Ref/No/HDFCAMC/SE/2025-26/07 Date – April 23, 2025

National Stock Exchange of India Limited Exchange Plaza, Plot C/1, Block G, Bandra Kurla Complex, Bandra (East) Mumbai – 400051. **Kind Attn: Head – Listing Department**	BSE Limited Sir PJ Towers, Dalal Street, Mumbai – 400001. **Kind Attn: Sr. General Manager – DCS Listing Department**

Dear Sir/Madam,

Sub: <u>Transcript of Earnings Call</u>

Please find enclosed herewith transcript of Earnings Call for the quarter and year ended March 31, 2025, conducted after the meeting of the Board of Directors on April 17, 2025 which can also be accessed on the website of the Company at: https://www.hdfcfund.com/about-us/financial-information/shareholder-presentation

Kindly take the same on records.

Thanking you,

Yours faithfully,
For **HDFC Asset Management Company Limited**

Digitally signed by Sonali Nitin Chandak
Date: 2025.04.23 14:51:34 +05'30'

Sonali Chandak
Company Secretary

Encl: a/a

“HDFC Asset Management Company Limited Q4 FY’25 Earnings Conference Call”

April 17, 2025

MANAGEMENT: **MR. NAVNEET MUNOT – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER**
MR. NAOZAD SIRWALLA – CHIEF FINANCIAL OFFICER
MR. SIMAL KANUGA – CHIEF INVESTOR RELATIONS OFFICER

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY'25 Earnings Conference Call of HDFC Asset Management Company Limited.

As a reminder, all participants' lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

From the Management Team, we have Mr. Navneet Munot, Mr. Naozad Sirwalla and Mr. Simal Kanuga.

I now hand this call over to 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, Sejal. Good afternoon/evening everyone and thank you for joining us today. Our Presentation is available both on exchanges as well as our website.

As usual, we'll start with a Quick Overview of the Industry:

FY25 got concluded with AUM reaching 65.7 trillion, reflecting a 23% increase over the previous year. Of the Rs.12.3 trillion increase, approximately Rs.8.2 trillion was in the form of net new flows. The comparable number for the previous financial year was Rs.3.5 trillion. This is the 13th consecutive year where industry has witnessed positive net flows.

For FY'25 equity markets witnessed two distinct phases, more or less cut into two equal halves. NIFTY50 rose by 16% in the first half, that was April to September of 2024 and declined by 9% in the second half; October '24 to March '25. And in terms of flows into equity-oriented funds, the first half saw net flows of Rs.2.81 trillion and second half witnessed net flows of Rs.2.74 trillion. For context, net new flows for financial year ending March '24 were Rs.2.62 trillion.

During the current financial year, actively managed equity-oriented NFOs contributed Rs.900 billion, that is 18% of net-new actively managed equity-oriented flows. The corresponding number for the previous year was Rs.546 billion, which made up 23% of the flows of the previous year.

Monthly SIP flows touched a record high of Rs.265 billion in December 2024, with March '25 logging in Rs.259 billion. Comparable number for March '24 was rupees 193 billion. That is, industry has added just about Rs.67 billion to monthly flows.

In FY'25, the industry witness inflows into debt and liquid funds, adding up to Rs.1.35 trillion. ETF saw inflows of Rs.831 billion while arbitrage funds attracted Rs.508 billion.

We now move to us:

We crossed Rs.7.5 trillion in overall AUM with the market share of 11.5% and 12.7% if we exclude ETF on QAAUM basis. Equity-oriented assets at Rs.5 trillion, 64% of our quarterly average AUM, well above industry average of 56%. For actively managed equity-oriented AUM, our market share is 12.8%, while for debt and liquid it is at 13.1 and 12.5 on QAAUM.

Individual investors contribution to our monthly average AUM remains steady at 70% compared to 60% for the industry. We held a 13.2% share of individual monthly average AUM for March 2025.

The industry added 9.7 million new investors over the year. We added 3.5 million. Flows through systematic transactions for March 2025 were Rs.36.5 billion, up 24% as compared to March of '24.

We also continue to expand our physical presence, adding 25 new offices in Jan 2025, which means we have added 50 new offices over the past 15 months. That takes our network to 280 offices with 196 offices in beyond the top 30 cities.

We continue to constantly enhance and better digital experience for our customers. And now 94% of our transactions are processed digitally.

Quick Update on Financials:

Our revenue from operations for FY'25 came in at Rs.34,980 million, growth of 35% YoY. Operating profit for the year added up to Rs.27,261 million, growth of 43% YoY with an operating profit margin of 36 basis points of AUM.

PAT for the year was Rs.24,609 million, growth of 26% YoY.

The Board earlier today has recommended a dividend of Rs.90 per share as against Rs.70 per share last year translating into a dividend payout ratio of 78%. This of course is subject to shareholders' approval.

We can now open the open the call for questions. Navneet and Naozad, both are very much in the same room.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Lalit Deo from Equirus Securities. Please go ahead.

Lalit Deo: Yes. Hi. Good evening, sir and congratulations for good set of numbers. Sir, I just have two questions. Firstly, on the revenue yield side. So, in this particular quarter, we saw that it has declined by about one basis point. So, I just wanted to understand whether it is a function of mix change or is there anything else to read into it? Further, like if we look at our direct TER disclosures there, we were seeing that in some of the equity schemes, it has increased materially. So, wouldn't that have helped in inching up the revenue yields?

Navneet Munot: So, I mean the management fees is same, in direct as well as the regular plan. So, that wouldn't be impact. It's broadly been in line with the last quarter. I think we have been saying in the last quarter also that equity is around 58 basis points, debt is 28 basis points and liquid is 12 basis points and revenue margins over the last four quarters if I remember correctly in Q1 was 46.3 with equity asset mix was 64%, in Q2 was 46.4 with mix coming in slightly higher; 65.7, Q3 was 47.1 with again a similar mix, and this time the mix was slightly lower at 63.8 and Q4 margins were 47.2.

Lalit Deo: Okay. And sir, like second question was on the ESOP scheme. So, we have announced the new ESOP plan. So, just wanted to understand like how should it be budgeted from the cost perspective for the overall ESOP?

Navneet Munot: Sure. So, firstly, as of now, we are seeking approval from shareholders for stock options/performance stock units (PSU). This is not what we are giving or allotting as of now. This is for future. This gives me an opportunity to give you a perspective on what this is about. So, in HDFC AMC, we recognize that our people are central to delivering consistent, long-term, sustainable value to our clients and shareholders. And as part of our efforts to attract, retain and align high quality talent with business outcome, the (NRC), the Nomination and Remuneration Committee of the Board approved these changes. In 2020 we had secured shareholder approval to allocate approximately 32 lakh shares to employees overtime. Since then, out of these 32 lakh shares, NRC has granted around 23 lakh shares. That remaining 8.7 lakhs have now been cancelled. So, no further shares will be allotted under that scheme.

` The NRC has approved a new scheme that is ESOP and PSU Scheme 2025. This will now go for shareholder approval. So, we are seeking approval for 25 lakh shares, including Performance Stock Units (PSUs). It will be an NRC's prerogative to allocate these shares over a period of time. Last time, we took approval in 2020 for 32 lakh shares, as I mentioned, and of that we are cancelling 8.7 lakhs. The balance 23 lakh shares were allocated over the last five years including 10.5 lakh shares to over 600 of our people in 2023.

The previous scheme had vesting spread equally over three years. New scheme will have deferred vesting, that is 10% in first year, 20% in 2nd, 30% in 3rd and 40% in the 4th, so 10, 20, 30, 40 over a four-year period. And we are of the opinion that this is better aligned with the interest of our shareholders and reinforces long-term performance. The NRC has also approved the issuance of PSUs within this overall limit of 25 lakh shares. So, 25 lakh includes both, the ESOPs as well as the PSUs. PSUs will be granted at face value and will vest 30% in 3rd year and 70% in 4th year contingent upon meeting clearly defined performance parameters primarily based on revenue, profitability, etc. Importantly, and I must say this PSUs will not be granted to me or my direct reports who are classified as head of department. The HDFC group have consistently championed employee ownership across its companies and this new framework reinforces that ethos while responding to the evolving expectations of talent and demand of our industry. So, let me reiterate that there is no intention of allotting entire 25 lakh shares at this instance. It will be spread over time similar to our old scheme and we'll come back to you after the shareholder approval and the discussion with the NRC on allocation, etc.

Lalit Deo: Sure sir. Thank you.

Moderator: Thank you. The next question is from the line of Shreya Shivani from CLSA India Private Limited. Please go ahead.

Shreya Shivani: Yes. Hi. Thank you for the opportunity and congratulations on a good set of numbers. My question broadly was around the equity segment and the trend within that retail and HNI as the break-up we get from AMFI. So, what I noticed was on quarter-on-quarter basis, both the segments have contracted similarly between December to March. So, if you can help us understand how has the behavior of customers in these two segments been --have there been any differences or any qualitative comments you can make about these two categories, because one would think that during volatile markets, the HNI exists much more and much faster etc., So, any comments over here would be useful?

Navneet Munot: As I mentioned in the opening remarks that if you look at last year and you split into the two phases, a year of two halves, NIFTY was up 16% or so in the in the first half, and the market was down, I think 9%, 10% or so in the second half. But if you look at the flows into equity-oriented funds, the first half saw net flows of 2.81 trillion and the second half was 2.74 trillion. If you compare with the last year, the last year had net flows of 2.62 trillion in the entire year. Also, if you look at the SIP flows in the last four or five months, I think it's almost flat; around 26,000 crores or so. So, I think we are seeing greater resilience among investors. I think it's a collective effort of the industry association, collective efforts by all the industry players, our distributors, advisors and everyone to give the message to the investors that they need to invest in the long-term orientation and clearly, I think that seems to be bearing fruit and we are seeing people continuing with their investments. In fact, if I draw your attention to gross flows and redemption numbers, which will give you some more insight into investor behavior. So, as I said earlier that this was the year of two halves and in the first half of FY25 when the market was up, gross inflows stood at Rs.5.87 trillion with redemptions at Rs.3.06 trillion. In the second half when the market was down by 9% or so, while gross inflows moderated to 5.12 trillion, redemptions also declined to 2.38 trillion. So, people are also going slow on redeeming, right, I mean if you've got the point that I'm trying to make.

Shreya Shivani: But sir, one of the things that we saw also with AMFI reporting the monthly data is in terms of the number of SIP registered and number of SIP closed or redeemed, whatever. In that, the number of SIP registered in the past two months, that number has been on a declining trend. So, is it fair to say that while the ones who are invested are continuing to be in the game, but the choppy markets have dissuaded the newer customer from entering, would that be a fair assessment right now?

Navneet Munot: Thank you for asking that and there seems to be a lot of noise around this point. So, I'm happy that you asked me this. AMFI has started publishing an additional data point on their website. You might have seen that - the number of contributing SIP accounts, which is a true reflection of investor activity. The contributing accounts in December 2024 were 8.27 crores and the number for March was 8.11 crores. It would be a good idea to keep this number at the core. The more relevant of course is the fund flow through SIP and I have mentioned this point several times. SIP collections reached a record high of 26,400 something in December '24 and even in March '25 contributions were strong at 25,900-odd crores. So, it's just a 2% dip or in absolute terms around 500 crores dip on a base of 26,000 crores plus. And it would be pertinent to note that the last working day for March 2025 was 28 as against 31st for December '24. So, it's three days short and everyday matters for SIP trigger. So, some part of this dip can also be attributed to this also. SIP collections in March '25, we believe remain resilient at 98% of their record high. And if you compare year-on-year then it's a robust 35% growth YoY. And this is despite I mean heightened volatility and global uncertainties. So, the resilient participation reflects the growing maturity, confidence, and I strongly believe it's the long-term orientation of Indian investors and commitment to the disciplined wealth creation. So, while we appreciate that there may be periodic closures or pauses on a month-on-month basis, which are natural, the overall trend continues to remain strong, and as I see it, there is clearly growing investor interest in systematic investing.

Shreya Shivani: Got it, sir. This is very useful. Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Ronak Chheda from Awriga Capital. Please go ahead.

Ronak Chheda: Yes. Thanks for the opportunity. Congrats on the result in such a tough quarter. My question is on the cash balances. Previously when we had spoken to you guys, you had mentioned that we might be looking at using some of this cash to become an anchor investor in our efforts to build the alternative side of the business. Just wanted to know where are we in that journey? Can you elaborate? Is there something in the near offering?

Navneet Munot: I can answer on the alternate side, but on the cash balance do you want to highlight anything on that?

Naozad Sirwalla: So, again, just to cover the cash balance, we have always made a priority to return value to our stakeholders, right. So, this year our payout ratio is 78%. And in fact, if you look at our sort of realized operating post tax profit, given that we have a mark-to-market on other income, we have practically distributed the entire realized post-tax profit this year as dividends. That's on the cash flow status. Skin in the game from a SEBI perspective, we continue to have to invest in our own schemes based on the SEBI formula. So, that continues. And on the AIF front, we have mentioned in the past. Navneet will add, but we have committed significant capital to seeding our Fund of Funds which was our first initiative on the alternate platform. We are going to soon launch the credit fund and where again the balance sheet of the AMC will be a significant investor and maybe Navneet to add.

Navneet Munot: Yes, sure. So, you have already mentioned, Naozad, that the alternative platform continues to gain momentum. As we mentioned, we closed our first Cat II AIF Fund of Funds. The portfolio construction has been progressing very well. As we mentioned earlier, we got over 400 investors and we believe that over the next couple of quarters we would have more offerings within the alternative space. We have got approval to launch a category-II credit fund. So, we are expanding our presence in Alternate space with the launch of HDFC AMC Credit Opportunities Fund. The team has been in place for over a year and we would be approaching investors and our distributors for that product. On the wholly-owned subsidiary side, HDFC AMC International (IFSC) Limited, we went live with three funds in the third quarter of FY'25 and has seen a good response. It is positioned to enable international investors to tap into India's growth story and we are also gearing up to empower Indian investors to explore global opportunities as we build out these capabilities. So, we remain committed to seizing any emerging opportunities to drive growth and strengthen our competitive edge. And as you ask that, yes, over a period of time, this will be a good deployment of our capital.

Ronak Chheda: Sir, would it be possible for you to quantify the amount of money we are planning to use from our own balance sheet for the next near-term funds which we're going to launch?

Navneet Munot: Last time in the fund of fund whatever we got, we put 10% from our balance sheet as skin in the game. In our Credit Opportunities Fund, we will do the same. And over a period of time, as we come with more offerings, we would have an opportunity to deploy capital there. Just to make one more point on that. While you mentioned about the capital going into alternate or the GIFT City opportunity, but I mentioned earlier also that with a healthy cash position, we are well placed to take advantage of strategic opportunities. We also remain proactive and evaluating any M&A opportunity that can accelerate growth or strengthen our presence in the relevant segments. So, it gives us a lot of strategic advantage.

Moderator: The next question is from the line of Bhavin Pande from Athena Investments. Please go ahead.

Bhavin Pande: Hi, good evening, everybody. Thanks for the opportunity. The first question is we can see that on the equity AUM distribution mix direct specifically has seen an uptick. So, in your opinion, how do we look at it from a long-term horizon?

Navneet Munot: Your question is the direct channel percentage of total AUM is increasing, right?

Bhavin Pande: Yes, sir.

Navneet Munot: One that because of the lower TER automatically you would assume that direct as a percentage would keep increasing because you have a lower TER as simple as that. The distribution pie data provided should not be viewed as a direct representation of market share within specific channel. In last like one year or so, the direct channel has seen a notable increase; it's grown from 25% to 27.8%. This is driven by fintech platforms plus RIAs and of course large family offices and high networth individuals who invest with AMCs directly. Additionally, we have to keep in mind that with everything else being same, the share of direct plan will keep on increasing by default that I mentioned earlier due to the differential of TER between the direct and regular plan.

Bhavin Pande: Okay. And on the market share side, does a flow market share continue to be higher than the stock market share, both in lump sum as well as SIP?

Navneet Munot: Yes.

Bhavin Pande: And for fund performance, how do we sort of look at it?

Navneet Munot: No, I think it's been now very encouraging, and I think we have navigated the market cycle very well. We have seen significant volatility over the last couple of months and I think portfolios were positioned rightly. Some of the funds which went quite cautious, I can take the names of let's say our mid cap fund or a small cap fund where we clearly noticed froth in pockets of market. I think the fund managers took the right call and in last couple of months we have seen significant uptick in our performance in those funds and across the board I think we feel very proud of the performance that our investment team has delivered.

Bhavin Pande: Okay. And indicatively so far, the SIP trends continue to be at par with what we saw over the last year four months, or they are tad higher given the recovery in markets?

Simal Kanuga: You're talking about April. I think we would want to pass that. As of now, we don't want to comment on any data to do with April.

Bhavin Pande: Okay, okay. That helps. Thanks a lot, and good luck to you.

Navneet Munot: Thank you.

Moderator: Thank you. The next question is from the line of Dipanjan Ghosh from Citigroup. Please go ahead.

Dipanjan Ghosh: First question, on the SIP number and if I see your SIP ticket size on a March exit basis, it seems that it has gone down by around 10%, 12% on a YoY basis. While I understand that the industry numbers have also kind of been a little soft on the SIP ticket size, but it seems that for you the decline has been a little bit more and also your SIP market share also over the last two quarters have been a little soft. So, I just want to get some idea of why is this differential in ticket size trajectory between you and the industry? That would be the first question. My second question is a follow up on one of the previous participant's question in terms of the yield number. Normally seasonally always in the fourth quarter historically we have also seen some adjustments that happen. So, first is, has there been any adjustment in this quarter or the entire 0.9 bps of decline can be entirely attributed to the mix change out there? And the last question is on the OPEX part. I mean, ex of ESOP or even including ESOP for that matter the expense guidance of 10% to 15%, does that hold true going ahead?

Navneet Munot: Sure. Dipanjan, first on the systematic number, and I must clarify, as you are aware, systematic transactions numbers that we report include both SIP and STP that is Systematic Investment Plan and Systematic Transfer Plan. The decline that you have seen in our systematic transactions can largely be attributed to STP and you would know that STPs are higher in value terms and hence you are seeing that effect.

Naozad Sirwalla: On the yields where are you seeing the decline?

Dipanjan Ghosh: I'm just taking your operational revenue, which is like let's say 9 billion almost for the quarter… on your operating revenue, only the operational yields, not the operating margins.

Simal Kanuga: So, basically if you look at yield, it was 47.1 in the last quarter, 47.2 in this quarter.

Naozad Sirwalla: It's also a number of days issue, Q3 had 92 days. Q4 had 90 days. That itself is an impact plus AUM has been overall lower than last quarter, that has an impact on yields.

Dipanjan Ghosh: Okay. The revenue decline I understand is a function of less number of days but average AUM is let's say whatever you have reported some around 7,740 billion and your revenues are around 9 billion. So, if you kind of do a simple math on that and annualize it, I think the number comes out to be around 46.3. But anyway, I'll maybe take it offline, if that's fine.

Dipanjan Ghosh: Operating expense as an overall expense, the guidance of 10% to 15%, does that still hold with the new ESOP plans being rolled out or kind of going for shareholder approval?

Naozad Sirwalla: ESOP bit, currently it's too premature to comment on the cost of assets because the specific quantum of allocation of ESOP/PSUs, timing of issuance will all be determined by NRC in due course. First thing is that we would like to highlight that this will be a one-time non-cash cost, right. The way it works in accounting is based on the Black-Scholes valuation, you amortize that cost over the vesting period, and it does not impact the company's cash flow.

Dipanjan Ghosh: But ex of ESOP, how should one think of the growth in expense if let's say the next year continues to be a little bit soft on incremental volumes?

Naozad Sirwalla: We don't give specific forward-looking guidance, but you've known us to be always prudent when it comes to spending, right and then in the way we think about cost. Having said that, we are very keen and want to capitalize on our opportunities that strengthen our position, right, and broaden our capabilities. So, our focus will remain on building a leading future ready asset management company. And in that regard, if we have to continue to invest for the future, we will. The past trend of growth in expenses of employee costs as well as other expenses available. With the CAGR over three years, five years you have the numbers, they are fairly, very much in control. Our total expense as a percentage of AUM is about 10 basis points for FY25. This is aided by obviously the rapid rise in AUM and despite increase in number of people and 50 branches over the last 15 months and investments in technology, etc., we have managed to keep the cost at 10 basis points. I would just like to add a note of caution here that the 10 basis points is not what one would like to build future estimates on, because if and when during a period when if AUM growth moderates, this number might look different.

Dipanjan Ghosh: Got it. Thank you, sir and all the best.

Simal Kanuga: But then just before just one thing, the point on the ESOP that you are referring to as of now, it is just taking an approval, it is after the NRC will decide, then allocations will happen, and after that they will come. So, of course at that point in time we will give all the details.

Moderator: Thank you. The next question is from the line of Melvin Mehta from Sterling Investments. Please go ahead.

Melvin Mehta: A quick question on asset management company having investment in the funds. Just to clarify, is it only at the start of that fund formation or is that continuing as the fund grows larger and bigger?

Simal Kanuga: No, actually investments in our funds is regulatory. So, basically there is skin in the game circular whereby depending on the risk of the particular asset class, there is a certain basis points of AUM that we need to keep investing. So, more capital we are able to raise, our investment in that fund keeps going up.

Melvin Mehta: Can that be kind of shared with an external agency or it's absolutely necessary for us to fund that?

Navneet Munot: No, as it is skin in the game, so we have to put in our own money, our own balance sheet capital.

Melvin Mehta: It has to be from the balance sheet?

Simal Kanuga: It is. It is a regulation.

Melvin Mehta: Yes. And is it 10% for all firms, is it 5%? I'm sorry, I'm a bit ignorant.

Navneet Munot: 10% was for alternative investment fund of funds that we launched and the private credit fund that we are about to launch. This is a different thing. This is in our mutual fund business where there is a SEBI circular on skin in the game depending on the profile of an asset class, there's a certain basis point of AUM that we have to invest from the AMCs balance sheet.

Melvin Mehta: Got you. And is this a recent announcement?

Naozad Sirwalla: Sometime back. Just to clarify, the investment in AIF is voluntary from our balance sheet, there is a minimum criterion that SEBI is prescribing, we are of course investing way above that criteria.

Melvin Mehta: Sure. Thank you very much. And given the kind of strong HDFC brand which needs no introduction at least in the Indian context, is raising more foreign money to invest in India a priority or clearly the management is focusing on the domestic market?

Navneet Munot: You are asking investing globally by domestic investors?

Melvin Mehta: That was my second connected question. So, then I'm asking two questions here. One is HDFC's brand basically given the domestic market but also raising money from abroad to invest in the domestic market? And part-B was obviously given the HDFC's brand in the domestic market, to basically launch global funds, which will be obviously where the investors will be the domestic Indian investors?

Navneet Munot: You're absolutely right. So, with that intent, we set up a wholly-owned subsidiary, HDFC AMC International (IFSC) Limited. As mentioned earlier, that we have gone live with three funds in the third quarter of FY25. We would be coming out with more number of funds in the months to come and it is positioned for both; one to enable global investors to tap into Indian markets and second, over a period of time also to empower Indian investors to invest globally and then we are building out capabilities to enable both.

Melvin Mehta: Okay. Thank you for that.

Navneet Munot: Thank you.

Moderator: Thank you. The next question is from the line of Prayesh Jain from Motilal Oswal Financial Services Limited. Please go ahead.

Prayesh Jain: Yes. Hi. Good evening, everyone. Firstly, on the SIP closures, while you alluded to the fact that it's not an alarming sign yet, but any behavioral difference between online platforms and the advice or the mutual fund distributor route? What we are hearing is the closures are more on the direct side rather than the advice side. Could you give some color there as to what's the trend there?

Navneet Munot: Year-on-year if you look at there has been a significant increase in the monthly SIP to 26,000 crores. And in terms of accounts I gave you the number earlier. I mean over the last couple of months, as of now, I mean looking at the investor behavior gives us confidence that investors are a lot more resilient, they are showing more maturity, more confidence in the long-term potential of markets and industry continues to put huge efforts to ensure that investors invest in a disciplined manner. Are there big differences among different channels? Not that I can honestly comment more on that. A lot of investors have come in the last couple of years and it is a good test, that is the volatility of last few months and we are encouraged to see the response of the way investors have behaved in the last few months.

Prayesh Jain: Any trends that you can see on the debt side where the interest rate cuts, the duration, the longer duration or pick up in any of that category?

Navneet Munot: This is the first year where we have seen positive flows both in debt fund as well as liquid fund net flows trending positive. Despite that, I would say debt mutual funds haven't quite caught on with retail investors. The industry is still working very hard to change that and in AMFI we started a campaign "Debt Funds Sahi Hain' around a year back or so. That was a good step aiming to raise more awareness, especially around how debt products can support long term goals like retirement planning. We believe that serves as a strategic tool in managing market volatility helps investors optimize for stability and overall returns while balancing risk. We have seen an encouraging trend. Those who have stayed invested over the long term have benefited and corporates continue to use the short-term debt products for liquidity management and we have seen flows in this year. So, I remain optimistic and hopeful for a favorable change in the debt fund taxation, that along with sustained awareness efforts will help unlock the full potential of India's debt market.

Prayesh Jain: Is there institutional money kind of coming to the longer duration? Is there some initial trend where people have started looking at debt mutual funds or hybrid with a higher proportion of debt? Any of those trends are visible right now?

Navneet Munot: So, in India, when we say institutions, that's largely corporate treasuries. I think their investments would more be at the shorter end of the curve. Individual investors have shown interest in long term bond products like our long-term bond fund has seen healthy flows in last year or two. We have seen that trend from individual investors, but otherwise corporate treasuries are largely at the short end.

Prayesh Jain: Okay. The last question is on the other income. We have seen a sequential improvement there. I believe the equity markets were flattish on a NIFTY basis and small cap, mid-caps were down. What kind of explains this increase in other income sequentially?

Naozad Sirwalla: So, it is a function of our balance sheet. A lot of the investments are also in debt mutual funds of our own, right, and there were a couple of rate cuts. So, we had some benefit of that.

Prayesh Jain: Right. Got that, got that. Thank you.

Moderator: Thank you. The next question is from the line of Krishna Manotra from NJ India Investments. Please go ahead.

Krishna Manotra: I just had one question. There is currently a buzz going around in the market regarding thematic and sectoral fund space. So, like most of them have not performed in the past six months and the data I have is we have higher yields in the thematic and sectoral fund compared to the mid cap and small cap funds. So, going forward, if we consider that lower inflows into those funds, so can we consider the equity yields slowing down further from here?

Navneet Munot: No, overall that's still a very small part of our overall product portfolio and also in line with the views of our investment team and the product team we have launched couple of products in the last few years. But that that still are not a meaningful part of our overall equity portfolio.

Krishna Manotra: Thank you.

Moderator: Thank you. The next question is from the line of Madhukar Ladha from Nuvama Wealth. Please go ahead.

Madhukar Ladha: Good evening. Thank you for taking my question. Just coming back on the SIP discontinuances, I know that the overall flow number has been very resilient and it seems to suggest obviously something has structurally changed or at least looks like. But there is a little bit of worry in the sense that we continue to see higher SIP stoppages versus the new creation. And if this sustains, then should we be actually worried that at some point of time this will flow through in the SIP flow number, is that the correct way to think about it or are we missing anything here? Secondly, I think there was also this narrative around AMFI cleaning up this number because some of the direct platforms or online platforms continued to show SIPs which were not getting triggered, or which were not getting paid also in that number. So, has that played out? Some sense on these two things will be helpful. Thanks.

Navneet Munot: So, Madhukar, the SIP ceased counts have grown over the earlier baseline in the four-month period from December '24 to March '25. But I mentioned earlier, the one number that everybody should track is that over the peak collections in December, gross SIP collections are down just about 2% from December '24. And December '24 was a peak and it's down 2% in March '25. A large number of these seized SIP or the SIP closed are part of a super set which had missed more than three installments. Now, the real paying SIP is that number, that column that has got added and I think you are referring to that number and then on the AMFI website, the real paying SIPs have not suffered too much because of any negative investor sentiment. And again, I would repeat that despite the sharp fall in the market, monthly SIP collections holding to within 98% of the peak number is a strong testimony to the investor sentiment and collective effort that the industry has made. And honestly, I mean two years back had you asked me to project the SIP number, nobody would have projected the number where we are today. And a year back when we were at 19,000, I mean, few people would have projected that we would be at 26,000 given what has happened in the market in the last six months. So, we feel very encouraged.

Madhukar Ladha: Yes, that is bang on. So, that is completely true and I agree with you completely. So, just one follow up. So, is this clean up sort of done? You said more than three months if people have not paid that number they've removed that it seems. So, are we largely done with that or this can have like maybe a couple of more months of time?

Navneet Munot: Because there's been so much noise around it. The way you should see is one that the amount that has been collected is what reflects in that 26,000 odd crores of the gross flow. That's an important number. And the second important number is the people who have credited that amount in the month. So, both these numbers are very relevant and gives you a true reflection of what's happening on the SIP front.

Simal Kanuga: Actually, there is a number published of contributing SIPs on AMFI website. So, you can just go ahead and look at that.

Navneet Munot: That number were contributed in this month.

Madhukar Ladha: Yes, that is also quite very robust. So, there's no problem with that. Yes. Got it. We had done the distributor payout rationalization. I just did some back-of-the-envelope calculation and if we were to account for the 90 and 92 days in the quarter, then it seems that the equity yields are holding up or are slightly better on a QoQ basis. Would that be a fair assessment?

Naozad Sirwalla: More or less in the same ZIP code on the equities and little bit on the third basis point maybe. But yes, what we mentioned around was 58 basis points.

Madhukar Ladha: Okay. Got it. Thank you. Thank you.

Moderator: Thank you. The next question is from the line of Ankit Bihani from Nomura. Please go ahead.

Ankit Bihani: Yes, hi, good evening. We have seen the flows from NFOs into equity schemes. The industry declined sharply over the past 2-3 months, though NFO flows have been quite strong in FY25, accounting for around about 15% to 20% of the overall equity flows. So, what is your take on NFO flows going forward and its impact on overall flows into the equity schemes or should we see some slowdown there?

Navneet Munot: We have seen some cycles. I think we see some quarters where NFOs contribute larger part to the overall flows, there are quarters when they are low. At our end, I think we believe our product suite is very comprehensive and we cover a wide spectrum of investor needs across all categories. But for industry overall, I think fund houses who don't have a product in certain categories, they would continue to launch, but yes, I mean, as I mentioned, those flows are little, if I can use the word.

Ankit Bihani: Okay. Yes, that's it. Thank you.

Moderator: Thank you. The next question is from the line of Abhijeet Sakhare from Kotak Securities. Please go ahead.

Abhijeet Sakhare: Hi. Good evening, everyone. My question was on the STP plus SIP number that you disclosed. So, the industry number as you were saying is almost flat on a quarter-to-quarter basis versus the decline that we have seen. But adjusting for the STP issue, would it be fair to say that it's kind of mirroring the broader industry trend itself?

Navneet Munot: Yes. So, I told you that the industry's SIP number for December was 26,500 or something and March was 25,900. So, this was a decline of 2%, our declined during the same period was less than 2%. But the fall that you are seeing in our systematic number is on account of impact on STP, the Systematic Transfer Plan.

Abhijeet Sakhare: Got it. That was the only question I had. Thank you.

Moderator: Thank you. The next question is from the line of Gaurav Sharma from HSBC. Please go ahead.

Gaurav Sharma: Yes. Thank you for taking my question. Sir, again harping on this SIP. So, while we understand that the gross inflows have been steady for you as well as the industry. Just wanted to understand whether segmentally is there any change like those have been moving towards the flexi cap and large cap more from the mid cap or small cap in the last six months, if you can provide some color around that? And the second one is related to this specialized investment funds. Any timelines or any further communication you have received from the regulator when we can expect the launch of these funds? These are my two questions.

Navneet Munot: So, first on the SIP flows, I mean, in a very short period of time, investors may not switch from one category of fund to another fund. Incremental flows have a tendency to see a trend depending on how the markets have been and how the investors views have been. And as I mentioned earlier, again at our end, the systematic number that we report are both SIP and STP and there's some bit of fall on the STP side. SIPs are like higher in value. So, you see that effect depending on the market.

On the SIF side, see, the purpose of introducing SIF was to offer investors who are leaning towards unregulated or unregistered products, regulated alternative with mutual funds who are very well governed and our transparency levels, our risk management, our overall governance is very different. So, to provide a very secure framework under the regulatory umbrella, that was the genesis behind coming out with the whole SIF regulation as SEBI chair had mentioned earlier. With the regulatory framework now in place, we are actively evaluating potential opportunities in this space. So, the team is working on creating the right set of products that leverage our investment capability, our risk management and product capability on one side and the evolving investor needs on the other side. So, I mean, just like any other thing, whether be it active funds, be it passive funds, be it alternatives, PMS, we want to be a one stop shop offering a wide range of savings and investment products. The strength comes from a combination of factors; large and well diversified investor base on one side and the deep investment risk management and product capability on the other side.

Gaurav Sharma: Understood, sir. Those are my only questions. Thank you, sir.

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

Mohit Mangal: Yes. Thanks for the opportunity and congratulations on a good set of numbers. My first question is on the tax rate. So, I think this quarter we had around 23.5%. I mean, if I look at the full year, it's good; 25% and for maybe 2-3 years, should we assume the tax rate to be 25%? And the reason why I'm asking is that because in Financial Year '24 we just had around 21.5% tax rate. So, how should we see that going forward?

Naozad Sirwalla: So, this year the tax rate is higher than last year simply because the capital gains rate was increased in the budget. We obviously create deferred tax liabilities on our mark-to-market gain. So, that's the reason for the tax rate. So, now our tax is very close to corporate effective tax rate.

Mohit Mangal: Right. So, going forward also I think we should assume that this would be kind of maintained?

Naozad Sirwalla: Typically, don't give guidance going forward.

Mohit Mangal: Understood. Next is in terms of the number of branches, I think we opened around 26 branches this year. So, going forward, do you think you will increase number of branches, or you will keep it constant, any kind of color on that?

Navneet Munot: On the network expansion side, you rightly noticed, I mean, we have opened around 50-odd branches in last 15 months or so. We keep evaluating our physical presence across the country. We also keep investing in our digital capability and keep taking a view. This is also driven by looking at the different geographical spread where our presence is and where the potential for the business is. But I must add, I might have mentioned in earlier call that we approach branch of openings very thoughtfully. So, one in focusing on building business in a city or town through branches in neighboring areas, and a decision to open a new branch is made only after achieving a desired AUM, and they generally break even in a time.

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

Moderator: Thank you. The next follow up question is from the line of Melvin Mehta from Sterling Investments. Please go ahead.

Melvin Mehta: Thank you very much for allowing me in the second round. Probably this is for Navneet. Half the question is actually an AMFI question and half as you as a leader of HDFC. In terms of these direct plans, as you rightly said kind of having a take up. How do you see the MFD market evolving in the year or two period and a little bit of a longer-term period? Do you think the automatic route would then the natural expectation is to be that the RIAs will take up? Do you think India is a market where MFDs would be basically around for a longer time?

Navneet Munot: India is a market where I think all of these channels will flourish and I think whether it's MFDs who have worked very hard over the last several decades. Industry used to be substantially smaller than the size we are seeing now and I think to all of those hundreds of thousands of distributors who work very hard in bringing the industry to where it is currently across the length and breadth of the country. There are national distributors, the platforms who have a large base of sub-brokers or distributors who work very hard, banks who sell through their branches and relationship managers across the country, the fintech channel which has done wonderfully well over the last couple of years in terms of bringing new investors, particularly through the SIP route in the last couple of years and then of course the registered investment advisors, while their numbers haven't grown, but as an industry, they also continue to work with the regulator and all of us to have increase and their reach over a period of time. And there is room for all of them to grow and over the next several years, as penetration increases in India, all of these channels have a role to play.

Melvin Mehta: Thank you, Navneet. And are you expecting the RIAs which are more regulated at the moment, and MFDs which are very, very light regulated, are you expecting the MFDs to be regulated slightly more than where they are currently and RIA to slightly be reduced in terms of their compliance requirements?

Navneet Munot: That's not the right way to put it. I think MFDs are also I would say well regulated in terms of like adhering to the code of conduct and all the other business practices which are guided by AMFI and of course asset managers who deal with the mutual fund distributors, all of us are deeply focused that we have right set of practices in the industry. And RIA as I mentioned earlier that are smaller in number currently. But given the needs of investors over a period of time and with some of the recent changes in the regulation, I see tremendous hope for them to grow as well.

Melvin Mehta: Yes. Because only recently in my India trip, Navneet, I got a call from two insurance agents. I just feel that the insurance agents are very, very lightly regulated compared to our industry.

Navneet Munot: I mean, it won't be fair on my part to comment on some other industry.

Melvin Mehta: Yes. But given that most people in this world are not kind of natural investors and there is an element of sales required which I think the insurance industry does very well and dare I say even sell strong ULIP products whereas our industry seems to be regulated in very harsh terms.

Navneet Munot: No, I mean we have always mentioned as an industry that greater level of transparency, better disclosures, better management, better customer centricity is always good. Ultimately, we are managing somebody else's money and trust is central to everything that we do and that applies to the entire ecosystem, whether it's asset managers or our distributors or our advisors or everybody else in the ecosystem. For us, I mean, trust is central to the way we see growing this industry.

Melvin Mehta: Thank you very much.

Navneet Munot: Thank you.

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

Navneet Munot: Thank you so much.

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