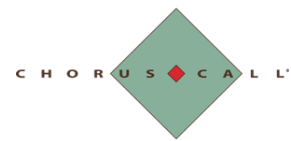




“HDFC Asset Management Company Limited  
Q3 FY '26 Earnings Conference Call”

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**MANAGEMENT: MR. NAVNEET MUNOT – MANAGING DIRECTOR  
AND CHIEF EXECUTIVE OFFICER  
MR. NAOZAD SIRWALLA – CHIEF FINANCIAL  
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MR. SIMAL KANUGA – CHIEF INVESTOR  
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**Moderator:** Ladies and gentlemen, good day, and welcome to the Q3 FY '26 Earnings Conference Call of HDFC Asset Management Company 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone.

Please note that this conference is being recorded. From the management team, we have Mr. Navneet Munot, Mr. Naozad Sirwalla and Mr. Simal Kanuga. I now hand this call over to Mr. Simal Kanuga, who will give us a brief, following which we will proceed with the Q&A session. Thank you, and over to you, sir.

**Simal Kanuga:** Thank you very much. Good evening, everyone, and appreciate you all joining this call. We trust you have had an opportunity to review our presentation.

I'll begin with an overview of the industry. As of 31st December 2025, the total AUM stood at INR80.2 trillion. Equity and equity-oriented net new flows continued to see healthy momentum during this quarter, adding another INR1,188 billion. For the calendar year 2025, net inflows into this category added up to INR4,752 billion compared to INR5,420 billion in 2024.

In aggregate, over the past 2 calendar years, net new flows have exceeded INR10 trillion or approximately USD115 billion. Systematic investment plan remained a key structural driver for the industry. Monthly SIP inflows reached INR310 billion in December 2025, highest levels recorded to date.

The SIP asset base increased to INR16.6 trillion, accounting for over 20% of industry AUM and significantly higher proportion of equity and equity-oriented AUM. For calendar year 2025, total inflows from SIPs amounted to INR3.3 trillion.

Debt funds saw net outflows of INR163 billion during the quarter, while liquid funds witnessed net inflows of INR147 billion, an additional INR112 billion came in arbitrage funds. Quarter ended December witnessed INR327 billion of net new flows in gold and silver ETFs. This category now contributes to the tune of 18% of industry ETF AUM.

We now move to us.

Overall, QAAUM crossed INR9 trillion, while equity-oriented AUM exceeded INR6 trillion, resulting in an asset mix with equity at 65.5%. The number of unique investors for the industry increased by 6.4 million as compared to December 2024. For us, this increase was 2.8 million, taking our total unique investors to 15.4 million, a penetration of 26%. Systematic transactions, which includes SIP and STP reached INR47.3 billion in December 2025, representing a Y-o-Y growth of 24% or an absolute increase of INR9.1 billion.

Turning to our PMS business. AUM crossed INR50 billion during the quarter. We also secured a couple of large mandates during the quarter. In alternatives, we completed the first close of our structured credit fund, raising commitments of approximately INR13 billion from institutions, family offices and UHNI investors.

Now on to financials.

Total revenue for the quarter was INR12,332 million. Operating revenue came in at INR10,743 million, a growth of 15% Y-o-Y. Other income was INR1,589 million. Total expenses were INR2,186 million. As a result, operating profit for the quarter was INR8,557 million with an operating margin of 36 basis points.

Profit after tax stood at INR7,701 million, translating into a Y-o-Y growth of 20%. So, thank you very much for patient hearing. Navneet, Naozad and I are here to take all questions. We can start building the question queue, please. Thank you.

**Moderator:** Thank you very much. We'll take our first question from the line of Kushagra Goel from CLSA. Please go ahead.

**Kushagra Goel:** Hi, thank you for taking my question and congrats on a good set of numbers. Just had one question. So, your operating profit margin, that sort of went up by 1 bp or so. So, 35 bps went to 36. So just wanted to understand if there was some specific reason. I see your other expenses was materially lower, but just wanted to understand more on that?

**Naozad Sirwalla:** Hi Kushagra, Naozad here. You are right, from a quarter on quarter basis, it's gone up by 1 basis point. That's largely because other expenses were lower for this quarter. Previous quarter, we had a larger expenditure on CSR. Also,

certain marketing, business and promotion expenditure was slightly more in the previous quarter as compared to this quarter. So that's one.

**Kushagra Goel:** Got it, sir. Also, just one more question. In terms of your growth momentum, how do you see it going forward, if you could share some guidance or something on that front? That's all. Thank you.

**Naozad Sirwalla:** Growth in context of...

**Kushagra Goel:** In general, for the industry and how do you see HDFC placed, if you could share...

**Navneet Munot:** Overall growth and how are we placed?

**Kushagra Goel:** Yes, yes. Like share some thoughts on that aspect.

**Navneet Munot:** So, you would have seen the latest number on the SIP where the industry crossed INR31,000 crores in the month of December, despite the fact that there has been quite a bit of volatility in the market and returns have been muted for last 15, 18 months. But I think the momentum in the SIP book has been continuing. Industry has been adding more number of investors, more number of folios month-after-month, quarter-after-quarter.

We have been participating very well. There is a slide in our presentation on our new account addition, our new investor addition and you can clearly see that we've been participating very well across all channels, across all geographies, across all asset classes and products. And I feel very optimistic on the overall industry growth for next several years.

**Moderator:** We'll take our next question from the line of Mohit Mangal from Centrum.

**Mohit Mangal:** Congratulations on a strong set of numbers. My first question is on the PMS and AIF. So, I think you have put a separate slide on that. So, I've got two, three questions within that. So, first is basically just wanted to know what is the NDPMS and PMS fee, if you can just separate it. Second is that how big is this EPFO mandate? And thirdly, if you can tell me the growth overall in the PMS and AIF segment?

**Navneet Munot:** On the PMS side, we have two segments, discretionary and non-discretionary. We have been adding accounts and growing on both sides. We have focused

on the both sides. On the EPFO and SPFO mandate, as you would appreciate, this segment operates with very, very tight economics. It's very competitive. But these mandates allow us to participate meaningfully in the ecosystem. We build execution capability. We enhance our platform and gives us an opportunity to offer that product to many other clients in the same segment and related segment.

So, we see this as a strategic phase where capability building and scale take precedence over immediate margins from a quarter-to-quarter perspective. Secondly, I think Simal mentioned earlier that we have crossed the INR5,000 crore number in terms of AUM apart from these two mandates where I think we are in the process of signing and then executing the agreement, etcetera.

So, they will get executed in some time. But we have -- on the team side, we have hired senior resources across investments and services that will help us build this business. So, PMS on the fixed income side, on equity side, both discretionary and non-discretionary, we would like to build that gradually.

**Navneet Munot:**

On the overall alternatives, so most of you are aware about the first VC/PE Fund of Fund. You might have seen the recent announcement. We announced the first close of our structured credit fund. And what humbles us is our partnership with IFC. We are very proud of our partnership with the IFC. They're coming as the anchor investors.

The fund has declared its first close and has raised commitments of about INR1,290 crores. And another feature of that INR1,290 crores is that almost 70% has come in from investors who have contributed INR25 crores or more. So, underscoring strong participation from ultra-high net worth individuals and institutions in the fund. So, we've got institutions, family offices, ultra-high net worth individuals participating in that. And IFC as a partner and anchor investor will contribute up to INR220 crores to the fund.

Our partnership with IFC is rooted in a shared vision of expanding access to financing for mid-sized corporates, mid-sized enterprises that drive manufacturing output, that drive employment, that drive regional development. And this is the first step in what we think will be a long and meaningful journey of working together in developing the private credit market on India.

And overall, on the private market side, we have been engaging with a lot of other global institutions and domestic institutions. The team is working on creating a second fund on private equity and venture capital front. We did that first VC/PE Fund of Funds and a large part of that is already committed, and we would soon be coming with the second fund, and we'll be engaging with a few large global institutional clients for that as well.

**Mohit Mangal:** Understood, sir. This is very helpful. Sir, just one follow-up, sir. In terms of yields, sir, how much are discretionary PMSs and while how much are non-discretionary PMSs. If you can just throw some light on that?

**Simal Kanuga:** We have not given those yields out.

**Moderator:** Next question is from the line of Devesh Agarwal from IIFL Capital.

**Devesh Agarwal:** Sir, my first question would be on the asset class yield for the quarter. Could you just share those numbers?

**Naozad Sirwalla:** Yes, sure. So, equity is around 56, 57 basis points. This includes index funds. Debt is 27, 28 basis points and liquid would be 12, 13 basis points. And the blended yield is around 45.

**Devesh Agarwal:** Blended, you said is around 45, 46 basis points.

**Naozad Sirwalla:** For the quarter is 45, for 9 months, it's 46.

**Devesh Agarwal:** Right. So, we see that overall, the yield number has been decently resilient over the last 6 quarters. I'm assuming if we remove the passive from the equity, the active would be closer to 58, something around that number. So, despite the growth in the AUM, we are seeing this resilience. So, is there anything to read into this?

**Navneet Munot:** You know us well. For us, scale, quality and profitability, all three are important. And we don't sacrifice profitability just for market share or for scale. For us, that's very critical. We've been able to maintain it very well and overall operating margins also, I think keeping a tight leash on the cost side, we have been able to maintain operating margins in a tight band despite, of course, the telescopic pricing has an impact, but we've been trying to keep a tight leash on cost.

**Moderator:** Sorry, sir, your audio was not very clear. Can you just repeat the last part, please?

**Navneet Munot:** I'm saying, of course, there is an impact of telescopic pricing. As market goes up, there would be impact on the fund level or overall asset class level margins. But the overall operating margins, we've been able to maintain well with tight leash on cost.

**Devesh Agarwal:** So that is exactly what I wanted to understand that the impact of telescopic pricing has not been visible. So, what is that you are doing to offset that impact? Or what is leading to that impact not being visible? And how do you see the trajectory going forward? Do you think these yields will remain steady at this level, or we are expecting that for a 10%, 12% growth in AUM, there will be some decline in the yield?

**Navneet Munot:** So, on the equity margins, I mentioned that some degree of compression is inevitable over time because you have a sliding scale structure of TER, so which naturally leads to lower expense ratio as the AUM scales. So, we're conscious of this dynamic and therefore, bake this reality into our pricing decision on the incremental and the new flows. So, they constantly keep getting adjusted on the new flows and now new flows are also becoming sizable. So, over a couple of years, they also make an impact.

But as I mentioned earlier that despite the impact of telescopic pricing, we have managed to keep our margins in the 33 to 36 basis point range. That reflects like disciplined cost management as well as the operating leverage. And you asked like going forward, so we continue to work hard to maintain margins within this band.

We recognize that this is easier said than done. But I've mentioned this earlier that margins are only one way of looking at the business. We keep a close watch on that, but the real focus has to be on growing absolute profits in a sustainable way. And as long as profits continue to compound, I mean, we are comfortable with how the business is evolving.

**Devesh Agarwal:** Right, sir. And sir, what is the impact of the 2 regulatory changes that are expected to go live from 1st of April? One is what is the gross impact? And how do you see how this will be passed on?

**Navneet Munot:** Sure, Devesh. So, what has changed? Firstly, removal of 5 basis points of additional TER, which AMC's were allowed to charge in lieu of exit load. So, exit load since 2012 was going to the books of the fund. Once the new regulations come in play, this is gone. The impact for the industry as a whole is definitely material. So active equity-oriented mutual fund industry is at INR44 trillion and 5 basis points on that comes to about INR2,200 crores. So, to put numbers in context for FY '25, total operating profit of the industry as a whole was around INR16,000 crores. So, this is definitely material.

Second change, in the expense ratio construct. So rather than all statutory levies, which were built in as part of the TER, now we have base TER plus statutory levies. So, methodology or for that matter, accounting has changed. The slabs have been accordingly readjusted, realigned. You would have seen the new slab table. The smaller schemes will benefit to an extent because of this change and will largely set off the loss due to 5 basis point reduction, which I spoke about earlier.

Lastly, third thing is the rationalization of brokerage limits, what we pay on our transactions. So, this is in reference to brokerage we pay to buy and sell securities. So, brokerage for cash market transactions is now reduced to 6 basis points from the cap of 12 basis points earlier, but this 6 now excludes levies. So comparable number to 12 is now from 8.5 basis points odd. So, between the first and the second point, that is the 5 basis points and the GST, etcetera, a few of our larger schemes will see an impact. That is a reduction in TER. Smaller schemes less affected as TER reduction due to this 5 basis points going away is largely offset by redefined slabs. Larger schemes definitely are getting impacted. Actually, you'll be surprised, Devesh, that many of the smaller schemes will see increased TER. So, we are evaluating the way forward with an objective to contain the financial impact, if any.

All I can say is that you have a precedence on how we handled the same in 2019. We understand the sensitivity and we'll optimize to the finest in terms of impact on margins. The positive side of this change, if I can highlight, one is reduced TER and hence, even better alpha. So clearly in favor of larger sized funds. I've mentioned this several times earlier that the larger funds because of the telescopic pricing charge lower TER and the alpha keeps getting baked in.

So, the long-term positive impact of this, in my opinion, is not as well understood. So, I mean, I can say classic bitter pill theory, long term good for the alpha. So, my investment team is smiling for sure. The positive aspect is that regulator and industry is always focused on enhancing transparency. So, this is another step forward where one knows what the fees and what's the statutory levies. To sum it all up, we'll work on managing financial impact and on the other hand, further optimize alpha for our investors.

**Devesh Agarwal:**

Yes, absolutely, sir. And one final one, sir. What are the plans for the schemes that were managed by Roshi? I know currently, those have been allocated within the team. So that is how it's going to be or we are looking to hire? What exactly are the plans?

**Navneet Munot:**

So, I mean, you've heard the change in the fund manager . And so, I mean, you would also know Amar Kalkundrikar who joined us a few months back. He was with us for over 15 years, left us for a few years and has come back as Senior Fund Manager. I think, he's managing almost like INR40,000 crores or so across a few funds.

Maybe let me take this opportunity to talk about the overall investment team, Devesh, if you allow me. I'm sure many of you would agree because several of you also interact with all of my colleagues on the investment side that, we have one of the most experienced investment team in the industry.

And not only experienced, but an enviable long-term track record across market cycles. All of them have seen multiple market cycles and have done well. So, on the equity side, we have Head of Equities and Senior Fund Managers who manage the diversified funds. Least experienced among these would be like 20, 21 years of industry experience. And over and above, we have a team of analysts.

Several of them are designated Fund Managers for their respective sectoral and thematic funds. Clearly, like among the most experienced team in the industry, we take deep pride in them. Some of them have started managing more diversified mandates. You are aware like Anand Laddha, has been managing now our value fund.

So, I think a firm that has been around for 25 years, we have seen transitions in the past, and our view is that we have handled the same extremely well. We continue to expand our team and remain like very confident.

**Devesh Agarwal:** Alright sir. Thank you so much and all the best.

**Moderator:** Thank you. Next question is from the line of Sucrit D. Patil from Eyesight Fintrade. Please go ahead.

**Sucrit D. Patil:** Good evening to the team. I have two questions. My first question is to Mr. Munot. First of all, congratulations on the quarter. With HDFC AMC's strong brand and evolving investor presence, how do you see the next two, three years shaping up in terms of product innovation and investor engagement, especially as passive flow rises and digital platforms reshape the distribution, what should the stakeholders expect as the defining theme from your leadership in this space? That's my first question. I'll ask my second question after that.

**Navneet Munot:** Sure. So, first question is on the overall product pipeline. So, if you look at our product portfolio, I think it's largely complete across the key categories, whether you look at active equity, fixed income, money markets, both on the active side, passive side, we are more or less complete. From time to time, we may look at select sectoral or thematic funds, but only where the investment team has strong conviction and sees a clear opportunity. And these launches are likely to be like few and far between. But otherwise, I think we have a best-in-class product portfolio with a long-term track record, and we continue to focus on like all of them.

And if you're talking about the overall platform, then apart from the mutual fund, we continue to enhance our PMS, AIF, International, GIFT City offering because these platforms allow us to address a wider range of client requirements. So, I think overall approach is to deepen and strengthen what we already have and add selectively where it generally makes sense.

**Sucrit D. Patil:** So, my second question is to Mr. Naozad. On the financial side, beyond margins, how are you thinking about capital efficiency in this space, balancing shareholder returns or any tech investment or any cost structure discipline in place? Do you see the scope for a shift in deployment priorities as digital adoption accelerate?

**Naozad Sirwalla:** From a deployment of capital towards digital, I think that's an ongoing process. We continue to invest in technology and digital platforms over the years. That's already baked in, whether it's in the form of certain capex or largely through the opex. So that doesn't really change.

From the balance sheet utilization of cash, if that's what your question is to. Our dividend payouts for the last two years have been almost close to the entire post-tax cash profits that we generate as a business, we have paid out. That's what the Board has done for the last two financial years.

We have also used capital to good effect to seed our alternate platforms. So, we are a material investor in our alternatives fund of fund that we launched a couple of years ago. You'd have probably read and we discussed in the credit fund that we have just announced the first close. Again, the company has meaningfully committed around 14% of the corpus committed by the balance sheet of the company.

So, we will use the balance sheet judiciously for seeding businesses. And the third option of strategic acquisitions, stroke any kind of enhancement always is on the table. We do have a look at a lot of transactions that happen in the market. So, whenever the time, the pricing and the business works out for us, we'll look at that as well.

**Sucrit D. Patil:** I think that's good guidance on your part, and best of luck for next quarter. Thank you.

**Moderator:** Thank you. Next question is from the line of Dipanjan Ghosh from Citi. Please go ahead.

**Dipanjan Ghosh:** Good evening, everyone. So just a few questions. One, you kind of articulated on your investment management bandwidth. But let's say, since the time this news regarding Roshi exiting the company and some of the funds kind of being in a transitional phase has been floating around.

Let's say, over the last two, three months in terms of flows into these particular funds, if you can give some granular understanding of how the trajectory has been. And also, in terms of your communication to the distributor or interactions with the distributors, has there been any back and forth in terms of customer interactions or some negative sentiment floating around?

My second question, you mentioned that on the MF circular, you will be kind of following a similar practice to that of 2019. And to the finest possibility, you will be trying to mitigate most of the impact. But internally, have you kind of deliberated what can be, let's say, the worst-case scenario despite all the mitigants and whether you're confident of, let's say, mitigating the entirety like you did in 2019? And the third and last question is on the alternates business.

Obviously, you've launched a few funds over the last 2 or 3 quarters. If I were to take a more of a long-term view, let's say, over the next 3 to 5 years, what sort of AUM or revenue mix do you really aspire from this segment? Yes. So those are my 3 questions.

**Navneet Munot:**

Sure. So first, on the one fund manager. Dipanjan, you will appreciate, I mean, we have been around for 25 years, and we have seen transitions in the past. And I think we have handled it extremely well. You would give us the credit, I mean, we had a legendary CIO, I always have been and will always remain in deep gratitude to him for what he has built and what he has done.

But at the same time, the strategies that were managed by him, some of them are the ones which have seen the highest growth at our end in last couple of years. And the overall team's experience, the pedigree, the overall quality of our research, the quality of the risk management, governance, long-term orientation, fundamental research and all of that, I don't have to overemphasize on that.

So, we do everything in our power to retain talent across the organization and not just in the investment team, but we have handled a few transitions here and there very well, and we remain very, very confident. I also mentioned about like -- I mean, one of the fund manager, who was with us for 15 years, left us and has come back.

You will hear that the current analysts who are managing sector and thematic funds, increasingly managing diversified equity funds because they have handled size for a couple of years.

And we continue to remain on the lookout for at any point in time, we see a differentiated skill set who fits in nicely within the culture that we have, within the team that we have and the setup we have. We would continue to build our investment team and we'll share more on this as we go ahead here.

Your second question was on the TER, how do we optimize that. Yes. I mentioned earlier that, I mean 2019 is a classic example. You can go back and see the playbook, how we handled the same. We understand the sensitivity around it, and then we will optimize that in terms of impact on the margins.

**Simal Kanuga:** Also, I think, Dipanjan, if you look at versus 2019, the magnitude this time is much smaller, right? That time, we had an impact of nearly 25-odd basis points. And what Navneet touched upon earlier, this time, there is a 5 basis. Some of the smaller schemes are seeing realignment of expenses and thereby the kind of reduction out there is virtually very, very small or in some cases, even 0. So, I think net-net, this time, in terms of prudently managing, we think we'll be able to handle it well.

**Navneet Munot:** On your third part on the alternatives, etcetera, so it would be pertinent for me to state that the core business itself where we have done reasonably well over time, that continues to grow and we'll put in all the effort, time, money, everything for that to see continued growth across equity and debt, across active and passive.

But beyond our mutual fund business, we do have our eyes well set on whether it's PMS, whether it's alternatives, whether it's international business. We have taken meaningful steps over the last couple of years to build these businesses. I mean, we're building the very, very solid foundation brick-by-brick.

You would appreciate that we have grown our business with a sharp focus on quality, scale and profitability. So even beyond our mutual fund business, whatever we are doing, we intend to replicate this approach. So, in PMS alternative, international, build meaningful high-quality and profitable platform that strengthen the overall franchise over the long run.

**Moderator:** We'll take our next question from the line of Divij Punjabi from Banyan Tree Advisors.

**Divij Punjabi:** I just had one question. So, on the passive segment, we have been seeing good growth momentum. So, can you talk about the underlying factors that are leading to this from the investors' point of view?

**Navneet Munot:** I mean a large part of that growth is from some of the institutional mandates. As you are aware that EPFO and some of the other pension and provident funds

have been investing into some of the ETFs. And of course, the exempted funds also invest in those funds. Then you have some of the insurance companies participating in a couple of products.

And recently, we have seen a significant growth in gold and silver ETF and fund of fund. So, some of these are the categories. We have been a pioneer on the index fund side. We were one of the first ones to launch those products, and they've grown meaningfully.

In fact, I mentioned this earlier that on the equity index fund, our market share on the passive side is higher than what we have on the active side. And then again, the value of the brand, franchise, distribution, all of that really matters. And of course, investment performance there is more about the tracking error than the alpha.

So, there is a preference among some of the customers and advisers for mirroring the market. And we have a very comprehensive product portfolio and a full setup to make the most of it.

And I've always mentioned that our idea is that wherever investors and our partners want to participate in the market, be it on the active side or on the passive side. And I've spoken a bit about alternatives. I mean, we are like fully ready. For us, the core strength that we have as an organization is our investment management capability, our risk management capability and our product management capability. And we continue to sharpen that. And whether an investor comes through any route, I think we have the best-in-class product offering for everyone.

**Divij Punjabi:**

Sure. And from a medium-term perspective, any insight on where we see this going? Like currently, it's around 10% of the AUM mix. From maybe 3 to 5-year perspective, like where do we see this going?

**Navneet Munot:**

So, a couple of times, I don't know in this call or maybe in some other forums, I've given parallels between the asset management industry growth in US from '80s onwards and what we are seeing in India over the last couple of years. I think over the next several years, we are going to see significant growth in asset management.

So, formalization of the economy, digitalization of the economy, financialization of savings, financialization of assets. All of these are like structural trends. And over a period of time, we'll see like newer asset classes emerging, people investing, one like mutual funds, which has been like time-tested, beautiful product with a track record. Some of the fund houses like ours have a track record going back 30 years.

Some of the investors may like to participate through passive, within that, either the index fund or the ETFs. We are seeing some of the other asset classes, whether it's REITs, InvITs, private markets. I talked about our plans on the alternative side to participate in the private markets. Almost all the segments are likely to grow. And you can see from '80s onwards how several of these segments have grown in US.

And maybe I think in terms of the size of the economy, size of the market, structure of the market, several of those were like very similar. And I think credit to our regulators who have been very pragmatic and have been deeply focused on investor education and investor protection. I think they continue to do a good job on that. There is significant growth potential on all segments.

So, people ask me like active versus passive, how this will grow. And I say, I think I hope that in my lifetime, I don't have to answer that question. In my lifetime, it will remain active and passive rather than active versus passive.

**Divij Punjabi:** Sure. Thank you.

**Moderator:** Thank you. We'll take our next question from the line of Madhukar Ladha from JP Morgan. Please go ahead.

**Madhukar Ladha:** Hi. Good evening. Congratulations on a good set of numbers. And most of my questions have been answered. Just wanted to understand, did you disclose the asset class-wise yield this time around. As a data keeping question, I wanted that.

And it would be fair to assume that given these changes in the whole TER calculation system and the 15-basis points reduction and, you know, excluding the statutory levies, especially on that change, would that be neutral to our P&L, especially on that specific change. Or -- my sense is that it should largely be neutral, but just I wanted to just confirm it.

**Navneet Munot:** So, Madhukar, repeating again that I explained in detail that larger schemes definitely are getting impacted. And I also mentioned that you'll be surprised that many of the smaller schemes will see increased TER. At our end, I've said that while the reduced TER means higher alpha and particularly for the larger sized funds, and there is a long-term positive implication of that.

But on the other side, whatever little impact of the reduction on account of exit load or all the expense ratio construct is there, we will optimize it to ensure that we remain highly focused on the -- on our profitability.

**Madhukar Ladha:** Sir, if we were just to look at the -- if we were to exclude the exit load construct and only look at this reduced TER. So there also, we would see a little bit of a negative impact, is what -- is that what you're saying? And then obviously, we would take compensatory steps.

**Simal Kanuga:** Madhukar, it would be both ways, right. Some of the schemes, there will be a positive impact. Some of the schemes, there will be negative impact. So as Navneet touched upon earlier, we'll optimize on both sides and make it sure that the net margins that we speak of remain within the acceptable band.

**Madhukar Ladha:** Understood. Understood. And the asset class-wise yield, sorry, I joined a little late. I may have missed that earlier, yes.

**Naozad Sirwalla:** Yes, Madhukar, we did give that earlier, but I'll repeat it for your benefit. So, equity yields came at 56, 57 basis points. It includes index funds. Debt yields were between 27 and 28 basis points and liquid between 12 and 13 basis points.

**Madhukar Ladha:** Got it. Thanks, and all the best.

**Moderator:** Thank you. Next question is from the line of Gaurav Jani from Prabhudas Lilladher. Please go ahead.

**Gaurav Jani:** Thank you and congratulations on a strong quarter. Two questions. One is, I don't know if you've named this out. Is there a new ESOP issuance? And can you just elaborate as to then what will be, what is the ESOP cost will look like?

**Naozad Sirwalla:** Yes, sorry, the question is on ESOP cost, right?

**Gaurav Jani:** That's correct, sir.

- Naozad Sirwalla:** So, I've given it out in the previous calls as well. So, the noncash expense on account of ESOPs for the full year would be about INR68 crores. For the first 9 months, it's about INR47 crores.
- Gaurav Jani:** So that doesn't change, right? I mean, whatever estimates you have given, that doesn't change. There's not a new ESOP issuance, right?
- Naozad Sirwalla:** The material ESOP issuance happened last year. But as and when additional resources and people join us, we'll have small incremental issuances. Today also we announced a small issuance. So that's an ongoing process that will continue. But that will not change this expense estimates we had given out previous quarter very materially.
- Gaurav Jani:** Understood. Thanks. And secondly, sir, Navneet, sir, to you. You did mention of the 5-basis point impact on the overall AMC profits. Just wanted to kind of have your opinion as to how are we thinking in terms of passing that on and what is the dialogue with distributors?
- Navneet Munot:** So, I did give details, it will depend on the size of the scheme. And, of course, wherever there was additional charge of that exit load, it is not the overall impact of 5 basis points on the AMC profitability. I explained that in detail earlier.
- Naozad Sirwalla:** Yes. So, I think you said the impact is for us is 5 basis points. That's not what Navneet has said, just to clarify.
- Gaurav Jani:** I do understand that. I was just trying to gauge as to what's the dialogue with distributors to how will the -- can there be some pass-through or not?
- Navneet Munot:** Yes. I mentioned it a couple of times that we will try to optimize and maintain our profitability.
- Gaurav Jani:** Sure, sir. That is it from my side, sir.
- Moderator:** Thank you. We'll take our next question from the line of Abhijeet Sakhare from Kotak. Please go ahead.
- Abhijeet Sakhare:** Hi, good evening everyone. I just have one slightly hypothetical question. Would you say that it's easier to cut commissions in better performing funds generally rather than throughout most of the funds? I mean, just over the cycle,

if one has to understand how easy it is to pass on some of these regulatory impacts or just the initiatives to protect profitability better?

**Navneet Munot:** I mean we always try to make a win-win for everyone, I mean, whether for our investors, for our distributors and for our profit -- I mean, for us. And we have demonstrated that over a long period of time, you have watched us over the years and we'll continue to do a good job, hopefully on that.

**Abhijeet Sakhare:** Okay, got it. Thank you so much.

**Moderator:** Thank you. Next question is from the line of Madhukar Ladha from JP Morgan. Please go ahead.

**Madhukar Ladha:** Hi, thank you for taking the follow up. I wanted to get a sense of what has been the ramp-up from the HDFC Bank channel and any update on how this channel could contribute even more to AUM?

**Navneet Munot:** Sure. Madhukar, so firstly, as you all know and I think HDFC Bank has been vocal about the fact that the bank has been and will continue to be an open architecture. Whether we like it or not or whether this is the right thing to do or what other competitors are doing, this is a given. Of course, there is a positive rub off with them being our parent and same brand. So not only from a customer perspective, but even from a relationship manager perspective, there is higher comfort in offering HDFC mutual fund product, which is visible in our market share in their AUM. So, in equity AUM, our overall market share at the industry level is 13%. But if you look at what HDFC Bank has sold in that, it is somewhere in the late 20s.

Also, this whole open architecture leads to material so-called event-based or seasonal challenges. So, for example, in a particular quarter when some of our peers have large NFOs or -- and our parent bank participates actively, it impacts our flow market share in that particular quarter.

But the team has constantly been working on furthering our ties and offering best-in-class products. SIP, in particular continues to be an important area of focus for us and even for this relationship, I mean, HDFC Bank, HDFC AMC relationship. So, our share of SIP flows through the HDFC Bank channel is meaningfully higher than our overall book share with the bank. That reflects

the emphasis on long-term investing and the quality of customer engagement coming through this channel.

So, this, in my opinion, will lead to increased AUM market share over time, because the SIP buildup will only show over a period of time, but this aligns very well with our long-term objective. So, bank continues to be a very important distribution partner for us. It is behemoth and given our relationship, we work with the bank very closely and at multiple levels, and we'll continue to further our share with them.

I mentioned in the last couple of quarters, we have built a dedicated team internally that works only on this channel. And then there's a lot of, I would say, interaction between our digital team and the bank digital team, the marketing team, so on and so forth, apart from the sales channel. So, the whole objective of deepening engagement and expanding the relationship in a consistent and sustainable manner.

I should also mention that our relationship with HDFC Securities, on that, that Dhiraj and team are working closely with us on various initiatives. So as a result, our share of flows through HDFC Securities is higher than our AUM share, reflecting the traction that we are gaining. But overall, yes, there has been increased engagement and bank is a distribution powerhouse and with the brand familiarity and the relationship over a period of time, it will reflect in the numbers, but we are happy with the SIP buildup.

**Madhukar Ladha:** Great. Congratulations and all the best.

**Navneet Munot:** Thank you.

**Moderator:** Next question is from the line of Mohit Mangal from Centrum.

**Mohit Mangal:** Thanks for the follow-up. So actually, I was looking at the last 10 to 11 quarters market share, and we have been quite stable in equity as well as debt. But liquid, we have kind of lost the ground from 13%, 13.5% to around 11-odd percent. So just wanted to know your thoughts as to how we can increase the market share in that segment?

**Navneet Munot:** I think it gets impacted by a few of the large corporate investors or institutions kind of like, any large movement of one client versus the other with one fund house versus the other. But I don't read much into that otherwise because

sometimes, I mean, share may look lower because some clients where we are capped out in terms of total amount as per their internal policy, have invested a further amount and that amount hasn't come to us.

And you can also see a reverse happening in another quarter where some of the large institutions has increased the allocation to us. But the overall institution team is on the ball, and are focused on getting the maximum allocation. I can also share that we have hired a senior person recently who's now been responsible for PAN-India institutional business apart from some of the other emerging channels that we are setting up.

**Mohit Mangal:** Okay. Understood. Secondly, again, on the distribution channel. So, we are seeing basically a direct share increasing within the equity AUMs. So, like you have been telling over the last few calls that fintech has a major role to play. So, I think that story continues.

**Navneet Munot:** Yes, yes. So, I think Fintech's have been growing quite rapidly over the last couple of years, and it's become a vital distribution channel for the mutual fund industry. They have played a very big role in expanding the reach and accessibility. In fact, Fintech as a group have registered 25 million SIPs in the 9 months of the current financial year gone by. And we have successfully built, a strong presence on leading platforms, securing a notable share, both in new flows as well as SIP registrations. We share a very good relationship with all the larger ones and of course, some of the emerging ones. That was the question, right.

**Mohit Mangal:** Yes, understood. Thanks, and wish you all the best.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand this call over to Mr. Navneet Munot for closing comments. Over to you, sir.

**Navneet Munot:** Thank you. So, to wrap up, our total assets crossed INR9 trillion with equity assets exceeding INR6 trillion. We now serve over 15 million unique investors with a penetration of 26%, reflecting the breadth of our franchise. Our objective at HDFC AMC remains clear to be a one-stop partner for investors across mutual funds, PMS, AIF and International offerings. Thank you for your time today, and wish you happy Makar Sankranti.

**Moderator:** Thank you, sir. On behalf of HDFC Asset Management Company Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.