"HDFC Asset Management Company Limited Q2 FY27 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to the Q2 FY27 Earnings Conference Call of HDFC Asset Management Company Limited. From the management team, we have with us Mr. Navneet Munot, Mr. Naozad Sirwalla and Mr. Simal Kanuga.

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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Simal Kanuga. Thank you, and over to you, Simal.

Simal Kanuga: Thanks. Good evening, everyone, and thank you for joining us. Let me begin with a quick overview of the industry. The quarter began positively with Nifty 50 gaining about 2% in July, followed by a modest decline in August and a sharper 6% correction in September. Overall, markets ended the quarter down around 5%.

Equity-oriented funds attracted net inflows of INR1,161 billion during the quarter. September marked the 67th consecutive month of positive equity flows, a remarkable streak dating back to March of 2021. SIPs continued their steady growth with monthly contributions reaching a new high of INR325 billion in September compared with INR294 billion a year ago and INR318 billion in June of 2026.

During this quarter, contributing SIP accounts crossed the 100 million mark. And over the last decade, monthly SIP contributions have multiplied almost 10x.

On fixed income, debt mutual funds recorded net outflows of INR607 billion, while liquid funds saw net inflows of INR457 billion. ETFs

attracted INR367 billion. Arbitrage funds garnered inflows of INR63 billion during the quarter.

Turning to our performance. Our quarterly average AUM stood at INR9.69 trillion, up 10% year-on-year and 4% sequentially. Equity-oriented assets stood at INR6.51 trillion, representing 67.1% of our AUM compared with 57.5% for the industry.

Within this, actively managed equity AUM grew by 14% year-on-year to INR6.08 trillion with a market share of 12.7%. On fixed income, debt AUM stood at INR1.62 trillion with a 13% market share, while liquid AUM grew 10% year-on-year to INR860 billion.

Our live individual accounts increased to 32 million from 26 million a year ago. Our unique investor base stood at 17.7 million, representing a penetration of 28%. In other words, 28 out of every 100 mutual fund investors in India invest with us. Over the last 1 year, we have added 3.2 million unique investors, while the industry has added 6.3 million. Our systematic flows comprising of SIPs and STPs, that is systematic transfer plans, stood at INR48 billion in September, up 6% year-on-year across 19 million transactions.

During the quarter, we also launched 2 new AIFs, a Category II equity fund focused on private markets. We are anticipating first close in this quarter and also launched the Category III fund, investing in listed securities, which achieved first close during the last quarter. We have started managing EPFO fixed income mandate during the quarter that went by.

With that, I now move to financials. Revenue from operations for the quarter was INR11.7 billion, up 14% year-on-year. Operating profit was INR9.1 billion, up 16% with an operating margin of 36 basis points of AUM. Profit before tax stood at INR9.8 billion, up 12%.

Also, please note that the reported PAT is not directly comparable year-on-year as the September 2025 quarter benefited from INR468 million reversal of income tax provision, which resulted in an additional credit to the tax account and the PAT. So that's where I would put a pause. Thank you very much.

We can now open it up for questions. Navneet, Naozad and I are happy to take them. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Devesh Agarwal from IIFL Capital.

Devesh Agarwal: Sir, my first question is on the blended yield. We see a sequential improvement in the yields. So just wanted to understand what are the drivers for this? And also, if you can share the asset-wise yield?

Naozad Sirwalla: Devesh, I'll share the yield for the quarter. So, for active equity, our yield were 61 basis points. For overall equity fund, this was 58 basis points. Debt is around 28, 29 basis points. Liquid, 13 basis points.

Devesh Agarwal: And what has led to this improvement on a sequential basis? Is it only the asset mix change or something else as well?

Naozad Sirwalla: Largely asset mix change. It's not like a material movement. It's slightly upwards from previous quarter.

Devesh Agarwal: Okay. And sir, on the alternate business, we see an increase. I understand a large part of that is the debt mandate that we have won. But two things I would want to know what is the revenues that we are targeting in this and the pipeline on the alternate? So by when we can reach INR100 crores of revenues from the alternate business? And what is the pipeline going forward?

Navneet Munot: Devesh, we don't give guidance like this when will we reach a certain amount. All I can say is that beyond mutual funds, now the alternative platform is working as a full stack. So this quarter, we launched two new funds on alternative side.

First is the HDFC AMC Select Opportunities Fund. This is a Category II fund investing in late-stage venture and early-stage growth companies. We have been in the process of raising money, have seen a very good encouraging reception from some of the global institution as well as domestic institutional investors, family offices, and HNIs.

Second is the HDFC AMC Emerging Opportunities Fund. This is our first Category III fund, and it has also seen a strong traction and fundraising continues. On the PMS side, you rightly said that a large part of the AUM is on account of the EPFO mandate, which has gone live. And together with SPFO mandate, it shows the depth of our fixed income capability. So idea is like building a one-stop platform where an investor can stay with HDFC AMC for every need across mutual funds, PMS, AIF, et cetera.

On the margins question, AIF is a margin-accretive business. Fees here sit above what we earn on our mutual fund equity book in the range of 80 to 90 basis points depending on the product. Discretionary PMS earns broadly what our equity mutual fund business does. Nondiscretionary PMS is a strategic play. And government mandates like EPFO and SPFO, they are highly contested and the pricing reflects that. So we run them for the institutional credibility and capability they build. But those mandates open doors well beyond these mandates. So these are like highly prestigious. But on all the other part of alternative and PMS, they would be margin accretive.

Devesh Agarwal: Right, sir. And sir, one last question. If we see your SIP share, it has always been higher than your equity AUM share. Now do you think this would continue like this or there is a risk to the market share number or

the flow itself, given that some of the newer AMCs are now completing one year and three years of operations, and they would kind of have this now track record of one year and three years and that the flow can shift to some of the newer AMCs?

Navneet Munot: Devesh, we have been one of the earliest players to talk about the merits of investing through SIP mode. And much before the whole SIP momentum gathered pace, we have been highly, highly focused on building the SIP book. And while I mean, at every point in time, we have seen this is a highly competitive industry from a number of players perspective, at various points in time, various funds would have done well.

But at the same time, I think thanks to the long-term track record of products, the product range, the pedigree, the partnerships that we have built with all the channel partners and the focus that we have on SIP, SIP share has been growing. And we remain confident. I think this is one of the biggest area of focus for us and remain very confident on our SIP book.

Moderator: Next question is from the line of Mahek Arora from Goldman Sachs.

Mahek Arora: Just one question. If you could tell the share of non-mutual fund revenue in the overall revenue mix, please?

Naozad Sirwalla: It's quite a small number actually. It's not really material as of now.

Moderator: Next question is from the line of Ronak Chheda from Awriga Capital.

Ronak Chheda: Just one question. This is not apples-to-apples, but if you were to look at your SIP number or the systematic numbers and you have to compare with the industry number, in the last three quarters, we've seen some dip. Can you just directionally comment are we losing some share on the systematic flows, especially on SIP or this is just the STP adjustment?

Navneet Munot: So I think I must clarify this. So what we report, Ronak, is systematic transactions, which combined SIP and STP. The industry number you are comparing it with is SIP only. So the two are not like-for-like. The softness we have noticed has come from STP. And systematic transfer are mostly set up by wealth managers who actively manage when money moves into equity.

So they put money in a liquid fund or a money market fund and gradually transfer that to equity. And particularly when markets get choppy, which happened in the last couple of months, some of them paused these transfers. And that's a tactical call taken by these investors.

If you strip out STP and look at SIP alone, our market share has actually gone up. I repeat. If you strip out STP and look at only the SIP, our market share has actually gone up. If you look at number of transactions, that will tell you the same story.

So our systematic transactions rose from about 17 million in June to nearly 19 million in September. And if we step back for a moment, monthly systematic transaction book has grown nearly 5x in about 5 years to around INR48 billion and industry in the same period would have grown 3x.

Ronak Chheda: We've been long behind your team to just kind of split this number so we could analyze this number better. That's just a request.

Navneet Munot: We have noted it.

Moderator: Next question is from the line of Shreyas Pimple from Nomura.

Shreyas Pimple: My first question was on opex. This quarter, we have seen quarter-on-quarter decline both in staff cost and non-staff cost. What has been the reason for that, if you can explain, please?

Simal Kanuga: Shreyas maybe what we can do, if you want, is give an overall perspective on how we are looking at cost. Do you want to do that or you want like a cost number? Maybe we can just let Navneet run you through, because I think this is one question that comes to us very often on this whole cost thing saying that are our costs higher, lower, whatever. Navneet, if you can just address that from a macro base.

Navneet Munot: In fact, in this quarter, I thought we'll be complimented for a very, very tight control on cost. But the question of cost, I think we address almost every quarter. So again, let me take a step back and explain how I think about cost and investment in our business.

Firstly, let me reiterate something that you have heard from us many times before. We watch every rupee we spend. We watch it very closely. Naozad is often like quick to push back even on expenses that I would like to incur. That should give you a sense of the culture we have built around cost discipline.

And I think when you look at our overall cost base relative to the size, scale, complexity of our organization, that discipline is quite evident. But there is another point I've made consistently, while we are extremely disciplined on cost, we will never shy away from investing in the future of our business. People are very important and so we will keep investing in the future.

So let me explain how we distinguish between the two. So the regular growth in operating expenses, if you look at some of this is like inflation linked. So some of it is driven by the growth of business in terms of size and broadly speaking, these are like routine costs that we continuously monitor and manage.

The second is the expenditure which I believe that's far more important to understand, which are in the nature of investments we make today to build the capabilities and the capacity that we will need tomorrow. For

example, somebody asked about what we are doing on the alternative side.

So between alternative and PMS, when I say alternative, both private equity and private credit, we've got more than 20 investment professionals now and significantly expanding our capacity on investor servicing, on operations, on the whole sales and then the distribution side, so on and so forth.

Same thing is on the international side, where the AUM is not very large, but we are investing upfront because we see a lot of potential in that business. Same thing goes for all our investments on digital, technology and then those capabilities. So all of those, I take as investments.

I told you about the number of people that we have built on the alternative side. But even on the mutual fund side, team till a couple of years back was like 30 professionals. Now number is like closer to 40, and this will continue to grow.

And we keep thinking that business is let's say INR9 lakh crores, INR10 lakh crores it will go to INR20 lakh crores, it will go to INR40 lakh crores. And we have to constantly invest in people and technology and in distribution, so on and so forth.

And then, of course, the technology where a team of engineers working on AI-led capabilities across major business functions. So this is like upfront investments, but in terms of the cost saving, potential cost saving or the potential higher revenues will occur over a period of time.

So I think when you look at our quarterly cost numbers, I would encourage you to look at them through this broader lens. But I mean, I've always said this, we are not compromising on cost discipline, and you have seen in this quarter and have always seen this, seen us maintaining like a very, very tight leash on cost. But at the same time, in a calibrated manner, we continue to invest in future because we don't

want to compromise on investing for growth. Does that answer your question?

Shreyas Pimple: Yes. It's very clear. Just wanted to understand how do we think about cost and opex growth in that sense. So year-on-year, of course, we have always maintained operating PBT yields in the range that we always see. But how do we think about growth in the cost? That is what I wanted to understand?

Navneet Munot: So I mentioned, I think it's split into two. One is like the regular, the operating expenses that should be like inflation linked as the business grows and in line with the growth in the business in terms of size and broadly speaking, these are like routine costs that we continuously monitor and manage.

Shreyas Pimple: That could be, sir, 60%, 70% of the total cost?

Navneet Munot: We don't split like, this is for future and this is for like current business. But I think about it, the scale of operation that we have, managing INR16 lakh crores of AUM, INR9 lakh crores on the mutual fund side, another INR6.5 lakh crores on the PMS side, the capability we are building on the Alternatives, on the International. I mean, look at our website, look at the quality of app that we have got, the entire footprint that we have got, both physical and the digital and the capabilities that we have put in place. And relative to that, I think, people should be appreciating the way we run our business.

Shreyas Pimple: Yes. So I was very surprised positively this quarter.

Navneet Munot: How should we look at it? One way to look at it is, I mean, go back and see our history over the last 5 years, 10 years, how the costs have increased and how conscious we have been of both, I mean, ensuring that we run a very tight ship, but at the same time, keep investing as markets give us the opportunity to do that.

Shreyas Pimple: Point taken, point taken, sir. Thank you for that answer. Second, just a bookkeeping question. What was the ESOP or noncash expense for the quarter?

Naozad Sirwalla: So for this quarter, it's already disclosed, it's about INR186 million for the quarter. So INR18.6 crores. Yes, it's already, as a footnote on Page 27.

Shreyas Pimple: Sure, sure. My second question was on SIF. Where are we in the process of expanding into SIF? When can we expect new products in that category? Many of the competitors have already been in this space. And they say that it is very lucrative opportunity as such. Where are we in the process there?

Navneet Munot: So it's a category definitely gaining prominence and some of the funds that have got launched have done well through the period, though it is too short to talk of performance. We have taken our time to set up systems, processes, putting the right people in place. This is a new category. Some of them are complex strategies. So we have also hired like two senior investment professionals.

We've got Ihab Dalwai and Paul Parampreet Singh. We are now well set, and you will see a couple of product launches in this space over the next couple of quarters. So all the ingredients are in place. I have been working a lot in terms of continuous training of our people on the sales and distribution side. Similarly for our distribution side and should be able to get our share over the next few quarters.

Shreyas Pimple: Got it, sir. As such, the question was on specifically small and mid-cap space. What we have seen in last 5, 6 months is that most of the flows has been anchored towards this space. While we do have a huge and large mid-cap fund, the small cap fund is comparatively smaller. The flows in those funds have been decent, however, not to the industry-leading mark.

Where do we see -- the point was, first, in terms of HDFC AMC, how -- I mean, the flows that come into these schemes, how do you see that as an industry? Do you think that these flows will continue to be like that? And how these flows will turn around? What is your outlook on small and mid-cap flows?

Navneet Munot: So first, I think we must give credit to investors for showing a lot of resilience and discipline in the way people are investing. We have seen like two years of muted returns. There are still people not only continuing their SIPs, but even topping up or taking advantage of falling market. So that's positive.

On the other side, we see some bit of momentum chasing. Earlier, I mentioned about how money came into silver funds when prices were high or in some of the sector and thematic funds when those themes had done well.

At our end, all our fund managers, our large investment specialist team and everybody on the ground in sales and distribution, they constantly guide our distribution partners as well as investors on focusing on the long term, focusing on asset allocation, focusing on the discipline and not falling prey to the recency bias. Particularly on the small and mid, because you made a comment about that mid-cap is like very large. So fund size has grown due to long-term performance. In fact, it's our 20th year of the mid-cap fund. It's more than INR1 lakh crore. And I think we take deep pride in what we have delivered over the last two decades. But fund size appears in every fact sheet and you see it.

The market cap of the underlying universe does not. And that is where the misconception starts. What matters is size relative to the opportunity. So if you look at, for example, the small cap fund and some of the people have heard saying that now it's INR40,000 crores. But it was 0.5% of the small-cap universe market cap in June '19, if I remember correctly. And it's still like 0.5% of the market cap universe today.

And also the other thing that we constantly look at both for our mid-cap fund and small-cap fund is the weighted average market cap of that fund vis-a-vis the benchmark and vis-a-vis the category average. And our weighted average market cap in that sits below the category average. So which tells you that size has not pushed us up the curve or narrowed what we can own.

Fund managers feel very comfortable. Investor behavior is something where one is the institutional response, the view that we communicate. And second is what investors and distributors prefer. In fact, of late, I've heard some of my fund managers speaking that the large cap valuations have been like below long-term average, and that's something investors should not ignore.

Simal Kanuga: Also, I think Navneet touched upon the size, our small cap fund is like -- okay, so one small cap fund is materially larger. But at the second position, third position, it is us and one of the other AMCs both of us are at 40. So we are not small even in the small cap category.

Navneet Munot: I thought, you mentioned that your mid and small cap funds are still large.

Simal Kanuga: No, he is also saying that mid-cap, we are larger but small cap, we are small.

Navneet Munot: That's an opportunity for us to grow.

Simal Kanuga: Does that answer your question?

Shreyas Pimple: Yes, yes. Thank you. Thank you so much. Those were my questions. Yes.

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

Jaspreet Singh: So, my question is, our passive product portfolio appears to have relatively lower market share compared to other peers. And when I also

look at our products, I mean we don't have so many products in passive to provide to an investor. So how do you look at that?

Because if you believe in active to passive shifts in the long term, so how are you positioning yourself regarding that? How are you looking to expand your product offerings and all? That's my first question.

Navneet Munot: So we have almost 50 products on the passive side across market cap-based indices and smart beta, across plain vanilla indexes versus sector thematic, and across index fund, and ETFs and of course, some of the fund of funds, which feed into these ETFs. So we have a fairly wide bouquet of products.

Of course, we keep looking at the product basket and take a view from our investment team. On the other side, we always assess whether a set of distributors or investors have a certain need for a product. And accordingly, we launch a product. So I think we have one of the best-in-class. And also, I must mention, we have been one of the oldest players in the passive category. So our first index fund was launched in 2003 when I mean, hardly people were talking about passive funds. So it's been now 23 years of building this category. And yes, so we have the full product bouquet.

Simal Kanuga: And actually, just to add, index funds, our market share is very high. So I think you talked about market share, a large government of India mandate, which we are not part of. But otherwise, our market share is high.

Jaspreet Singh: Even sir, retail, like some of the peers have like more market share than us, right?

Simal Kanuga: Sir, actually, in index funds where large retail participation is there, we are the second highest in the industry.

Jaspreet Singh: And my second question is, how are you looking to make HDFC as a one-stop solution and one-stop platform over time in the long term?

Navneet Munot: So we are a one-stop solution house. I mentioned about the wide bouquet of products we have got on the passive side. Similarly, on the active fund, you would be aware of the SEBI classification and across almost all categories which are permitted to be launched by an asset manager, we have those categories.

There could be like a few funds here and there in the sector and thematic category that we will be launching over a period of time. But otherwise, yes, there are fewer new categories that have opened up with the recent changes in SEBI classification norms. So for example, a contra fund or life cycle funds. And over a period of time, we would be launching that.

On the other side, non-mutual funds, we have got a fairly wide bouquet of products on PMS, both discretionary and nondiscretionary. On the Alternative side, we've got a fund of fund. We have got now a new private equity venture fund and a private credit fund and then, of course, on the International side, we have just concluded the NFO of two outbound funds, and we have got a 6 inbound funds. So I think it's one of the best-in-class platform where every investor should be able to meet most of their investment needs through one single platform.

Jaspreet Singh: And sir, my last question is what are the areas where we are investing for future?

Navneet Munot: I think I mentioned earlier, so I wouldn't repeat all of that, but yes, across newer categories of products and also as the market opens up, SEBI has been over the last several years, have continuously been coming up with newer categories of products or the opportunities. We launched a REITs passive product. That's a new category that's building up.

I talked about the opportunity on the non-mutual fund side. But to be very honest, I see tremendous growth opportunity in our core plain

vanilla equity products where we have been a leader and have got a track record over 30 years.

Jaspreet Singh: Does new players present a threat to us or not?

Navneet Munot: No, I think that the entry of newer players only validates our thesis that industry has a huge growth potential. And I mean, for us, it is not appropriate to comment on any particular name or firm, but we have a comprehensive platform across active, passive, alternatives. We are continuously expanding, building deep relationships and extremely well-developed distribution network. So we have our strengths, and we continue to build on that.

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

Aadit Vaish: So on flows, with the mid and small cap categories outperforming this year, could you give some color on how gross sales and redemptions are trending in your large cap and hybrid schemes compared with the rest of your equity book?

Simal Kanuga: We don't specify flow data category-wise for HDFC AMC.

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

Saurabh: So my question is on last year, you have launched three new funds in the GIFT City. So any plan to launch any further funds over there?

Navneet Munot: Yes, so continuously been expanding the product bouquet. We have got six funds for inbound investment that is investment by global investors in India. And recently, we have launched two products for outbound where there's an opportunity for Indian investors to invest globally.

One product is a developed market feeder, another is an emerging market feeder. And as the market evolves and we see the demand from the investors, we continue to keep evaluating our product bouquet and come with the right solutions.

Saurabh: Specific numbers will you be able to?

Navneet Munot: Like how many products we will launch?

Saurabh: How many schemes or funds?

Navneet Munot: No, no, we don't think like that. I mentioned earlier that it's a combination of many things, what our investment team believes in. We look at the need of a particular product or a solution from a set of investors or distribution partners and in our capability. These are early days, I mean, from our GIFT City subsidiary potential. We have launched a couple of inbound funds and have just launched two outbound funds, and we would like to keep growing these strategies.

Saurabh: Okay, sir. And my second question was on any improvements on capital efficiency because being the third largest AMC, the capital, the return on capital ratios are lesser than the peers. So can you throw some light over there?

Naozad Sirwalla: So that is a function of how much cash we have on our balance sheet. Last three years, the Board has distributed almost all the cash distributable profits that we have generated in the business. Rest of the balance sheet that we actually have has been built over the years from internal accruals after paying dividends for each of the years we are in existence. So that's a function of cash on the balance sheet, which we are using for various investments, including in our AIF platforms.

Moderator: Next question is from the line of Mayank from Emkay Global.

Mayank: Sir, so if we look at the distribution mix, particularly in the equity AUM, the contribution of direct as a channel has been increasing. So largely given the market volatilities, do you see any concern on the stickiness of the direct AUM? Because generally, we have -- I mean, seen that because of handholding, regular AUM has largely higher stickiness. So that was my first question.

And secondly, I just wanted to confirm whether the ESOP cost for the whole year stands at around INR79 crores to INR80 crores? Or is there any change there?

Navneet Munot: So on the investor behavior, I mean, people keep asking me like are these flows sustainable? I think many of us in the industry, and I very much include myself and my colleagues in this who have a long experience have consistently underestimated the maturity and resilience of the Indian retail investors.

So for years, we have built our assumptions and forecast around the belief that retail investors would slow down or withdraw from equity investing when markets turn challenging. But the Indian investor over the last several years have repeatedly challenged that thesis. And I think it is time we acknowledge that the investors have evolved much faster than many of us anticipated.

And you can clearly see in the SIP flows over the last several years. 10 years back, the monthly flow used to be 30 billion, and now we are talking about 325 billion. So there has been a consistent increase during this period. We have seen a lot of volatility in the market at various points in time. So I think that was your question whether these investors would continue. I think there is a lot of resilience. The good part of this is structural.

Another interesting aspect to look at is if you look at the net flows into equity and hybrid funds and compare that with the SIP flows, a large part of the flows are now coming in the form of SIPs. So that gives it more predictability and makes it less volatile. So I wouldn't say that industry is completely immune to market cycle.

I mean, of course, if there is an extended or a sustained bear market for a long, we will see in the investor behavior or the resilience will get

tested. But the experience of last few years has taught us that we should be careful not to underestimate the Indian investor.

Mayank: Got it, sir. And secondly, on the ESOP expense, if you can just confirm whether the number is closer to INR79 crores, INR80 crores for the full year.

Naozad Sirwalla: Yes. So the noncash expense for ESOP cost for the full year FY '27 would be around INR79 crores, INR80 crores.

Moderator: Next question is from the line of Rajit Aggarwal from Nilgiri Advisors.

Rajit Aggarwal: My question is related to the overall market share. I believe there was some discussion at the start of the call, and I joined a few minutes late. Is that correct?

Navneet Munot: Yes. But please ask.

Rajit Aggarwal: No. Okay. So for the last many quarters now, I think our share has kind of not grown. I mean the best, I think, was 11.5%. And in this current quarter, it's 11.1%. And in the near future as well, there are a lot of other fund houses which are coming up, which are going to launch their scheme. And some of them have really caught the fancy of investors through their own PMSs or AIFs. So do you foresee a scenario where our market share could jump by, let's say, 20, 30 basis points?

Navneet Munot: I think we look at longer term, I think on a quarter-on-quarter basis or now even month-on-month basis, I mean, people track the numbers very closely. The market share number gets impacted by two things. One is the mark-to-market and second is underlying flows. So I wouldn't really spend too much time going through all the details.

I think we all recognize that in a business like ours, some amount of movement in market share is inevitable and very much part of the journey. For example, in some of the hybrid funds, we have seen some

bit of correction in our market share, but we have taken the right steps. Our balanced advantage fund is very large, it's got a great long-term track record and which is like quite enviable.

But some of the other categories like multi-asset fund or aggressive hybrid fund or equity savings, we have taken some steps. We have acted on it. We have reviewed our approach. And in fact, we have brought in an expert fund manager on that, Dalwai, who has an excellent track record in managing hybrid strategies and he has delivered very strong outcome. And from sales and marketing perspective, we are looking at some of those categories, and we think there is tremendous potential for us to grow on that.

On the competition side, I mean I mentioned earlier that increased competition, we perceive positively because it just reflects the expanding investor base. It reflects the rising awareness about mutual fund products across the country. The penetration is still very low. And over a period of time, we see tremendous potential for industry to grow.

We have got the best-in-class platform from a product perspective, from a distribution network, both physical and digital, enviable track record. I think six of our strategies go back 30 years plus in terms of performance track record. Another six, seven would be 18-, 20-year plus. So I think very few fund houses, not only in India, but in the world can boast something like that.

We have launched many more products in the last couple of years. So we remain very confident of our capabilities apart from the strength of the brand and the distribution franchise. So yes, there's a lot of potential for us to grow. I think these are very early days of financialization of savings in India, and we are very, very, very well placed to capture the opportunity.

Moderator: Next question is from the line of Divij Punjabi from Banyan Tree Advisors.

Divij Punjabi: I had two questions. One was, can you speak more about the size of the opportunity that you're seeing on the PE/VC side now coming with the launch of the Select fund. So that is question one. And the other one is there was a slight increase in equity yield. So just wanted to confirm, is it because of decline in AUM during the quarter? Those are my questions.

Navneet Munot: Yes. Sure, sure, Divij. First, on the size of opportunity on alternatives, there are many ways to look at it. One way to look at it is the total size of AUM in Alternatives, which is like 16 lakh crores across category I, II and III. And for us, these are like early days. I mean, we just made our first foray into Category III fund. You know the industry size.

Category II, we had a fund of fund, which saw very encouraging response. Money is almost fully committed to 13 general partners. And then we have made a couple of co-investments alongside them and have created a few opportunities and continuum funds.

Based on that experience and the network that we have built and the understanding that we have got of investing in that space, we have launched a new product Select Opportunities Fund, which again is seeing very good response from the investors and the private credit fund that we are in the process of doing a final close and have made a couple of investments there.

So we see a lot of opportunity, but we have mentioned earlier that when it comes to the Alternatives, this is less about the scale, but more about creating a great outcome for the investors. And over a period of time, the size of opportunity is very large, and we'll continue to build our strength. We have the pedigree, we have the network. We have the

distribution capability, and we'll fully leverage on that to keep building a great franchise on that front.

Divij Punjabi: Sure. And on the other question regarding the yield.

Naozad Sirwalla: I think it's just a marginal increase. You're just talking of yields for the quarter, right? For equity.

Divij Punjabi: Yes. So I think there was a 1 bps increase in equity yield. So was that due to the decline in AUM?

Naozad Sirwalla: No, not a decline in AUM. I think it's just a marginal increase.

Simal Kanuga: See, actually, that also depends on which products saw what kind of flows and the mark-to-market changes. So, multitude of those factors have led to a marginal increase.

Moderator: Next question is from the line of Shovan Dey from Reva Private Wealth Managers.

Shovan Dey: My question would be, first question would be, your blended equity yield is around 58 bps, if I am not wrong. Like key peers are something around 67 bps or something. If that gap is from the product mix like hybrid versus, pure equity or purely on a pricing choice? Or do you see that as your Balanced Advantage Fund keeps growing, do you expect the yield to be more closer to peers?

Simal Kanuga: Actually, our Balanced Advantage Fund is the largest in the country. Sorry, the question is exactly, can you...

Shovan Dey: Okay. I'll repeat the question again.

Simal Kanuga: Yes, please.

Shovan Dey: Yes. Your blended equity yield is around 58 bps, if I'm not wrong. And while the key peers are about in 67 bps.

Simal Kanuga: Sir, are you saying peers or peer? Because there are not peers in 67, 68. So are you referring to a particular peer? And I think, yes, there are differential yields.

Shovan Dey: Referring to particular peer.

Simal Kanuga: Yeah. Because there are peers also at 30 basis points. I think there is whole range then. Because of the size of our funds. So some of our funds are large in size. They have grown very well. So we are the only asset management company which today has three funds, well above the 1 lakh crores in terms of AUM. As you know, right? The SEBI formula, as the AUM grows larger, the TER keep coming down. So the effectiveness because of that is where we are today.

Shovan Dey: Okay. Like any sort of further guidance or like how you will achieve towards kind of more than 65 bps or something growing the equity much more higher?

Simal Kanuga: Sir, we don't hazard a guess on anything that is in future. I think we have been able to build a strong franchise over time. We'll obviously do our best to optimize it to the fullest.

Shovan Dey: Okay. My next question would be like almost INR8,700 crores in treasury investment. So like has Board has decided to reconsider anything to do with it like buyback or any kind of special dividend? Or what sort of are you expecting to deploy this treasury investment over this?

Naozad Sirwalla: So I think I was just mentioning on the previous question. For the last year, the Board has declared a dividend, which effectively where we have distributed the almost entire post-tax cash profits that we generate. The balance sheet that we have, currently, we are using for seed capital for all our alternate platforms. And that's where we are currently using the balance sheet to work.

Shovan Dey: Okay. So how much I'm seeing like how much time it will take to like distributing the seed capital and all -- any sort of time horizon would be appreciated.

Naozad Sirwalla: So the investment schedule is already disclosed as part of our investor pack. You'll see how much has been deployed across different investments.

Navneet Munot: It is a continuing process. As we keep seeding new strategies, this will require seed capital.

Shovan Dey: Okay. It is a continuing process. Got it, sir. Thanks, sir. I do not have any more question left.

Moderator: Next question is from the line of K. D. Raj, Individual Investor.

K. D. Raj: Yes. First of all, congratulations for the good set of numbers. Actually, just a follow-up question on the question asked previously. As we could see the net expenses on a quarter-on-quarter basis, it is having a degrowth of approximately 4%. I'm excluding the fees and commission part.

While on a Y-o-Y basis, quarterly basis, whatever you're talking about, it's approx. 6%. And accordingly, also H1, it is approx. 16%. So can I get a bit guidance on that respective to that? Anything clarity for that? Any reason specific or something like that? That's the question.

Simal Kanuga: Sir, actually, we had mentioned this in our last quarterly call. There were some CSR expenses which were taken up in the first quarter. And because of that, you are seeing the H1 numbers getting kind of a bit skewed. Having said that, sir, we would request you to look at our total cost on an annual basis. And if you see the trend, I think Navneet earlier touched upon about the long-term trend and how things have been. So we would just request you to -- because of the very nature of the business

and the kind of certain expenses, we would request you to look at the full year expenses.

Moderator: Ladies and gentlemen, we'll take that as our last question. I'll now hand the conference over to Mr. Navneet Munot for closing comments.

Navneet Munot: Thank you so much, and wish you all the very best for the festive season.

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.