of Nishshant Chawathe from Kotak Securities. Please go ahead.
- Nishchint Chawathe:** Hello sir. I am looking at Slide #13 of your presentation. Just wondering, distribution mix is for the overall business or is it for the equity assets?

- Sundeep Sikka:** This is for the overall assets raised through distribution. So just to give you a perspective. Industry is basically divided into two parts – for the overall industry AUM of Rs 24 lakhs crores invested in mutual fund 12 lakh crores is the institutional money, which the corporate invest. 70% of the money always comes from direct channel. What you are seeing on the slide is the money which is, non-direct. effectively the Independent Financial Advisors (IFA) and National Distributors are our strengths.
- Nishchint Chawathe:** So, this is excluding direct, but if I was to look at the equity portion, how would this broadly look like.
- Sundeep Sikka:** For equity also broadly if you were see the product, it would be almost on the same. The mix could be more for IFA and national distributors.
- Nishchint Chawathe:** Sure. And on the equity side what would be the share of direct.
- Sundeep Sikka:** It would be about a 11% to 12%.
- Nishchint Chawathe:** Sure. So, can I broadly then say that I will just reduce 11% from the pie and the rest 89 should I kind of broadly divide between these ratios?
- Sundeep Sikka:** Yes, you can do that.
- Nishchint Chawathe:** Sure. The other question is on Slide #22, you have the SIP book. What you are saying is this is 7.5 billion. How should we read this 7.5 billion as on March 2018?
- Sundeep Sikka:** This is a monthly inflow. You need to multiply by 12 to make it annualized.
- Nishchint Chawathe:** Sir so 7.5 billion is like per month and I just have to multiply it by 12 for the full year.
- Prateek Jain:** Yes. But what you have to understand is that current book is this and this has been growing. So, we have also mentioned that we are adding more than 100,000 folios. So, at the current run rate it works out to be 90 billion It will further keep on growing.
- Nishchint Chawathe:** Okay. So basically, what you are saying is 9000 crore of SIP what came to you in FY18. And obviously you know that number will keep on increasing.
- Prateek Jain:** What we are saying is that currently with the run rate is 750 crores of per month multiplied by 12 months. So as per the current run rate of 750 crores per month to continue and if we don't add any further SIP then we will get 9000 crores next year.
- Nishchint Chawathe:** Okay. And for FY18 how much will be the absolute amount that you would have got.
- Prateek Jain:** That would be about 7100 crores.

- Nishchint Chawathe:** So, for full year 7100 crores, but the exit monthly run rate is 750 crore. So, if you don't add new SIP I guess it goes to 9000 crores.
- Prateek Jain:** Yes, that's right. But if you see, when we started the year as compared to that the SIP book has almost doubled. So that part has been growing.
- Nishchint Chawathe:** Sure. I think typically for the industry; this SIP is around 1/3<sup>rd</sup> to 40% of the total equity inflows. Would the ratio broadly be similar for you?
- Sundeep Sikka:** For us it would be a little better. Because for us, I think we are highly retail focused. Because we have taken a highly conscious call that SIP and retail is lot more sticky and is not vulnerable to market volatility.
- Nishchint Chawathe:** Sure. The other thing was on cash and current investment, that is a fairly large number. So, any kind of thought process of deploying that? And a related question is, are we expecting the 65%-70% payout ratio to sustain?
- Prateek Jain:** So, we wish we could do something about that, as per the SEBI requirement, the entire amount of money which we raised as part of our IPO proceed has to be deployed in fixed deposits only. As per the audit requirement that is shown as cash and cash equivalent. But they are invested into fixed deposits. As and when we use it, we will be utilizing it for operational purposes.
- Sundeep Sikka:** And as far as the dividend is concern, we have a well-defined dividend policy with 60%-90% of the profits will be given back as dividend. And we have been doing that for last 5 years. And this year also, if you were to see the total dividend, including the interim dividend and what has been proposed yesterday, it is in the same band.
- Nishchint Chawathe:** Sure. And one last question. You mentioned that the brokerage expenses for the year was 170 crores. Did I hear that right?
- Prateek Jain:** See for the year we said about 300 crores and for last year about 250 crores.
- Nishchint Chawathe:** Rs 250 & 300 crores between FY17 and FY18, is that?
- Sundeep Sikka:** Yes. That's right.
- Nishchint Chawathe:** Okay. And this will largely be again equity. Because that's where most of the business is.
- Sundeep Sikka:** Yes. Mostly.
- Moderator:** Thank you. The next question is from the line of Swarandeeep, an individual investor. Please go ahead.

- Swarandeep:** My question has already been answered. But I just wanted a small reconfirmation. Sir, according to you the SEBI had put the cap on the Mutual Funds. So, it will not be hurting our margins, am I right?
- Sundeep Sikka:** Yes. As I mentioned earlier, whatever will be there, probably will be passed on to the distributor.
- Moderator:** Thank you. The next question is from the line of Anand Laddha, from HDFC Mutual fund. Please go ahead.
- Anand Laddha:** A couple of questions from my side. If you can share what is our PMS, AIF, Advisory Business AUM for the quarter and the fee booked in each of the quarter in each segment?
- Prateek Jain:** In terms of other business it is close to about 140,000 crores, predominantly because of the EPFO money. Also, in terms of the offshore advisory and managed Aum put together is about 8700 crores. And other thing would including AIF and PMS would be close to about 4000 to 5000 crores. So, in terms of realization, except for the EPFO part the other total realization in the range of 150 basis points to 200 basis points.
- Anand Laddha:** Sir you mentioned PMS and AIF will be Rs. 4000 crore to Rs. 5000 crores?
- Prateek Jain:** That's right.
- Anand Laddha:** And offshore advisory would be Rs.8700 crore?
- Prateek Jain:** Correct.
- Anand Laddha:** If I have to assume average realization of 1.5%, what could be the top-line on this part of the business sir?
- Prateek Jain:** The total top-line is close to about 100 crores for other businesses
- Anand Laddha:** For this quarter sir?
- Prateek Jain:** No that is for the year.
- Anand Laddha:** Okay. Sir if I look at last year, we booked an advisory fee of Rs.39 crores. So, correspond to them what could be the advisory fee for this year sir?
- Prateek Jain:** In the PMS part assets remain more or less constant. So, this would be around the same way.
- Anand Laddha:** Okay. Last quarter if I am not wrong, we have booked a 28 crore of fee income on these other assets that is PMS, AIF and advisory. This quarter it could be what amount?



- Prateek Jain:** For the last quarter it was 24 crore and for this quarter could be about 30 odd crore this quarter.
- Anand Laddha:** Okay. And sir second question. On the other income part, if I have to look at last year or full year, we had other income of Rs.128 crore. This year for the full year the other income is Rs.229 crore. So, is there any one off in this other income sir? Like 3-year FMP or 2-year FMPs been booked and the whole income has been booked this year?
- Prateek Jain:** See it's not like that. If you see broadly the entire money has been invested into various open ended mutual funds schemes, and there are certain investments which are having an accrual in bonds etc. So, there is no particular trend which has been booked this year. And in terms of market value, the investments what we made, there is still some bit of unrealized income which is available in the books.
- Anand Laddha:** Okay. Is it fair to assume this full year income, other income of 229 crore? What is the sustainable part in that? Because historically the other income interest income, are not so high sir?
- Prateek Jain:** So typically, what we do is, for the purposes of tax efficiency, whenever it becomes long term capital gain, we try to book that kind of other income only once it is tax neutral to us.
- Anand Laddha:** So, there is no one off component in this. This is probably sustainable even for next year.
- Prateek Jain:** That's right. This is all depended on the market conditions. Obviously, some investments are being made into some of our equity scheme which are subject to market condition
- Anand Laddha:** On your presentation, slide number 8, On the set side, you have shared some, new SIP amount and new SIP count. Just wanted to understand, the new SIP value for this quarter of 40 crore this was just for this month or for the quarter.
- Prateek Jain:** This is for the month.
- Anand Laddha:** Okay for this month and 40 crores was for another month?
- Prateek Jain:** Yes.
- Moderator:** Thank you. The next question is from the line of Rakesh Shinde from Motilal Oswald Securities. Please go ahead.
- Rakesh Shinde:** Yes, hi sir. Just wanted to know what is our net yield in mutual fund business and PMS business?
- Sundeep Sikka:** Net yield, as you see on an overall basis is about 67 basis points on mutual fund because our PMS business is small and probably for PMS it would be in excess of about 100 basis points.

**Rakesh Shinde:** Including Mutual fund and advisory as well?

**Sundeep Sikka:** No. What I am saying is that on the PMS and AIF it will be in excess of 100 basis points and on the mutual funds is about 65 basis points.

**Rakesh Shinde:** Okay. And one more thing you said 11% to 12% is your Direct AUM out of your equity AUM. So that would be in terms of flows, that is, Net equity inflow?

**Sundeep Sikka:** Broadly it has been in the same range, because in direct we have been seeing increased traction coming through digital. But also the base is marginal. .

**Moderator:** Thank you. The next question is from the line of S Parameshwaran from JM Financial. Please go ahead.

**Sameer:** Sir, till last quarter we have a disclosure on marketing and publicity expense line. What would be the number for this quarter?

**Sundeep Sikka:** Broadly it was in the same range. And if you see the overall q-o-q growth, you know there is only about 6 crores of expense which has increased, and which is also partly due to CSR, which is if the profit grows up, you need to provide for the CSR piece as well and the other variable cost. But broadly in the same range. And as far as the disclosure is concerned, that was more of an audit and disclosure requirement, that's why we had to do it.

**Moderator:** Thank you. The next question is from the line of Jaimin Desai from ICICI direct. Please go ahead.

**Jaimin Desai:** Thanks for taking my question. This is Vishal here. There is one question regarding the flows. Has reliance AMC seen outflow especially in the month of March as we have seen in the industry as a whole, especially in terms of equities?

**Sundeep Sikka:** Its broadly in line with the industry but I think that is a little better off because, for us the majority of our flows are very retail in nature and retail investors do not immediately react to the volatility. So, I think for us we are in line with the industry.

**Moderator:** Thank you. The next question if from the line of Swanand Kelkar from Morgan Stanley. Please go ahead.

**Swanand Kelkar:** I had a couple of questions. One was about the attractiveness of alternate investment channel which is ULIP, one obvious reason being the tax disadvantage now for mutual fund investing. On top of that if you now saying that you are going to cut distributor commissions and pass on whatever the regulator is passing down to you. Does it reduce the attractiveness of MFs in a material way? And are you seeing any trends especially given your retail footprint across the country?

- Sundeep Sikka:** No. I think broadly the way we see is, the attractiveness for mutual funds compared to all financial products is at an all-time high. I think we are seeing the people in small cities and towns across the country are more open to adapt mutual funds. It's becoming a part of a monthly wallet. I think the segments of AIF and Mutual Funds are very different. AIF requires a minimum ticket size of Rs.1 crore. Compared to a mutual fund which is which is Rs.100. So, I think we clearly see, as far as this journey is concerned, of money moving into capital markets, mutual funds will always remain the first port of call. And clearly, we do not at any point of time see the mutual funds being unattractive compared to alternate investment funds, because both are totally targeting different segments.
- Swanand Kelkar:** No. I was saying vs ULIP not AIFs.
- Sundeep Sikka:** Oh, sorry then. Again, my answer will broadly be the same. Only thing is we clearly believe that the investors, with the education that is happening, everybody is understanding insurance is for protection and mutual fund is for wealth creation. Rather we take it other way around, it's about the tax but its more to do with the core of both the products. We clearly believe, going forward, ULIPs can lose out more to mutual funds because of the fact that for wealth creation its obviously mutual funds.
- Swanand Kelkar:** I understood. The second question was more about the guidance that you gave broadly about 67 to 69 basis points as your top line and your 22 basis points as your profit as a share of AUM, that assumes what kind of an asset mix? Because the question was related to the fact that if suppose debt becomes attractive over the next 12 months versus equity and flows go to debt vs equity, would you still stick by the guidance or are there implications for that?
- Sundeep Sikka:** I think the way we see, we would broadly like to stick to the guideline. While we cannot give a forward guidance but broadly the way you have to see is, while the revenue in the debt is less in basis points, but the volumes compensate that.
- Swanand Kelkar:** Are you seeing that trend starting that people are now finding fixed income more attractive vs equity or is it still early days.
- Sundeep Sikka:** Oh, I think we see as ours is a balanced asset management company. I think we will keep always all the options, but broadly equity is having a high under penetration the positive trend in equity will continue.
- Moderator:** Thank you. The next question is from line of S Sarkar from SAM India. Please go ahead.
- S. Sarkar:** I just wanted to ask two questions. Your equity book has grown phenomenally, that is commendable, but can you just comment of the debt book, like why is there a stagnancy there? And the second part is, you mentioned that for the IPO money that has come in, you have to lock it in a fixed deposit. Did that contribute meaning fully to the other income growth.

- Prateek Jain:** Partly yes. There is an accrual on fixed deposit which has happened, and which is shown as part of the other income. It is not locked in, but we have to keep it in this fashion as and when we utilize for the purposes of the IPO, we can withdraw from that pool. And as far as the debt AUM is concerned, we have seen some amount of redemption which is happening on the institutional side at the year end, and which is typically been the case for last few years where the corporates do redeem in the last quarter and they come back in the first quarter again.
- Sundeep Sikka:** Typically, in our investors equity is going to be more stable, irrespective of volatility, because it is small ticket size. Debt is always more institutional and more of HNI. So, they are always more vulnerable to market cycle. So that's broadly one of the reasons they have responded fast.
- Moderator:** Thank you. The next question is from the line of Harsh Agarwal from Infina finance. Please go ahead.
- Harsh Agarwal:** I just wanted to understand the brokerage and marketing expense for the whole year. You mentioned 135 crores for this quarter, if you could mention the same number for the whole year?
- Prateek Jain:** The current year number is about 300 odd crores and for the last year was about 250 odd crores.
- Harsh Agarwal:** Does these 300 crores include the brokerage expenses?
- Prateek Jain:** We are talking only about the brokerages. If you look at the pure advertisement cost it was about 84 odd crores as compared to last year which was about 50 to 60 crores.
- Harsh Agarwal:** Okay. Sure. I understand now. Thank you, sir.
- Moderator:** Thank you. The next question is from the line of Saurabh Dole from Trivantage Capital. Please go ahead.
- Saurabh Dole:** Thanks for taking my question. I just have 2 main points of queries. One is on your intangible assets. If I look at the press release, on your balance sheet receipt, the intangible assets (a) what does this comprise of (b) why has there been a decline from about 240 cr. Last year to 220 cr. That is question number one. And the second question is, when you are actually explaining then how do you plan to utilize your IPO proceed, you have also allocated about 160 odd crores for funding inorganic growth. So, I just want to understand what the progress on that front and what kind of targets your is would be looking at. Thank you.
- Prateek Jain:** While I will answer the amortization fees and I will ask Sundeep to answer on the inorganic growth allocation that is made in the IPO. As regards this intangible asset, this is the asset management rights we acquired for acquiring the Goldman Sachs franchise. We paid about close to 247 crores, which as a conservative practice we have been amortizing over a period of

10 years. And therefore, you see there is an amount of 25 crore this year which has been amortized, which is a higher amount as compared to the last year. Since it has been amortized in the P&L, the balance sheet amount has come down to that effect.

**Sundeep Sikka:** As far the acquisition is concerned, I think from our point of view we have been open to inorganic opportunities, while I will not be able to share the exact details. But the only thing I can say is I think we are very conscious of the fact that organically we are growing at a very low cost. So, if there is an opportunity which is accreditive and add value to the shareholders we will be looking at it, which complements our present business model. So, we remain open and I think we will update you as and when things are going ahead

**Moderator:** Thank you. The next question is from the line of Aadesh Mehta from Ambit Capital. Please go ahead.

**Aadesh Mehta:** Hello Sir. I would just like to ask regarding the 30 bps extra which SEBI allows us on certain percentage of assets sourced from B15 locations. So, they have changed the rule from B15 to B30. So how does that impact our pricing in many of the schemes?

**Sundeep Sikka:** If you see, SEBI has given this benefit to deeper penetrating market beyond 15 cities, and if you see what they have put in the formula was the base or the denominator was 15% of the AUM. If you hit the 15% of the AUM you will start getting hurt because that you can only limit to that extent. So, in our case it is helpful, because our assets from B15 cities were already higher than this 15% and therefore, from our perspective if I look at it, this is a very good thing and from the industry also. And now that this has been shifted to B30 cities where our market share has been relatively higher, and therefore we will get disproportionately benefitted by this.

**Aadesh Mehta:** So, it will be around 16% of the AUM would be from B30 vs 22% from B15 earlier.

**Sundeep Sikka:** Right. As far as equity is concerned 24% of our AUM comes from B30 and beyond.

**Aadesh Mehta:** Okay, in equity 24% of AUM comes from B30 and beyond.?

**Sundeep Sikka:** Yes.

**Aadesh Mehta:** So, there will be no meaningful impact of this on your pricing.

**Sundeep Sikka:** There will not be any meaningful impact. The other thing as Prateek mentioned, the fact that these are locations out of the 280 locations, this could turn out to be advantageous to us in future.

**Aadesh Mehta:** Thank you sir, Wish you all the best.

**Sundeep Sikka:** Thank you very much.

- Moderator:** Thank you. The next question is from the line of S Parameswaran from JM Financials. Please go ahead.
- Sameer:** Hi, Sameer here. Just wanted to understand that if you look at the standalone vs consolidated profitability, gap in terms of the consolidated profits, they have kind of improved. So which subsidiary or which business is the improvement coming from? Full year basis YoY?
- Prateek Jain:** On y-o-y basis if you see, in terms of the PAT as against Rs 505 we have Rs 522 crores. Predominantly the profit we have added from our AIF and Singapore subsidiary.
- Moderator:** Thank you. The next question is from the line of Nishchint Chawathe from Kotak Securities. Please go ahead.
- Nishchint Chawathe:** Just a follow up. You have mentioned that the brokerage expense moved up from 250 odd crores to 300 crores in last one year. That is FY17 vs FY18. If I look at the gross industry inflows in the equity, that has kind of gone up by more than 90%. So, I would have ideally expected this number to rise at a very familiar pace assuming that you are broadly there in terms of market share. So just trying to understand what I am missing.
- Sundeep Sikka:** No. The Brokerage cost is amortized. And therefore, whatever we accrue will be amortized over a period of one year. That's why you are not seeing that increase while we got the asset but that was in the latter half of the year. And secondly it gets amortized.
- Nishchint Chawathe:** And this will be amortized over a period of how many years?
- Sundeep Sikka:** 12 months.
- Nishchint Chawathe:** So, it will be rolling 12 months.
- Sundeep Sikka:** That's right. Also, we have a claw back from the distributor, in case the money goes out,
- Moderator:** Thank you. Since there are no further questions I now hand the conference over to Mr. Ashutosh Mishra for his closing comment.
- Ashutosh Mishra:** Thank you. Thank you, all investors, for actively participating in the call and thanks to the management for giving their perspective. Thank you.