



“HDFC Asset Management
Q1 FY2019 Results Conference Call

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MANAGEMENT:

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Moderator: Ladies and gentlemen, good day and welcome to the HDFC Asset Management Company Limited, Q1 FY2019 Earnings Conference Call, hosted by Axis Capital Limited. 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, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Dr. Subramanyam from Axis Capital. Thank you and over to you!

Subramanyam: Thank you Raymond. Hello everyone and welcome to the first investor call of HDFC Asset Management Company post the listing of the shares recently. We are here to discuss the financial results for the quarter ended June 2018, which was released less than an hour ago. We have with us representing HDFC AMC, Mr. Milind Barve – Managing Director, Mr. Piyush Surana – CFO and Mr. Simal Kanuga - Head of the PMS Sales & New Initiatives. I would not want to come between you and the company. I now request Milind to share his thoughts on the results and after that we will open it for Q&A. Over to you Milind!

Milind Barve: Thank you Subra and all of you. Thank you very much for joining this call today. This is the first quarterly earnings call of our company. The presentation has been uploaded on our website which is www.hdfcfund.com as well as the website of the stock exchanges. We do hope that you have the same available with you as we go through this call.

I will just go using the slides of the presentations, which are hopefully in front of you. To begin with the quick overview of the mutual fund industry on slide #2 as on June 30, 2018 the AUM of the industry had reached ₹22.9 trillion as against ₹19 trillion as on June 30, 2017 which is a growth of 21% for the industry’s AUM. Equity oriented AUM as on June 30, 2018 has grown much faster at 37% compared to that of June 30, 2017, debt AUM has seen a degrowth of ₹0.3 trillion over that of June 30, 2017. The same has though been well compensated by growth in liquid funds and attribute the same in my view to the rise in interest rates.

As you are all aware financial years 2017-2018 saw unprecedented flows into equity-oriented products. For the first quarter of the current fiscal year equity oriented funds saw net flows of ₹404 billion as against ₹506 billion in the first quarter of the previous fiscal. These numbers are for the industry, the number is lower in relative terms, but it is a healthy number in absolute sense nonetheless.

Individual investors’ contribution to the monthly average AUM was at 48% for the industry for June 2017, the same increased to 52% for June 2018. In terms of monthly average, AUM individual investors have invested ₹12.3 trillion in mutual funds as of June 2018. The comparable number for June 2017 was ₹9.5 trillion.

The flows through systematic plans for the industry have been consistently increasing at a good pace. The flow for the month of June 2018 was ₹76 billion as compared to ₹71 billion for March

2018 and ₹47 billion for June 2017. These are flows through SIPs. The B30 towns, that are towns which are beyond the top 30 cities, contribute to the tune of 14% of the industry's monthly average AUM as on June of 2018.

Moving onto slide #3, which is about us. As on June 30, 2018 equity-oriented AUM and non-equity-oriented AUM are more or less equal at ₹1.5 trillion each and the total AUM as on June 30, 2018 for HDFC AMC is ₹3.01 trillion. As on June 30, 2018 we have over 8.4 million live accounts, 210 branch offices, 65000 plus distribution partners and a team of about 1100 employees. We are happy to state that as of June 2018, of our total monthly average AUM, ₹1.91 trillion comes in from individual investors.

As we have said in slide #4, as on June 30, 2018 our total AUM has shown a growth of 22% when compared to that of June 30, 2017. This is higher than the industry. We have maintained our market share of about 13% in terms of quarterly average AUM and retained our position as the second largest mutual fund manager.

We will now move onto discuss the high quality and profitable actively managed equity AUM as we have shown on slide #5. Our actively managed equity oriented AUM, as on June 30, 2018 was ₹1.46 trillion as against ₹1.10 trillion as on June 30, 2017. This category has shown a growth of 33% for us as we continue to enjoy leadership position with a market share of 16.4%.

Slide #6, showcases the asset mix for us as well as for the industry as a whole. As on June 30, 2018 equity oriented AUM was 50.2% of the total AUM for us as against 42% for the industry. The comparable figures as on June 30 was 46.2% for us and 37% of that for the industry. We have always focused on individual investors. In terms of live individual accounts, we have now seen a growth of 29% from 6.48 million as on June 30, 2017 to 8.36 million as on June 30, 2018.

The monthly average AUM for June 2018 from individual investors was ₹1.91 trillion as compared to ₹1.51 trillion for the month of June 2017, which translates into a growth of 26%, this is on slide #7.

We are pleased and humbled to say that we continue to remain the most preferred choice of individual investors and do enjoy our market share of over 15% when it comes to individual investors assets in the mutual fund industry. Information for the same is on Slide #8.

Slide#9, is all about the key pillar of our business, we have always stated and continue to maintain that systematic transactions is the backbone of our sales strategy. Our systematic transaction book has grown to ₹11.64 billion for the month of June 2018. This is a monthly flow.

Furthermore, at the time of signing of systematic accounts 77% plus of our customers have signed for a period exceeding 5 years and 64% plus have signed for a period of over 10 years. This shows the quality of our systematic transaction book. We processed 3.36 million systematic transactions in June 2018.

Details of our distribution network are on Slide #10. Our distribution mix has been stable for the last one year. IFAs continue to make significant contribution to our equity-oriented business with a share of 39.7% followed by national distributors with a share of 24.5% and banks at 18.5%. This is as on June 30, 2018.

The contribution of direct business to our total AUM has moved up from 32.9% on June 30, 2017 to 35.8% as on June 30, 2018. The contribution of direct plan or direct business in equity-oriented AUM has been in the region of about 17% as on June 30, 2018 largely the same as on June 30, 2017.

We now move on to the next slide #11. We aspire to reach every saver in India. Keeping this in mind we have established 134 branches in the beyond the top 30 cities. As of June 2018 we are the second to SBI Mutual Fund when it comes to the market share of assets raised from the B30 cities. Of our monthly average AUM as of June 2018, close to 13% is contributed by the B30 cities.

Over the last one and a half year we have made significant investment in building digital assets to support and further optimize our digital transaction. We have rebuilt our core partner and investor facing platforms to support the drive to digital transactions. We are seeing material increase in terms of consecutive processing getting done electronically. For non-systematic transactions electronic transactions as a percentage of total transactions has gone up from 46% for the quarter ended June 2017 to 61.5% for the quarter ended June 2018.

We will now move to the financials. First, I must highlight the transition to Ind-AS. The company has adopted the new Indian accounting standard with effect from April 1, 2018. As a consequence the financials for the quarter ended June 30, 2018 have been prepared under these new accounting standards.

The financials for the corresponding quarter of the previous financial year have also been restated accordingly. As shown in slide #14, the key changes effected by the transition to Ind-AS relate essentially to recognition of MTM (mark-to-market) of the company's investments through the P&L, a charge on account of unvested ESOPS and consequential deferred tax adjustments. These are the three key impacts of Ind-AS on our accounts.

Our profit after tax for the quarter ended June 30, 2017 under the Indian GAAP was ₹1432 million, which has been restated to ₹1646 million as shown in slide #15. The opening networth of the company under Indian GAAP stood at ₹14229 million on April 1, 2017, which has been restated, to ₹15174 million as per slide #16.

Now coming to the quarterly financials. Coming to the results for the quarter ended June 30, 2018 (which are on slide #17). Revenue from operations grew by 21% to reach ₹4712 million from ₹3904 million in the corresponding quarter of the previous year. Total expenses were up by 12% to ₹2065 million from ₹1851 million in the corresponding quarter last year.

Our operating profit from the core asset management business grew by 29% to ₹2647 million for the quarter ended June 30, 2018 from ₹2053 million for the corresponding quarter of the previous year. Other income for the period was ₹299 million a growth of 13% over the corresponding period's figure of ₹266 million.

Profit before tax grew by 27% to ₹2946 million from ₹2319 million for the corresponding period and profit after tax for the quarter stood at ₹2052 million which is a 25% growth over ₹1646 million for the corresponding period of the previous year.

Our operating profit margin which is the operating profit as a basis points of average AUM improved to 35 basis points for the quarter. The number for the corresponding quarter of the previous year was 32 basis points.

The company has been the most profitable AMC in its peer group. Profit after tax was ₹5.5 billion and ₹7.22 billion for FY2017 and FY2018 respectively. This is shown in slide #19.

Slide #20, showcases some additional historical trends. These numbers are calculated after removing the net performance fees received from our real estate portfolio management business in FY2014, 2015 and 2016, since this portfolio ceased from 2016.

The three-year CAGR of our revenue from operations and operating profits were 23% and 20% respectively. The three-year CAGR of our PBT and profit after tax is 22% and 23% respectively. The company has historically had a high return on average network and consistently improving dividend payout ratio has shown in slide #21.

Subramanyam: Raymond we can open up for questions if any.

Moderator: Sure, thank you very much. We will now begin the question and answer session. We have the first question from the line of Vaibhav Agarwal who is an Individual Investor. Please go ahead.

Vaibhav Agarwal: Thanks for the opportunity. Just I would like to have a kind of a scenario like in 2008 or 2013 when the market crashed and what was the impact on the AUM and the profitability of the business like I just wanted to have a sense like what is the sensitivity of the AUM and profitability with respect to our market downturn kind of environment?

Milind Barve: The business does have 51% or close to 50.5% of the business of AUM coming from equity oriented assets - to that extent there is a correlation between the equity market and the revenues of the company to that extent our business remains correlated to that of how the markets perform. Specifically about 2008 and 2013 we will have to come back to you separately with figures and numbers they are not right now in front of us.

Vaibhav Agarwal: Thanks a lot.

- Moderator:** Thank you. Next question is from Kamal Verma from CLSA. Please go ahead.
- Prakhar Sharma:** Sir I just wanted to just get a broader understanding on this business development and other expenses growth of about 7%. Is this down because of the upfront commissions being lower or are there other controls that are there within your leeway that you are able to report just about 7% growth there?
- Piyush Surana:** Prakhar one of the reasons is, that the business development expenses have come down from the previous period because of the change in the dynamics of the business. We do know that the quarter has been a little muted compared to the previous period, which is why the brokerage numbers are a bit lower.
- Prakhar Sharma:** This other income now that the book has already been mark-to-market historically is still showing about a 13% growth, I wanted to understand – one I understand this is mostly mark-to-market income because the realized gain to the extent the gain came earlier was taken on April 1, 2017 itself I just want to get a sense what is driving this income because markets generally underperformed this quarter?
- Milind Barve:** As you are aware the interest yields in this last quarter went up by almost 50 basis points and we have majority of our investments in fixed income funds. If you were to adjust for that, the mark-to-market gain for the June quarter was about ₹7.1 Crores while the mark-to-market gain in June 2017 was something of the order of ₹20 Crores so in spite of that the other income has grown by about 12%. If you adjust for that, our income (without the MTM impact which we have taken in our investment income) i.e. the revenue and the profit would have been materially different.
- Prakhar Sharma:** So this is basically the accrual income going forward than the mark-to-market hit that you might have taken?
- Milind Barve:** That is right. From a year back the overall networth of the total investment book size has increased and that is why we were able to absorb the mark-to-market and still show growth.
- Prakhar Sharma:** And last thing has the transition to the new revenue structure 15 BPS reduction been relatively smooth in your view or we need to wait for some time to see how does that impact flows etc.
- Milind Barve:** That the change in the 15 basis points happened effective June 1, so in one quarter we were able to reduce the distribution commission payout almost close to 15 basis points. So we were able to absorb that sort of reduction in the topline by almost a commensurate reduction in the distribution payout. Of course you have to keep in mind that for the business that had come directly, there is no distribution commission that is paid. So we have been able to sort of neutralize materially the impact of the 15 basis points reduction which happened in one month as far as this quarter is concerned which was about from June 1.
- Prakhar Sharma:** Thank you Milind thank you so much.

- Moderator:** Thank you. The next question is from Manish Shukla from Citigroup. Please go ahead.
- Manish Shukla:** Thank you. Good evening. The share of direct business is more or less kind of flattish over the past year or so in terms of overall. Would you intuitively feel that as a contribution of the overall pool much upside from that is limited or how should one think about the flows coming in from the direct side of the business?
- Milind Barve:** If you look at the overall business then the overall direct business has actually gone up. I think I have mentioned that in the call slightly from 32% to about roughly 35%, if you look at the equity business, which comes predominantly from retail investors, that share which was 17% has become 17.3%. I would tend to believe that the direct business will not materially change in the near future. It will be very difficult to see a trend on a very long-term basis as people see the return difference between the direct plan and the broker plan. But at least in the immediate future, because the business is significantly and highly intermediated, the business which comes through distributors will continue to be fairly strong. So the 17%, which is the share of the direct business, I do not expect it to materially change in the short period.
- Manish Shukla:** And again continuing only with equity if you were to take in your quarterly volatility but on a full year basis the interplay between other three channels banks, IFA and national distributors. We believe ballpark it remains in the current mix or is one channel likely to outgrow other the way things are shaping up?
- Milind Barve:** No, like if you see what we have mentioned in the call on a year-to-year basis the contribution from these three channels has broadly remained the same, which is roughly about around 39% of IFA, close to 25% national, and banks being somewhere in the region of 18%, 19%.
- Manish Shukla:** So you do not expect those trends to change?
- Milind Barve:** I do not think they will change materially. They seem to have settled, we have observed them over a period of time now they seem to be have settled somewhere in that region maybe 1%, 2% move up and down.
- Manish Shukla:** Going back to the business development expenses growth of 7% now everything is Ind-AS should one see it as a proxy of flows, not the magnitude I mean not the absolute growth but the way things are going will this be meaningfully different if flows were to go up or down?
- Milind Barve:** Yes see one of the very intrinsic nature of the flows and the cost that come with the flows is that there is still a reasonable amount of business on which there is a front end fee that is paid, upfront commission/advanced trail is paid. Now that commission is typically amortized over the first 12 months because we have an option to claw it back if the money goes out during the first 12 months. The flows in the industry have been softer in this current year as compared to the past year, which almost saw a run rate of ₹20000 Crores per month. The current year in the first quarter the industry collected about ₹39000 Crores in equity as AUM as compared to about

₹50000 Crores in the previous year. So the collection rate in the current year is relatively lower and therefore to that extent the cost, which gets front-ended the impact is slightly less. In a way you are right that if there is a material change but these are not costs which get effected on a month-to-month basis because they get averaged over a 12 months period of write-off.

Manish Shukla: Let us say of the ₹15.5 billion number for the June quarter what proportion would be the amortized cost and what would be the non-amortized portion or all of it is in some sense amortized cost?

Milind Barve: Roughly around 70% to 75% of this expense would be amortized cost. Just have to clarify here this shift to Ind-AS has not affected the way upfront brokerage or advanced trail has been accounted. It is still accounted in the same manner as it was earlier which is amortized over a period of 12 months.

Manish Shukla: Okay so that does not change.

Milind Barve: That does not change.

Manish Shukla: If you could share the employee count for as of June 2018 and June 2017.

Milind Barve: On June 30, 2017 we had 980 employees and on June 30, 2018 we had 1100 employees.

Manish Shukla: Thank you. Those are my questions.

Moderator: Thank you. Next question is from Keyur Ashar from Reliance Nippon Life Insurance. Please go ahead.

Keyur Ashar: Thank you for the opportunity. Sir I have a related question the distribution network that we have on the slide #10. Sir we have seen that out of the total fully and almost 36% is direct, so could you please share what are the comparable industry number right now we did?

Milind Barve: There is no industry number, which is in the public domain that we can cite for this. I will be surprised if it is materially different it maybe slightly lower but it is very difficult to cite a number for the industry.

Simal Kanuga: The industry as a whole is around similar number only.

Keyur Ashar: Sir what are the business implications of that so basically let us say the remaining 64% is coming out of distribution so basically these costs are pass through in nature or does AMC also incur a cost because investors are also paying additional payment in the form of treasury clients?

- Milind Barve:** Yes so see when we compute our margins or when we say we are our operating profit margin is 35-basis points it is net of the cost that is borne by the AMC so some part of the cost which are allowed to be borne or up to the extent we can be borne by the schemes are charged to the schemes and there is some part of this commission expense which are always borne by the AMC P&L, but the net operating profit margin that we published at 35-basis points, it is net of the cost that we have borne in the AMC. Some part of the commission cost does spillover to the AMC as well. That is a very common phenomenon.
- Keyur Ashar:** Sir is it possible to give us a ballpark number as to what is the commission paid with the A&P bit on an average.
- Milind Barve:** Commission varies from almost every distributor-to-distributor so there is no one number that can represent the commission that is paid uniformly because it changes to some extent from channel-to-channel and even within the channel a particular bank and a different bank could be paid differently and same happens with different IFAs and different national distributors.
- Keyur Ashar:** Sir I wanted to understand about basically the on an overall basis what portion is collective from the end investor and what portion is the company contributing on an over the year basis?
- Milind Barve:** Net result of this is creates an operating profit margin of 35 basis points so that is after paying the commission, first that is charged to the scheme and then which is borne by the AMC and net of that the operating profit margin is at 35 basis points, it will vary from product-to-product so there is no one number that we can talk about.
- Keyur Ashar:** Thank you.
- Moderator:** Thank you. The next question is from Sameer Bhise from JM Financial. Please go ahead.
- Sameer Bhise:** Just quick question on the 15-basis points cut you said that the transition for this HDFC AMC has been fairly smooth what would your sense be on how the industry has behaved on that front in terms of absorbing or passing it on to the distributor?
- Milind Barve:** I think difficult to because the practices of every other fund houses are not very transparent. It is very difficult to be judgmental and know very clearly what each fund house has done. My understanding is that there would be many who would have passed off, reduced the commission payout by close to 15 basis points, there could be some who had a probably not reduced the entire 15, probably reduced 10 or so, it also has to do it whether your commission structure is competitive after the reduction or before the reduction. If our commission structure is competitive even after the reduction, then it is fine it is good enough. If somebody was anyway paying less and they probably have less scope to reduce it further. So it would be very difficult to get a sense whether everybody has reduced 15 basis points. My sense is most would have reduced at least 12 to 15 basis points or 10 basis points in the minimum.
- Sameer Bhise:** But would you say that the distributor community has been pretty okay to accept it or there has been a slightly tough or I mean hard pushback from them?

- Milind Barve:** I think broadly if you ask me the distribution community is aware that the commission payouts have been significantly high over the last many years and have been growing. However, nobody likes the commission to be reduced to that extent it is not necessarily welcomed by the distribution community. But I think we have been able to explain the position at where we want to be and we intend to have competitive commission structure, which we will always maintain and which we have to keep rationalizing if the TERs are changing.
- Sameer Bhise:** That is helpful. Secondly on the slide where we have explained the revenue from operations CAGR excluding the performance fee, is there any element of management fee for the real estate fund?
- Milind Barve:** There would be an element of management fees the real estate fund, but the management fee part was not very material.
- Sameer Bhise:** Can you quantify?
- Milind Barve:** We can share it separately with you. That is not in front right now.
- Sameer Bhise:** Sure thanks a lot and all the best.
- Moderator:** Thank you. Next question is from Sunil Tirumalai from Credit Suisse. Please go ahead.
- Sunil Tirumalai:** Just a couple of questions, wanted to understand how are you thinking about your PMS and alternates strategy where do you see, do you see them growing big longer-term and what has been the recent experience in this?
- Milind Barve:** The PMS as we have always maintained that the core of our business has been really to keep at the center stage the mass affluent business, which has the opportunities on a pan India basis. Our PMS business is to our other mutual fund business relatively small. We manage about ₹6900 Crores in PMS/SMA which compares with about more than ₹300000 Crores in the mutual fund business, so it is roughly about 2% of the total mutual fund business. In that context it is ₹6000 Crores plus which is reasonable in size but as when you compare it with the mutual fund business it appears relatively small. We do intend to grow the PMS business. We would like it to first maintain and stabilize and get some degree of growth rate before we will see our meaningful growth in the PMS business. The same is true of alternate fund - we have not launched alternate funds. We will look to launch alternate funds but unless we find ourselves into a particularly to specific sort of type of fund that we can differentiate with we are not likely to launch alternate funds for the sake of having an alternate fund product. We have not been convinced that the revenues and the commercials on alternate funds are necessarily better or even competitive to what we get in the mutual fund business on an overall basis.
- Sunil Tirumalai:** And second question is do you foresee any SEBI action on changing TER bringing down TERs on a broader sense not just now you have reaching the B15 to B30 kind of changes but on a

broader industry level is there any discussion because it has been a while that we have seen some changes and globally these rates only keep going down?

Milind Barve: I think we have even mentioned in our DRHP the one of the risks that we will always remain exposed to is any change from the regulator on reducing the TER, which will then require us to recalibrate our distribution rates again and see how much we can pass down by way of reduction of commission to distributors and how much we may have to bear if they are reduced again. I am not certain about anything I cannot prejudge any decision that the regulator will take although I understand that there is always be some discussion on rationalizing the TER I am not sure whether there is anything specifically that has been announced at this stage.

Sunil Tirumalai: The final question is so what proportion of your portfolio your AUM and revenues I do not know whether when you say revenue is the right metric or PBT is the right metric would have come from the B15 to B29 location I mean the one which have been impacted by the cut?

Milind Barve: Well actually you will be surprised that B15 share use to be somewhere in the region of about 18%, 19% but the B30 share is at 13% so it is not that the entire B15 was coming from only the top 15 cities or the second 15 cities itself.

Sunil Tirumalai: That is about 4%, 5%.

Milind Barve: 5% you can say what is the difference between B15 and B30.

Sunil Tirumalai: Thank you Sir. Thank you very much.

Moderator: Thank you. The next question is from Subranshu Mishra from Motilal Oswal Securities. Please go ahead.

Subranshu Mishra: Good morning Sir. Thank you for the opportunity. The first question is I just wanted to understand what has been your gross inflows and net inflows in this particular quarter and this versus the first quarter of FY2018? My sincere request would be to please include this in your investor presentation going forward Sir?

Milind Barve: No, this is not numbers that we are disclosing either in our presentation or in our calls you will have bear with us on this.

Subranshu Mishra: And so that is the case I just want to understand how do you strategize getting incremental market share in B30 cities? Would it be dominantly be done by HDFC Bank or would it be through national distributors or IFAs how do you think that will happen?

Milind Barve: I do not think there is a strategy of using one particular channel over the other in any particular geography. 134 branches out of the 210 branches are in the B30 cities. So clearly we have a very strong presence,, and effectively when you have a branch you are able to build the business

around the branch because only for the branch you can service the distributors and service of course the walk-ins who come into these branches. So we will open new branches in B30 if we feel the potential is there in a particular town or city, we have certain internal norms which we benchmark that AUM and the potential AUM growth in every town and based on that we add new branches in those towns.

Subranshu Mishra: So the distribution mix would largely remain the same is it to source it?

Milind Barve: See broadly what happens is that in certain towns for example in certain places the IFA community is very strong where the bank presence of banks is relatively less and in some cases banks are very strong so we have to basically understand, which distributing channel is strong in a particular geography and we have to basically work with them. Fortunately we have a very strong presence and relationship with all the three channels, so which helps us to be able to leverage those relationships based on what the opportunity in a particular geography is.

Subranshu Mishra: Thank you for your time. Best of luck.

Moderator: Thank you. The next question is from J Vivek from GS Invest. Please go ahead.

J Vivek: Thank you for the opportunity. I would like to know about the opportunity size for MF industry in India vis-à-vis real estate investments which used to happen earlier and what is the growth rate we expect and what about the increase in competition intensity in the particular segment Sir?

Milind Barve: Sorry I did not quite understand the question fully did you say the potential of the mutual fund industry versus real estate?

J Vivek: Because earlier the most of the investment used to happen in the real estate in India comparison to that how our real estate?

Milind Barve: If you look at some of the data that is available to us of the total household savings is still about four or five years back about 60% used to get invested in physical assets, which was either real estate or gold and the share that went into financial asset was 40%, but over the last four to five years it is now that 60% which went into physical asset has come down to closer to 50% so clearly there is a 10% swing, which is away from physical assets into financial assets and that is what has now being called as the financialization of savings. So clearly that is increasing the total amount of pool of money that is available within financial assets of which mutual funds is a part so if you look at this trend of lesser allocation to physical assets and more in financial assets at the same time when you see the new flows that are coming into mutual fund industry one is able to draw a good correlation to the fact the mutual fund industry is a beneficiary of this trend that relative to the past more money now will be into financial assets.

J Vivek: Sir what about the increasing competition intensity and past we had bid very heavily on the public sector banks and the PSUs and any change in strategy in that respect?

- Milind Barve:** I think the competitive intensity has always been high and I would expect that to remain. I think there is no change and now there is no real distinction between public sector if you are referring to public sector mutual fund or private sector mutual fund.
- J Vivek:** No, public sector banks we had bid very heavily into this mutual fund PSUs?
- Milind Barve:** So that is a comment on our investment portfolio. I think that would be not be appropriate to be discussed in this call please.
- J Vivek:** And so what have basically the increasing competition intensity you said with the clause we are there in number one but I believe other companies are also coming into the fray?
- Milind Barve:** The mutual fund industry has always been very competitive and I think we welcome competition and that competitiveness will remain in the industry and over the period of time that we have been in the industry now for over 18 years we have always faced competition and I do not think there is anything that is going to be very different in terms of the competitive landscape from now as compared to what is likely to be in the future.
- J Vivek:** What about the NPS actually we are the leaders in the NPS segment also and how has been our performance vis-à-vis others?
- Milind Barve:** You are talking to national pension scheme?
- J Vivek:** Yes National Pension Scheme exactly.
- Milind Barve:** No that is not done by our asset management company the NPS business is done under the insurance subsidiary that HDFC has.
- J Vivek:** That segment is different?
- Milind Barve:** Yes that segment is different right.
- J Vivek:** Thanks a lot.
- Moderator:** Thank you. The next question is from Subramaniam Iyer from Morgan Stanley. Please go ahead.
- Subramaniam Iyer:** Just had a question on your dividend payout. What is the medium-term guidance on that?
- Milind Barve:** I would not like to prejudge what the board will decide but as we have shown in our presentation that in the last few years the dividend payout ratio has been steadily increasing. From 41% in FY2014 it went up to 47% in FY2015, then 51% for FY2016 and 2017, and then increased to 56% in FY2018. So there is an increasing trend but it will be difficult for me to prejudge what the board will finally decide.

- Subramaniam Iyer:** Thank you.
- Moderator:** Thank you. The next question is from Rohan Advant from Multi-Act. Please go ahead.
- Rohan Advant:** Thanks for the opportunity. Sir if you look at your slide #9, which talks about say what I understood is that the monthly inflow in fixed for June 2018 was ₹1164 Crores so I was just wondering if you could share what would be the cumulative contribution of SIPs to our overall outstanding AUM if you could share anything on that?
- Milind Barve:** The share of SIP in outstanding AUM to our mind is not very necessarily a relevant number because significant number even comes outside the SIP also, SIP AUM would be roughly about 24% or so of our equity-oriented AUM though and just that is the data if I can share with you.
- Rohan Advant:** Sir my second question was in the presentation you have stated the contribution of individual AUM to our total AUMs but within individual could you break it up between retail and HNI because my understanding was that retail tends to be stickier than HNI and you could correct me if I am wrong?
- Milind Barve:** No I think there is no real understanding or that retail which is treated, I am not very sure of this but if you are referring to retail as less than ₹5 lakhs and more than ₹5 lakhs as HNI I am not sure whether that it gives any indication of the persistency of the money that remain and it all depends upon the whether there is some clearly a distinction whether your client is a retail or an individual client as compared to corporate or an institutional client. That is a more important distinction. Within a retail household investor whether he is up to ₹5 lakhs and above ₹5 lakhs does not have any significant bearing on the behavior as far as persistency is concerned. So we do not track that data separately for below ₹5 lakhs and above ₹5 lakhs.
- Rohan Advant:** Thanks. Those were my questions. Thanks for taking them. Thank you.
- Moderator:** Thank you very much. We will take that as the last question, I would now like to hand the conference back to the management for closing comments.
- Milind Barve:** I would just like to close this call with thank you for all of the people who have been on this call this evening. Thank you very much for your interest.
- Moderator:** Thank you very much. On behalf of Axis Capital limited that concludes this conference. Thank you for joining us ladies and gentlemen you may now disconnect your lines.