



“Reliance Nippon Life Asset Management Limited Q2 FY2019 Earnings Conference Call”

November 01, 2018



NIPPON LIFE ASSET
MANAGEMENT LTD



MANAGEMENT:

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Ashutosh Mishra: Good morning everyone and welcome to the Reliance Nippon Life Asset Management 2Q FY2019 Earnings Conference Call. Today, we have with us Mr. Sundeep Sikka, ED & CEO, Mr. Prateek Jain, CFO and Mr. Tanaka from Nippon Life as well and other senior team member to discuss Q2 FY2019 Earnings and key business strategies going forward. So over to you Sir!

Sundeep Sikka: Good morning everyone and welcome to all of you for Q2 FY19 earnings conference call. We have with us Prateek Jain, Chief Financial Officer, Ms Tanaka-San from Nippon Life and other senior managing team members.

I am very proud to share that we have received the mandate of Employee State Insurance Corporation to manage its funds. With this mandate, RNAM becomes the only asset manager in India to have the four prestigious mandates of EPFO, CMPFO, PFRDA and ESIC.

For the quarter, the operating revenues rose to Rs 3.91 billion. Net profit increased by 12% to Rs 1.14 billion. We remain committed towards our journey of profitable growth. Despite volatility in markets, retail investors continue to invest showing their evolving behavior and propensity to invest for the longer term. Our Systematic Investment Plan book is approx. Rs. 102 billion, grew by 45% and SIP Count increased by 40% to 2.9 million. Over 78% of the incremental SIPs have a tenure of over 5 years

I am happy to inform that we have the highest Retail AUM of Rs. 837 billion driven by robust distribution network and strong retail brand. Also, our retail assets have grown highest in the Industry at Rs. 201 billion in the last 12 months. Our Retail AAUM contribution to Total AAUM is amongst the largest in the industry at 34%. I am pleased to share that our Equity Assets, including ETFs, rose by 25% and crossed the milestone of Rs. 1 trillion. Our Folios count grew by 18% to 8.6 million.

We continue to be amongst the leaders in 'Beyond Top 30 cities' segment. This segment contributed AUMs of more than Rs. 413 billion. Over 17% of total assets are sourced from this segment, as against 15% for the Industry. 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 298 locations. We continue to focus on locations beyond the Top 30 cities, as assets from the smaller locations have higher persistency and are more profitable.

RNAM remains well diversified in terms of distribution, with no single distributor contributing to more than 4.5% of the total mutual fund AUM. Our distributor count went up from 68,000 in March 2018 to more than 71,000 as on September 2018.

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

RNAM is the 2nd largest ETF player with a market share of 14% in the ETF segment. It has an AAUM of Rs. 132 billion for the quarter ended September 2018. RNAM is the only AMC to have 15 years of track record in managing ETFs. India has also seen increasingly higher inflows from international markets. We have taken steps towards that and have been closely working with Nippon Life Insurance to leverage on their global tie ups. RNAM is managing and advising AUM of approx. Rs. 82 billion from offshore business.

Reliance AIF has commitments of approx. Rs. 24 billion across various AIF schemes as on September 2018. We have raised commitments of approx. Rs. 10 billion in our AIF equity schemes over last 12 months and fund raising is underway for the fourth equity fund.

SEBI has recently come up with a New circular. Key changes include adoption of full trail structure, all commission and expenses to be paid from scheme and B 30 incentive allowed only on retail inflows.

Further, revised slab Structure of expense ratios is awaiting final notification. We understand that the industry is aligned to pass on the impact to distributors, which we expect to be compensated by increased volumes. Going forward, we believe that for new sales, different distribution structure will evolve based on a sharing formula which will benefit both AMCs as well as distributors.

The move to an all-trail model is better aligned to investors and distributors interests, and will help in reducing churn, thereby benefitting retail investors. Also, the all-trail model will have a positive impact on independent financial advisors, who are a key source of distribution for us. We are confident that the changes would lower cost for mutual fund investors. This will aid in greater retail participation and help in positioning Mutual Funds as the preferred mode of investment as compared to other similar financial products.

With our wide distribution network, retail strength, strong brand recall, RNAM is perfectly placed to accelerate profitability and AUM growth in the coming quarters. With those comments, we are happy to take your Questions.

Moderator:

Sure. Thank you very much. We will now begin with the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We have the first question from the line of Keyur Shah from Emkay Global. Please go ahead.

- Keyur Shah:** Thank you for the opportunity. Sir I would like to know how has our SIPs panned out in the month of October and how has our liquid fund performed in the month of October, so for the start of the Q3?
- Sundeep Sikka:** Since the results are for Q2 FY19, I will not be able to talk about October, but broadly the trend remains positive. We have seen the markets being volatile for quite some time now. Our average number of SIP's that we are doing every month if you were to compare from Q2 versus Q1, the numbers have been increasing and overall also if you see our monthly SIP book when we started the quarter was Rs.827 Crores, which has now moved to Rs.845 Crores on Sep'18. Our focus continues to be retail investors & smaller ticket size. We continue to see more new investors coming in. Whatever volatility in flows that we have seen its more in HNI segment.
- Keyur Shah:** How does it go for the liquid funds?
- Sundeep Sikka:** For liquid I think we have always been focusing on high quality assets and our performance has been consistent.
- Keyur Shah:** Fine. That is, it. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Haresh Kapoor from IIFL Asset Management. Please go ahead.
- Haresh Kapoor:** My first question is on the liquid funds side. What I was asking was that the absolute liquid fund AUM has moved up for the FY2018 number, so I think last quarter you had Rs. 36,000 Crores approximately in terms of the liquid fund AUM, which is back to the Rs. 46,000 Crores number currently, so have we won some more relationships? What is really happening on the liquid fund side that we have seen good traction on a Q-o-Q basis?
- Sundeep Sikka:** The markets have been volatile. The investors have been focusing on higher quality liquid funds and also what has been happening is the shift towards the bigger size funds. While we have been getting new relationships, but I think the strong increase that you have seen is more a function of investors getting more confidence from large size funds and better-quality portfolios.
- Haresh Kapoor:** Is this money more from the HNI clients or more from institutions?
- Sundeep Sikka:** Mixed one because that the kind of volumes that have gone up, it is more to do with the institutional investors.
- Haresh Kapoor:** The second bit on the IL&FS exposure I think we have seen a lot of the other peers having some of it in their treasury, so if you could kind of just give some thoughts on the exposure that you have at a fund level and even anything on a treasury levels you have?

- Sundeep Sikka:** We have zero exposure to IL&FS.
- Haresh Kapoor:** Great Sir and last thing on this TER impact if you just kind of throw some color by just giving out the calculated values that you would have done on your fund side how much its impact and how much will you be able to pass on? What is the broad expectation there overall?
- Sundeep Sikka:** Broadly if you were to look at it, with all the changes that have happened, we see an impact of 13 to 15 basis points on our existing equity book. However, the endeavor will be to pass on the entire thing to the distributor. I think that is what the industry is working, and this will be more than compensated by the increase in volumes for the distributors. This is exactly what we did some time back also when there was a change in regulations.
- Haresh Kapoor:** This 15 bps is on 100% impact on the total AUM without passthrough right?
- Sundeep Sikka:** 15 basis points is impact on existing equity book if you do not pass on anything but like in the past the entire thing would be passed on.
- Haresh Kapoor:** You are saying 15 basis point impact just on the equity funds that is going to be factored in?
- Sundeep Sikka:** If nothing is passed on.
- Haresh Kapoor:** What is the expectation of passing on because I think we are seeing that an industry level might be 50% to 60% that is the number that I think many peers are working with, so is the same trend for you?
- Sundeep Sikka:** I do not think it will be 50%, it will be much more. The way we see it majority will be passed on. Typically for us our strength has been IFA's and IFA's typically have always preferred more trail commission, so I would say the majority of this will be passed on.
- Haresh Kapoor:** Last thing on the other expenses line item for the quarter I think on QoQ basis that has fallen, so could you just highlight is there more let us say advertising expense or anything like that, which is a variable cost, which has gone down and what are the components for that?
- Sundeep Sikka:** I will just request Prateek Jain to take this question.
- Prateek Jain:** As we have been mentioning in our previous calls as well that we have been cautiously working on in terms of improving our operating efficiencies and due to that efforts, the overall expenses have gone down. If you see corresponding quarter last year about 8% to 10% cost has come down, so we will continue to work towards that and marketing also is one of the reason for expenses to go down.
- Haresh Kapoor:** On the marketing & advertising line item is where you want to kind of improve overall right?

- Prateek Jain:** As we have mentioned previously that last year being an IPO year and also markets were doing well we were spending more and this remains part of our growth strategy. What is happening is that the new SEBI circular which has come in has also mandated that all the expense what we do has to be charged to the schemes. That would also bring in further reduction in the expenses and while we consciously work on reducing our expenses.
- Sundeep Sikka:** I think also just to add to it as we have discussed this in the past also. If you were to look at our overall cost structure about 36% to 37% is fixed in nature rest all is variable and which is our discretionary spend depending on the market condition and on how we want to accelerate the growth, so I think it is going to be a function on various things, but we continue focusing with a very low fixed cost structure and all these discretionary spends will be evaluated at different points of time depending on the market conditions and also based on what markets segment and what market space you want to accelerate them.
- Haresh Kapoor:** Great Sir. That is from my end. Thank you.
- Moderator:** Thank you. The next question is from the line of Nishchint Chawathe from Kotak Securities. Please go ahead.
- Nishchint Chawathe:** Just want to understand what proportion of your distributors is on a full trail model? I know mentioned that IFAs are like 50% and they are largely on full trail, but I think if you give a sense of on the overall mix how much would be on full trail model?
- Sundeep Sikka:** I will just give you a little color to it. As we talk today about 70% of our retail assets, which come through IFAs or national distributors who are also serving IFAs, majority of those assets are coming more on a trail model with lower upfront commission.
- Nishchint Chawathe:** Sure. What proportion of your business is direct?
- Prateek Jain:** On the equity side it is 14% direct and on overall AUM basis it will be about 45% direct.
- Nishchint Chawathe:** The other thing was you mentioned a gross impact of 13 to 15 basis points, I guess this is 13 to 15 basis points on equity, right?
- Sundeep Sikka:** Yes correct.
- Nishchint Chawathe:** Sir is it equity or overall?
- Sundeep Sikka:** It is equity.
- Nishchint Chawathe:** In that sense I think from an overall company point of view the impact could be much lower?

- Sundeep Sikka:** Much lower. That is why we said it is only on equity.
- Nishchint Chawathe:** Sure. The other thing was on the marketing or other expense as you kind of put it now what proportion of this should we kind of assume to be linked to new business and how much of it could it be kind of more from an ongoing business point of view?
- Prateek Jain:** As Sundeep was mentioning that we are predominantly working with IFAs, which work more on trail commission. So in terms of the upfront cost which used to get accounted in the AMC books, because of the SEBI notification will not be there as SEBI has mandated that going forward no upfront commission will be allowed. So over a period of time whatever upfront commission we have paid majorly will get amortized in the next 12 months and further as there will be no incremental value, which will be coming in therefore this line item will gradually reduce in the next 12 months. As far as that was concerned it was related to the new business, which we were sourcing and that used to be overall in the range of about eight to ten basis points put together on AUM basis.
- Nishchint Chawathe:** I can broadly assume that the entire was new business, which I can sort of now net off from the income side and from a modeling point of view, I can just remove it from the income side and obviously this line become zero as well? Just one more thing now on the entire NBFC exposure we have been hearing that a lot of corporate investors have been kind of telling mutual funds that they are not comfortable with having any NBFC exposures and in that sense some of the mutual funds had to reduce their exposure to NBFCs. What is really your experience around this and are you really concerned about any of your NBFC exposures? I believe you mentioned that you do not have any exposure to IL&FS, but would you possibly need to make any provisions against any of the exposures that you have?
- Sundeep Sikka:** We do not think we need to make any provision. The quality of our assets is pretty good. I think at the same time we have been also hearing that the institutional investors have been asking they want to see better quality on paper. If you were to go to the earlier question where I answered our AUMs have been going up, one of the reasons for that has been the quality of the portfolio has been very good. We have always been very conservative on our strategy when it comes to debt. from a quality point of view overall 90% of our overall debt is AA and above, so I think we continue to maintain a very conservative strategy and for us by design we do not want to go down the credit curve and have not faced any pressures till now.
- Nishchint Chawathe:** Are you incrementally investing in NBFCs?
- Sundeep Sikka:** We will be selective as in seeing the quality of the issuer, so it is not a blanket yes or no. I think as in the past it is selectively depending on the balance sheets.
- Nishchint Chawathe:** I will just come back in the queue if I have any more questions. Thank you.

- Moderator:** Thank you. We will move to the next question. The next question is from the line of Utkarsh Solapurwala from Damos Capital. Please go ahead.
- Utkarsh Solapurwala:** Can you comment about status of ICDs in the current quarter?
- Sundeep Sikka:** It has come down a little and as we have mentioned earlier, over a period of time we will get this ICD exposure to zero. These are all done before RNAM being listed and, it has come down by a small amount, but we have not increased further and will not be going forward. Henceforth we will be only investing in mutual funds, no ICDs.
- Utkarsh Solapurwala:** So, is there any exposure to related party?
- Sundeep Sikka:** Yes, there are exposure to related parties; however, like I said these were before RNAM being listed and the total amount of about Rs.425 Crores as these mature they will fade away.
- Utkarsh Solapurwala:** Okay. Thank you.
- Moderator:** Thank you. The next question is from the line of Madhukar Ladha from HDFC Securities Limited. Please go ahead.
- Madhukar Ladha:** I wanted to get a sense on why staff costs have gone up so sharply year over year and even quarter over quarter?
- Prateek Jain:** If you see earlier we used to provide some phantom ESOPs and we had certain payment which used to happen through ESOP trust, all that has now been consummated in terms of the salaries and therefore if you see there is slight bit of increase in our staff cost. Also, we have opened almost about 120 odd additional locations post our IPO so we have been adding few people as well. Besides that, under Ind AS whatever ESOP's have been given, fair value of the stock option need to be amortized which is also one of the reasons.
- Madhukar Ladha:** Got it. The phantom ESOPs scheme is still on right, it is not concluded if I am not wrong.
- Prateek Jain:** Phantom ESOP scheme which we have given prior to the IPO that is still on and there will be no further such phantom ESOP scheme all will be routed through the new ESOP which will be provided by the company.
- Sundeep Sikka:** So the phantom ESOP was given in 2015 and subsequent to that nothing has been given, so this will also like I said earlier question this will also fade away over a period of time.
- Madhukar Ladha:** Understood, alright. Thank you. That is it from my side.

- Moderator:** Thank you. The next question is from the line of Abhishek Saraf from Deutsche Bank. Please go ahead.
- Abhishek Saraf:** Good morning everyone. Most of my questions have been answered. Just on commercial paper market, so just wanted your qualitative assessment of how this is evolving and when do you think the volumes or the activities will start to normalize and how has been your participation in commercial paper market of late given the prices that we have faced in the last month
- Sundeep Sikka:** We have been selectively investing in some CPs they are high quality CPs but our approach has been cautious. Like in past irrespective of whatever the turbulence that is there at this point of time, our approach has been basically in all our debt portfolio, we always had a very conservative approach, 90% of our entire portfolio is AA and above and if you were to look at latest Factsheet, all the data will be available also it is available on the website.
- Abhishek Saraf:** Okay. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Kunal Shah from Edelweiss. Please go ahead.
- Kunal Shah:** Most of the questions have been answered. Just two questions, firstly in terms of the movement on that funds side, so September we saw significant outflows, how has been the share in the month of October overall and may be that inflows which are there in terms of how we are deploying it is largely we are getting into CBLOs or say may be in terms of treasury base or keeping more of a cash rather than investing into the corporates and say the NBFCs paper.
- Sundeep Sikka:** To take your first question. The industry saw huge outflows in September as we talk today, we have received more than what was the outflow as I have mentioned earlier, the larger AMC's and especially the AMC's which have more conservative portfolio have seen higher inflows because it is more of flight to safety, so investors are more comfortable with large size funds in debt and seeing the quality of the portfolio. Your second part, again our approach as I mentioned earlier, approach remain same, it is a conservative approach I mean as far as debt is concerned, each scheme has a mandate and the investments have been done based on the mandate of the schemes; however, we do not want to go down the credit curve and take any extra risk.
- Kunal Shah:** Okay, so may be in terms of the proportion which earlier used to go outside of the corporate and the NBFC paper, is it going up and is there are higher cash which is there now?
- Sundeep Sikka:** If you go to SEBI regulation allows up to 40% of portfolio going to NBFCs. As we talk today I think we were never close to 40%, but clearly seeing the environment at this point of time, we will see whatever the number was two months back it will reduce a little, because we will go for better quality NBFCs and HFCs.

- Kunal Shah:** Okay and then lastly in terms of SIPs, so how has in the behavior in terms of this volatility both on the equity as well as on the debt market, have we seen any kind of in spite in terms of inflows or CD accounts in terms of SIPs.
- Sundeep Sikka:** If we were to see monthly new SIP registrations for Q1 was nearly about 95,000 and as we talk today for sept is approx. of 1 lakh new SIP registrations. So the SIPs continue coming on the same pace, this is for RNAM. However, across the industry what we have seen is typically the SIP which is for the larger ticket size which were at Rs. 25,000- Rs 30,000 there we have seen a little bit of cancellation happening there, but however we have been more focusing on retail, there we have not seen any abnormal slowdown or cancellations. Our SIPs average ticket size is about Rs 3,000 there we have not seen much impact.
- Moderator:** Thank you. The next question is from the line of Parmeshwara S from JM Financial. Please go ahead.
- Parmeshwara S:** Param here. Sir I wanted to understand this 13 to 15 basis point impact that you are saying, this is net of the 6 to 7-basis point that we are saving on upfront commissions?
- Prateek Jain:** The overall impact of this regulatory change which is yet to be notified because of the new TER structure, the impact will be about 13 to 15-basis point on the Equity Assets. This is not of the net of upfront commission. Going forward the new distribution structure is likely to evolve because the upfront has been taken away completely and therefore we believe that more or less it will be in the form of sharing formula which will be like close to about 50% to 60% of the earning to distributors, so this is where we see this settling down in terms of the distribution cost going forward in trail commissions.
- Parmeshwara S:** Okay, because I wanted to understand so 13 to 15basis point on equity, AUM would be like 6-basis point overall and we would be saving similar on the upfront commission?
- Sundeep Sikka:** Like what I said is that 13 to 15 basis point impact majority of that will be passed on. See the important thing is that majority of that will be passed on and the savings we are talking about which will come in upfront commissions, that over a period of time will start accruing to the AMCs. The churn will reduce going forward.
- Parmeshwara S:** Okay. Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Rohan Advant from Multi-Act. Please go ahead.
- Rohan Advant:** Thanks for the opportunity. My first question is on ICD, you said that in the natural course of time this will move to zero, I wanted to understand the tenure of these ICDs?

- Sundeep Sikka:** These ICDs were given prior to the IPO and it was more of a put or call option with a one year reset and as and when these comes for maturity. Our endeavour is to call back and square off these so we are working towards that.
- Rohan Advant:** So say by FY2020 March would this go to zero is what you can guide us towards?
- Sundeep Sikka:** Yes, so we are trying the majority of that should be squared off by then.
- Rohan Advant:** Okay and secondly on the new TER structure, if you could give us some color on how smaller schemes does who can give higher distribution commissions will fare against the largest schemes in new environment.
- Sundeep Sikka:** It is not just the scheme size or it is not just TER or the brokerage that impacts the inflows into the scheme, if that was the case this option was always available. It is a mix of multiple things first it is the execution capability, second it is being present in the small cities and towns, thirdly the connect with the distributors. I would rather say especially over the last 10 years we have been focusing on profitable growth. Paying higher brokerage is not our USP and should not be used basically to garner more assets. I would not subscribe to that view if any smaller scheme can pay higher commissions, so more assets will flow, we also have some small schemes wherein we can pay more, but we will not take that route.
- Rohan Advant:** Okay and even as of today your commission would be lesser than the smaller schemes, right?
- Sundeep Sikka:** If we look at our distribution mix, because a lot of our retail assets come from IFAs and smaller distributors, for these channels the cost of acquisition is low compared to the assets gathered from banks and national distributors.
- Rohan Advant:** Okay, understood. Thanks for taking my question Sir.
- Moderator:** Thank you. The next question is from the line of Abhishek Saraf from Deutsche Bank. Please go ahead.
- Abhishek Saraf:** Thanks for taking my question again. Sir one small bit on NBFC part, so you said that you are obviously being a bit cautious on the NBFC, the incremental lending, so if you could just add some more color in terms of what kind and is there any specific means the size of NBFCs that you are looking at and the kind of NBFC you are lending to incrementally, a guy desisting incrementally away from HFCs or a gold loan NBFC and trying to go more towards other asset financials, just some color on that is there any change in the way you are looking in the NBFC space right now and secondly on the SIP side, if I heard you right you said that you are incrementally also you have not seen any slowdown nor has they been any cancellations of earlier SIPs, is it my right understanding on that.

- Sundeep Sikka:** As we talk today, we have not seen any abnormal cancellations, number one. I think your earlier question is again very difficult to pinpoint and say which are the NBFCs we will go for & not go for. The credit team keeps evaluating different proposals. Just to give you some color as we talk today like everything right now we are not investing in very long term, in our entire portfolio all CPs are AA plus and above. I do not want to take individual names, but all CPs are AA plus that will give you some color which path we are going.
- Abhishek Saraf:** Okay, just on belaboring a bit on SIP side, so in terms of the incremental SIPs every month, the pace of incremental SIP is also remained more or less the same that also has not seen much of a decline either?
- Sundeep Sikka:** That is also function of because as Prateek mentioned earlier, we have opened about 120 new locations post our IPO. Our reach is increasing, as we increase the footprint we are getting more SIPs from newer cities and towns also.
- Abhishek Saraf:** Okay and Sir last thing if what happens in case if the cancellations happen, they start to reflect with a lag right and how much would that lag generally be?
- Sundeep Sikka:** If I was to look at the last 10 to 15 years, whenever the market has been volatile typically what happens is, the large ticket size SIPs they start discontinuing; however, the smaller ticket size Rs. 1,000 - Rs. 2,000 SIPs, they do not discontinue. We just see a slowdown of registration of new SIPs that is the trend that we have seen in past, let us take a scenario the same volatility was to continue for six months more. I would not expect a lot of cancellation happening I can expect little slowdown if we are doing 1 lakhs new SIPs a month it could go down to let us say 80,000 or 85,000, but I do not see cancellation, because typically the smaller the ticket size, they do not try to go and cancel the SIPs that is what has been trend in past.
- Abhishek Saraf:** Sure. That is very helpful. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Bobby Jayram from Falcon Investments. Please go ahead.
- Bobby Jayram:** Just to confirm the total equity flow are just that normal equity from retail, HNIs corporates etc, was the same for the month of September this year and last year or is it?
- Prateek Jain:** Equity AUM you have talked about?
- Bobby Jayram:** Equity, yes.
- Prateek Jain:** Equity AUM has gone up. Last year this time it was Rs 81,000 crores and today we are at above one lakh crores.

- Bobby Jayram:** What I mean is not just the AUM the inflows, the inflows for the month of September
- Sundeep Sikka:** Inflows across the industry have come down. Last year at this point of time industry was seeing roughly monthly inflows were about Rs.19000 Crores to Rs.20000 Crores and as you talk today it is about Rs.11000 Crores.
- Bobby Jayram:** So it has come down quite a bit.
- Prateek Jain:** Yes I think the way you have to see this is the retail part has not come down, the HNI part has come down substantially.
- Bobby Jayram:** Is this consistent with past experience?
- Sundeep Sikka:** Typically whenever the market become volatile as I mentioned earlier even when the markets are going up, it is typically the HNIs are the first who want to invest and there is a lot of hot and tactical money which comes into the system and then if the markets are volatile, they are always the first one also to move out. That is one of the reasons we have seen. The sticky assets come from smaller ticket size and retail, that is what we have been focusing on. So if you were to look at this number further, the overall net number is Rs.20,000 crores which came to Rs.10000 Crores or Rs.11000 Crores. Broadly the inflows have come down, redemption remains almost constant, it is just the inflows from HNI segment has slowed down.
- Bobby Jayram:** Okay and in terms of contribution, what is the split between the HNIs and retail?
- Sundeep Sikka:** Broadly for the industry you can take it. This is ballpark number I am giving at this point of time excluding corporate, it is typically roughly 45% to 50% comes from HNI and balance is retail.
- Bobby Jayram:** Right and are these retail inflows and what is the split within retail, what is the split between SIPs and regular mutual funds?
- Sundeep Sikka:** If you were to take it simply, so for us about 70% of inflows come through SIP. And which can be predicted for future also.
- Bobby Jayram:** Okay and have you seen what has been the change in the remaining 30%, have you seen even retail investors hold off because of the volatility?
- Sundeep Sikka:** We have not seen little bit definitely it is going to be in line with the markets, but again like I said the behaviour of HNIs is very different from retail and when we talk retail, as AMFI definition of retail any investor having Rs.5 lakhs or less. So the typically the retail investors are a little more sticky, they are not that savvy and they do not react to what is happening.
- Bobby Jayram:** Is your goal to focus more and more on retail over the five year?

- Sundeep Sikka:** From our perspective while we are present in all segments - Institutional, HNIs and retail, but our focus remains retail because retail is where the profitable growth comes from so we take pride in being the largest retail AMC in the country. We also have the largest retail AUM which is approx. Rs. 84,000 Crores and in line with our philosophy. If you look at the last 12 months we have the highest retail growth in the industry, which is more than Rs. 20,000 Crores it is the focus of the company.
- Bobby Jayram:** Okay and final question, what you say you categorized retailers as less than Rs.5 lakh right? Whether this segment what do you think is split your best guess is the split between bank deposits and mutual fund industry, so they are putting 10% of their financial free cash so to speak in mutual funds or which superstratum?
- Sundeep Sikka:** I will not have a number, it would be lower than the national average, retail investors typically are taking first step into the mutual fund industry, I think if you are going to look at a national level if you are talking about the bank deposit is about Rs 119 lakh crore mutual fund industry is about 18% to 19% of the bank deposits, for the retail investors it could be much lower.
- Bobby Jayram:** Out of Rs.100 they have been putting like Rs.10 in mutual funds, right?
- Sundeep Sikka:** It would be even less, which leaves a lot of headroom for growth
- Bobby Jayram:** Okay, alright. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Vinod Rajamani from HSBC. Please go ahead.
- Vinod Rajamani:** Good morning. Thanks for taking my question. Just had two questions on the regulation which has come out in October, so where do you see the biggest impact as far as the regulation which came out in October by SEBI, which are the pain points that you feel rather, the biggest pain points for the industry and for yourself that is one and the second question is do you see any further regulation coming in from say SEBI or AMFI in the future. Thanks.
- Prateek Jain:** The current circular basically talks about two things. One is that importantly upfront commission has been completely abolished, all the AMCs now must pay the distribution commission through a trailer route, basically it helps the industry because the distributor and investor now will get completely aligned and this will reduce the overall churn which has been a concern for a long time. Especially if you look at the large banks and see their average holding has been quite lower as compared to the money which was brought in by the IFAs. So predominantly it will impact AMC's which have been depending on the banks distribution network, but we have always been working towards garnering higher share from IFAs and national distributors, so this is one change which has happened. Secondly on the operating side, there could be some pain point as you mentioned for the industry, because now all expenses have to be charged to the

schemes. Now there are expenses which we have to do like in terms of marketing etc which has to be now charged to the particular scheme or attributed to scheme, this will be some kind of an operational difficulty for which we are working through AMFI to work out a common guideline. As regard the future changes, there is a circular – what we understand from the press release that the changes with regards to the TER structure of the fees which is yet to be notified which we are expecting and that we have discussed earlier in the call that its impact would be 13 to 15 bps on our equity funds. Sundeep has mentioned in the past that we have always been conscious about our scheme size we have been diversifying our distribution of our various schemes and we did not have any concentrated AUM in one or two scheme and hence the impact to some of the peers which have larger AUMs in one particular scheme will be much higher while for us it will be in the range of 13 to 15 bps.

Vinod Rajamani: Yes, thanks for that.

Moderator: Thank you. The next question is from the line of Siji Phillip from Axis Securities. Please go ahead.

Siji Phillip: Good morning Sir. Most of my questions have been answered. So just one more question was could you give more color on B 30 penetration during the quarter and what kind of growth could be seen in the year ahead. That is it?

Sundeep Sikka: Good part about B 30 assets now is that if you see the new circular also, they have now restricted to only the retail investors, so any kind of misuse which used to be happening by some corporate coming from there that will get plugged. From our perspective, we have always been focusing through our new locations which we have opened to garner higher retail assets through our IFA network, so I think for us given that we have the highest geographical presence in the country, we will have the maximum advantage of retail money coming to us going forward.

Siji Phillip: Any number that you can put to it?

Prateek Jain: Our share for B30 is higher is about 17% right now.

Sundeep Sikka: 17% compared to the industry of less than 15%.

Siji Phillip: Okay, that is all from my side. Thank you.

Moderator: Thank you very much. That was the last question queue. As there are no further questions I would like to hand the conference back to Mr. Ashutosh Mishra for closing comments.