



“HDFC Asset Management Company Limited
Q1 FY27 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to the Q1 FY27 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 with us 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, Simal.

Simal Kanuga: Thanks. Good evening, everyone. We'll begin with an overview of the mutual fund industry. Quarterly average AUM stood at INR83.1 trillion for quarter ended June 2026, up 15% Y-o-Y. Equity-oriented AUM crossed INR47 trillion, up 16%. And this 16% growth is during the year when there were bouts of challenges due to external factors and the impact of same on local economy and markets.

On flows during the quarter, equity-oriented funds saw net inflows of INR1,272 billion as compared to INR911 billion in the same quarter last year, increase of 40%. Liquid funds added INR984 billion, though debt funds lost INR757 billion. The other category, which includes ETFs, arbitrage and fund of funds investing overseas added INR555 billion.

SIP contributions stood at INR318 billion in June 2026 versus INR273 billion in June 2025, a 17% Y-o-Y growth. This, in our opinion, would have beaten the most optimistic estimates in June 2025. The number of folios has grown to 279 million from 241 million a year earlier. The industry added close to 6.6 million new unique investors over the last 12 months, taking the total mutual fund investor base to 61.9 million as of June 2026 compared to 55.3 million a year ago.

Now we move to us. Our QAAUM stood at INR9.35 trillion, up 13% Y-o-Y, with a market share of 11.2%. Excluding ETFs, our market share stood at 12.4%. Our actively managed equity-oriented QAAUM grew 16% year-on-

year to INR5.74 trillion. Our equity orientation continues to be meaningfully higher than the industry. Equity-oriented assets accounted for 65.7% of our QAAUM versus 56.6% for the industry.

On the fixed income side, debt QAAUM stood at INR1.66 trillion with a market share of 12.9% and liquid QAAUM at INR851 billion with a 10.7% market share. On unique investors, we added roughly 0.46 million during the quarter when the industry added 0.53 million, taking our base to 17.1 million. Our penetration in the mutual fund industry now stands at 28%, up from 25% a year ago, which means 28 of the 100 mutual fund investors have invested with HDFC AMC.

Systematic transactions, which is SIP plus STP, stood at INR48.1 billion in June 2026 compared to INR40.1 billion in June 2025, a Y-o-Y growth of 20%. Beyond mutual funds, we continue to take further steps to build our alternatives platform. We'll close our private credit fund this quarter and have recently got an approval to launch a second fund on venture capital / private equity side. A marquee global investor has proposed to seed this new fund with a commitment of \$50 million. Total alternatives AUM, which includes AIF commitments, portfolio management services business and advisory mandates stood at INR148 billion, up from INR60 billion a year ago.

Now to our financials. Our revenue from operations grew by 14% year-on-year to INR11 billion. Other income at INR2.6 billion. Total cost for the quarter was INR2.7 billion as against INR2.1 billion in Q1 of last year. Operating profit for the quarter grew by 10% year-on-year with an operating margin of 35 basis points of AUM. Profit after tax stood at INR8.4 billion, a growth of 12% year-on-year.

Thank you so much. Navneet, Naozad and I are here for any questions. We can start now kind of queuing up questions. Thank you once again.

Moderator: First question is from the line of Piyush Kumar from Magnus Hathaway.

Piyush Kumar: Sir, basically, I have only two questions. First is how are the SIP inflows in your schemes in this quarter? And how are the SIP inflows month-on-month? So, like do you see any trends or any sentimental changes in the investor psychology based on the numbers?

- Navneet Munot:** I think the SIP flows remain very healthy for the industry. Over the last 6 months or so, they have been about INR30,000 crores. We have a healthy share within that. What we disclose is inclusive of the systematic transfer plan. So, we disclose systematic transactions, which include both SIP and STP and which have seen like healthy growth over the last several months despite the market volatility.
- Piyush Kumar:** Okay, sir. And sir, my next question is regarding which sectors are you most bullish on? Like do you have any idea of which sectors are going to perform going forward?
- Simal Kanuga:** Sir, we disclose 100% of our portfolios. So, if you just kind of go to our website, it will be easier in sense we have our overweight positions well mentioned there.
- Moderator:** Next question is from the line of Devesh Agarwal from IIFL Capital.
- Devesh Agarwal:** Congratulations on a good set of numbers. Sir, my first question is on the debt AUM. We have seen a 6% Q-o-Q decline and even the closing AUM is lower by 3%. So, what exactly has happened? Why are we seeing such a strong outflows in the debt schemes?
- Navneet Munot:** So, thank you for the compliment, Devesh. But on the debt side, we have seen money coming into the liquid fund, liquid and the overnight, while redemptions on the debt category. Last few months, the volatility in rupee, the volatility in interest rates, given the global environment, crude oil prices, etcetera, we have seen investors redeeming from the debt funds, but we have seen incremental inflows into the liquid fund for the industry as a whole, and we also have a decent share to get impacted by that, both sides, I mean.
- Devesh Agarwal:** Okay, sir. And second, sir, if you see on a blended basis, we have seen a marginal uptick in the yields for us. Is this purely because of the product mix? Or is there any other reason also? And has there been any impact of the new TER regulations, which went live from 1st of April?
- Navneet Munot:** So, as you know, I mean, there has been a change from the earlier TER methodology to BER. There has been an accounting change. Industry has been

adjusting to the new environment. I wouldn't like read too much into the movement in the first few months.

Devesh Agarwal: Sure, sir. And sir, could you call out the revenues that we earn from the PMS and AIF segment? I think now it's increasing at least in terms of overall growth. So, what would be the contribution? Can that be the reason for a sequential uptick in the revenue yields on a blended basis?

Simal Kanuga: Yes, it's still very small. The PMS does have a large mandate, which is one of the Government of India mandates. Navneet, do you want to go ahead?

Navneet Munot: Sure. So, I mean, the alternative side, the economics are slightly better than the mutual fund business. The fee ranges between 80 to 90 basis points depending on the product. PMS, the discretionary book is broadly in line with the equity margins. The nondiscretionary piece is very different construct because it operates under very, very tight economics.

Devesh Agarwal: Understood. And sir, last two bookkeeping questions. One is the asset-wise yield for the quarter. And second, just a clarification, if the CSR expense has been booked in the 1Q this year versus 2Q last year. Is that right?

Naozad Sirwalla: Hi, Devesh. I'll take the question on the yield. So, our equity yields, total blended equity yields were 58 basis points. Debt was 28 basis points and liquid was 13 basis points monthly. Our CSR expenditure is actually a function of how our sort of CSR partners require the funding. So, this quarter, we have funded to the extent that was required. It is more than what we funded in Q4 of last year or Q1 of the previous year.

Devesh Agarwal: Would you be able to call out what was the CSR expense?

Naozad Sirwalla: I mean it's not like a big number either way, Devesh, but it is a function of, as I said, the annual numbers are available for people what we spend, right? It's available.

Devesh Agarwal: What I was trying to understand, we should assume a similar quarterly run rate, right, for other overheads. It's not that there's any one-off element of the CSR in 1Q.

- Naozad Sirwalla:** So, as I said, it is not -- the CSR expenditure is not equally spread out through the year because it's a function of how our partners require the capital. So, this quarter, the number we have sort of spent on CSR is higher than what we spent for Q1 last year as well as Q4 of last year.
- Devesh Agarwal:** Understood. Perfect. Thank you so much, sir.
- Moderator:** Thank you. Next question is from the line of Meghna Luthra from InCred Equities. Please go ahead.
- Meghna Luthra:** Yes. Thank you for the opportunity. Sir, has there been any rationalization in equity schemes, the distribution commission during the quarter?
- Simal Kanuga:** So, I think, Meghna, the one thing that we have done is, of course, because of the change from this TER to BER, the rationalization happened starting 1st of April itself.
- Meghna Luthra:** Okay. And can we get like which -- is it the balance advantage?
- Simal Kanuga:** Yes, across all schemes because the 5 basis points that we were allowed to charge in lieu of exit load has now been taken off. And secondly, the whole accounting treatment change. So, both of these things led us to revise the structures on the book itself starting 1st April 2026.
- Meghna Luthra:** Okay. Okay. That's very helpful. So, can we expect our revenue yield to benefit from it in the going 2Q, 3Q as well because it has kind of a lag effect, right, spread over 2, 3 quarters?
- Navneet Munot:** I mean let me recap the changes. The first was the removal of the 5 basis points of additional TER that AMCs were earlier permitted to charge in lieu of exit load. The second is the shift from TER, which included levies to BER plus statutory levies. And the third element is the rationalization of brokerage limits on the cash market transaction.
- So, our approach has been to offset this through optimization of commission structures, along with prudent management of both direct and indirect costs. So, what I can say is we have been able to maintain our margins.

- Meghna Luthra:** Got it, got it. And sir, one more question is on the market. Like our market share in the flow data on equity schemes is higher than our outstanding AUM. And yet in our active managed equity market share has dipped by 20 basis points sequentially. Sir, how do they link to it?
- Navneet Munot:** So, quarter-on-quarter movement you see here is largely attributed to MTM movement because the market share is a function of 2 things. One is the MTM movement and second is the flows. But I think overall, if you see the MTM movement has resulted in the decline in the market share that you have seen. On a year-on-year basis, the equity market share has held steady at around 12.8.
- Meghna Luthra:** Got it. And lastly, sir, on the employee cost also, is the entire increase attributable to bonuses and increments? And what would be the ESOP component of it?
- Naozad Sirwalla:** So, we have disclosed the ESOP component separately by means of a note. If you exclude that, which is there in the presentation, the increase in Q1 is largely on account of year-end increments that we have rolled out. Also, certain employee benefits get valued beginning of the year and sort of based on the market, etcetera. So, there's an element of that involved on the employees front as well. But we disclosed the noncash component of the ESOP separately in the way of a note.
- Meghna Luthra:** Got it, got it. That's helpful. Thank you.
- Moderator:** Thank you. Next question is from the line of Prayesh Jain from Motilal Oswal. Please go ahead.
- Prayesh Jain:** Yes, hi. Just wanted to understand from you on the ground realities as to what's really transpiring on the ground with respect to SIP momentum, direct versus distributed, which is seeing any momentum change towards more distributed rather than direct? Any color because we've seen SIP kind of plateauing. I know, Navneet, you've always been saying that this INR30,000 crores number itself is a very good number.
- But as analysts, we always look at even small drops as something which is a slight negative. So just trying to see as to what's really kind of happening on the ground. And secondly, even on the debt and liquid front, we've seen loss

of market share. What are we trying to do to kind of arrest that or improve that? Yes, those would be my 2 questions. Thanks.

Navneet Munot:

Sure. So first, on the question on the SIP. So, if you look at the industry, June '26 number was INR318 billion, INR31,800 crores. If you compare with June '25, this was like INR27,300 crores. So that is a 17% Y-o-Y growth in a year which has been like quite volatile. And we have seen like a series of global events, which have impacted the market.

And in last 10 years, I'm sure you said that there is a marginal dip even on a month-on-month basis. But look at the last 10 years trajectory, we have moved from INR3,000 crores per month to INR30,000 crores per month. And during this period, we have seen so many market cycles, rate cycles, geopolitical shocks, there have been sharp corrections in market.

There have been phases of muted returns. And through all of this, monthly SIP contributions have sustained and moved higher. I've quoted this many times. This is like India's 401(k) movement and the investor behavior is very different than what I've seen as a fund manager or as a CIO for a long time where retail flows would ebb and flow with market sentiment.

There used to be a time when typical question from a distributor or investor would be, should we invest now or should we wait? And after a year or 2, it would be, should we book profit now or should we wait? Now it's very different. I think it's becoming a habit and habits once formed, you would appreciate they tend to persist. I think our view has been and it's been very consistent that penetration relative to formal savings base is still low and which means the runway from here is very, very long.

Another factor, which I'm sure people know, but not giving enough credit is the role of investor education. I think the AMFI's initiative and the efforts of individual AMCs like us, I mean, look at some of the investor education initiatives we have taken to really spread the message far and wide to every strata of our society across to every nook and corner of the country.

And the message has been very consistent that if you ride out the short-term volatility and stay invested through cycles, long-term outcome would be very rewarding. Having said all of this, I think we remain watchful of how investor

behavior evolves in a more extended market downturn. I mean, if the downturn persists for several quarters or years, that is one scenario this cohort of investor has not really been through yet. So, jury on that is still out. But my sense is that a large part of these flows are very structural.

Prayesh Jain: Got that. Any color in terms of debt and Liquid

Navneet Munot: On the debt side, the last two consecutive quarters, we have seen significant outflows. And I mentioned earlier, maybe it's the volatility in interest rates, I think what's been happening on the crude oil, geopolitics, currency and all of that. But we have seen very decent flows in the liquid fund in this quarter. Yes. But I think that as an industry, we need to work a lot more, how do we make that funds more attractive to retail investors.

Earlier industry was more institutional, less retail. I mean, I'm talking about, let's say, a decade back. It used to be more institutional, less retail. It was more fixed income, less equity. It used to be more lump sum flows, less of SIP. It used to be metros, less of like other cities and B30. There are structural changes, dynamics, but in this entire period, somewhere it seems that we need to do a lot more work on how do we make debt funds more attractive for investors.

And there are several cohorts. I mean you look at the retirees, you look at several people who just want a regular income, more protection of capital, how do we make our products more attractive? And recent circular by the SEBI has given us newer opportunities on lifecycle funds, etcetera. And in the industry, we are all working hard how do we position that to our investors.

Prayesh Jain: Just last question, what are the product launches...

Navneet Munot: One more thing that in the last couple of years, we have seen investors participating in that through hybrid funds, asset allocation products. So, the popularity of multi-asset fund, balance advantage fund, equity savings, all of these categories are the ones through which the investors are participating in fixed income.

Prayesh Jain: What is the line of product launches across mutual funds, SIF, PMS, AIF?

Navneet Munot: So, as you're aware, over the last couple of years, we have significantly expanded our product bouquet on active funds, on passive side, both, I mean, index and ETFs, both market cap-based indices and smart beta products. We have launched a couple of sector and thematic funds. On the PMS side, we have hired senior resource and have launched product on that and in PMS in the process of raising money in a Category 3 product. We have got the approval.

We have mentioned earlier about our private equity venture capital fund of fund. On the SIF side, we have hired a senior resource for our SIF efforts. In fact, today, only our Board has approved our first SIF offering, which will be H-SIF equity ex top 100 long-short fund, which will be launched in the near term. I mean this is just the start.

Our aim is to build a full suite of SIF products over time. Yes, the whole idea is that our aspiration is to be consistently be the trusted investment partner for every investor across life stages, across income levels, across investment sophistication and be it actively managed fund, passively managed fund, SIF, PMS, private equity, private credit, we would be present across all segments and build a full-scale platform.

Prayesh Jain: Great. Thank you so much.

Moderator: Thank you. Next question is from the line of Swarnabh Mukherjee from 360 ONE Capital. Please go ahead.

Swarnabh Mukherjee: Yes, hi, sir. Thank you for the opportunity. I had a couple of questions. One is in terms of the yield, so the yield increase, and apologies if I'm repeating because I have joined a little bit late. So, the yield increasing, I just wanted to understand from your side that whether this is -- the increase is more an outcome of shift from TER to BER or also -- I mean there is some component of the 5-basis point pass on there. Anything you can give some color on?

And whether we should consider this to be the baseline number now and then think about the gradual dilution that with increase in AUM playing out from this level? If you could give some color on that? And in terms of how we broadly expect the yields to kind of come off going forward, if there any color you can give, that would be helpful? That is the first question.

Second is in terms of the SIP number, so what I understand is that our trends have been fairly in line with the industry, how the numbers have moved over the quarter. As we move ahead in June and I think I just wanted to understand the trends that you are seeing in terms of SIP and overall net flows, how it is sustaining? And do we have any levers in place to basically increase our market share in terms of SIP flows, if you could give some color on that. These will be my questions?

Navneet Munot:

So, the first, I mentioned earlier that we have moved to a new regime. Earlier, it was TER, which included levies to BER, which is BER plus statutory levies. So, our approach has been how do we offset the impact, whatever it is, through optimization of commission structure on the one side and prudent management of cost, both direct as well as indirect costs.

So, all I would say is that we've been able to maintain our margins. There has been like, as I said, accounting change and a new structure. So, I wouldn't really read out much in terms of quarter-on-quarter little bit of movement. Our endeavor has always been to ensure that distribution partners are fairly compensated for the efforts that they put. I mean, we believe in our long-term partnerships at the same time ensuring that we maintain decent margins.

The second question on the SIP growth. I mean you have seen over the last several quarters, the growth in the systematic book versus the industry, while industry itself has seen a healthy growth. And within that, we've been able to gain market share.

One of the biggest focus for the fund house, not only in the last few years where SIP flows for the industry has grown, but for the longest period, we would have been one of the earliest players in the asset management industry to talk about the benefits of long-term investing to promote the concept of SIPs much earlier than many others. And yes, reaping the benefit of that and trying our best to optimize through every single channel.

Swarnabh Mukherjee: Right, sir. Got it. Helpful, sir. Thank you so much.

Moderator:

Thank you. Next question is from the line of Ankit Bihani from Nomura. Please go ahead.

Ankit Bihani: Yes, good evening, team. So, I have 2 questions. So, given that India currently remains underpenetrated MF market and AMCs have so far been able to defend their margins through distributor negotiations. Do you think this pricing power with distributors is sustainable over the medium term? Let's say, we enter into a scenario wherein the markets do not deliver significant returns over a medium term. So, does the economics change? This is my first question.

And my second question is, how do you see the opportunity in the alternative evolving in India over the next 5 to 10 years? And what role does HDFC AMC aspire to play in this market? Yes, those are my 2 questions?

Navneet Munot: Sure, sure. So, first question on the economics between asset manager and the distributor doesn't change depending on the market. I mean, as you said, if the market is muted, then whether there is a shift in the pricing power between the manufacturer and the distributor, not necessarily.

And as I mentioned earlier, for us, we look at it as a partnership. They bring in investors, they manage the investors, they do the handholding through ups and downs in the market. And at our end, we deliver returns in line with the expectations. So, it's a healthy relationship evolved over decades and we ensure that it is a win-win for investor, distributor or adviser and us.

Your second question on the opportunity in alternatives. As I said, I mean, these are like very early days of financialization of savings in India. I think all the factors, be it formalization of the economy, digitalization of the economy, digitalization of finance, financialization of savings and one important aspect, financialization of assets, which you are seeing the growth of REITs, growth of InvIT, growth the way we have seen even on the commodity side the way gold and silver funds grew, I think there are like tremendous opportunities in the asset management.

One healthy and good encouraging trend has been picking up of the SIP habits. I've quoted this several times that we are transforming from a nation of saver to a nation of investors. There is a large savings pool. And over a period of time, it's going to get more and more into the investment form.

There would be opportunities similarly on the alternative side. I mean, there is a large investable listed universe, but there are a large number of companies in

the unlisted space, which over a period of time will grow and get ready for listing. And before that, there are opportunities to participate in that growth through private equity or venture capital.

Private credit market is hugely underpenetrated, very early days. And over a period of time, there are tremendous opportunities for flexible and the private credit funding for large number of corporates in India across whether it's mid-market or large corporates for a variety of structures. Similarly, on the segregated accounts, be it the global investors, be it institutions, family offices who are looking at more sophisticated bespoke solutions.

And as a house, we are building capabilities across the board. See, what is our biggest strength as a house? Over decades, we have demonstrated great capability on the investment management, on risk management and on product management.

And the whole idea is that how do we -- I mean, without getting into the specific about whether it's on the mutual fund platform or alternative platform, whether it's active or passive, whether it's large institution or retail, whether T30 or B30, a lot of time, the industry discussions are institutional, retail distributed versus direct.

But at HDFC AMC, the core capability is like investment management, risk management and product management. And we want to be like one-stop solution for all kinds of investors and building capability. We have built a large team. We have got now 37 investment professionals on the mutual fund side. And it's not about the headcount, it's about the experience. Most of our fund managers have experience of 20, 25 years plus. Even all our analysts have seen multiple cycles. They are highly experienced.

We have now got 6 people on the private equity VC side investment team, 6 on private credit side, 8 on PMS across both debt and equity. I mean, so we are building like a lot of capability on the investment business side. Similarly, on the risk management, and as I said, product management.

So, I've hired like investment specialists, which we already had for mutual fund, but now we have investment specialists on the client side, the interaction, whether it's on alternative side, on the PMS side. I talked about a couple of

products that we have been looking at. So, I see tremendous growth across all segments in India, and we want to participate in those opportunities.

Ankit Bihani: Yes. Thank you for answering my question. Just one last question. If I look at the gold ETF or silver ETF, one of our competitors is able to charge four times -- 3.5 to 4 times the TER what other players are able to charge. And I suppose that has got to do with the liquidity they are able to provide or the impact cost would be lower in them. How do we see -- how do we expect to narrow this gap? Because this looks like a very distinct advantage that one AMC is able to have over so many other players?

Navneet Munot: It's not 3 or 4 times. Our industry is highly competitive. I'm sure be it investors or be it distributors, I think they all compare each other. And of course, I mean, a lot of pricing is kept by the regulation. But within that, wherever there is competition in some of the fixed income funds or the ETFs, etcetera, I think we all do the right benchmarking and always try to optimize our margins everywhere.

Ankit Bihani: Okay. Thank you for answering my questions.

Moderator: Thank you. Next question is from the line of Mohit Mangal from Centrum Broking. Please go ahead.

Mohit Mangal: Yes. Good evening, everyone, and thanks for the opportunity. So, my first question is basically looking at your distribution network. And I was looking at the bank share that has come down from 10.4% in Q1 '26 to 9.6%. Now I know that you have said that Fintechs have kind of grown faster than the banks. But do you think this trend will kind of continue or banks will kind of grow faster than the Fintechs?

Navneet Munot: I mean Fintechs 5 years back, the numbers were negligible and particularly by building the SIP book, now they have become very significant. And now that, if you look at the overall net flows, a large share is coming through the SIPs and which is where they have focused in the last couple of years and they become very, very significant. Of course, I mean, the total adds 100. So, somebody's share will go down.

Not that banks have not been growing. In fact, a couple of them have been growing decently, participating in the growth, but there is, let's say, another channel, which has also grown significantly in the last couple of years, which would impact the relative share of the other participants.

Mohit Mangal: Right. And the bank's flow market share continues to be high in the book, right?

Navneet Munot: Yes.

Mohit Mangal: So, my second question is basically on strategy on kind of growth. So, what we have seen over the last few quarters is that our market share have kind of remained broadly stable with some kind of a marginal decline as well, whereas in this competitive intensity, we have seen kind of fewer players growing. So, do we have kind of any internal targets to grow higher or any strategy towards that would be helpful?

Navneet Munot: So, I mean, our endeavor is to ensure that we have a scale. I mean, we optimize our market share everywhere. At the same time, we're trying to grow the market as a leading player across asset classes, across products, across channels, across geographies, so on and so forth and have that with the quality.

And by quality, I mean, a lot of focus on individual investors, a lot of focus on like building the new markets like B30, etcetera, trying to penetrate more among the existing investors, so on and so forth and keep the industry-leading profitability and have a fair balance between the scale quality and profitability.

And over a longer period, as I mentioned, that idea has to be a best-in-class platform, we have always been and continue to strengthen that platform. I mean I talked about the people strength. We have the processes. We have one of the longest track records of the alpha of actively managed funds and got large bouquet of passive funds, the work that we are doing on PMS and alternatives and continue to grow all of this with a very tight control on the cost, and that is what we have always done that and aspire to do that continually.

Mohit Mangal: Yes. So basically, on the employee count, basically, I was looking at your employee count and it has increased by around 92 over the last one year, while our number of branches have kind of remained stable at around 280. So just

wanted to know, I mean, will this kind of employee count increase further as well?

Navneet Munot: No. A good part of that increase is I told you about building some of these new platforms, hired people and like on the international business, on PMS, alternatives, even on our domestic mutual fund side. Of course, on the institutional sales in our digital, AI, marketing, across functions. And as I said that we won't shy away from investing in the business. And one of the biggest investment that we make is people, right? So, hiring the best possible talent and ensuring that we provide them the best possible environment to make the most of the opportunity, which is in front of us.

Mohit Mangal: Understood. Thanks, wish you all the best.

Navneet Munot: Thank you.

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

Dipanjan Ghosh: Hi, good evening, everyone. So first, a few questions from my side. If I look at your other expense data, that growth seems to be a little bit on the higher side, so just wanted to get some color on the granularity of that other expense.

I mean, I understand your cost ratios are quite top notch, but still just from a quarter perspective, if there was any one-off or anything out there? Second, especially from a Fintech channel perspective, I mean, we now have like maybe 3 to 5 years of data for customer vintage. So, during this market volatility that has been there intermittently over the last almost 12 to 18 months, in terms of customer churn or customer or wallet diversification across different schemes or products versus the traditional channels. What has HDFC AMC observed on some of those fronts? If you can give some color on that? And finally, I joined the call a little late. I don't know if you mentioned the product-wise yield on the mutual fund side of the business for the quarter?

Naozad Sirwalla: Hi Dipanjan, I'll take the first and the third. We covered the question on operating costs as well. So, if you see the increase in operating expenses quarter-on-quarter, that's from March quarter to the June quarter, this is largely driven by CSR expenditure. And to explain the year-on-year increase, it's a

function of what we spent on CSR as well as certain IT-related spend. There is no one-off in the sense. But as I explained in the call earlier, the CSR expenditure is linked to when our partners require the money. So, it is not evenly spread through there. It's all I would say. But there's no one-off there. On the yields, we did mention the yields earlier, but I will repeat them for your benefit. Equity was 58, debt is 28 and liquid is 13. And active equity is about 61 basis points.

Navneet Munot:

And your other question was on behavior. So, a lot of incremental retail participation is coming from fintechs, especially the younger and first-time investors, the way people discover, evaluate and invest in mutual funds is changing and fintech platforms are at the center of that shift. I was just seeing fintechs have registered 8.6 million SIPs in this quarter. And to put this number in context, if I remember correctly, in FY19, FY20, total number of SIPs they would have registered would be close to 400,000.

So there has been a tremendous growth over the last 4 or 5 years in terms of bringing in incremental new investors, particularly through the SIPs. And we made the decision early to treat these platforms as genuine partners, and that orientation is paying off. So, we are seeing good traction both in terms of SIP registration and overall flows. Your question on the behavior of investors, I mean, we have seen significant growth in the number of investors. A good number of them are first-time investors.

In another question pertaining to SIP flows and sustainability of that, I mentioned that, we have to maybe watch the behavior over the next several years, how some of these first-time investors behave. But efforts from them as well as from the industry, from all the players is on doing the right kind of investor education and ensuring that investor behavior has more long-term orientation.

Dipanjan Ghosh:

Got it. Maybe just one small follow-up, Naozad, if I understood correctly, you mentioned equity, including index was around 58 for the quarter. I think last quarter was around 56. So firstly, are these data points correct? And secondly, if it's correct, then is the increase quarter-on-quarter driven largely by mix change? Or is there something else in that?

- Naozad Sirwalla:** I think this question has been answered twice by Navneet already, but...
- Navneet Munot:** I mentioned earlier that we have moved to a new regime. And I have explained that before. Don't read too much like from one quarter to another, yes.
- Dipanjan Ghosh:** Got it. Thanks, Naozad, Navneet, and the team. And all the best.
- Navneet Munot:** Thank you.
- Moderator:** Next question is from the line of Piran Engineer from CLSA India. Please go ahead.
- Piran Engineer:** Hi team. Congrats on the quarter. Just wanted to clarify on one statement that you made, sir. What is the contribution of fintechs to SIPs? Did I hear 8.6 million?
- Navneet Munot:** Yes, the new SIP registrations, yes.
- Piran Engineer:** 8.6 million in just a quarter. It sounds too high. That's why I'm asking?
- Navneet Munot:** No, last couple of years, it's been like an exponential growth.
- Piran Engineer:** No, no, fair, but there are like 100 million SIPs today outstanding. So, in 1 quarter, 1 channel.
- Navneet Munot:** It's like the same person moving from one fund to another fund. I'm talking about the gross number, yes.
- Piran Engineer:** Okay. And just broadly, how big would fintechs be for you as a channel?
- Navneet Munot:** I think we put direct number that includes 3 things. One is that if somebody has come through fintech in the direct plan because fintechs are also -- some of them are in regular plan, some of them are bringing money in direct plan. It includes somebody coming on our digital assets, be it an app or portal or walk in branch. And third is through the RIAs. I don't know whether we give further breakup because, I mean, industry already is like so much of data is in public domain. But we have a healthy market share that I mentioned, yes.
- Piran Engineer:** Understood. And do you notice any difference in the behavior of investors who come directly versus through distributors? And by behavior, I mean, be it the

type of investments, the amount of churn that they do or the average ticket size, etcetera?

Navneet Munot: AMFI has published a handbook and there, if I remember correctly, the data has revealed that investors who had come through distributors have a more longer-term AUM. But this trend of a lot of investors coming into the direct plan through the fintech channels has been a more recent trend. And as I mentioned earlier, that we'll have to see the behavior over a longer period of time to arrive at any conclusion.

Piran Engineer: Understood. And sir, lastly, in your conversations with both distributors and investors, why do you think flows into mid-caps and small caps are still like dominating despite valuations, whereas large caps have totally dried up? Is it - like I would just like to hear your thoughts.

Navneet Munot: The way we look at our industry, one is the institutional response and one is the market response. Institutional response is our fund managers, our investment specialists, all of us would give views on the market, would give views on the way we have positioned our funds, the views on valuation and what investors should be doing.

And the second is the market response, what investors do across cycles, across different phases of the market. I think over a long period of time, we have seen outperformance of mid-cap funds and small-cap funds, and off late that has become like more pronounced, and maybe our investors who have lesser allocation have been participating.

The second thing, I think I mentioned earlier that if you see the net flows and see the SIP flows, a very large part of the flows, almost like 75% plus of net flows would be on account of the SIP flows. And there is a large SIP book in these segments. So automatically, you will see that in the overall net flows. As the SIP book is more longer term, I'm saying.

Piran Engineer: Got it. Yes. That's it from my end. Thanks, and wish you all the best.

Navneet Munot: Thank you.

- Moderator:** Next question is from the line of Shreyas Pimple from Nomura. Please go ahead.
- Shreyas Pimple:** Hi, thank you so much for the opportunity. I wanted to understand if the ESOP expense has been accelerated in this quarter. We have taken around INR23 crores of ESOP expense versus earlier guided INR67 crores for the entire year of FY27?
- Naozad Sirwalla:** So, I'll take that. That's largely because we granted a bunch of stock options under the new plan in the last week of June of last year. So, the last year number is for 9 months, so if you see on a quarter-on-quarter basis, previous quarter to this quarter, the number is the same.
- Shreyas Pimple:** Right. So, there is no change in the INR67 crores for the entire year FY27, right?
- Naozad Sirwalla:** No. So last year was for a 9-month period. Maybe for the benefit, and we typically do that. I will actually spell out the noncash expense that is expected based on the current ESOP that have been issued. For FY27, the total noncash cost would be around INR79 crores to INR80 crores. For FY28, it will be INR63 crores, For FY29, INR41 crores, And for FY30, INR11 crores.
- Shreyas Pimple:** Okay. Thank you so much. That explains. Another thing on ESOP -- on opex was that you had earlier guided that opex growth of 12% to 13% ex of this noncash charge. Do we still stand by that?
- Naozad Sirwalla:** So, see, typically, I would encourage for you to look at costs on an annual basis rather than on quarterly trend. And I think the way we would like to focus on this is that we try and keep a very close eye on our net operating margin as the basis points of AUM. We've typically operated in the 33 to 35 basis points range. And that's the objective for us to stay within that corridor. That's the way we look at the business on an overall basis.
- Navneet Munot:** We have been running a very, very tight ship and have always been, I think, very prudent when it comes to spending. Having said that, we will not shy away from investing in the future, and I must say this because in a growth business like ours and the opportunities that I outlined before, the real risk is underinvesting and we will not underinvest.

Shreyas Pimple: That's very clear. The second question was in terms of performance, the performance has drastically improved in the month of June, the one-year performance in equity versus previous three months of a little bit of subpar performance in equity. What has, in your view, accelerated this improvement in performance?

Navneet Munot: So, let us understand this better. I can spend all day showcasing how good our performance has been over time. And we have one of the longest track record of performance across a large number of funds. And we always tell our investment team whenever I interact that it is not about the columns on the left side of performance sheet which is generally very short tenure, but columns on the right side, three years, five years, 10 years, 20 years because that will create the wealth for the investors. And is there a way to improve numbers there by willing to overlook what happens in near term, we are all for it. And that is the way we have built our business over decades. We have always believed and said that we would like to build a track record of consistent performance. But consistency doesn't mean outperforming every single quarter. I mean I've spent a good part of my life as a fund manager and CIO and I've always maintained that in this business, periods of relative underperformance are an inevitable part of generating long-term outperformance.

Having said that, I mean, I should not sound defensive that our performance is not good. In fact, as I said that I can spend the full day showcasing you how good the performance has been. So weighted average AUM basis continue to be in the top two quartiles over two years, three years. And even if you extend the lens to five years and beyond, we would be in like most -- I mean, several of the funds in first or second quartile.

Let me pick up the sheet. And our balance advantage fund is in Q1 over 3, 5, 10 years. It's a fund above INR1,00,000 crores. It has been a very popular fund among investors. Another large fund, Flexicap fund is in Q2 in 1 year, Q1 over 2, 3, 5, 10 years. Another fund over INR1,00,000 crores is the third fund, a large fund is in Q2 in two years, three years and Q1 in five and 10 years. Large cap fund, which actually has a lower market share than our overall equity market share in Q2 in one year, Q1 over five years, and I see opportunity for us to grow in that segment. Another category which has grown for us, focus

fund is in second quartile in two years, it's in Q1 over 3, 5, 10. In fact, one of our funds, which Anand is managing, who's been with us for 20 years, Value fund. This fund is like INR7,000 crores or so in a category which would be close to INR2,00,000 crores or so is in second quartile like one year, three year, five year, 10 year and we have a lot of potential to grow there.

So, I mean, I can go on, but all I would say is that investors and the distributors, the one who actually allocate capital, they don't judge the fund on one or two quarters. And there are funds which are doing well on those quarters also. So, I don't want to sound defensive, but investors look at performance over a meaningful time horizon. And we remain committed. We have shown the performance track record over a very, very long period of time.

So, remain very confident about our investment team, about our processes, philosophy, risk management and everything. I mean you look at the client addition that we had for several quarters, the folio addition that we have, and I'm sure they all appreciate the performance that we have delivered and a lot of that growth would be attributed to the performance that we have been delivering.

Shreyas Pimple: Yes, that is very helpful and clear. Sir, just last participant, you mentioned that the large part of the net inflow has been coming from SIPs. But can that be really compared because SIP is a gross number and there can be redemptions out of that as well?

Navneet Munot: I mean our industry has made it clear that the SIP number, which are disclosed by the AMFI, the amount is the money in the bank and the number of investors who have credited that. So AMFI is disclosing both number of investors who have kind of put that money and the amount of money that has come. So, there is no meaning of gross or net when it comes to the SIP flows. People who have accumulated money by doing SIP over a longer period of time, if they redeem or switch that money to some other fund, that's a different thing, and we should not mix up those two numbers, SIP flows versus SIP redemption that's happened on that count.

Shreyas Pimple: Understood sir. That is very helpful. Thank you so much for answering my questions.

- Navneet Munot:** Thank you.
- Moderator:** Thank you. Next question is from the line of Raman K.V. from Sequent Investments. Please go ahead.
- Raman K.V.:** Actually, my connection is very bad. I will just make it quick. What Percentage of the other income is M2M revenue like mark-to-market gains?
- Naozad Sirwalla:** So other income largely is a function of the gains that we have on our balance sheet, the equity and the debt investment that we have and almost all of it is mark-to-market. Other than some realised gains where we have sold some like that.
- Raman K.V.:** Understood. Thank you, sir.
- Moderator:** Thank you. Next question is from Smita Mohta from Mars Ventures. Please go ahead.
- Smita Mohta:** Yes. The first question is that out of the unique investors of 17.1 million, how many is added in this quarter. That is what percentage of folio has been added or growth Y-o-Y?
- Second of all, out of this folio, what is the growth in the AUM Q-o-Q? And your fees and commission, which has risen 54%, is it going to continue every quarter because of this directive from the government? And last of all, out of the basket of products which you have, which is more margin accretive? And as you said about the digital AI, so is that going to reduce your total cost in your business? How is it going to help you out? These are a few of my questions.
- Navneet Munot:** See, on the number of folios, last one year, industry folios have grown by 15% and our growth is 28%. Last 3 years, industry has grown by 23% CAGR. Our growth has been 37%. I can quote the number of unique investors also. So, against the CAGR of 17%, we have grown by 34%. And in last 1 year, industry is up 12%, adding 6.6 million investors versus our growth of 25%, adding 3.4 million.
- Simal Kanuga:** The only thing is we don't disclose the value of these additional new customers or anything. We give the total AUM growth only.

- Smita Mohta:** Yes, fees and commission, sir?
- Naozad Sirwalla:** So, the fees and commission expenses that you see in the P&L is, first of all, it's a very small amount. That's largely the function of brokerage that is paid on PMS and alternatives.
- Smita Mohta:** Will this continue Q-o-Q, this kind of expense?
- Naozad Sirwalla:** So first of all, it is only INR2 crores in absolute terms. And secondly, as the PMS and AIF business will increase, as the business grows up, the brokerage on that will be sort of continued to be paid.
- Simal Kanuga:** The only thing, ma'am, is the brokerage is a subset of the fees we make. So, the fees we'll make will be substantially higher from that. Brokerage is paid out of the fees we make.
- Smita Mohta:** And your digital AI will not reduce your cost in this entire cost?
- Simal Kanuga:** So, I think the way it works is the fees that we make on this. If we make fees of INR100, that INR100 gets added to the revenue. If we spend INR20 out of that as commission, that INR20 gets visible in the expenses on a separate line. So, the INR2 crores is the expense on that, we would have made substantially higher fees, which goes into revenue from operations.
- Smita Mohta:** And then was there any NFO in this particular quarter?
- Simal Kanuga:** This is not to do with NFO, ma'am. This is not a mutual fund business. This is for portfolio management services and alternative investment fund business.
- Smita Mohta:** Okay. Got it. Got it. And out of the basket of products which you have, which is more margin accretive to you, sir?
- Simal Kanuga:** So, equity business for us makes maximum money, second comes debt and then comes liquid funds. So that is the way our margins tend to be. So more in equity will actually enhance our overall margin.
- Smita Mohta:** However, out of 88.7% in mutual funds, we have seen that your total investment basket is 11.8% only in equity. Major is in debt instrument, which has gone down.

- Simal Kanuga:** That is our treasury book. The one you are referring to is our treasury book. So, our fees are on the assets we manage in mutual fund business. So, if you go through our presentation, it actually lists down our AUM breakup. And it will give you how much percentage of our total business that we do, which is INR9.3 lakh-odd crores. How much of that is in equity, how much of that is in debt and how much is in liquid. So, these three things generate fees for us. The INR8,000 crores that you are referring to is our treasury surplus, which is in our balance sheet. On that, we are very, very cautious investing that capital. And hence, large part of that money is invested in debt.
- Smita Mohta:** Got it. And do you think your margins would be stable and the AUM growth would be same as done in the yearly or quarterly basis going ahead as guidance?
- Simal Kanuga:** We don't hazard a guess on our growth numbers at all, ma'am.
- Moderator:** Next question is from the line of Anand Bhaskaran from AVA Ananta Capital. Please go ahead.
- Anand Bhaskaran:** Yes. Just one small question. Do you have any plans like launching your own PMS products because so far, most funds have been from other third parties? So, any plans to launch our own PMS fund or AIF fund, which is managed on the house?
- Navneet Munot:** No, of course, I mean, investment management is not outsourced. It's our own, we are a fund manager and the strategy we offer to our investors, both discretionary as well as non-discretionary and advisory. So yes, it's our own product.
- Anand Bhaskaran:** Okay. But can you just give me the margins that you make from, let's say, PMS to mutual funds, what would be the main difference in terms of margins?
- Navneet Munot:** So, I mentioned earlier that on the alternative side, margins would be slightly better than the mutual fund business. I mean, the mutual fund equity business, like-to-like comparison. So, management fee would be between 80 to 90 basis points, but it will depend on each product. PMS, the discretionary book would be in line with the margins that we earn on the equity side. The non-discretionary piece is quite different because the nondiscretionary side runs on

very tight economics. Those are some of the provident fund mandates, etcetera, which have very tight economics. But otherwise, the discretionary book would be broadly in line with equity margin and alternative side would be slightly better than mutual fund equity business.

Anand Bhaskaran: Okay. And last question. In terms of the entire mutual fund categories, in U.S., like the most leading fund category is the index funds and ETFs in general. So, in India specifically, because now it is kind of a nascent market compared to, let's say, in America, what do you think is the -- as a whole industry as a perspective, what do you think India's growth format is in terms of what sort of categories and mutual funds will be the leading thing in India specifically?

Navneet Munot: So, I think as a country, we are underinvested in equities. So, in Western world, we have seen capital moving from active to passive. And within that, in U.S., the taxation has played a role in making ETFs relatively even more popular. But in our opinion, India will have a different story to tell. So, beyond asset allocation, investors in India will allocate to both categories and further allocate to products within those respective categories. So, I see that happening on a daily basis.

Moderator: Next question is from the line of Nikhil, Individual Investor.

Nikhil: I wanted to check with you now that buybacks have become relatively attractive, what are our plans in terms of weighing buybacks against dividends? That's my question.

Navneet Munot: I think our Chairman answered that very eloquently in our Annual General Meeting.

Naozad Sirwalla: I think this request was made by a few, the Board has heard the request of certain investors at the AGM as well. It's the prerogative of the Board to decide what it does on buyback and dividend.

Moderator: That was the last question. I would now like to hand the conference over to Mr. Navneet Munot for closing comments.

Navneet Munot: Sure. To sum up our closing AUM stood at INR9.32 trillion, actively managed equity-oriented AUM at INR5.93 trillion. We have 28% penetration in the MF

industry in terms of unique investors. Beyond mutual funds, our alternatives platform has scaled to INR148 billion, and our international business out of GIFT City continues to build steadily. We remain very constructive on the long-term opportunity. Financialization of savings in India is still in its early stages, and our focus remains on delivering consistent outcome and building capability for the long term. Thank you for your time today.

Moderator:

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