"Reliance Nippon Life Asset Management Limited Q2 FY2020 Post Earnings Conference Call"

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Mona Khetan: Good evening everyone on behalf of Reliance Securities, we welcome you all to the Q2 FY20 post results earnings call for RNAM. We have with us today, Mr. Sundeep Sikka, ED and CEO of Reliance AMC and rest of the senior management to discuss earnings for the quarter gone by and key business strategies going forward. Without further ado, I hand over to Mr. Sikka for his opening remarks, post which we can open the floor for questions. Over to you!

Sundeep Sikka: Good Evening all and welcome to our Q2 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, and other team members.

Let me take you through two important highlights of this quarter. On 27th September 19 Nippon Life Insurance Japan completes the acquisition of 75% stake in the company and becomes the sole sponsor of the schemes. On October 7th, 2019 the company changed its brand to "Nippon India Mutual Fund" which was launched by Shimizu San President Nippon Life Insurance. The initial feedback from the various stakeholders has been positive.

Now let me take you through the highlights of the business. There are 3 pillars to our Asset management business first is Domestic Mutual Fund, second is International Business and third is Alternate Assets.

Despite turbulent times and challenging market conditions, Industry continues to grow, though at a slower pace but the prospects remain exciting. Due to challenging macro and other headwinds our Mutual Funds assets has degrown by 17% at Rs. 2.03 trillion on YoY basis, mainly attributable to fall in fixed income assets. The fall in assets were mainly in the institutional and HNI category.

Last year has been the most challenging time for the company in the 25 years' of operating history.
Despite these challenges, we continue to have one of the largest Retail AUM of Rs. 518 billion driven by strong on ground presence and robust distribution network. Our endeavor is to include as many retail investors especially from B 30 locations. Our Retail AUM contribution to Total AUM is amongst the highest in the industry at 26%.

Despite fall in AUM, we have been able to show marginal growth in our half yearly Profit before tax at Rs 3.39 billion up by 4% led by reduction in discretionary spends. Net profit rose by 16% to Rs 2.62 billion year on year mainly led by lower taxes.

Our SIP Count increased by 12% from 2.9 million to 3.2 million this highlights our retail execution capabilities. The annualized SIP book is over Rs. 102 billion. 80% of the incremental SIPs have a tenure of over 5 years.

We continue to be amongst the leaders in 'Beyond Top 30 cities. This contributed AUM of more than Rs. 393 billion. Nearly 20% of total assets are sourced from these locations, as against 16% for the Industry.

The company is the 2nd largest ETF player with a market share of approx. 19% with an AUM of Rs. 279 billion.

On digital front, I am happy to share that Digital platform contribute approx. 45% of total RNAM new purchase transactions. Our investments in the digital ecosystem is yielding results grew by 54% to 3.7 lakh transactions.

Nippon India Mutual Fund remains well diversified in terms of distribution, with no single distributor contributing to more than 5.5% of the total AUM. Our distributor empanelment went up by 4,300 to 75,400 as on sept 2019.

Let me share a brief update on the other two lines of business International and Alternate Investments.

I am happy to share, we have been successfully awarded a Sovereign wealth Equity Mandate of US$ 500 million. We remain confident of getting higher share of foreign flows coming into India leveraging on Nippon Life's global network of 50 Asset Management related operations and 21 insurance companies globally.

Would like to highlight that this will add to the operating leverage and is part of our profitable growth strategy. The Company is managing and advising international AUM of over Rs. 118 billion.

On the Alternate Investments space, we have commitments of approx. Rs. 27 billion. As mentioned in my Q1 interaction we are at an advanced stage for the launch of our "Indo Japan Emerging Technology & Innovation Fund" which is a FOF in the Tech / Venture Capital Space with marquee names like Mizuho Bank, Development Bank of Japan as limited partners. We also have undertaken initial closure of our first real estate offshore fund which is an exclusive offering Investors in Japan. Some funds in this category would also have a carry.

I would also like to highlight that all the Inter Corporate Deposits given to Reliance group has been received including accrued interest amounting to Rs. 4.2 bn.

To conclude, the potential for Indian Asset management Industry is huge, still about 2% of the population invests in mutual funds and there is a long way to go. With the change in the brand name, the initial feedback from our various stakeholders has been encouraging. We remain excited about the opportunities that in the domestic mutual fund space and our potential to regain market share.

Our focus remains on profitable growth and will continue to focus on SIP's, Retail and beyond top 30 cities assets which are more sticky. Also, we will leverage Nippon Life's global network for expanding our international operations to garner higher share of foreign inflows into India.

With these 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 Baidik Sarkar from Unifi Capital. Please go ahead.

Baidik Sarkar: Sundeep, thanks for the opportunity. I understand your team has been in a very tough operating environment, the question really is, the quantum of outflow that we have seen in Q2 across equities and debt has been very sharply accentuated about 7% AUM loss in equities and 15% in debt funds. What are the realistic cases for reversal and if you could please back it up with trends seen in September and October?

Sundeep Sikka: We have seen outflows for the last four quarters because of the challenges which were obvious and we continued to lose more allocation from corporate investors and HNIs. Will be difficult for me to talk about how the reversal will take place, but all I can share with you at this point of time, during this tough time our retail book continued to be robust. The initial feedback from the segments where we lost AUM has been very positive, difficult to put a number to it how it will work, but we are confident of regaining our lost market share

Baidik Sarkar: Sure, I understand that stakeholder transaction consummated in September and October is almost done, are you seeing any tailwinds in October, any reversal of flows in October over the last few weeks?

Sundeep Sikka: I would not able to give exact numbers, but the trend is very positive.

Baidik Sarkar: Sure, a bookkeeping question, if you could throw some more light on what is the genre reduction in discretionary spends where and is there a risk of that coming in the way of your AUM growth and importantly, how does one model the pro-rated expenses if you have seen commission expenses as a percentage of topline, between Q2 and Q1 that seems to have dropped from both 7.7% to about 4.5%, so if you can just help us understand how that works?

Prateek Jain: As mentioned in our last call we will see further contraction in terms of the fee and commission expenses. Given that the upfront commission is not allowed now these commissions will phase out completely. On the PMS business however we continue to pay upfront commission and as part of the Ind-As accounting policy those will be amortized; These numbers will not be significant.

Baidik Sarkar: Sure, and in terms of the cut down discretionary expenses that Sundeep mentioned, if you could just answer the question, is there a risk of that coming in the way of our AUM collections?

Prateek Jain: In terms of the discretionary spend as mentioned in the past as well, these are more towards the marketing and other initiatives. For obvious reasons in the last quarter we did not spend much on that, Once the brand name change happens there will be certain increased spend, that will be reflected by increased spend in the current quarter.

Baidik Sarkar: I will come back in the question queue. All the best.

Moderator: Thank you. We move to the next question from the line of Amit Nanawati from Nomura. Please go ahead.

Amit Nanawati: Again, the question on liquid and debt, we have continued to see market share losses month-on-month including last month, if you could give some colour around, what is the kind of loss that you have seen from corporate side, HNI side and retail side of which segment of it you would factor expect to come back with the change in the brand?

Sundeep Sikka: We have lost AUM especially in the last four quarters. The mutual fund industry is broadly divided into three segments institutional which is 50%, 25% is HNI and 25% is retail. From us in the institutional segment from the peak of 13% we had come down to 8%, HNI from a peak of 15% we came down to 5% and retail continued at 13%. As we go forward expect the institutional and the HNI segment to regain the market share faster. At what speed it is very difficult to put a number and timeline to it. But we are very confident based on the initial response that we have got in last couple of weeks, the investors who had stopped allocating to us are coming back.

Amit Nanawati: Because frankly the contraction is so large that it is taking toll on profitability per se, right so and even on that if I look at your operating expense, your employee expense has grown by 12% in first half versus 4Q and if I look at employee expense to AUM at 17 basis point versus 6, 7 basis points for another listed peer of yours, while there is some denominator effect, but beyond that also the absolute expenses are much higher, if you could just throw some colour there, what are the gaps, I understand the team size has to be similar because the distribution is as similar, but beyond that what would explain much higher cost?

Prateek Jain: In terms of employee cost, as mentioned we have granted ESOPs in the last two years and there is an element of ESOP related cost, which gets into the P&L and over a period of time it will keep coming down, This cost associated to ESOP has led to higher increase in the overall employee cost.

Amit Nanawati: Beyond employee expense all the other opex line item would say it is fair to assume it will be more variable and linked to AUM by and large?

Prateek Jain: All the scheme related expenses, which is pertaining to AUM is now to be accounted in the scheme itself and therefore in the AMC p&l what you see is the fixed and discretionary cost. Which is attributable towards activities on IT, digital. marketing and cost related to infrastructure in terms of office premises, rents, etc. On a run rate basis and this is how you will see the expense going forward. However, discretionary spend is which will keep changing based on the market conditions and our AUM growth.

Amit Nanawati: Because if I ignore the employee cost and if I look at only management fee to AUM, other opex ex of employee expense the kind of net revenue to AUM post the opex that I get is lower than your peers despite having a smaller AUM size, scheme size where your TERs that your run rate is high?

Prateek Jain: No, you have to basically analyze from a perspective that we have one of the highest distribution reach in terms of branches, so our infrastructure cost and other rental related cost is marginally higher, but on absolute basis it is not significantly different than our peers. Also, the recent decline in AUM - denominator factor probably the ratio looks bit skewed.

Sundeep Sikka: Just to add to it, broadly a lot of these ratios optically are bit high because in last one year we have seen a dip of about 17% in AUM may be a few quarters from now when this AUM comes back, all these ratios will be much better.

Amit Nanawati: That is it from my side. Thank you.

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

Rishabh Parekh: Just a couple of questions, one is I just want to understand the economics behind this international mandate of $ 500 million, how profitable would it be for us, second question on other income, we have cash balance of INR 2,400 Crores and our other income this quarter is only INR 22 Crores, so what was explaining this slight dip in yield and my last question is on operating leverage, given this current cost structure, what kind of AUM will be able to manage. Thanks.

Sundeep Sikka: In terms of the other income basically its completely mark-to-market, but I am happy to share with you that the entire ICDs, which were given to the group has been received along with the interest. Last quarter was a bit volatile and most of the investment book, is in our mutual funds equity as well as debt, so there is a corresponding to mark-to-market impact of that. But let me again reconfirm that the entire amount of networth, which is about INR 2,600 Crores of that 85% is in realizable financial assets. For International sovereign fund mandate typically yields are in the range of 30 bps to 50 bps and for us it is on the higher end of the curve.

Rishabh Parekh: So, this 30 to 50 basis point is net to us right?

Sundeep Sikka: That is right.

Rishabh Parekh: Just one last question on operating leverage and expenditure given current AUM and where this AUM can go?

Prateek Jain: Last year the AUM was ~ INR 245,000 Crores and when we had built up our costs at that point in time to cater for another 25% increase we could have managed the team and expense structure, so potentially up to an AUM of about INR 300,000 Crores plus or minus 10%, we will be able to manage with the similar expense structures. But will put a caveat that are few discretionary spends, which is related to our re-branding exercise and other investments, which we keep doing for further enhancement of our business processes.

Rishabh Parekh: Correct, that is all from my side. Thank you.

Moderator: Thank you. The next question is from the line of Utkarsh Solakurwala from Banyan Capital Advisors. Please go ahead.

Utkarsh Solakurwala: Sir, in last result presentation you have shown the retail assets are at 860 billion and now they are shown at 518 billion, so is there are drop there?

Sundeep Sikka: No, there is a reclassification earlier retail investors definition was INR 5 lakhs, not its been reduced to INR 2 lakhs. The retail assets remain exactly flat which is positive.

Utkarsh Solakurwala: Thank you.

Moderator: Thank you. The next question is from the line of Sanjay Shah from Alphaline Wealth Advisors. Please go ahead.

Sanjay Shah: Good evening, gentlemen. There are two questions, one is as investors, what we can expect from the new management, Nippon Life for years ahead and my second question is, what are the plans of the new management to create or rebuilt brand for retail customers and also regain the lost institutional business?

Sundeep Sikka: On behalf of the Nippon Life and the management team, first I can share with you, the commitment is long-term. Nippon Life Insurance Japan is a 130-year-old company and whatever Nippon life has done is with a very long-term focus. In Japan one out of ten citizens of the country is the policyholder of Nippon Life . Our focus also remains on retail, so coming to your question what do we with the brand? As in the earlier question I had mentioned about the three segments, institutional, HNI and retail. Clearly from the institutional investor perspective, Nippon life is not an unknown name it is a Fortune 125 ranked company and institutional investors are aware of it. HNIs again Nippon life is a known name. In retail, most of our IFAs have been educated or are being made aware of Nippon Life. You would be seeing on business channels like CNBC etc there would be a corporate campaign, but we are also running regional campaigns in small cities and towns to build a retail brand. It can take time, but the retail part of the business is more B2B and as far as the IFAs and distributors are concerned for them they are very well versed with Nippon Life, so it is going to be journey. Nippon Life focus is on the long-term basis, profitable growth more than the market share and enhancing the risk management practices and processes, which they have been doing over the years in multiple countries. We will clearly try to leverage on that going forward. The other thing i have already mentioned while we are very strong in the domestic operations in India and not many Indian asset management companies have been able to get higher share of revenue or business from international operations. For Nippon Life one of the key focus areas will be supporting this business by getting the higher of AUM from the international markets from the various insurance companies or assets management companies where they have investments.

Sanjay Shah: That is great, Sir. Thank you very much.

Moderator: Thank you. The next question is from the line of Jignesh from Emkay Global. Please go ahead.

Jignesh: Thanks for the opportunity. Just quickly first a data keeping question, can I get the total of the managed accounts that will be having it now for this quarter as well as last quarter?

Prateek Jain: The total amount in terms of the managed account, which is the domestic one is close to about INR 2,58,000 Crores and beside there is an advisory amount of 5,300 Crores which is from international business

Jignesh: So, in the managed accounts 258,000 Crores and there is some offshore funds advisory also right, that amount you are saying is 5,300 Crores now?

Prateek Jain: We are managing INR 6,500 Crores and advising over INR 5,300 crores in the international business.

Jignesh: Secondly, you also highlighted there had been certain commissions are there, which has been amortized and now it only remains in the P&L business, any quantum, which is still to be amortized on this commission charges, which you have been doing it since last couple of quarter or it completely over now?

Prateek Jain: As you see the quarterly run rate is about INR 8 Crores, we still have INR 30 Crores odd of expenditure to be amortized over the next two years pertaining to close ended fund / tax saver fund which is to be amortized over a period of three years.

Jignesh: Lastly on this yield, so basically I am seeing it up your yield from calculating it is approximately 54 BPS revenue I am talking about, and that has been consistently sliding down, so if I see it correctly, Q4 FY2018 has been around 72 BPS, which is right now around 54 BPS, it is a sizable decline, so any thoughts over this, how this particular figure is going to work out in the next couple of quarters or a year or two years down the line and what will be driver for it?

Prateek Jain: You would recollect that there was a change in the TER structures from April 1, 2019 and post that our yields are in the range of 55 basis point. We have lost about 60,000 Crores debt assets in last one year and within the debt category also we have seen assets moving from longer term to lower duration and from credit schemes to high-grade and in both cases we earn little lesser and has led to a lower realization. However, if you compare this quarter versus the previous quarter, it is almost flat. Also, on PBT to AUM basis it is flat Q on Q basis.

Jignesh: So, do you see this 58 bps increasing going forward because you are saying that low yield products have been out on the net side and incrementally the inflow starts coming specifically on the equity side, the yield should improve from here on, that is it a bottom that what I am trying to understand?

Prateek Jain: For us these ratios are just an output and typically we do not have any target. We continue to operate in an environment where whatever opportunity comes we will like to capitalize it. Having said that if equity proportion keep increasing, the yield will definitely go up. Please note that if we do a sizable amount of business in liquid funds, which is a low hanging fruit, then probably for a quarter or so, optically the yield may decline, but absolute profitability will increase.

Jignesh: Lastly the tax now is 13.62, the effective tax rate, which I am seeing it up, but that is adjusting for your Q1, so now is there any DTA or anything which needs to be adjusted here or everything is sorted for us?

Prateek Jain: No, if you see our effective tax rate it would be close to about 23% to 24% going forward and as mentioned by Sundeep in his opening remarks that yes, our net profit was higher despite lower AUM supported by the tax breaks.

Jignesh: Understood. That sounds great. Thanks, and all the best.

Moderator: Thank you. The next question is from the line of Gautam Trivedi from Nepean Capital. Please go ahead.

Gautam Trivedi: This is Gautam Trivedi from Nepean Capital. Question I have is with respect to dues amount receivable from the ADAG Group is everything been accounted for and I believe there was a INR 250 Crores amount outstanding are you going to amortize that assuming my facts are right?

Prateek Jain: No, as Sundeep mentioned is opening remarks, all the money given by the AMC to the Reliance Group entities have been recovered in full along with interest. There are no more outstanding from AMC's balance sheet to any Reliance Group entities or any other corporate other than for our business purposes to our subsidiaries.

Moderator: Thank you. The next question is from the line of Ravi Naredi from Naredi Investment. Please go ahead.

Ravi Naredi: Sir, SEBI has done some changes in exit load on liquid funds how it will impact or benefit us?

Sundeep Sikka: It is neutral and has happened for the entire industry. The way I see is much better discipline for the investors typically what used to happen is institutional investors, some of them used to invest in the morning and redeem in the evening then come back again. It is going to be more disciplined approach and help increase in stickiness , so it is neutral to positive.

Ravi Naredi: Neutral to positive, but any benefit in money terms will exit loads remain with this AM?

Prateek Jain: As per regulation this exit loads are to be clawed back into to scheme, so there is no benefit, which accrues to AMC on this account.

Sundeep Sikka: The benefit will not come for the exit loads but it will come from the more stickiness of the assets.

Ravi Naredi: Right, and Sir, as you said advertisement expense is higher in Q3, so can we think Q3 net profit will be impacted by that amount whatever you are doing expenses?

Prateek Jain: We do not give any guidance, only thing I said that we have launched our new brand and corresponding to that there will be certain increase in expenses .

Ravi Naredi: Sir, in the last question you are telling 85% of 2,800 are secured and what about 15%?

Prateek Jain: No, I did not say secured. I said of the total networth of the company which is INR 2,600 Crores of which 85% assets are in financial assets, when I say financial assets they are realizable financial assets, the remaining comprises of certain intangible assets.

Ravi Naredi: Now it is clear point, and Sir, what is the purpose to keep these INR 2,400 crore in liquids in our hand any purpose?

Sundeep Sikka: Broadly this has been the profit of last five years, we have a stated dividend policy where 60% to 90% of the net profits are given back as dividend, We do not need any further cash, so whatever will be the profits for the company will continue to be given back as dividend.

Ravi Naredi: All the best Sundeep and your team. I met you in the AGM and you are doing very fantastic, Sir. Thank you.

Moderator: Thank you. The next question is from the line of Ritwik Sheth from Oneup Financial. Please go ahead.

Ritwik Sheth: Good evening. Sir, just a couple of questions, firstly what would be the scheme exposure to ADAG group companies?

Sundeep Sikka: As on date the total exposure would be about INR 240 Crores in the mutual fund schemes.

Ritwik Sheth: Lastly, if you could throw some light on the yields from equity, debt, liquid and ETF, what kind of yields do we earn on equity and ETF?

Prateek Jain: We do not disclose per product net realization, but in a generic way the realization from equity funds ranges from 90 - 120 basis point and debt funds which are high yield and longer durations we earn in the range 50 basis point to 75 basis point and the shorter duration fund we earn about 25 to 50 basis point and liquid funds run between 15 to 20 basis point.

Ritwik Sheth: And any colour on the ETF part?

Prateek Jain: ETF, other than the CPSE, the average is about 17 to 20 basis point.

Ritwik Sheth: Last question on ESOP you mentioned that employee expense includes some portion of ESOPs, which is expensed every quarter, so could you give the quantum for the quarter and till when should we expect this expense to be recognized in the quarterly number?

Prateek Jain: We normally do not share specific ESOP expense details, but one has to understand that as we continue to give more and more ESOPs, the PLI incentives which we used to give as bonuses, those amounts will go down, it will be self-adjusting numbers. Do not see any major increase in the cost because of these ESOPs.

Ritwik Sheth: Great and all the best, thank you. Happy Deepavali.

Moderator: Thank you. The next question is from the line of Madhukar Ladha from HDFC Securities. Please go ahead.

Madhukar Ladha: Sir, just a question again on the ESOPs, so I notice that about 6.3% odd of the company is now given out as options to employees what is the number that we are looking at, at the maximum because even in this quarter I think about 18 million shares have been granted, so just want to get a sense of that?

Prateek Jain: Close to around 7.45% was allocated towards this ESOP of that 6.3% has been granted. There is further headroom for about 1% towards the further grant.

Madhukar Ladha: That will be it now for how many years any idea?

Prateek Jain: All ESOPs which have been granted, will be exercised over a period of 4 years. Therefore as of now up to 7 years this has been covered, but again this will be prerogative of the board in future how they want to remunerate the management team, but at this point of time we do not see any immediate further grants.

Sundeep Sikka: Broadly if you have to understand correctly over the immediate future, there will not be any further issuance.

Madhukar Ladha: Great, see other thing I remember was there are some phantom share expenses also in the employee expense line items, when will that runoff completely?

Prateek Jain: Before the IPO it was given and for a period of four years. We are completing more than two years of the IPO and in the next one to two years it will completely run off.

Madhukar Ladha: Those value shares are cash settled, so it will be completely closed out, so the cash would be paid out and that would also be coming in the employee line item, right now right?

Prateek Jain: All of them are adequately provided for in our employee cost.

Madhukar Ladha: But, post after a year you would get that extra buffer that would give you?

Prateek Jain: Yes, the cost going forward may reduce because of the ESOP and also the phantom related cost will come down.

Madhukar Ladha: All my other questions have been answered. Thank you

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

Kunal Shah: Sir, just one question, when I look at the scheme performance as an investor across Nippon funds that we have, the performance for the last one year and three years when compared to the peers probably lagging, so while we have been talking lot about Nippon coming in at least this is something, which you can manage, so any thoughts on the fund performance as far as ECB for one and three-year period in comparison to the peers?

Sundeep Sikka: Broadly, there are some schemes doing very well and some schemes which have been lagging over the last three years. Basically the Index participation is not broad based because of the couple stocks only outperforming. Our focus with respect to fund management will be consistent performance and aspiring to be in top quartile **.**

Kunal Shah: That is correct. I mean how do as an investor I should look at it, I completely understand that it is going to be long-term focus, but three-year seems to addition period right?

Sundeep Sikka: Broadly, as mentioned earlier from our perspective out of multiple equity schemes that we have there are couple of schemes are doing very well. Some schemes that would be based on the mandate could be lagging because the way market has been behaving over the last two years or three years has not done well. Our objective will be to have good and consistent performance.

Kunal Shah: Thank you.

Moderator: Thank you. the next question from the line of Akash Jain from MoneyCurves. Please go ahead.

Akash Jain: Sir, I had just one question, if I look at the long-term market shares in asset management business, it seems that all the asset management companies, which have a backing of a bank, for example, if you look at HDFC, ICICI, Kotak, Axis, SBI, they have been draining market share whereas the non-banking bad asset management companies like Franklin Templeton to some extent Reliance or other Nippon Asset Management have been losing a little bit of market share, so this is a trend in the industry or am I just reading too much into this?

Sundeep Sikka: You are reading a little too much into it and will depend on the mandate of the different asset management companies. I will not be able to talk about others, for us the mandate is not only to increase the market share and also to increase the profitability that is the way we will go ahead with it. Our approach has been lower concentration of AUM from the top five cities and higher penetration in the smaller cities and towns. Industry has an average of 61% come from the top five cites, we have less concentration there, which is a good business model and when you look at beyond 15 cities, industry has an average of 26% and for us it is 30%, so for us stickiness is more important than the market share and we will continue with that focus.

Akash Jain: But banking network and channel continues to be an important part of the overall distribution network, to that extent there is an advantage would asset management companies who are backed by banking group right?

Sundeep Sikka: I would put it this way, every segment of distribution is important whether it is IFA, banks and national distributors. For us every type of distributor is selling us, like I said it is depending on the strategy of the respective companies to focus on this segment. We have balanced distributor assets for us 55% of our assets are coming from IFAs, 25% are coming from banking and 20% are coming from national distributors. It is a derisked distribution portfolio because no distributor is more than 5.5% of our assets. Very low dependence is a good strategy rather than having a high percentage from single distributor or a bank.

Akash Jain: Thank you so much.

Moderator: Thank you. The next question is from the line of Subrata Sarkar from Mount Intra Finance. Please go ahead.

Subrata Sarkar: Sir, just two questions, one is currently do we have a possibility that like we later in this quarter or somewhere we take some write off because of some relatively lower quality of asset in our schemes number one and secondly in a broader perspective like what is Nippon's spillover like there is asset quality deteriorating for certain funds take that write off in their schemes itself and certain AMCs take that write off on their own balance sheet, so what is the philosophy from a broader perspective?

Sundeep Sikka: Clearly, we believe in managing the funds independently, the shareholder and unit holder are two different stakeholders and there is a long-term commitment of Nippon Life to the country and to the company; however, there will be a clear differentiation between the shareholder and the unit holder.

Subrata Sarkar: Like different mutual funds are taking different capital, whereas some are taking the hit on their schemes in terms of writing down and whereas certain AMCs are taking hit on the own balance sheet, so from a Nippon perspective what is our philosophy?

Sundeep Sikka: As mentioned earlier, from our perspective the way we see there are different stakeholders who invest with the different risk appetite and so for the unit holders of mutual fund it is going to be totally different from the shareholders. For your question, as a philosophy will there be any write off taken in the AMC book? It will be very difficult for us to say or give guidance on that.

Subrata Sarkar: so we are open to both given the situation.

Sundeep Sikka: I did not say that, I am again repeating. We clearly believe these are two different stakeholders and we do not want to give any future guidance on this.

Subrata Sarkar: Sir, immediately is there any possibility of any write off, which we may take on our balance sheet, Sir?

Sundeep Sikka: Like I have mentioned earlier, all the investments in the mutual fund schemes, wherever had to be mark down or written off has been taken and valuation has been cut so that has already been addressed. There is no scope for anything further to be taken on the balance sheet.

Subrata Sarkar: Thank you from my side.

Moderator: Thank you. Ladies and gentlemen, due to time constraint, we take the last question from the line of Pratik Chavan from Banyan Tree Advisors. Please go ahead.

Pratik Chavan: Thank you for the opportunity. My question is, are we exploring any inorganic growth opportunities, we have one AMC on the block, which is also is going to Axis, their banking franchises well, so are we planning for some inorganic growth?

Sundeep Sikka: We remain open for acquisition as long as lucrative for the shareholder. As you are aware in 2016 we had acquired the ETF business of Goldman, at the time when we acquired it, it was INR 6,000 Crores AUM, today it is INR 28,000 Crores, wherever we believe anything is available at the right valuation it adds value and complements our existing business whether it is a mutual fund or an alternative investment fund, we are open to explore. However, we would not like to acquire anything just for market share, it has to have value accretive for our shareholders.

Pratik Chavan: Last question from my end was the AUM sourced from the IFAs the presentation it shows a decline from 613 billion to 575 billion, could you throw some light on that?

Prateek Jain: That is more of a mark-to-market.

Pratik Chavan: Thank you. That is all from my side.

Moderator: Thank you. Ladies and gentlemen, I would like to hand the conference over to Ms. Mona Khetan for closing comments. Over to you Madam!

Mona Khetan: Thank you all for your active participation. I would also like to thank the management as well for taking time out and sharing their perspective. Thank you and have a good evening.