**Ref. No.:** UTI/AMC/CS/SE/2022-23/0194

**Date:** 4th May, 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 of the Earnings Conference Call on financial performance for the quarter and financial year ended 31st March, 2022**

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 performance for the quarter and financial year ended 31st March, 2022 held on Wednesday, 27th April, 2022.

The transcript 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**
**Q4 and FY22 Earnings Conference Call**
**April 27, 2022**

---

**Moderator:** Ladies and gentlemen, good day and welcome to the UTI Asset Management Company Limited Q4 and FY22 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. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

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 slide of the investor presentation that has been shared earlier. I will now hand the conference over to Mr. Imtaiyazur Rahman for opening remarks. Thank you, and over to you, Sir.

**Imtaiyazur Rahman**: Thank you very much, Faizan, and good afternoon to all of you. I welcome all of you to the Earnings Call for the fourth quarter and financial year 2022. I thank you for joining us to discuss the financial and operating performance of UTI AMC, which is having a Group AUM of Rs.13,48,905 crore. I have with me my colleagues, Mr. Surojit Saha; Mr. Vinay Lakhotia; and Mr. Sandeep Samsi.

Friends, in the last quarter in spite of various challenges and the global development, the businesses continued with full momentum and our economy continues to grow. The Indian equity markets faced volatility due to the international developments and its resultant impact on global indices. However, both the benchmark indices closed about 0.6% higher at the end of the quarter. The Sensex as of end March 2022 stood at 58,568 and Nifty stood at 17,464. The Indian mutual fund industry witnessed an impressive growth in the last year. The country's AUM to GDP ratio is all time high of 15.9% in financial year 2022, driven by increasing financial awareness and ease of access to investing in mutual funds through various platforms.

The industry witnessed a surge in the contribution from retail investors, resulting in good support to the market. The total number of folios for the industry as on 31st March 2022 stood at Rs. 12.95 crore, registering a growth of 7.7% during the quarter and a robust 32.4% on a yearly basis. The quarterly average AUM for the Indian mutual fund industry stood at Rs. 38.38 lakh crore as of 31st March 2022, registering a growth of 19.5% during the year. Monthly SIP contribution reached a all-time high of Rs. 12,300 crore. The SIP AUM for the industry rose to Rs. 5.76 lakh crore as of 31st March 2022, registering a growth of about 2% compared to the last quarter. The total number of SIP accounts as on 31st March 2022 were 5.27 crore.

Now I will request my colleague Mr. Vinay Lakhotia to share with you about UTI Mutual Fund's performance.

**Vinay Lakhotia**: Just to highlight with respect to the UTI Mutual Fund operations, we are pleased to inform you that for the second consecutive year, UTI Mutual Fund has continued to grow at a rate higher than the industry growth rate. The UTI Mutual Fund quarterly average AUM for the quarter ended March 2022 stood at Rs. 2,23,842 crore, witnessing a year on year growth of 22.4% or almost Rs. 41,000 crore, from the March quarter ended for 2021 of Rs. 1,82,853 crores. During the same period, the industry AUM grew by 19.5%. As a result, our market share on a quarterly average AUM basis increased by almost 13 bps from 5.70% for the quarter ended March 2021 to 5.83% for the quarter ended March 2022. On closing AUM basis as well, our market share has actually increased by around 23bps during the FY 2021-22 from 5.63% as on 31st March 2021 to 5.86% as on 31st March 2022. We are pleased to inform you that our Equity QAAUM market share has increased from 5.15% for the quarter ended March 2021 to 5.17% during the quarter ended March 2022.

We witnessed an upswing in the AUM and net sales for our Equity oriented schemes, Hybrid schemes and ETF & Index funds. The Equity oriented QAAUM for the quarter ended March, 2022 stood at Rs. 69,287 crore, registering an increase of almost 37% over quarter ended March 2021 numbers of Rs 50,751 crore. The QAAUM for Index & ETFs recorded a growth rate of almost 47% during the quarter ended March 2021 and March 2022. For the FY 22, the net sales have been encouraging for UTI Mutual Fund. The total net inflows across asset classes stood at Rs. 19,428 crore as compared to industry net sales numbers of Rs 2.47 lakhs crore. We have recorded almost 7.88% of the industry net sales number during the FY 2021-22. The net sales number has improved significantly over the previous year by almost around 55%.

The Equity net inflows for UTI Mutual Fund amounted to around 5.8% of the industry net inflows and stood at Rs. 8,931 crore as compared to net outflows to the tune of Rs. 309 crore during the previous FY. ETFs & Index Funds continue to register an impressive inflows and our net inflows during the Financial Year 2021-22 stood at Rs. 14,187 crore almost 10.2% of the industry net inflows. The net sales for Hybrid category displayed a turnaround from outflows during the last four to five financial years, we have recorded inflows of around Rs. 567 crore in our Hybrid funds during the FY 21-22.

With respect to quarter ended March 2022, our Market Share on the Gross Sales of the industry stood at 9.85%. Our ETF & Index Funds recorded net inflows of Rs. 3,989 crore during the quarter ended January-March, while the Equity Funds recorded net inflow of Rs. 2,332 crore during the quarter four of the FY. UTI AMC group AUM, the total Assets under Management registered a growth of about 16.2% over the previous year and stood at Rs. 13.49 lakh crore as on 31st March, 2021, as against Rs. 11.61 lakh crore as on 31st March, 2021.

During the last FY, we have added over 8.5 lakh folios increasing our folios from 1.10 crore as on 31st March, 2021 to 1.19 crore as on 31st March 2022. During the past one year, the open-ended equity-oriented schemes added 9.19 lakh folios. We have done fairly well under the SIP book, during the financial year, our number of SIP accounts rose by 45% taking the total numbers of live SIP folios to 21.5 lakh as of 31st March 2022. Our SIP AUM witnessed a growth of 31.6% over the last year, reaching to Rs. 18,311 crore as compared to Rs. 13,914 crore as of March 2021. The SIP inflows for the quarter stood at Rs. 1,489 crore, rising by 10.1% over the third quarter and by 66.8% from the corresponding quarter last year. The SIP gross inflows for UTI MF witnessed a year-on-year growth of 58% as compared to the industry growth of 30% during the same period.

With respect to the Weighted average AMC yield, we have been able to charge a Weighted average AMC yield of almost around 41 bps for fourth quarter of this FY as well as for the entire FY as compared to 38 bps charged in the previous quarter and almost 44 bps charged in FY 20-21.

With this, I'll hand it over to Surojit to update on the company's financials.

**Surojit Saha**: UTI AMC's financial improved on the back of strong net inflows and judicious cost control measures taken. During the financial year, the Company posted a consolidated net profit of Rs. 534 crore, and consolidated core net profit of Rs. 366 crore (Core PAT excludes M2M Gain, Income from the sale of the Investment and Other Non-Operating Incomes) as against 194 crore in FY 21 reflecting a growth of 88%.

There is growth in the Core profitability of the UTI group:

**UTI AMC Ltd:**

- Core PAT of UTI AMC Ltd in FY22 is Rs. 299 Crore reflecting a growth of 61% YOY
- Whereas the core income is at Rs. 910 Crore in FY22, i.e. growth of 25%

**UTI RSL Ltd:**

- AUM of UTI RSL has increased by 21% on closing basis from Rs. 1,66,210 Crore to Rs. 2,01,919 Crore.
- PAT of UTI RSL is at Rs. 42.3 Crore an increase of 1,000%, the reason being the increase in the Net PFRDA fees structure from 0.5 bps from 3.5 bps.

**UTI International Ltd:**

- The Management fees of UTI International is at Rs. 127 crore in FY22 from Rs. 65 Crore in FY 21 an increase of 95% YoY

**UTI Capital:**

- UTI Capital has made a net loss of INR 2.21 Cr. Which is mainly on account of reduction of management fee income due to several exits from various funds. The company has got two approvals from SEBI for launching schemes. Hence it is expected that the company will break even in two years:

The operating profit margin as a percentage of AUM for FY 22 was 16 bps as against 12 bps for FY21. The ROE (Return on Earnings) of the company on a consolidated basis is 16% for the full year ended 31st March.

The PAT Margin stands at 40% for the full year ended 31st March 2022. The Net worth of the company on a consolidated basis is INR 3,606 crore as of March 2022.

The Board recommended a final dividend of ₹21 per share for FY 22 as against ₹17 per share for FY 21; amounting to 63.75% of the PAT as compared to 61.29% of the PAT for FY 21. Final dividend for FY 22 is subject to the approval of shareholders at the ensuing Annual General Meeting.

**I would like highlight one of the concern on the Employee Cost of the Group**

- Employee Cost of the group in FY 22 is Rs. 407 Crore an increase of 7% YoY (Rs. 27 Crore) as against the amount of Rs.380 crore in the FY 21.

  The increase is largely due to:
- Rs. 17 Crore of higher provision of Variable pay for the better performance of the sales & Investment team.

- Rs. 2 Crore higher expenses on account of medical expenses as previous year was COVID year and settlements were taking place
- Rs. 8 Crore due the increase in the fixed pay of the group employees reflecting an increase 2.5% of the total employee cost.

It may be highlighted that though there is an increase in fixed pay of employees in the range of 7% on account of annual increment, the actual impact of Rs. 8 crore in terms of percentage to the total employee cost is 2%. This entails a positive impact or saving of 4.5% which is on account of retirement of employees.

With this, I will hand over to Sandeep Samsi.

**Sandeep Samsi:** I would like to share some of the digital initiatives that we have taken. For providing a better Customer Experience across our Digital Assets like UTI MF App, UTI Buddy App and Website, we are redesigning and redeveloping these, with enhanced User Interface and technology upgrade. The design thinking will be Mobile first & to provide an ecommerce experience. This will be accessible to all categories of Investors and Distributors.

We are working on Increasing our Digital Distribution outreach by partnering with our Distributors & Third party portals through API Gateways for Onboarding, Transactions & other services. We aim at driving our business Growth by developing capabilities for adding customers through Display and Search Marketing and through Targeted communication for our Investors and Distribution Partners via Multi - media campaigns on Email, SMS, WhatsApp & notifications.

For our investors in Liquid & Overnight Fund, we have started a service called as Insta Statement of Account, where we target a turnaround time of around 5 minutes for providing the services.

For our MFD partners we have launched a service called as Insta Pay – Insta Brokerage which aims at commission payment on a Turn Around Time of 5 minutes to upto a maximum of 75% of the eligible, accrued and payable commission or Rs. 50,000 whichever is lower based on calculated Trail commission on a daily basis.

As a knowledge sharing initiative for our investors and partners in a digital format, we have launched "Symposia – UTI MF Knowledge Series", wherein we have so far done 5 events. Across these 5 events we had an overall registration of more than 20,000.

With this, I would request Mr. Rahman to share performance update.

**Imtaiyazur Rahman**: I would like to provide a brief highlight on the performance of our subsidiaries:

**UTI International:**

- The AUM of UTI International has increased from Rs. 26,821 crore to Rs. 28,974 crore during the year.
- Our international clients are across thirty-seven countries. These are primarily Institutions – Pensions, Insurance, Banks, and Asset Managers.
- One of our flagship fund, the India Dynamic Equity fund (IDEF) domiciled in Ireland, has an AUM of USD 1,188 million and is widely recognized as one of the best performing fund.
- UTI International's J Safra Sarasin Responsible India Fund is a ESG compliant India fund and has AUM of USD 125 million.

- UTI International launched UTI India Sovereign Bond ETF which is listed on the Amsterdam Stock Exchange.
- We will be shortly launching our office in Paris.

**UTI Retirement Solutions Ltd.:**

- UTI Retirement Solutions Ltd. has been managing the NPS corpus for the Government & non – Government sector.
- UTI RSL crossed the AUM of Rs. 2,01,919 crore and it has become a very profitable company.
- We have recently hired the services of M/s BCG to help us designing the business plans for UTI Retirement Solutions to capture the market in the private sector.

**UTI Capital:**

- We are building our expertise in AIFs through our subsidiary UTI Capital.
- UTI Capital has launched UTI SDOF II and UTI Multi Opportunity Fund I. I am quite confident that this company will do pretty well in the years to come.

I would also like to share key developments within the company during the financial year:

During the year, we sharpened our focus on our People, Process and Performance. We took measures to acquire talent and also build our internal talent pool.
During the year, we appointed:

- Head of Sales
- Deputy Head of Fixed Income.

To provide stewardship for our investment process across asset classes, we elevated our existing human capital in the following roles:

- Chief Investment Officer,
- Head of Equity,
- Head of Passive strategies,
- Head of Fixed Income Research.

We believe that with these elevations, we have the right framework to capitalize the growth in different asset classes and enhance performance.

During the year, we launched 3 Funds which generated gross sales of Rs. 2,779 crore. We will continue to launch new funds as and when the right opportunity arises.

We are working on our ESG journey and have been adhering to best practices. We have adopted a formal stewardship code and are signatory to United Nations – Principle for Responsible Investment.

I wish to reiterate that we shall continue to focus on growing our high yield assets as well as continue to focus on our People, Process and Performance.

With this, I would like to open the forum for your questions. Thank you for joining this call today.

**Moderator:** We will now begin the question and answer session. The first question is from the line of Kunal Thanvi from Banyan Tree Advisors. Please go ahead.

**Kunal Thanvi**: So, I had 3 set of questions. First was on the employee cost. So last year when we started this year out, we had indicated that for FY22 the employee cost to be at same at FY21 level or it was expected to go down. But fast forward 12 months, we are seeing an increment in the employee cost worth Rs. 27 crores for FY22. Now, we understand there are these variable components and other things that you mentioned, but they will also bear in FY21 numbers as well, right? So, how should one look at the employee costs from an absolute number basis? So, will there be actual reduction or it will continue to grow the way it is growing now?

**Surojit Saha**: I think I've already explained to you the difference between the Rs. 407 crore and Rs. 380 crore, that is Rs. 27 crore difference, right? And going forward, yes, other than the variable component which is the bonus component, other core employee costs will be coming down, but variable pay, of course, is in tandem with the growth in business. So, that obviously will increase or decrease with respect to our business growth and plans.

**Kunal Thanvi**: So when we look at the Rs. 27 crores of difference compared to last year, Rs. 17 crore is the variable. So, the remaining is like this Rs. 10 crores, right, for the entire financial year.

**Surojit Saha**: The Rs. 17 crores is in respect of higher provision of variable pay for better performance, Rs. 2 crore was a one-time cost with respect to the COVID, which have been settled and Rs. 8 crore was due to the fixed pay income increase of the Group employee. So, overall if you see, Rs. 8 crore on Rs. 380 crore comes to around 2.5%. So, considering that 7% annual increment has happened across our Group, so it was a saving of 4.5% because of the natural retirements and our cost measures.

**Kunal Thanvi**: So, on an absolute basis, we should assume that numbers would be in this range only, the way they are now or it would come down?

**Surojit Saha**: Yes. Obviously, the variable and bonus will depend on the growth of the business, but apart from that, other expenses we expect it to come down.

**Kunal Thanvi**: And the NPS business, last year what we have seen is in few months the inflows for UTI were lower than the peers like LIC, SBI. And in last concall, you guys had mentioned that by the end of March, the market share would be restored, like we'll receive the differential amount that we were receiving lower in the month of say October, November and December. But when we look at the full year number, that reflection is still not there. Can you explain to us what has happened in the NPS business and why we had lost that business and like this year as again should we build in for lower number in NPS if you can explain that?

**Imtaiyazur Rahman**: Kunal, the allocation has been restored. So, basically it came down from 32% to 16%, it has been restored. Now, the details Surojit will give it to you.

**Surojit Saha**: Yeah. As Mr. Rahman said, it has been restored. So in Q4 itself, we have seen an inflow of around Rs. 17,000 crore. So we expect that it will be continuing for the next financial year also.

**Imtaiyazur Rahman**: For the next financial year, the allocation has already been normalized.

**Kunal Thanvi**: So, for the few months that we had lost the flow, we didn't receive that money again, right?

**Imtaiyazur Rahman**: Whatever the allocation was there, lower allocation for three months that cannot be restored, then thereafter it has been restored. The fresh allocation had started.

**Kunal Thanvi**: Sure. Got it.

**Moderator:** The next question is from the line of Yashodhan from PPFAS Mutual Fund. Please go ahead.

**Yashodhan Nerukar**: So I just had a follow up question regarding the employee costs. So, I mean, we are to assume that the costs are somewhat going to be on the similar levels. But would we assume that as more of the older people with higher pay, they resign and the newer joinees with lower pay they join the company, so the absolute cost would sort of reduce from these levels?

**Surojit Saha**: Yes. I feel your perception is right.

**Yashodhan Nerukar**: So in a way, we are to see the cost sort of stagnating at these levels. And obviously the bonus, I'm excluding the bonus pay for now, because nobody knows how the AUM is going to be like. But apart from that the fixed costs are going to sort of keep coming down or at least be stagnant?

**Surojit Saha**: Yes. You're are correct. Already if you see, it has got stagnant for the last 2 years, from the IPO year, it has got stagnant and is going to come down.

**Yashodhan Nerukar**: Okay. Got it. And another question I had was on the international investments. So, basically, RBI has issued these guidelines, where foreign remittances are not allowed and the entire industry was sort of waiting on the limit extensions. So, you guys have also been running an offshore funds, right? So, is that sort of helping to access the international investments side?

**Imtaiyazur Rahman**: No. These are two different things. This remittance is the Indian money going outside. In our case, we are raising the money outside to bring in the country, right, and we have seen the growth in our AUM.

**Yashodhan Nerukar**: So, what sort of yield do you guys earn on that?

**Surojit Saha**: Our yield is around 55 bps for international business.

**Yashodhan Nerukar:** 55 basis, and Indian business, you said the yield is around 41 basis points, right? That's on a blended basis.

**Vinay Lakhotia**: Correct.

**Yashodhan Nerukar:** And what it would be simply for equity funds?

**Vinay Lakhotia**: For equity funds, for domestic or international?

**Yashodhan Nerukar:** Domestic.

**Vinay Lakhotia:** Domestic is close to around 85 to 90 basis points.

**Yashodhan Nerukar:** And just one last question. What sort of funds do you have in the pipeline? Would it be more on the active side or passive side?

**Vinay Lakhotia:** It will be more on the passive side, maybe a smart beta kind of a product. However, we have one product gap as far as the Multi Asset Fund is concerned. There we may launch sometime during this particular financial year. But apart from Multi Asset Fund, all the fund launches will be mostly on the passive side.

**Yashodhan Nerukar:** For further questions, I'll get back in the queue.

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

**Prayesh Jain**: Three questions from my side. Firstly on the employee cost front again, could you give some clarity as to what number of employees will be retiring in FY23 and what could be their current cost? That would be one. Second would be on your OpEx, on your other operating expenses, other expenses, they've also seen a sharp jump. What is the reason for that and how do you see this trending ahead? And the last question is on the tax rate, it was significantly higher in this quarter. What was the reason for that and what should we assume for FY23 and beyond?

**Surojit Saha**: First I will take question number 2 and 3, or I will go in the reverse direction, let me take tax question first. If you see the effective tax rate for the full year, it's almost normal that is around 18% and 19%, respectively. For Q4, there is a jump basically because of 3 reasons. One is the proportionate business income has been very high on the Q4 rather than Q3. Q3, there was an FMP maturity for which there is a tax rate of around 11%. So business income was more for this Q4 and the lower taxation income was nominal in Q4. Secondly from deferred tax asset, a change over to DTL because of the FMP maturity. And last reason is because of 6.75% yield in respect of actuarial valuation, the income has increased because previous quarters, it was charged around 6.45% / 6.4%. So these are the 3 reasons basically why the tax has increased in Q4. But if you see the overall 12 month period, it's around 18% to 19%.

And in respect of your other expenses, if you go by the December figure other expenses was Rs. 147 crore. That gives us a run rate of around 49 crore per quarter. Rs. 49 crore into 4 is around Rs. 196 crore should have been the annual expenses but that annual expense is around Rs. 212 crore, that is 16 crore more. So 16 crore has come from 3 reasons. One is Rs. 7 crore in case of trail fees of international business, trail fees generally on a run rate is Rs. 12 crore to Rs. 13 crore we pay for each quarter, but in Q4 was Rs. 20 crore in respect of international business because new AUM has come in Q4, so Rs. 7 crore additional trail fee was paid. Apart from that, Rs. 17,000 crore of money came from fresh allocation in respect of the retirement business for which we had to pay a PFRDA charges of Rs. 2 crore, plus you must have heard Mr. Rahman telling that we appointed BCG. BCG was paid a fees of around Rs. 2 crore in the last quarter, and the rest around Rs. 4 crore is a normal expenditure of around digital initiatives which have taken place. That is the reason for our difference of Rs. 143 crore to Rs. 212 crore.

And the first question was in respect of the retirement figure?

**Prayesh Jain**: Yeah, number of employees retiring in this year and what would be the cost allocated? And also could you guide us a tax rate for the next year.

**Surojit Saha**: The tax rate for the annual will be around 18% to 20%.

**Prayesh Jain**: And on the employee cost, employee front, number of employees?

**Imtaiyazur Rahman**: 96 people will be retiring and the total cost impact will be around Rs. 41 crore over the period of time.

**Moderator:** The next question is from the line of Hiten Jain from Invesco. Please go ahead.

**Hiten Jain**: Last quarter, you had said that the variable pay that you have allocated for FY22 is around Rs. 35 crores. And this quarter you are saying that the variable pay has gone up in line with the business. But the AUM is kind of flat QoQ. So how come so much of change in variable pay in one quarter?

**Surojit Saha**: Variable pay is based on the KRA of the full year, it is not on a particular quarter and even the investment team as well as the sales team, they are evaluated over the full year 12 months. So I'll just give you the explanation for that difference which you are asking. Employee benefit cost of the entire group was Rs. 74 crore in Q4 21. The same was increased to 115 crore in Q4 FY22. So you will observe that there is an increase of Rs. 41 crore. During the FY22, our budget of Rs. 35 crore for the year was made and a proportionate provision was made Rs. 8.75 crore for each quarter. So for Q4 the impact of Rs. 8.75 crore plus the Rs. 17 crore additional provision which was made comes to around Rs. 26 crore. And if you remember in year December 20, we made a provision of Rs. 45 crore and then actual payment in March 21 was Rs. 38 crore. So there is a minus Rs. 7 crore impact. So 26 plus 7 is Rs. 33 crore. Apart from that Rs. 2 crore for ESOP amortization, Rs. 2 crore for the medical expenses and Rs. 2 crore for the fixed pay. So overall that gives an impact of 41 crore.

**Hiten Jain**: Exactly. So when you have a variable pay estimated for the full year, till first 9 months, your estimate was lower and you had said that it will be equally spread across the year. So again it seems like last year again this variable pay is really volatile for us to understand. Sir, maybe if you can explain it better how do you -- so you plan it out for the year. So till last quarter you had 9 months of performance in front of you and you would have estimated a variable pay, and suddenly this number changes now so which is where we are finding it difficult to understand.

**Imtaiyazur Rahman:** You are right. So we have decided now that this provisioning, we will do our entire provisioning of this one on the actual basis, we will do on a quarter-on-quarter basis and it will be reflected accordingly. I would like to submit here the performance of our team has gone up substantially and that we'll calculate on a yearly basis. That is the reason for the higher variable pay. But I'm very pleased to share with you that the standalone profit of UTI AMC has gone up even after providing this particular bonus, which has gone up from Rs. 351 crore to Rs. 417 crore. And I am also pleased to share with you that that dividend payout has also increased from Rs. 17 per share to Rs. 21 per share. Is important for us to look after the employees because the entire industry and all sectors are facing great resignation era. It is very difficult to retain the team, but we have been fortunate enough to have a stable team with us both in investment and MF distribution.

**Hiten Jain**: Sure. And another thing was when you were trying to explain the difference between the employee cost of full year of Rs. 28 crores so you have very nicely have given the breakup, but at the same time you had a Rs. 17 crore of benefit also because the ESOP cost was lower this year. As per your earlier commentary you had said that the ESOP cost for FY22 was Rs. 13 crores and last year it was Rs. 30 crores. So there was this Rs. 17 crore of absence of ESOP cost this year, so which means if I adjust for that, then it seems like we haven't got any retirement benefit which you have been guiding since the IPO.

**Surojit Saha**: You have to see the employee cost as a whole because there are ESOP, actuarial valuations for gratuity, leave encashment, pension, all taken into account. The overall employee cost is what you should look into because each factor has an impact on the employee cost.

**Imtaiyazur Rahman:** But the fixed pay is on the downward trend.

**Hiten Jain**: And just one clarification. Sir said that 96 people will be retiring and you said Rs. 41 crore of saving over 1 year. Did I hear that number correct because that looks quite high?

**Imtaiyazur Rahman**: 96 persons will be retiring on the full year basis, it will be Rs. 41 crore.

**Vinay Lakhotia**: So the employee may retire gradually over a period of time, the total salary cost of that employees is close to around Rs. 41 crores. So maybe if I am assuming that if the linear retirement you can very well take half of that figure actually as a saving in employee cost.

**Imtaiyazur Rahman**: So next year the total impact will be to the tune of Rs. 41 crore.

**Hiten Jain**: Okay. So you continue to guide that the total employee cost which is around Rs. 400 crores, it should remain the same for the next 2-3 years given you'll have savings which you'll be able to offset any potential wage hike that you have to give to keep as per the industry standards?

**Imtaiyazur Rahman**: You are right, and we are also looking forward for the manpower rationalization. We are not in a position to give you any guidance at this point of time, but we are seriously working for the manpower rationalization, and probably in a couple of quarters we may have some policy for the manpower rationalization, which will help further to reduce the employee cost and have better productivity.

**Moderator:** The next question is from the line of Viraj from SiMPL. Please go ahead.

**Viraj Kacharia**: Just 2-3 questions. First broadly in terms of the remuneration structure which we have and also when we started the year the whole idea was that we have an ESOP plan. We kind of had another ESOP plan which we kind of upgraded and the cost itself will keep on trending down. And at the same time there is another element of performance linked incentive which communication was will be in the range of Rs. 30 crores, Rs. 35 crores even in 2022. Now if I look at our overall strategy and our overall payout structure as well, we have been quite aggressive lately in terms of yield as well in the market sales. And when it comes to the employee part as well, the remuneration structure seems to be very aggressive or more attractive than what you see in the industry. So just trying to understand what is prompting you to layout such a more aggressive payout. So that is one. When you keep on talking about the KRAs, how do you measure those KRA? So what are the elements you kind of base on? So is profitability is also one of the KRA? Just want to understand in that aspect. So if you can give more detail picture, it would be very helpful.

**Imtaiyazur Rahman**: Viraj, most of the questions we have answered and if you want to have a detail on the KRAs and other fees, I think you can have one-on-one conversation with CFO and Vinay. They are there and of course Sandeep is there. They will give you the complete details of this. And what I would like to submit that our incentive plan is not an aggressive incentive plan. It is much lower than the industry. We are not at the highest percentile of payout. We are a moderate and reasonably in line with the market. We are not aggressive and indeed we are not conservative. But we are not at all aggressive payout master. And details of KRAs, yes, profitability also is in part, but it is for the senior management team. For the sales team, it is mainly the share of wallet and net sales. For investment team it is indeed the performance, the Peer performance and benchmark. But indeed for the senior management, all the senior management team have profitability as a target. But as you will appreciate that, the profit has also gone up substantially, particularly the core profit as Surojit has said the core profit of the AMC alone has gone up substantially and these we have detailed in our investor presentation.

**Viraj Kacharia**: Sir, just 2 questions. why I am kind of emphasizing on this a little more, because if you look at our employee cost in relation to our AUM and also especially in absolute basis and if you compare to all the players, especially the top 5 in the industry, there is of excess cost built into the system for us and the communication at least, what it seemed that this will kind of moderate in coming years. But if you actually see, it just keeps on moving up. From an investor, it always seems like the cost management per se is not really kind of coming in place for us, in terms of the projected savings which we were hoping it to be.

**Surojit Saha**: In the first answer itself I explained that overall if you see, there is an Rs. 8 crore increase in the overall fixed pay which is 2.5% increase, and whereas our annual increment is around 7%. So even if there was a 4.5% savings and this will continue over the years, our fixed pay will continue to come down. That is the explanation which I gave in the initial part of it. So we are continuously monitoring it and already it is stagnant if you see of the IPO years and it's on a downward trend. Apart from the variable, of course, this depends on our business growth and business plan.

**Vinay Lakhotia**: And Viraj just to add, the cost as a ratio is actually declining over the last 2-3 years. So with a growth in the average AUM, our cost ratio has actually have been improving over the last 2-3 years and this year is no exception. In fact, this year also the cost ratio as a percentage to average AUM has actually improved by almost around 4 to 5 basis points.

**Surojit Saha**: And Viraj, if you see our cost to income ratio, which was 67 bps in FY 21, it has come down to 59 bps in FY22 on a standalone part of it.

**Viraj Kacharia**: Two more questions. One is you said you paid a fee of Rs. 2 crore to BCG. So what is the scope of service in the project which we are taking the service for if you can just give some color on that?

**Imtaiyazur Rahman**: It is for our company, subsidiary UTI Retirement Solutions. UTI Retirement Solution is currently managing mostly the government pension funds. We are trying to diversify to target the private sector and in order to have a proper guideline, business plan, we have hired the services of BCG. The Board of UTI Retirement Solutions hired the services of BCG. So now we have a business plan and we are rolling it out. We have already obtained the POP license in the name of UTI Retirement Solutions and we are in the process of building the team.

**Viraj Kacharia**: And just last question was on the international business. If you see Q-on-Q, there is a sharp drop in AUM. And I just want to understand why is that? And relation question is you mentioned about in other expenses we have paid Rs. 7 crores higher trail fee because we have added new funds but when I look at the AUM for international business, it's come down from almost Rs. 34,000 crore to somewhere around Rs. 28,000 crore. So what is driving that that gap drop. And when you pay the fee, how does it really work for us?

**Surojit Saha**: You are correct. The AUM as of December was Rs. 34,000 crore, it came down to Rs. 29,000 crore. It is mainly because of MTM loss, because of IDEF which is out of Rs. 29000 crore, IDEF itself is around Rs. 10,000 crore fund. So MTM has impacted that and our money has also come in Q4 for which we had to pay a trail fees which I told you. So this is mainly because of the MTM impact.

**Viraj Kacharia**: So of that Rs. 29000 crores, it is right now Rs. 10,000 crore and the rest Rs. 19,000 crore, Rs. 20,000 crore, how is that distribution? And same is for IDEF, how is the distribution in terms of investor base? Is it kind of the client concentration is too high because few years back we had faced a similar around one of the large investors kind of pulled down in one of the international funds and we have seen a sharp de-growth. So any perspective on that?

**Surojit Saha**: We have a broad investor base. These are all high net worth investors of European countries and European banks from Switzerland, Paris, France, London. So we have a broad investor base. And other than Rs. 10,000 crore, the balance Rs. 19,000 crore, 30% is other equity funds and the balance is Debt.

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

**Aditya Jain**: If you could touch upon the operating yield which is up QoQ versus a decline that we'd seen in the third quarter. So you already mentioned equity yields on the total book which was 85 to 90 basis points. If you could talk about the incremental yields that were observed in 3Q versus now? And so the increase or the normalization which has happened, do you expect it to sustain going forward?

**Vinay Lakhotia:** We have, Aditya, given a guidance that for the full year, we should be closing around 41 to 42 basis points. Q3 decline was on account of various reasons because we had NFO. Then obviously, even the passive funds, inflows had been at a substantial rate and our ratios of gross sales to net sales has actually also increased. So as I stated in the earlier concall as well, Q4 is normally a period where tax saving products where yields are slightly higher are being sold very aggressively and that's why that has helped to push our overall yield close to around 41 basis points.

**Aditya Jain**: But incremental yields would still be below 85 to 90 basis points.

**Vinay Lakhotia**: That is true for the entire industry. The incremental inflows will be lower as compared to the top AUM yield of 85 to 90 depending on the sharing formula with whom we are mobilizing it. So as communicated earlier, the sharing ratio is in the range of around 50% to 80% of the total expense ratio between the IFAs and a national bank or a distributor.

**Aditya Jain**: So then the 41 basis point of guidance is based on a change as well as maybe more share of direct. Is that the right understanding?

**Vinay Lakhotia:** Yes. Correct.

**Aditya Jain**: And then just one clarification. So earlier we used to guide towards Rs. 60 crore to Rs. 70 crore of saving over 3 years or so. So the Rs. 41 crore number that you mentioned, so it's essentially a big chunk of the Rs. 60 crore to Rs. 70 crore is expected to come in FY23 itself. Is that the right way to look at it?

**Vinay Lakhotia:** No, the Rs. 41 crore will actually come over an entire year, so depending on the month in which the employee is retiring. So for the full impact of Rs. 41 crore, that will be visible in FY23-24 only. During FY22-23, depending on the month in which the employee is retiring, the entire benefit may not accrue. This may be on a conservative estimate, you may say it as a half of that Rs. 41 crore.

**Aditya Jain**: Just lastly if you could tell us as a period and number by asset class.

**Vinay Lakhotia**: Period and number by asset class. You want quarterly average or closing?

**Aditya Jain:** Yes, closing.

**Vinay Lakhotia:** So our closing AUM as on 31st March was Rs. 2.20 lakh crore. Equity and hybrid fund constitute roughly around Rs. 95,788 crore. ETFs and investments are Rs. 65,809 crore. Income fund at Rs. 15,454 crore and liquid fund as Rs. 43,125 crore.

**Moderator:** Next question is from the line of Sahej Mittal from HDFC Securities. Please go ahead.

**Sahej Mittal**: So sir, 2 questions from my side. First was on the tax rate. I couldn't quite understand the reasons for such a sharp increase in the tax rate for this quarter. So, if you could just repeat that. And for the next 2 years, what sort of a run rate, should we expect on the operating cost front if you could give some guidance given the kind of sharp increase in this quarter?

**Surojit Saha**: The first question was in respect of your tax rate, I will just repeat it again. The tax rate has increased for the full year. You know that it' almost 18% to 19%, but for Q4 it has increased because of 3 reasons. One is proportion of business income in Q4 is much higher than the other quarters because other 2 quarters, Q2 and Q3, lot of FMPs have matured. So those are taxed at around 10% to 11%. But in Q4, the total income mostly was in the set of business income which gets charged at 25%. And the second point is that the deferred tax asset has changed to deferred tax liability in Q4. And lastly because of the actuarial valuation is done on the current interest rate, which is around 6.75%, earlier it was done at 6.45%, so this also had an impact because our income has increased and this has also resulted in our increase of taxation. So these are the primarily 3 reasons which in Q4 the tax rate was higher, but you can always see that for the full year, it was around 18% to 19%. And in respect of your query regarding the OpEx rate, yes, we expect the OpEx rate to be around 52 to 53 because for the last 3 quarters that is Q1, Q2, Q3, it was around Rs. 49 crore and this Q4 it was more because of the reasons which I already explained. So we expect a run rate of around Rs. 51 crore to Rs. 52 crore for the next year.

**Sahej Mittal**: So just for the clarification, the FMP has maturated as you said, where does this income get clubbed? And I am unable to understand this. So does that give the club in the other income or where do we get this from?

**Surojit Saha**: Yes, it gets into the other income part. The sale of service is totally AMCs which we receive. The MTM loss and gain and income from our treasury is part of the other income.

**Sahej Mittal**: So what I see is that there is a drop, there is a net loss in key other income. So how could that result in a higher tax rate in this quarter?

**Surojit Saha**: No, that is because of the MTM loss, the MTM loss is something different.

**Sahej Mittal**: So where does this income get booked

**Surojit Saha**: That is notional, the M2M loss is totally notional.

**Sahej Mittal**: No, but the income from this maturity of FMPs, where could we see this in the financial statements?

**Surojit Saha**: Income from investments. Core income is only of the fees which we receive, the asset management fees. I feel if you see the investor presentation, it is clearly mentioned over there, the breakups are already given in the investor presentation.

**Sahej Mittal**: Okay. So I'll just check and maybe I'll get back to you on that.

**Surojit Saha**: Page number 35, it's all given. If you see the page number 35, the breakup is given over there.

**Sahej Mittal**: I'll recheck and I'll check with you afterward.

**Moderator:** Ladies and gentlemen, we will take the last question from the line of Akshay Jain from JM Financial. Please go ahead.

**Akshay Jain**: Sir, I had a follow-up question on the international AUM part. So you said that your trail fees is higher by Rs. 7 crore because of the higher net inflows in the international AUM. So can we get the quantum of the net inflows because the MTM loss of Rs. 6,000 crore plus net inflows of say XX amount seems to be pretty high?

**Surojit Saha**: That is why I told you that IDEF which is around Rs. 10,000 crore plus the other equities are there which is around Rs. 4,000 crore and the balance is debt. So in the last quarter, the trail fees is continuous, on the business. The money which has come in the month of March, you will see the accrual part of it will happen in the next year. That is why you see the international fees which was Rs. 65 crore in FY21 and it has increased to Rs. 127 crore in FY22 and it will continue next year also.

**Akshay Jain**: So what should we take the run rate for the revenue next year, so this Rs. 127 crore, what should we build into? Should it go up further or this has reached its limit?

**Surojit Saha**: Yes, I feel it should go further because UTI International has plans to launch two new schemes where we have good investors lined up already. So we definitely perceive that there will be a growth in the revenue income of UTI International.

**Akshay Jain**: And Sir, you mentioned that your trail fees has increased to say around Rs. 20 crore because of the higher trail fee of Rs. 7 crore. Should we take this run rate going ahead, this Rs. 20 crore will be recurring from now on?

**Surojit Saha**: Yes. Definitely. It depends on the business, how it will be. But because of the new business it may increase also. The new two funds which are being launched that also will have a trail fees definitely. But it will go in tandem with the increase in revenue.

**Akshay Jain**: And sir, just one more question. So you said that annual cost savings will be around Rs. 41 crores, so for example for FY23 it will be say if we take the FY23 budget, it will be say around Rs. 20 crores. So what will be the replacement cost for these employees?

**Imtaiyazur Rahman**: It will not be much. We already have recruited a lot of management trainees and they will be in a position to supplement. I am not expecting more than 10% as a substitution cost.

**Surojit Saha**: Just to add, if you listen to our earlier calls like in March 20, we have already inducted around 150 people and even March 21 we inducted fresh graduates and whom we have groomed up to take over these retirement cases. So we don't expect much cost to rise at all.

**Akshay Jain**: And sir, one last question. I missed one of the part of the other expenses you said. So there was a large component of around Rs. 4 crore or Rs. 5 crore. So what that's about?

**Surojit Saha**: Out of the difference of Rs. 16 crore which I explained, Rs. 7 crore was trail fees, Rs. 2 crore was in respect of fresh allocation which we had to pay to PFRDA as charges. And Rs. 2 crore was in respect of BCG. And the other Rs. 4 crore to Rs. 5 crore was in respect of the cloud and Bloomberg and other digital initiatives. Because in FY21, there was free period for which we have to pay our normal usage charges for FY22. So that difference is around Rs. 4 crore to Rs. 5 crore.

**Moderator:** Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Imtaiyazur Rahman for closing comments. Thank you and over to you, sir.

**Imtaiyazur Rahman**: Thank you very much and let me give you two other information. One is the allocation from the PFRDA to UTI Retirement Solutions will be for the FY22-23 will be 32.5%. So one-third will be coming to us. And so far as the business expansion is concerned of UTI International, we have business plan in place, very shortly we will be opening our office in Paris and we will be targeting more clients. And thank you very much for the active participation and please continue to support UTI. Thank you.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of UTI Asset Management Company Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.