Ref: UTI/AMC/CS/SE/2021-22/0163

Date: 8th February, 2022

National Stock Exchange of India Limited
Exchange Plaza Plot No. C/1
G Block Bandra-Kurla Complex
Bandra (East) Mumbai – 400 051.
Scrip Symbol: UTIAMC

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400 001.
Scrip Code/Symbol: 543238/UTIAMC

Sub: Transcript and Audio Recording of the Earnings Conference Call on financial results for the quarter and nine months ended 31st December, 2021

Dear Sir / Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of the earnings conference call on financial results for the quarter and nine months ended 31st December, 2021.

The transcript and audio recording of the aforesaid earnings conference call has been uploaded on the website of the Company at www.utimf.com.

We request you to kindly take the aforesaid information on record and disseminate the same on your respective websites.

Thanking you,

For **UTI Asset Management Company Limited**

UTI ASSET MANAGEMENT COMPANY LIMITED ★ MUMBAI

Arvind Patkar
Company Secretary and Compliance Officer

Encl: As above

UTI Asset Management Company Limited
Q3 & 9M FY22 Earnings Conference Call
January 29, 2022

Moderator: Good day and welcome to the UTI Asset Management Company limited Q3 & 9MFY22 earnings conference call. From the management, we have with us Mr. Imtaiyazur Rahman – CEO and Whole-Time Director, Mr. Surojit Saha – Chief Financial Officer, Mr. Vinay Lakhotia – Head Operations, and Mr. Sandeep Samsi – Head Investor Relations and Corporate Communications. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Before we begin, I would like to mention that some of the statements made in today's discussion may be forward-looking in nature and may involve risks and uncertainties. Please note the disclaimer mentioning these risks and uncertainties are on the disclaimer side of the investor's presentation that has been shared earlier. I would now like to hand the conference over to Mr. Imtaiyazur Rahman for opening remarks. Thank you and over to you, Sir.

Imtaiyazur Rahman: Good afternoon, everyone. It is my privilege and great honour to welcome all of you to this Investors Earnings Call to discuss the financial and operating performance of our company for the third quarter of the financial year 2021-22. Thank you for joining us as we update you on our Financial Highlights for the quarter ended December 2021.

For the results, you must have gone through the Press Release and the Investor Presentation available on our website as well as the websites of the exchanges. I will begin with an update on our economy, moving on to the mutual fund industry and then to the performance of UTI AMC.

Just as the economy and businesses were coming to normal, another variant of Corona – Omicron emerged. While this variant seems to be less aggressive in terms of its impact, it is spreading faster than Delta variant with almost all states now witnessing multiple times growth in daily cases. We remain optimistic that this new variant's wave will recede faster than it emerged following rapid progress in vaccination. We all know, that we have created history by administering 1.65 billion doses of vaccine related to Corona.

Let me share with you about our economy. As the world stepped into the New Year, the path of the recovery in India as in the rest of the global economy encountered headwinds from a rapid surge in Omicron infections. Nonetheless, amidst upbeat consumer and business confidence and an uptick in bank credit, aggregate demand conditions stayed resilient. RBI's forecast last month indicated India's GDP was seen growing at 6.6% in October-December 2021 and at 6% in January-March 2022. The World Bank has retained its growth projection for India in 2021-22 at 8.3%. We are all eagerly looking forward for hearing from our Hon'ble Finance Minister on the Union Budget.

Let me share with you about the Indian capital market. During the quarter, the benchmark indices had a roller-coaster ride. While the October saw the indices hit new highs, the December saw indices correcting as selling pressure across large-cap, mid-cap and small-cap intensified. The Sensex and Nifty fell by 1.5% during the quarter ended December 2021. As of 28th January 2022, the Sensex closed at 57,200 and NIFTY closed at 17,102. For the calendar year, Sensex rose 22% and NIFTY climbed up 24% as on 31st December, 2021, compared to corresponding numbers in December, 2020.

Let me share with you about the Indian mutual fund industry. The Quarterly Average AUM for the Indian MF industry stood at Rs. 38.21

lakh crore as of 31st December, 2021 growing by 5.5% during the quarter and by 28.6% during the year.

The closing AUM the MF industry as on 31st December, 2021 was Rs. 37.73 lakh crore, registering a growth of 2.7% over the last quarter and Y-o-Y growth of 21.6% from 31st December, 2020.

The total number of folios for the industry, as on 31st December, 2021, stood at 12.02 crore registering an increase of 7.6% in the quarter and 27.5% from 31st December, 2020.

For the first time in the Financial Year, the SIP inflows crossed Rs. 11,000 crore mark in November 2021 and continued with the momentum in December 2021, taking the SIP AUM to Rs. 5.65 lakh crore, an increase of 3.75% over the last quarter from Rs. 5.45 lakh crore as on 30th September, 2021. The SIP AUM stood at 15% of the overall MF industry AUM. The total number of SIP Accounts as on 31st December, 2021 were 4.91 crore.

During the quarter, equity - oriented schemes saw net inflows of Rs. 1,02,041 crore, while debt oriented schemes witnessed net outflows of Rs. 21,951 crore.

Let me share with you about UTI AMC. For UTI group, the total Assets under Management, i.e. our group AUM, registered a growth of 3.87% over the last quarter and 19.43% over the previous year and our group AUM stood at Rs. 13.11 lakh crore as on 31st December, 2021, as against Rs. 12.63 lakh crore as on 30th September, 2021 and at Rs. 10.98 lakh crore as on 31st December, 2020. So from the base number of Rs. 10.98 lakh crore in December 2020, we grew to Rs. 13.11 lakh crores as on December 2021.

For UTI Mutual Fund, the QAAUM for the October-December quarter was Rs. 2.25 lakh crore as against Rs. 2.09 lakh crore for the quarter ended September 2021 and Rs. 1.65 lakh crore as of December 2020. The QAAUM grew by 7.5% over the last quarter and witnessed a Y-o-Y growth of 35.9%. UTI MF QAAUM market share stood at 5.88% of the MF Quarterly AAUM, an increase of 10 bps from September 2021.

The Equity QAAUM as on 31st December, 2021 stood at Rs. 70,085 crore, an increase of 60.5% over Rs. 43,677 crore as on 31st December, 2020. The market share for equity AUM stood at 5.29% for UTI MF. The QAAUM for Index & ETFs recorded a growth of 71.4% from Rs. 35,199 crore as of 31st December, 2020 to Rs. 60,341 crore as of 31st December, 2021.

In the October-December quarter, UTI added 2.06 lakh folios. In the past one year, UTI has added over 7.01 lakh folios taking up the number of live folios from 1.09 crore as on 31st December, 2020 to over 1.16 crore as on 31st December 2021. During the past one year, the open-ended equity-oriented schemes added 7.55 lakh folios.

UTI was able to capture 8% market share of the gross sales of the industry during the quarter. Our ETF & Index Funds saw net inflows of Rs. 3,379 crore during the December quarter constituting around 8.3% of the industry net inflows, while the Equity Funds net inflow for the period was Rs. 2,135 crore being 5.2% of the industry net inflows.

The SIP inflows for Q3FY22 stood at Rs. 1,352 crore rising by 13.10% over the previous quarter and by 65% from the corresponding quarter last year. The number of SIP accounts rose by 53.1% since December 2020 with over 20.01 lakh SIP folios as of December 2021.

UTI's SIP AUM for the quarter stood at Rs. 18,126 crore, an increase of 4.2% as compared to September, 2021 which was at Rs. 17,389 crore and 37.6% as compared to Rs. 13,170 crore as of December, 2020.

Keeping up with our commitment to deeper and better access to B30 cities, 23.8% of Monthly Average AUM for December 2021 was contributed by B30 cities whereas the industry stood at 17% in terms of its B30 MAAUM. 108 out of our 167 UFCs are in the B30 cities.

We have and we will continue to build a World - Class Investment organization and in the process, we are adding investment professionals. During this quarter, we have brought in Mr. Anurag Mittal, and he is our Deputy Head of Fixed Income. He has a vast experience - very rich experience and I am confident that with the addition of Anurag, UTI's Fixed Income team will indeed add value to investors.

Friends, let me share with you about our subsidiaries, and first among them is UTI International. The AUM of UTI International has increased by 59% from Rs. 21,720 crore as of 31st December, 2020 to Rs. 34,608 crore as of 31st December, 2021. Our international clients are spread across 37 countries. These are primarily Institutions – Pension funds, Insurance, Banks, and Asset Managers. One of our flagship fund, the Indian Dynamic Equity fund (IDEF), has an AUM of USD 1.4 billion and is being widely recognized internationally.

During this quarter under consideration, UTI International has launched an Indian Government Bond ETF – UTI India Sovereign Bond ETF which is listed on the Amsterdam Stock Exchange. The Fund tracks the performance of the Nifty India Select 7 Government Bond Index, which comprises of top 7 most-liquid, local currency sovereign bonds issued by the Central Government of India.

UTI Retirement Solutions. UTI Retirement Solutions Ltd. has been managing the NPS corpus for the Government & non – Government sector. As of 31st December 2021, its AUM is Rs. 1,93,331 crore and has a share of 27.65% of Industry AUM.

UTI Capital. UTI Capital with AUM of Rs. 1,056 crore currently manages Active Debt Fund like UTI Structured Debt Opportunities Fund (UTI SDOF) I, which was launched in August 2017 and closed in May 2019, having AUM of Rs. 301 Crore. And UTI SDOF II which was launched in September 2022, having AUM of Rs. 469 Crore, and the fund is currently in Fund raising stage as well as investing.

Let me share with you about the UTI AMC financial. UTI AMC's financial improved on the back of strong net flows and cost control measures taken. During the third quarter, the Company posted a consolidated net profit of Rs. 127 crore, and consolidated core net profit of Rs. 91 crore as against 36 crore in the corresponding quarter of the last year reflecting a growth of 153%.

The operating profit margin as a percentage of AUM for the December FY 22 quarter was 16 bps as against 11 bps for Q3FY21. Along with improvement in our Operating Profit Margin, ROE (Return on Earnings) of the company on a consolidated basis is 19% in the 9 month period ended 31st December 2021. The PAT Margin stands at 46% for the 9 month period ended 31st December 2021. The Net worth of the company on a consolidated basis is INR 3,539 crore as of December 2021.

With this, I wish everyone of you a very Happy Vasant Panchami. I have with me my colleagues Mr. Surojit Saha - CFO, Mr. Vinay Lakhotia – Head Operations and Mr. Sandeep Samsi – Head Investor Relations.

Thank you for joining this call.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Sahej Mittal from HDFC Securities. Please go ahead.

Sahej Mittal: Good afternoon, everyone. Thanks for taking my question. Sir, my first question is around the yields. We have seen a very sharp decline in our equity yields on a sequential basis. So we know this has been an industry wide trend but for us it seems to be much more pronounced in terms of decline, so if you could throw some color what has caused such a steep decline on the equity side and the second question was around our admin expenses have also shot up in this quarter. So, what could be the quarterly or the annual run rate which we should keep in mind and just a clarification whether these other expenses include the pass on which we do on the PFRDA income which we received one and half basis points which we need to pass on, so if you could clarify on that front and any development on the employee cost side? Are there any plans to reduce this cost in the near term? How are we thinking about that?

Vinay Lakhotia: Yes, you are correct, the yield has dropped actually and if you remember in the previous concall as well we had given a guidance that the revenue yield will fall by 2 or 3 bps, primarily because the inflows that are coming into the equity and balanced funds, the fresh inflows is at effective lower yield as compared to the yield that we are running on the stock AUM. While on the stock AUM the yield is closer to around 90 bps, the yield on the fresh inflows is lower . So, because of that there has been some drag on the yield not only on the equity front but also on the overall basis. Also on the overall basis if you see the yield has actually fallen by around 3 bps from around 44 to 41 bps and apart from a drop in equity another important factor has been is the growth in the

ETF and the Index fund which has grown at a significant pace on a Y-o-Y basis. While our total AUM growth has been 35.9% and equity AUM growth during the same period on a Q-o-Q basis has been roughly around 50%, the ETF AUM has grown during the same period by almost around 72%. As you are all aware that ETF AUM, the management fee which we charge is around 5 to 6 bps so that kind of growth has actually has dragged down the overall yield by a bps or so because the ETF AUM as a composition of overall AUM has actually increased by 600 bps Y-o-Y basis, because of that the overall yield has dropped down. But having said that, we are confident that for the entire financial year, we will be closing at a revenue yield close to around 41 to 42 basis points. But having said, as we have indicated in the earlier call, there has been a significant reduction, as far as cost margin are concerned. Hence our PAT yield has been maintained at the same level of around 21 to 22 bps and we see no dilution as far as the PAT yield is concerned and definitely because of the growth in the AUM and the incremental fees, we are confident that the PAT margin number will be improving going forward because whatever the incremental revenue that we get, will add to our PAT margin number. So yes, as indicated in the earlier call there has been a slight drop in the revenue yield but because of the cost reduction initiative as well as because of operating leverage playing its part, the cost yield has come down drastically and the PAT yield we are able to maintain at the same level.

Surojit Saha: On the cost part, I think in the question itself you have the answer. So, the difference between for the nine-month period if you see it was Rs. 92 crore, it has come to Rs. 147 crores. The difference of Rs. 55 crore is pertaining to one-time expenses which we discussed in September also that is the brokerage expenses which we need to pay for the PFRDA (PLI & RPLI) which is around Rs. 8 crores, Rs. 14 crores is the trail fees which International has to pay in respect of the business in tandem with the revenue increase which has happened in UTI International and Rs. 15 crore is the PFRDA fees that is 1.5 bps fees which we give to the PFRDA and the last difference as you know regarding the digital initiatives which we have taken in respect of the Bloomberg and other expenses, so these are the four pillars on which our expenses have increased, out of which Rs. 8 crore expenses regarding the PFRDA is a one-time expense. In respect of employee cost, as we have said in the earlier calls, the retirement benefit which will be coming it will be spreading over to the next 3 to 4 years but definitely you have seen that there is a decline as a percentage of the cost from 22 bps to 17 bps and the quarterly average AUM the employee cost is on a decline, so definitely all steps the management is taking to keep the cost under control in respect of employee cost.

Sahej Mittal: Got it. Sir, so if you would help us understand that going forward what sort of yield decline should we expect because this quarter it seems there is negative surprise in terms of a very sharp decline because my calculation suggests that on the equity side itself there has been some 8 to 10 bps of decline in the yield. So, going forward, for the next 6 to 8 quarters we could expect such continued compression in the yield?

Vinay Lakhotia: For the March quarter we are maintaining a guidance of around 41 to 42 bps only. That we can give a guidance on the overall weighted average the yield will be closer to around 41 to 42 bps.

Sahej Mittal: And for the next five to six quarters, could we expect such a trend?

Vinay Lakhotia: Yeah, there will be a decline definitely as far as the revenue yield is concerned, at least by 2 or 3 bps in a year, but we are confident that as far as the cost structure is concerned since we have a declining structure and because of operating leverage, the cost yield will actually come down. So, we do not see any dilution as far as the PAT yield is concerned. So yes, revenue yield may compress by 2 or 3 bps in next financial year, but we should be able to maintain our PAT yield.

Sahej Mittal: Got it and if I could squeeze in one last question. Are there any one-offs in other income because that has seen a very sharp drop, so if you could clarify on that front as well?

Surojit Saha: Other income as you know because of the industry for the last quarter the yield has increased from 6 to 6.65 as well as the Nifty has come down by 150 points its mainly because of the M to M gain, nothing else.

Sahej Mittal: Got it. Thanks for the answer, Sir, and all the best. Thank you.

Moderator: Thank you. The next question is from the line of Prayesh Jain from Motilal Oswal AMC. Please go ahead.

Prayesh Jain: Good afternoon, Sir. Just expanding the point on the yield part, you are saying that the yield has dropped by around 2 to 3 bps even in the next year so with that the incremental AUM on the equity side is coming up possibly we are talking about the yield much on its half of what we are doing on the older assets and secondly, is this from the NFO point of view or the yields are also so compressed in the existing schemes as well? What is the impact between the NFOs as well as the existing schemes?

Vinay Lakhotia The yields on the fresh inflows are definitely lower as compared on the stock AUM, while on the stock AUM the yields are close to around 90 basis points, the yield on the fresh AUM varies, depending on the category of the scheme as well as distributor category from which we are actually mobilizing it. So, in the earlier concall also we have given management guidance that the yields on fresh inflows depend on sharing ratio and our sharing ratio is around 50% to 80% of the total expense ratio between the manufacturer as well as the distributor, 50%

being the lower end of the distributor category which is the IFA and 80% will be the banks and national distributors. So definitely, the yields on the fresh inflows are lower as compared to stock AUM. We do not see much of a difference in the yield as far as the NFO is concerned. The NFO margins are also in the similar range. We did have an NFO in our equity scheme in the second quarter where we mobilized close to around Rs 2,500 crores in focused equity fund, that has also attributed to a slight drop the equity yield in this quarter. But yes, the trend will be there. We do see an impact of 2 to 3 bps in the next financial year as far as the revenue yield is concerned. But having stated that, we are confident of maintaining as far as the PAT yield is concerned and PAT margin number should actually improve going forward because whatever incremental revenue is earned, is being added to our bottom line and the PAT margin number will actually be improving further going forward.

Prayesh Jain: That is helpful. Secondly, on the International Funds, Can you just give some light as to what are kind of flows that we would have seen in the nine-month period and what will be the impact of M2M on the AUM?

Surojit Saha: The flow in the Investor presentation also we have given that the AUM has increased Y-0-Y 59% and if you see the international business yield which was 26 bps in Q3FY21 has come up to 35 bps in Q3FY22 and in Q2FY22 it was 32 bps. So continuously the overall improvement in the yield in the international business is helping us to give a good contribution to the overall PAT.

Prayesh Jain: My question is on the flows. What is the kind of flows we have seen in the international subsidiaries in the nine months?

Surojit Saha: Yeah, nine months if you see from Rs. 36,400 crore which is the current AUM and it was around Rs. 21,000 crore, overall there is a flow of around Rs. 12,000 crore, out of that Rs. 1,100 crore is the appreciation value and the rest is the equity flow which has come in the international business.

Prayesh Jain: Okay and what are the strategies with regard to future product launches, both on domestic side as well as international side? For the domestic particularly, when we will be launching ETFs, would we be focusing on slightly higher yield products like smart beta / ETFs? What is the product launch pipeline and both domestic and international and what are the thoughts behind launching these products?

Sandeep Samsi: On the domestic side, we have an approval from SEBI for a multi cap fund, but we are waiting for the right opportune time for launching it. We also have approval for two smart beta funds one is the mid cap fund and one is the low volatility fund, but these will again be soft launches because these are funds which grow over a period of time. People have to get used to the concept. So, we expect the AUM to grow over a period of time. These are not mass-market products, so our multi cap fund is one which will be more mass-market product which we will be launching. On the international market, we are looking to launch a global innovation fund which will be looking at the new age companies which are coming up in India and we are doing the initial understanding from our investors across the globe on whether they would have some kind of interest in this kind of a fund. So, this is in the pipeline. It will take some more time. We have not finalized the contours of the fund. But this is something that we look to launch on the international segment.

Vinay Lakhotia: Just to add on the domestic side because of the SEBI categorization, apart from the multi cap category we do not have any other product gap available, so apart from the multi cap most of the product launches in terms of NFO will be either index fund or an ETF category kind of fund only. So multi cap is the only category that is available. Rest all products whenever we launched it will be in the ETF or index category fund.

Prayesh Jain: Just on the ETF and index category fund, what will be the thought process? You mentioned that the yields on these assets are 5 to 6 bps and while some ETF can fetch higher income for rest of AMCs. Do we move towards those kinds of products or we will try and get some market share with trying to maintain these kinds of yields? So, my question is firstly to understand whether the yield on ETF can improve going ahead or we should look at 5 to 6 bps?

Vinay Lakhotia: Most of the ETFs that we are going to launch going forward will be smart beta kind of product where the expense ratio both in the ETF as well as the index categories will be significantly higher than what we are charging it. So while our AMC fees on ETF category is currently 5 to 6 bps is because that Nifty ETF funds which is our largest fund in the category, there we charge expense ratio close to 7 basis points. But the new launches, like we launched the momentum index fund and going forward whatever the smart beta products that we are going to launch, we see an AMC yield close to around 35 to 40 bps which should improve the ETF and the index category AMC yields going forward. Definitely, it should be higher as compared to 5 to 6 basis points that we are currently charging.

Sandeep Samsi: Prayesh, to look at your question, there are two strategies. One is the investor who is looking at an evolved product to invest in and these are some of the index funds and ETF fund for those kinds of investors who want smart beta strategy to invest. So, we are catering to two different markets that any which way the yields are going to be higher, but we have to look at different sets of market and launch products for them. So, the multi cap funds will be for the retail investor who is looking to invest in the broad market while some of the smart beta funds will be towards the evolved investors. So, there are two separate segments that we are looking to target.

Moderator: The next question is from the line of Madhukar Ladha from Elara Capital. Please go ahead.

Madhukar Ladha: First, what percentage of the current AUM is like the old book which was low sort of trail commission book? Second is the employee cost what has been the progress in terms of the number of retirements and because somehow the costs are still high, so I know that this should sort of trend downwards but it still seems to be a little bit on the higher side so when do we see that flowing into the numbers? Third can you give me the number for support service fees on inter-branch billing for this quarter and the last quarter?

Vinay Lakhotia: Madhukar on the first question, the yield on the stock AUM - we are disclosing it, but really we do not have a break up of what is the total component of the low trail commission, AUM of the overall, but transparently we have been disclosing the net sales number on every quarter on quarter basis, so definitely one can derive some of these numbers as what the fresh AUM is there of our total AUM.

Surojit Saha: Employee cost, we have plans but it will take some time because of the current pandemic scenario, we have no plans which we have decided earlier but it is on the cards and we will look into it and normal retirement as you are aware every year the impact will be coming and slowly you will be seeing the impact on the employee cost over the years till 2028.

Madhukar Ladha: Right, and the support service fees?

Surojit Saha: Inter-branch billing as the last time we said we are not showing in our accounts now. Offline, if you can talk to me I can give you the figure but now inter-branch billing is not part of our accounts. We have removed it if you remember in the last quarter itself.

Vinay Lakhotia: Madhukar, as you are already aware it is just a contra entry. So there is no point in showing one figure in income and other in expenses.

Madhukar Ladha: So it has been netted off?

Surojit Saha: Yes, That is why in the last presentation in September, we made it very clear that we are not showing it in our books from September 2021. So, December it is not appearing at all.

Imtaiyazur Rahman: On our employee cost, we are achieving our goals. So far as natural attritions are concerned by way of retirement and is a very significant number. If you see the employee cost, it has not increased despite the fact that as you know there is severe pressure on attritions of good asset / employees. We have not increased the employee cost. Now going forward, what is our strategy? We will let you know if any specific strategy comes out. We are working to increase the efficiency of our employees. We are working to enhance the skill of our employees, proper skilling is also happening but rationalization of the employees also happen and for that we need to wait and there are a lot of other factors to be considered.

Moderator: Thank you. The next question is from the line of Jignesh Shail from Incred Capital. Please go ahead.

Jignesh Shial: Firstly, just to clear the confusion between consolidated and stand alone, your standalone number is only for the mutual funds whereas the consolidated will have all of this put together. Is my understanding correct?

Surojit Saha: Yes.

Jignesh Shial: Secondly, you said that incremental funds, only multi cap funds will have equity rest will be under index category, even in the index category the yield will see an improvement. Is my understanding correct on this whatever you said?

Vinay Lakhotia: Yes, most of the funds that we plan to launch in the ETF and index category will be kind of smart beta product where the yield will be significantly higher as compared to stock AUM yield.

Jignesh Shial: Okay, understood. But still, you're saying that incrementally over a year, you'll see a revenue, which will be seeing 2 bps to 3 bps kind of a decline and that is may be because we are shifting to sales commission basis. Is it the reason or there is something else to it?

Vinay Lakhotia: It is a combination of two factors. The fresh inflows are coming as lower yield plus we must see the growth of ETF category as well because that is growing at a substantial pace. So, the growth of ETF category kind of drags our overall yield downwards . So even if in the last one year if you say ETF category has actually grown by almost around 600 bps in our overall asset composition. Because of 5 and 6 bps we are charging under the ETF category, it kind of drags our overall yield number. So there will be a marginal decline in the revenue yield but PAT yield we are confident.

Jignesh Shial: Understood. And just the incremental fund is coming at lower yield that is basically because of the competition is getting built up or the brokerage which is relatively higher? Any particular reason why this incremental is relatively low?

Vinay Lakhotia: Yeah, it is competitive industry but the brokerage rates are almost standardized across all industry players. As we have stated earlier also, the sharing between the distributor and the manufacturer is in the range of around 50% to 80% of our total expense ratio. So the fresh money that is coming it has a lower yield as compared to the AUM yield that we are charging on the stock AUM.

Jignesh Shial: Okay, and just lastly, I see this sharp dip in UTI Capital AUM from June to September whereas UTI International has shown a sharp rise. Anything to read about because I am little unaware about this? Any specific reason behind it?

Imtaiyazur Rahman: UTI Capital is basically we are in the building stage, so we had SDOF fund and we have basically paid back to the investors, very successful fund. We are in the process of launching the fund SDFO 2, we have already launched. We are in the fund-raising stage now. We have built a very strong team. We have built a very good track record and this is a building stage so we are building this particular company and we need to wait for a couple of more years to start this company delivering good contributions to the parent company. You see the UTI International is now doing a terrific job and UTI Retirement solutions is also doing a terrific job and our funds are doing pretty well so far as UTI Capital is concerned.

Moderator: The next question is from the line of Aditya Jain from Citi Group. Please go ahead.

Aditya Jain: Thank you. On one data point, which is on period and AUM by segment which you usually give on the call. If you could share those numbers, please?

Sandeep Samsi: Aditya, you want the AUM for which period? For December you want by the category?

Aditya Jain: Yeah, the period end. You shared the quarterly average….

Vinay Lakhotia: For UTI?

Aditya Jain: Period end for December by segment so equity hybrid debt liquid pattern.

Vinay Lakhotia: Yeah, so the total AUM is Rs 216,382 crore, equity Rs 71,022 crore, hybrid Rs. 26,773 crore, ETF and index fund is at Rs. 61,264 crore, income at Rs. 19,041 crore and liquid fund at Rs. 32,282 crore. So overall AUM Rs. 216,382 crore.

Aditya Jain: In response to the earlier question you mentioned that benefit from retiral will come gradually till 2028 so just wanted to check your guidance has been Rs. 60 to 70 crores of benefit from retiral coming from three to four years, are we changing that or was comment on different intent?

Vinay Lakhotia: I think that is the guidance that we are giving that Rs. 65 to 70 crore will be the saving over a period the next three to four years.

Aditya Jain: Got it. You have discussed the yield impact of ETFs and smart beta ETFs. On the OPEX side, how to you compare the passive versus active? As we understand passive would be much lower. But is there some rough sense you could give us how much does it take to run the passive side versus active side?

Vinay Lakhotia: The expense ratio in the ETF category which is the Nifty ETF which is the largest, it is close to around 7 to 8 bps and AMC yield that we are charging is 5 bps. To run the operations, it is hardly less than 2 to 3 bps of opex from the ETF category.

Aditya Jain: Got it. So that is on the scheme and for the AMC P & L there is no incremental cost?

Vinay Lakhotia: Entire team is in place. We do have a team in place and there is no incremental cost as far as AMC is concerned even if we launch additional ETF categories of funds.

Aditya Jain: No Sir, I wanted to understand the way the things are now, I understand incrementally there is operating leverage both on passive and active but if you look at the cost structure today how much of it would you allocate to passive within the other OPEX and within the staff cost?

Vinay Lakhotia: On the AMC side?

Aditya Jain: In the operating expenses on AMC P&L in the employee benefit and other expenses, is there a way to allocate, break this apart into how much it is towards passive and how much it is towards active?

Vinay Lakhotia: Even if we do not have the number as of now readily available, just to give a number perspective it is hardly a team size of around five people on the passive side. So the salary cost as well some bit of infrastructure related cost. So, it will be a very, very miniscule number as compared to the overall OPEX number at UTI AMC.

Aditya Jain: Got it. That's really helpful.

Moderator: Thank you. The next question is from the line Anshuman from ICICI Securities. Please go ahead.

Anshuman: I just wanted one clarification. You mentioned about your PAT bps of your expectation of maintaining it at 20 to 21 bps, is that number correct and this includes the other income, all inclusive of that number, right?

Vinay Lakhotia: It is inclusive of all the numbers. The PAT is at the standalone basis, not on the consolidated number.

Anshuman: Okay, on a standalone basis you have a fair visibility that it will remain around 20 to 21 bps despite the volatility of the yields?

Vinay Lakhotia: Yeah, because we are confident that with the declining cost structure and the cost yield coming down because of operating leverage, I think we should be able to maintain our PAT yield.

Anshuman: But your other income could be very volatile, right? So, what kind of other income we can think in this number?

Surojit Saha: See, other income will definitely be volatile but we have certain investments in venture funds which whenever it exits it does not depend so much on the index, so those things we have on the cards, we have investments, so that will be contributing to the other income.

Anshuman: Right, right.

Imtaiyazur Rahman: Anshuman, in our investor presentation, we have shown the core PAT and we have also displayed and highlighted the overall PAT. So that will give you a clear visibility how the number will look like.

Anshuman: Right, got it Sir. And my last question is a couple of quarters back I think at the time of Q1 we were thinking of more of 43 bps for this year whereas now it is more of let us say around 40 to 41 bps. So, this surprise is mostly because of higher amount of ETF inflow or a combination of all the constituents?

Vinay Lakhotia: For the full financial year, we are confident of maintaining it at around 42 bps. It is a combination of two factors, the growth of ETF as well as contribution of fresh inflows being at a lower margin as compared to the stock AUM. So, we have indicated in our earlier call as well that there will be a marginal decline and we are confident of maintaining it at 42 bps.

Anshuman: Got it Sir. Thank you.

Moderator: Thank you. The next question is from the line of Shubhranshu Mishra from Systematix Shares.

Shubranshu Mishra: Hi, sir. Thank you for the opportunity. A couple of questions. One is that we have got a lot of seasoning in our equity scheme, yet the bank contribution to our equity AUM is anywhere between 9% to 11%. Also, slightly puzzling because we have got three large banks as our stakeholders, which are SBI, PNB and BOB, so just wanted to understand this and also if you can give out the concentration of maybe the top 500 or top 1000 MFDs to the equity contribution from the 61,000. That is the first part of the question, Sir. Second part is that in our liquid and overnight funds, what is the split between PSU companies and private sector companies?

Imtaiyazur Rahman: Let me speak about the last question. We are not getting much money from the PSUs, as we are a private company, like ONGC and all they do not invest with us now and the other question is about the three shareholders and what is the contribution? We are getting a significant amount of contribution from BOB and PNB. We are working with State Bank of India to increase allocation and out of their distribution of wealth. And other details of top 500, Sandeep will share with you.

Sandeep Samsi: So Shubhranshu, if you look at the banks also, as Mr. Rahman first shared, we are getting a good share from the banks. If you look at my AUM which is as of March, it was around 1.56% of the AUM was coming from the banks, now it is improved to 2.11%, so there is an improvement on the equity side in the contribution which is coming from the banks. If I look at the national distributors which are the larger distributors, again if I look at my March 2021 numbers, there were about 1.23%, these have improved to 1.52%, so we are seeing improvement in the top distributors as well as bank sharing and participating in the growth of UTI and selling our funds.

Shubhranshu: My question remains unanswered. What is the concentration of top 500 MFDs in the equities from the 61,000 MFDs?

Vinay Lakhotia: We can share it separately. As of now, we do not have that number readily available.

Shubhranshu: Sure, thank you.

Moderator: Thank you. The next question is from the line of Viraj Kacharia from Securities Investment Management. Please go ahead.

Viraj Kacharia: Firstly that your commentary that despite the fall in yield we will see an improvement in PAT margins even in FY23. Now again there are two parts to the question to this. First is if I look at your yield across major products and even in ETF your yield which you charge is significantly lower than what the other competitors in the market are charging and even lower than what the prescribed maximum limit is. So just trying to understand with this and also the fact that we have been more aggressive in the marketplace, what is the thinking behind this particular strategy? So that is one. Second is if I look your commentary of PAT margin improvement the cost part, is that linked to the growth in AUM or we think internally we have levers to further reduce the cost on an absolute basis. Just trying to pick your thinking on that. So that is first on overall yield part. Second is on the market share part. You know, if I look at you overall liquid product market share or even hybrid or even for that matter NPS we have been seeing a market share erosion for last two to three quarters. So just want to understand what is driving this and where do we think this will settle at? So that is second and third is broadly at the company level, if any particular large investor chooses to exit stake at the AMC level, does that necessitate a change in that particular investor's shareholding at the sponsor level or those two are mutually exclusive? Thank you.

Vinay Lakhotia: I will take the first part of the question. As far as our expense ratio on the yield are concerned to the best of my knowledge I think our AMC yield on the stock AUM is not lower vis a vis competitor , definitely at par with some of the industry players. We are making close to around 85 to 90 bps of yield on our equity and hybrid category of the funds and the expense ratios we are charging in line with SEBI regulations. Whatever the SEBI regulations permit, we are charging the expense ratio. On the cost part, yes, we have some lever on the cost part where we believe that our cost structure going forward will be on a declining trajectory and that is being demonstrated in our cost ratio over the last two to three years. Major part of that saving will be on the employee cost where because of retiral the employee cost will be actually on a declining trajectory, and we will not see a significant increase in our employee cost over a period of two to three years primarily because of the retirement that is taking place. So yes, the cost will be on a declining trajectory and because of operating leverage and growth in AUM the cost ratios will actually improve and it has actually been improving over the last two to three quarters. So that is why we are confident that inspite of drop of one or two bps in the revenue margin yield we should be able to maintain our PAT yield.

Viraj Kacharia: Sir, sorry to interrupt. On the yield part, if you look at the ETF product, you said you charge 6 to 7 bps, now comparable products from other AMCs they charge somewhere between say 15 to 20 bps. The net yield after expenses for them is around 10 to 12 bps on the minimum but for ours it is hardly 2 to 3 bps. What is driving this aggressive fee structure and on top of that we have a very aggressive sharing with the channel as well. So just trying to understand our overall strategy in terms of product pricing in the marketplace. That is one and second on the cost what I really meant on absolute basis do we have any levers to further bring it down? Because I understand AUM growth is also a function of what the market appreciation plays out, which is not really in our hands. If I have to understand in absolute level, other employee cost or other OPEX and admin, do we have any lever further bring it down irrespective of the AUM growth?

Vinay Lakhotia: In the ETF category, our expense ratio are 7 bps, is in line with the other market figure in ETF because that is the kind of expense ratio we work with EPFOs. So inspite of charging close to around 7 bps of our TER our yield on the AMC yield on the ETF for the Nifty ETF fund is close to around 5 bps and that more because of arrangement with EPFO which we and SBI mutual funds follow. In some of the newer ETF and the index category especially the momentum index fund or smart beta fund we are confident that the yield will be significantly higher as compared to what we are charging on the Nifty ETF fund but definitely those AUM as compared to the overall AUM will still be significantly lower. So, you might not see a marginal increase in the overall yield category of the ETF and the index fund category. On the cost part as we have indicated earlier because of the retirement of the employees, we see a significant drop in the employee cost over a period of next two to three years. So, the cost will be on a declining trajectory and we do not see a major rise in the employee cost over the next two to three years. The management has given a guidance earlier that we see a cumulative saving on the employee cost because of retirement to the extent of around Rs. 65 to 70 crores over a period of next two to three years. So once you factor that into the projection, our employee cost actually is on a decline trajectory and that gives us the confidence that the ratio will actually be improving going forward.

Viraj Kacharia: On the market share and on the shareholding, if you can comment on that?

Sandeep Samsi: Yeah, so if you look at my income category of funds, I have actually increased my market share from December 2020 to December 2021. It has grown up by about 10 bps - but that is significant, because as we had mentioned earlier that some of the impact of the credit crises had impacted us and now, with the strengthening of the team and with the improvement in the fund performance, we are seeing traction coming back. So, if you look at my AUM from September to December, it has actually grown. So we feel that this momentum will continue, though on a Y-o-Y basis my AUM has fallen because December 2020 was a different scenario, now again with the interest rates and all, it is a different scenario, but we feel that the investor's confidence is coming back which is seen from my increase in market share in the income category. If you look at my liquid category, this is again a quarter phenomenon where the AUM flows are higher. We are seeing some AUM flows which has happened to us and that is because of the liquidity crunch that is there in the market, we saw that our AUM was redeemed and we saw some fall in our market share in this category. But again, once the quarter is over, we are confident that we should be able to get back our flows in the liquid category of funds. But overall, our market share has been improving, so it looks fine. What is your question on shareholding pattern?

Viraj Kacharia: No, my question also was on market share loss in NPS business, it used to be 30% to 31%, that is how it has always been, but last nine months it has dropped to around 27%.

Imtaiyazur Rahman: Okay, let me answer that. In fact if you see now in the recent quarter our allocation is 34%. For almost two and half to three months period, the allocation was reduced to 17%. It has been reinstituted to 34% and that is the reason overall margin share shows a dip. But if you go fast forward. Our allocation will be in the range of 33% to 34%.

Viraj Kacharia: Fine, and on the change in shareholding, so if any large investor were to exit the stake completely, does that also necessitate exit at the sponsor level?

Imtaiyazur Rahman: We have not idea about that. As the CEO, I have no idea about any exit plan of any shareholder.

Viraj Kacharia: No, no, I am just talking about hypothetical situation. I am not saying if anyone is exiting, just hypothetically if anyone were to exit?

Imtaiyazur Rahman: I cannot answer any hypothetical question. You know this is an investor's conference. I have no idea about any shareholder exiting, right? As the CEO, I have no idea.

Viraj Kacharia Okay, just one last question if I can squeeze in. On the international business, you said that the increase in AUM on a nine-month basis was somewhere around Rs. 12,000 to Rs. 13,000 crores of which the appreciation was only Rs. 1000 or Rs. 2000 crores, and inflows was around Rs. 11,000 crores. But if we were to look at the overall market returns also it seems the fund itself has underperformed continually. Am I missing something here? Just trying to understand.

Surojit Saha: That increase which is taking place includes equity as well as debt funds, right? In the equity fund, the major fund is the IDEF fund which is around Rs. 10,500 crores. So for that the inflow itself for 12 months was around Rs. 4,500 crores and the appreciation in that is around Rs. 1,700 crore and the debt market you know as the yield is rising and not much appreciation is there, so that is why I said Rs. 1,700.

Viraj Kacharia: Okay, got it. Thank you very much and wish you good luck.

Moderator: Thank you. Ladies and gentlemen, we take the last question for today. It is from the line from Hiten Jain from Invesco Mutual fund. Please go ahead.

Hiten Jain: Hi, I have two questions. First is normally in normally in third quarter the data that we have for the last two years, there is an accounting of variable pay and normally in third quarter the employee cost goes up at least in the last two years. So, but this quarter it has not been so. So, is it that we have cut variable pay and that is why employee cost is sequentially looking slightly down?

Surojit Saha: As you know, if you remember in the last December quarter, we said we are expecting the market to move up, so we have provided Rs. 60 crore variables pay for the full year, so as of December 2020, Rs. 45 crore was charged, but this FY 21-22, we have taken a budget of Rs. 35 crores, only Rs. 27 crores has been charged for the three quarters. So that difference is appearing in the employee cost.

Hiten Jain: Also the variable pay is down from Rs. 45 to Rs. 35 crores in this financial year. Is that right?

Surojit Saha: Rs. 45 crore to Rs. 27 crore for the three quarters. Rs. 60 crore was taken for the full year FY 20-21. So up to December 2020, it was Rs. 45 crores in the last year. So, in this year FY 21-22, total amount is Rs. 35 crores for these nine months, it is Rs. 27 crores.

Hiten Jain: Understood. So if you think about your estimate of variable pay that is Rs. 35 versus Rs. 45 last financial year, right?

Surojit Saha: Yes, for the full financial year 2020-21, we have paid out only Rs. 35 crores. In the last quarter, the amount got adjusted, but up to December 2020, we had charged Rs. 45 crore, but at the end of year as of March 2021 we paid out Rs. 35 crores only once our KRA and everything got finalized.

Hiten Jain: Got it. So you are saying there is no change in variable, neither increase nor reduced, right?

Surojit Saha: Yes.

Hiten Jain: Okay. And my second question is there a fixed retirement age or it is subjective, you have to take board approval because in an earlier question there was this statement made saying that because Covid was there we are working with the board and we are working on the retirals. So, is not there a fixed retirement age?

Sandeep Samsi: Yeah. There is a fixed retirement age for all employees.

Hiten Jain: Okay, so what was that response of "we are working with the board on retirement and even Covid is around"

Imtaiyazur Rahman: The response was on the question "are we planning any VRS?"

Hiten Jain: Oh, okay on VRS. And this year, what I have seen is at least in the last three quarters there is this reduction of 48 employees and if I am correct there is no retirement in these 48, it is just people have left and you have not replaced. Is that the right understanding?

Imtaiyazur Rahman: Retirements are there. There will be normal attrition also at the junior level.

Hiten Jain: Okay. So out of these 48, how many people would have retired?

Imtaiyazur Rahman: I will send you the data.

Hiten Jain: Okay. Alright. Thank you.

Moderator: Thank you very much. Ladies and gentlemen that was the last question for today. I would now like to hand the conference back to the management for closing comments.

Ladies and gentlemen, with that we conclude today's conference call for today. Thank you all for joining. You may now disconnect your lines.
