Date: 19.05.2025

To,
The National Stock Exchange of India Ltd,
Exchange Plaza,
Bandra – Kurla Complex,
Bandra (E), Mumbai – 400 051
NSE EQUITY SYMBOL: **PRUDENT**

To,
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai- 400 001
SCRIPT CODE: **543527**

ISIN: **INE00F201020**

Dear Sir / Ma'am,

Sub.: Transcript of the Conference Call for Audited Financial Results for the quarter and year ended March 31, 2025

With reference to our earlier intimation dated May 07, 2025 and in terms of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of the Conference Call with analysts and investors held on May 13, 2025 in respect of the Audited Financial Results for the quarter and year ended March 31, 2025.

The same will also be available on the website of the Company at www.prudentcorporate.com.

Please take the same into your records and do the needful.

For, Prudent Corporate Advisory Services Limited

Kunal Amrishbhai Chauhan
Digitally signed by Kunal Amrishbhai Chauhan
Date: 2025.05.19 12:58:08 +05'30'

Kunal Chauhan
Company Secretary
Membership No: FCS- 13492

Encl.: As above

"Prudent Corporate Advisory Services Limited

Q4 & FY '25 Earnings Conference Call"

May 13, 2025

MANAGEMENT:	MR. SANJAY SHAH - CHAIRMAN AND MANAGING DIRECTOR - PRUDENT CORPORATE ADVISORY SERVICES LIMITED MR. SHIRISH PATEL – CHIEF EXECUTIVE OFFICER AND WHOLE-TIME DIRECTOR – PRUDENT CORPORATE ADVISORY SERVICES LIMITED MR. CHIRAG SHAH - NON-EXECUTIVE DIRECTOR – PRUDENT CORPORATE ADVISORY SERVICES LIMITED MR. CHIRAG KOTHARI – CHIEF FINANCIAL OFFICER – PRUDENT CORPORATE ADVISORY SERVICES LIMITED MR. PARTH PAREKH - INVESTOR RELATIONS – PRUDENT CORPORATE ADVISORY SERVICES LIMITED
MODERATOR:	MR. SAI ADITHYA MENON – AVENDUS SPARK

Moderator: Ladies and gentlemen, good day, and welcome to Prudent Corporate Advisory Services Limited Q4 and FY '25 Earnings Conference Call, hosted by Avendus Spark. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sai Adithya Menon from Avendus Spark. Thank you. And over to you, sir.

Sai Adithya Menon: Thank you. Good morning, and welcome to the 4Q and FY '25 Results Con Call of Prudent Corporate Advisory. We have with us the management of Prudent Corporate Advisory Services Limited, represented by Mr. Sanjay Shah, Chairman and Managing Director; Mr. Shirish Patel, Chief Executive Officer and Whole-Time Director; Mr. Chirag Shah, Non-Executive Director; Mr. Chirag Kothari, Chief Financial Officer; and Mr. Parth Parekh from Investor Relations.

We would request the management to start with the opening comments, post which we can open the floor for Q&A. Thank you, and over to you, sir.

Sanjay Shah: Thank you, Adithya. Thank you very much, and good morning to everybody. So, I welcome you all to the earnings call for the fourth quarter of FY '25. I thank you for sparing your valuable time to join us today. I hope you have the Investor Presentation handy, which we uploaded on the exchange yesterday. As when I'll start talking about the opening remarks, we'll be giving references to the various slides.

So to start with, I'll take all of you to -- go to Slide 27. So if you look at post recent market volatility, we thought of analyzing the volatility in our AUM vis-a-vis the market volatility. Our idea was to analyze our AUM and whether the AUM is as volatile as Nifty, or we are part of the cyclicality? So, we have added a new Slide number 27. So, please come to that slide.

Here, we have analyzed 12 months rolling return from April 2010 to March 2025, which covers about 168 observations. We bucketed these observations in 3 phases based on the Nifty 500 12-month rolling return. One is negative return where Nifty 500 has given a return less than 0%, which is a bear phase. Another is positive return, which is up to 15%, which we consider a range-bound period. And last one is above 15%, which is a bull phase.

Now, look at the outcome in each of the 3 phases. So first, look at the top row where returns are less than 0%, that is the first row in the table. In this situation, there are 38 observations, which is roughly 23% of total 168 observations. Average Nifty 500 return during this period was negative by 8.4%, as mentioned in the fourth column.

During the same period, industry's equity AUM was roughly flat at about 0.2%, which is provided in the last column. But Prudent's equity AUM grew strongly by a positive 11.1%. This is mentioned in the second last column. This clearly shows that even in weak market, we continue to grow, thanks to our granular SIP book, which drives steady flow during downturns. In fact, it is during this very phase that our granular SIP book becomes a true competitive advantage, delivering steady and scalable growth when others are facing net outflow or stagnation.

Now look at the second row, where returns of Nifty 500 were between 0% and 15%. This phase covers roughly 65 observations, which is 39% of the time. During this phase, Nifty 500 gave an average return of 7.5%. Industry equity AUM grew by 15.2%, while Prudent's equity AUM grew by 27.2%. So while the broad mutual fund industry saw moderate growth, our equity AUM grew nearly twice that of the industry.

So bottom line is 61% of the time, market conditions were challenging. Yet during this period, Prudent significantly outperformed both in absolute terms and relative to the industry, showing the power of our SIP engine and resilient distribution model.

So now let us come to Slide 44. So this slide talks about our numbers. So, we'll straight away move to our numbers now. So if you look at the Slide 44, starting with the chart on the left-hand side, it compares the daily average AUM for the FY '25 with the opening AUM of April 2025. In FY '25, we earn revenue on a daily average AUM of around INR99,678 crores.

We entered FY '26 with an opening AUM of INR103,500 crores, which is roughly 3.8% higher than the FY '25 average. This gives us a headroom starting in FY '26. And as of now, our AUM has further improved to around INR109,000 crores, which is roughly about 9.2% higher than the full-year average of FY '25.

Now, moving to right-hand side of the slide. This shows the quarterly average AUM trend. For Q4 FY '25, our average AUM was INR101,764 crores, which is down by 3.6% sequentially compared to Q3. It is mainly due to mark-to-market losses driven by weakness in the broader equity market. That said, on a year-on-year basis, our Q4 AUM is still 26% higher than the same quarter last year.

Now please move to Slide 45, which shows the movement in our equity AUM on a both year-on-year and a quarter-on-quarter basis. Starting with the year-on-year perspective on the left-hand side, our equity AUM increased by 25% during FY '25, rising from around INR80,000 crores in March 2024 to INR100,061 crores by March '25, an increase of nearly INR19,900 crores. Of this, roughly 2/3 of increase came from the net sales.

We did an equity net sales of INR12,606 crores in FY '25, which is almost double than the growth over the previous year's number of INR6,164 crores. Of this, our gross SIP inflow stood at INR10,214 crores in the full year of FY '25. The remaining addition of INR7,226 crores was from mark-to-market gain, which is around 9% of our opening AUM.

Now if you look at the quarter-on-quarter AUM movement, our equity AUM declined marginally by 2.6% from INR102,000 crores in December 2024 to roughly INR100,061 crores in March 2025. This decline was primarily due to broader market correction, which led to a negative mark-to-market impact of INR5,900 crores, which is roughly about 5.8% of my AUM.

Despite this market drag, we continue to have healthy positive net sales of INR3,296 crores during this quarter. Going into FY '26, we believe that we should do net equity sales equivalent to our gross inflow from SIP to the tune of INR11,000 crores, INR12,000 crores, which is roughly 11% or 12% of our opening equity AUM.

Now let me tell you, please move to Slide 46. On the bottom left, we have given the data on monthly SIP flow and our market share in SIP. As of March 2025, our monthly SIP book stood at INR981 crores, up from INR935 crores in the December month. While industry saw a slight dip in SIP number during this period, our SIP book continued to grow. Looking at the full-year fiscal, we have added INR255 crores to our SIP book, which is a solid 35% growth year-on-year basis.

Now let me tell you, please move to Slide 49. So now we'll turn to the current financials. So please move to Slide 49, which is the last slide of our presentation, which talks about the standalone number. Please look at our mutual fund revenue has declined by 5.1% in this quarter on a quarter-on-quarter basis, which is slightly more than 3.6% drop in our quarterly average AUM.

This is primarily due to 2 days lower in this quarter, that is 90 days in March quarter versus 92 days in December quarter, which reduces the revenue by approximately INR3.8 crores in this quarter because of that 2 days impact. If we adjust, then revenue would have declined in line with quarterly average AUM.

Our revenue from financial and non-financial product at INR7 crores has degrown by about 1.7% Y-o-Y. In FY '25, we earned INR31 crores from other financial and non-financial product segment, of which INR6.9 crores came from P2P lending. However, following RBI's new regulation introduced around August last year, there have been no fresh inflow in the P2P segment. As a result, existing P2P AUM is gradually coming down due to scheduled maturities, and we do not expect any revenue from this product in FY '26.

So while P2P revenue stream is expected to taper off, we see encouraging traction in our PMS, AIF and FD segment, which should help mitigate the overall impact, which might arise in next year due to withdrawal of P2P product from our system. Our average AUM of PMS and AIF in FY '25 stood at INR1,080 crores, which is a growth of 80% over the average AUM of FY '24. That is the first positive point.

Second, as of now, PMS, AIF book is close to INR1,200 crores, which is 10% higher than FY '25 monthly average, reflecting strong momentum heading into FY '26. On the fixed deposit side, mobilizations in FY '25 was 43% higher than FY '24. We also on-boarded two additional bank FDs towards the end of FY '25, which gives us further confidence in continuing this growth into FY '26.

Now, let me turn to a very important data point related to commission payout expenses. On commission payout expenses, I'll address commission and fee expenses from a full-year FY '25 perspective. If you look at our payout ratio on a full-year basis rose by 300 basis points from 61.1% in FY '24 to 64.1% in FY '25. Now, this increase is mainly due to 3% shift in our AUM mix towards partner channel, which involves a payout to the partners. Based on 65% average pass-through rate, this mix change explains 180 basis points of our increase in the payout cost, number one.

The remaining 120 basis points is due to additional trail scheme launched by us to boost the net sales. Since additional trail scheme was launched in September '24, around 80% of our provisioning towards this expenditure was done in second half of FY '25, which makes the commission payout ratio in last 2 quarters appear on a higher side. A similar scheme for incentivizing distributors based on net sales will also be there in FY '26 as well.

However, Q4 payout ratio of 66% should not be seen as a new baseline since most of the provisioning has happened in H2. Going forward, full-year payout ratio, which is 64.1% in FY '25 gives a more realistic picture. And just to give you a guide, please keep in mind, for every 1% shift in our AUM mix towards partner channel, you can expect the payout ratio to increase by around 65 basis points.

As of now, when I'm talking, the partner channel contribute roughly about 90% in our system as far as our AUM is concerned and 10% comes from the direct channel and the old erstwhile Karvy AUM, which has not been assigned to anybody. So, this put together is roughly about 10% of our system.

So to close out the standalone business performance, for the full-year FY '25, our revenue grew by 40% and profit by 42%, reflecting underlying strength of our core model. While operating leverage is not fully visible in the profit growth, that's largely due to shift in AUM mix towards the partner channel, which carries a higher payout ratio.

To put this in proper context, let us assume if there had not been any change in the mix, assuming that mix remains stable, our profit growth would have been comfortably exceeded 55% against current growth of 41%, giving you a clear sense of operating strength. Beyond the numbers, we have also made strong strategic progress in FY '25, which I would like to address here. We added 4,900 new distributors in FY '25, a 56% growth, which deepens our market reach and reflects the growing trust in Prudent platform.

On the FundzBazar platform, we have fully revamped that entire platform before a month both on the desktop and mobile to deliver a smoother, faster and more intuitive experience.

Most importantly, insurance is now integrated into the FundzBazar, transforming the entire FundzBazar platform into a holistic solution for both investment and the protection needs. With this enhancement, FundzBazar is not just a transaction platform, it's evolving into a full-service ecosystem for our distributor and their client, supporting them across the entire spectrum of product basket.

Now, let me take you to the consolidated numbers slide, which is Slide #48. On the insurance front, our fresh premium grew by 67% during the quarter on a sequential basis. Consequently, insurance revenue grew by 40% sequentially. On GI front, which is predominantly a retail health business for us, is also picking up really well.

Fresh business sourced on GI in FY '25 grew by 40%, and our total book has roughly touched INR150 crores. The GI yields are looking bit lower during the March quarter, mainly because of the fact that we recognize revenue in our books only based on the confirmation, which we received from the insurance company. Similar is the situation for the life also.

Due to March end, we will only get confirmation in the next quarter and some part of GI income might spill over into the next quarter. So, same issue was already there in the last year, Jan, Feb, March, where the GI yield has came down to 23%. On the LI front, last quarter was a bit subdued on the insurance front on account of surrender value change. On a low base, we have grown the fresh premium in LI by 88% during the quarter.

Now, important point I want to cover would be the employee cost. On the employee cost, the same has reduced by 19% during the quarter to INR24.3 crores. This is mainly on back of lower provisioning for variable expense cost in the fourth quarter. As far as our fixed employee cost for FY '26 is concerned, let me just tell you that our wage bill and the full-year review of our employee has been completed by us in the month of April.

And post review of all our employees, we just want to communicate that our salary bill in April has gone up by 14.5% compared to March '25 salary. So it's a cost escalation of about 14.5% on the fixed component side.

Additionally, as you all would have gotten access of, we have done a filing to the exchanges yesterday. So, we are in the process of introducing ESOP program for our employee in the current year, definitely subject to shareholder approval. Let me just tell you that it's a plan for next 10 years, wherein we are taking a total dilution over a 10 year roughly in the range of 4% of our current outstanding equity.

So our current share -- number of shares are 4.14 crores and the ESOP plan gives the power to give 16.5 lakh equity shares as an ESOP plan to our employees over next 10 years. So it's roughly about 4% dilution, which might happen over a period of next 10 years. And assuming on the cost side, this year, we might have a ESOP of, let's say, 120,000 or 150,000 shares between this range.

We assume that cost of this ESOP would be in the range of 2.5% to 2.75% of profit before tax. And this entire cost would be amortized over a period of 4 quarters after the announcement. So in the current quarter, I assume that first quarter, April, May, June may not have any cost. But then after, you'll see a regular cost, which is going to be a part of our P&L.

So now looking at the consolidated profit on a full-year basis. Profit have grown at 41% year-on-year to INR195.4 crores. Our average return on equity during the year stood at 34%. Our treasury book is close to INR500 crores, is giving us a war chest to grow inorganically.

Now let me end by drawing your attention to Slide 16. Please move to Slide 16. So, this Slide 16 captures the extraordinary opportunity, which lies ahead for India's mutual fund industry. Back in 1980, United States saw its per capita GDP triple over 2 decades. But what was truly remarkable is that during the same period, mutual fund industry grew by 52x, an explosion of wealth creation and financial participation.

Today, India stands at a similar inflection point. According to Viksit Bharat 2047 Report published by AMFI, India's per capita GDP is expected to grow by 9x over next 2 decades, a far steeper climb than what U.S. has experienced. And alongside this economic transformation, India's mutual fund industry is also projected to grow by 42x to nearly INR2,800 lakh crores by 2047.

That's a CAGR of 18% to 19%. We are not just witnessing incremental growth. We are also participating in a generational shift in financialization and wealth creation. At Prudent, we are deeply aligned with this vision, and we believe we are exceptionally well placed to benefit from this structural and long-term opportunity.

So with this, I would like to open the floor for Q&A. Thank you.

Moderator: Thank you sir. We have a first question from the line of Lalit Deo from Equirus Securities. Please go ahead.

Lalit Deo: Congratulations for a good set of numbers. Sir, I have 2 questions. So, firstly, like In the recent times in the last, how has been the trend in case of -- in the month of April and May in terms of net flows and the AUM growth? Just wanted to understand that.

And second, if we just back calculate the commissions in the other financial products, so there the payout seems to be much higher. So, I just wanted to understand what would be the steady state payout in the broking business as well as the other financial and non-financial products.

Sanjay Shah: So April, May, let Shirish address about how is the net flow and the movement. Movement in the AUM, I already told you, right? We are at INR109,000 crores I'm talking about. However, when you look at the commission payout in other businesses other than the mutual fund and the insurance, I think it is broadly in range because the payout ratio in broking is roughly about 55% and other products would be similarly in the range of 65%.

So, there hasn't been any significant change as far as our payout structure is concerned for the non-mutual fund non-insurance segment. Regarding the flow, Shirish?

Shirish Patel: So, April month net sales was in line with what it was in the last financial year, average net sales. In the month of May, initial 7 days number looks a little slow down in the net sales. But of course, I think the gross is also down a little bit in the month of May. We hope that, I think, after this market settling down on positive sentiment, I think it should come back. But barring last 7 days, 10 days, I think the net flows in the month of April is in line with the last year's update.

Moderator: We have our next question from the line of Yash Mehta from Malabar Investments.

Yash Mehta: I wanted to understand the split of the book where the commission is paid out to you on an AUM basis versus a flow basis. That's question number one. And I'll ask my second question after that.

Shirish Patel: Yes. So 100% of our AUM is based on the trail commission is on the AUM base. Flow basis, there is no revenue because mutual fund 100% business is the AUM-based only. PMS, AIF also nowadays is completely trail-based. So it is nothing on a flow-based commission. It is 100% on a AUM basis. If you really split the total income between the new business what we did in this financial year, almost around INR23,000 crores, INR24,000 crores of gross sales we have done, but there also the payout is in the base of the trail only. So, there is no upfront revenue what we have received in this financial year on the mutual fund side or the PMS side.

Yash Mehta: Sir, my question was on the, let's say, when you do the commercial negotiations with the MF, I understand that it is done on a flow basis and it remains the same for the years to come. But what we have seen is we have seen some of the mutual funds, especially in the listed domain, kind of passing on the impact on an AUM basis with free flexible pricing. My question was relating to that, sir.

Shirish Patel: So basically, if you look at throughout the year, around 4 to 5 AMCs have cut the trail commission on a historical AUM that is on our book. Obviously, when they cut the trail commission, they also cut for us, as well as for the general MFDs in the market. So fortunately, we could pass on almost in a similar line.

So today, if my payout ratio is around 2/3, 2/3rd we are able to pass it on. If you look at the roughly impact on our yield, I think I would say that the total cut on a gross basis would have impacted our yield by around 1.2 basis points to 1.4 basis points. So, that is the total impact on a gross yield side. Having said that -- as we said that almost 2/3 of that cut, we are able to pass it on to our distributors. So the ratio is almost similar to our payout ratio. I hope this clarifies your question.

Yash Mehta: So, that basically would suggest that only less than 2% of the AUM has been repriced.

Shirish Patel: I said 2 basis point impact on my gross yield, 1.5 basis point impact on the gross yield.

Yash Mehta: We have 90 bps odd revenue. So, I was just trying to back work and try and see what share of the AUM was impacted.

Shirish Patel: As I said, the yield impact is around 1.3 basis points to 1.4 basis points. So on the gross yield of 90 basis points, you can see that the yield has come down by around 1.3 basis points, 1.4 basis points.

Yash Mehta: Okay. Understood. Fair.

Sanjay Shah: So, I think your question is what is the percentage of AUM, which has been repriced, right? So HDFC alone, I'm telling you, which is about 12% of our system and the equity was almost about 10% of my system, which has been repriced. So, you can't look at that the impact is about 1 basis point on 100 basis point is 1%, right?

So it's not that 1% AUM is repriced. Impact is 1%, but the AUM reprice might be about 10%, 12% or more than that. So I'm roughly, I'm just giving you. So you can't make out the percentage repricing of the book based on the percentage impact on the yield.

Yash Mehta: Okay. Yes. And fair enough, sir. And the second question is essentially what share of the MFDs in the market today would be using a tech platform? And how do you kind of think about your share within those MFDs who are trying to use a tech platform to leverage their business?

Shirish Patel: So today, the acceptability of technology in MFD segment has gone up drastically post-COVID. Simply, if you put our numbers, we have got almost 33,000 MFDs registered with us. If I assume that around 24,000, 25,000 MFDs are working with me out of around 2 lakh plus registered NISM certified MFDs in the market, so on 25,000 over 2 lakh, so you can say that, that percentage of MFDs are currently active with us.

The remaining MFDs, those who are not working with us, out of that, some may be working with other platforms on our technology side. Remaining are working directly with the MFDs. Now here, definitely, you always can say that the acceptance of technology earlier in MFD segment was not there. Now, there are many software providers are available in the market last few years or last 7 years, 10 years.

The acceptance of technology is improving. But understanding of platform, the benefit of platforms is changing over time. So, I think I can tell you before 5 years, 10 years, the acceptability of software or the technology was not there. Now, I would say that the acceptability of platforms working every product in a single roof, single place, I think that is changing. But net-net if you can say, I think today, almost around 10%, 12% of the industry is working with us on the technology side.

Yash Mehta: Understood. And sir, if I can put in one question. As far as, let's say, the guidance on net sales is concerned, you mentioned that net sales will be equal to the SIP run rate that you currently have. But 40% of your customers do not actually participate in the SIP. So, I just want to understand that there is a significant amount of lump sum also that should come into that net sales number.

Shirish Patel: So, any net sales is the outcome of total gross sales minus the redemptions. If we look at long-term trend, I think year-on-year, the trend may change. Today, if you look at around INR980 crores of our SIP book, that gives us the confidence that this year, our net sales will be in the range of around INR12,000 crores, not necessarily that this year's net sales would be INR12,000 crores, that I think there are many other parameters as well.

But overall, I think 7 years, 10 years trend, what we have seen that the net sales is equivalent to SIP sales, and that is what we are trying to say. Of course, I think that doesn't mean that SIPs are not getting terminated or redeemed.

So when you are saying that 40% of our clients don't have SIPs, obviously, I think they don't do SIP. They only invest to lump sum. They also redeem. But the SIP clients also redeem. So net-net, what we are trying to say that the total gross flow is a combination of SIP flows, plus the fresh purchase and the redemption may happen from both the set of customers.

Net-net, our net sales comes in the range of SIP sales, and that is the trend of last 7 years, 10 years on an average. Year-on-year, it may change. If you look at, I think, 4 years before, the entire net sales was completely flat for us and negative for the industry. At the same time, 1 or 2 years would be there wherein the net sales is much higher than the SIP sales. But long term -- and that is where I think Sanjay bhai reflected that the long term, the net sales is equal to the SIP sales.

Moderator: We have our next question from the line of Dipanjan Ghosh from Citigroup.

Dipanjan Ghosh: So I have a few questions. Maybe I'll ask the first 3 initially. So one, if you can spell out the gross sales mix for the year from the top 5 or top 10 asset managers versus the others? And also in this line, if you can give the NFO-led sales that you have seen during the year? The second question is on the commissions. Now in the previous participant's question, you mentioned that the net yield impact because of back book repricing was probably around 0.4 to 0.5 bps on a net basis. But if I look at annually, your yields are flattish to marginally up.

So now what will explain this? Is it like better realization that you're getting on your new business? And if so, let's say, whatever you have AUM mix on your back book, if I were to replicate that on your new book, how -- what would be the differential between fresh realizations versus, let's say, this 91, 91.5 bps of overall realization that you have today? And 2 other questions from a long-term perspective.

One is you mentioned inorganic in your presentation. You're sitting on a decent cash pile. So what value additions or what sort of integrations or strategic expansions would you really want to have in the inorganic domain? And lastly, a theoretical question. I mean, how do you see the ARN registrations in the country really increasing from a long-term perspective? And do you see competition really kind of picking up in this segment and maybe that 20% sort of MFD market share increasing or tapering down from a medium to long-term perspective?

Shirish Patel: So I think first 2 questions, I think top 5 AMCs if you look at the kind of gross sales, what these top 5 AMCs contributed in our total gross sales was in the range of around 45%, 47% roughly. So top 5 AMCs gross sales was in this range. NFOs out of our total gross sales, what we did in the last financial year, I think roughly, I think we don't have the exact counted number.

But roughly, our NFO number would be in the range of 10% to 12% of our total gross sales during the year. So yes, I think we do participate in the NFOs, but we don't participate in all NFOs. So that is where -- and second, I think out of our total gross sales, significant component is contributed by SIP. So -- and hence, I think in total gross sales, NFO sales is always lesser than maybe you can say compared to the industry.

What you talk about the yield 91, 92 basis points, that is yield on the total book you are considering, some component of debt AUM is also there. So always when we compare the yield, it is always the yield on the equity or the full fees, equity hybrid combined on the book as well as on the new flows. While we are talking this year, our yield on the new book was -- new business was a little higher than the existing book.

So that is a comfortable situation currently. The trend on the ARN registration, I think we believe that incrementally more and more distributors or more and more people are entering in the distribution business. The ARN registration trend should improve, even MFEs is focusing more on getting more and more MFDs or more and more people selling the mutual funds, and we are very, very confident that this number of new ARN registration will improve over a period of time.

You are asking that whether the share of around 30% of MFD will improve or not, I think if I understood your question correctly. That depends on 2 parameters, how the productivity or MFD segment do business. And second is how the banking segment and the fintech segment grow over time.

So the percentage contribution of MFD, difficult to say. But definitely, I think one trend is also visible that more and more wealth managers are also trying to become MFDs or the adviser. So my guess is that over time, the MFDs joining a platform like us, I think their share should improve. That is what our feeling is. Any other question if I missed, Sanjay bhai?

Dipanjan Ghosh: On the inorganic part...

Sanjay Shah: Yes. Inorganic, I'll just tell Dipanjan, I think on the inorganic side, we'll be -- we are definitely looking for somebody who is similar to our business in the industry, but there are very less opportunity because in B2B2C other than our largest competitor, is no one significant. So I think the opportunity in the mutual fund looks a little bit restricted. But we get a lot of opportunity, but still unable to conclude any of them.

Other than mutual fund insurance, we are seriously looking for on the POSP-driven business model. But even there is the same problem that when you look at the POSP-driven model, I think the comfort is not coming, but I think, these are the 2 segments which we are regularly scouting for and looking for. Nothing on the technology side because technology is reasonably significantly better for us. So we don't even see some acquisition on the technology side, which can be supplementary to our existing tech platform. But the current tech platform itself is better.

Dipanjan Ghosh: Sanjay, if I can just kind of expand this question. I mean obviously, as time progresses, your share of customers with a certain range of AUM more than INR5 crores, more than INR10 crores continues to go up because of natural mark-to-market accretion. And obviously, there are MFDs where vintage is also increasing.

So -- and your alternate business, which you mentioned, which has been growing at 80% plus in terms of AUM, obviously on a low base. So don't you think, I mean, expanding capabilities on the pseudo-wealth or pseudo -- I mean, the overall B2B2C wealth segment, I mean, do you consider any opportunities in that space that you might be -- that you think might be worth it?

Sanjay Shah: So B2B2C in the wealth, I think we're already working in such a way that what Shirish already said that a lot of people from the wealth are leaving and starting the business. And I can tell you a lot of guys are joining our platform. We have seen a lot of success stories in the last couple of years who has came from a banking or wealth background and has done significantly better with us.

So we try to provide all which is required by a quality wealth manager to be offered to their customer. And that is majority what you require is a significant quality product basket, research, information, execution capability and that we are having. So Shirish, if you want to add something on that, B2B2C for wealth?

Shirish Patel: Definitely, I think that if you look at last 4, 5 years, the product addition, we always thought that only on mutual fund focus or insurance focus, we cannot grow our business. And hence, last 4, 5 years, we have added more and more products.

We also added technological advantage offering multiproduct valuation report and many other features wherein we can offer the facility to all these wealth-focused distributors. I don't think that anything else is required on this. But as Sanjay bhai said that, yes, we are looking for any acquisition is suitable to us. We are actively looking at it, but we are not desperate to have it. So let me put it this way.

Dipanjan Ghosh: Sir, just one follow-up on the yield question, which I had asked. You mentioned that your incremental fresh yields are higher than the back book, which kind of benefited you in FY 2025. Just wanted to ask, is there a way you can kind of quantify this or at least give us a direction of what that number is? I mean, is it higher by 5, 10, 15, 20 basis points?

The reason I'm asking is because there has been -- I mean, obviously, you're a distributor to multiple partners. And obviously, there's a differential asset mix across all of these partners in terms of sub-segments of equity. So any direction in this regard, I think, will be really helpful.

Shirish Patel: So directionally, we cannot say that how long the incremental yield would be higher than the book yield. That depends on many other parameters, the kind of the scheme mix what we have sold during the year, the number of NFOs where we have participated. Third is what is the kind of cut what the AMCs are doing on a historical book.

Fourth is the new flows are coming to the midsized schemes, smaller schemes or the bigger schemes, which AMC is getting more flows during the year. So I think there are multiple parameters which can impact our yield on a new business as well as on a book business.

But one important thing I would like to highlight is definitely out of our total book, almost around 7%, 8% or 6%, 7% book is still the Karvy assets, acquired assets. The yield on that asset is much lower. As and when that money goes out and the same money is getting invested even in a new business, I think that also -- that itself is improving our yield.

So 7%, 8% of our book is still available at a lower yield, which we acquired from Karvy. So that is our sweet spot right now, whenever that money moves out and comes back with a better yield, I think that is one thing. But otherwise, I think we are not saying that what would be the exact difference between the yield of a new business and the old business.

Moderator: We have our next question from the line of Arjun Bagga from Baroda BNP Paribas.

Arjun Bagga: Yes. So just trying again to understand this decline in the net commissions that we get. I do understand the reasons that you gave, but just wanted to understand this number of INR160 crores on the stand-alone side as commission and fee expenses, does that also include the other financial products?

Sanjay Shah: Yes. So commission and fee expense is a single line which we provide. When you look at the standalone number or you look at the consol, I think we do not provide the segment reporting on the commission expenditure. So you're absolutely right. On the standalone, it includes the payout on account of all non-mutual products which we distribute.

Arjun Bagga: But would you be able to give some guidance, sir, that how big would that number be?

Sanjay Shah: So I think more or less, it would be in line with the current setup because I think you look at the PMS, AIF or you look at the P2P product, which we used to sell or the FDs. So probably it could be a case where in FD, our payout might be a little bit higher than the mutual funds. PMS, AIF would be in line with the mutual fund.

So broadly, you can probably take it as a similar, because I think it's not a very significant large number and the payout will remain -- because this business has been sourced from the MFD only. It's not a direct team which contributes significantly larger. So the payout cost would be similarly in line with the MF cost.

Arjun Bagga: Sure, sir. Sure.

Shirish Patel: So, you know this income from mutual fund and income from other financial products. As we say that our roughly average payout ratio is similar in almost all products. That doesn't vary usually. So the payout ratio is -- remains similar. I think we have already given the brokerage received from various products. So almost the cost is in the similar line.

Moderator: We have our next question from the line of Ajox Frederick from Sundaram Mutual Fund.

Ajox Frederick: A couple of questions from my side. One is on the employee cost. You mentioned it is going to go up by 15% on fixed costs. So can you help me understand how much was the fixed cost for the year FY '25?

Sanjay Shah: So fixed cost, I can tell you my March salary bill was roughly about INR6.05 crores or INR6.10 crores on a consol level, which is reset to about INR6.95 crores. So it's roughly about, I think, same, yes, about 14.5% increase in the March salary bill.

Ajox Frederick: This is your combined...

Sanjay Shah: Combined, I'm not talking about the standalone and the -- consol I am talking about, the fixed salary was INR6.1 crores or INR6.15 crores, which has came to now close to INR7 crores. INR6.95 crores divided by INR6.10 crores yes. So roughly about, yes, 14.5%, 14%, yes. Precisely, 14.5% is the growth and my fixed salary bill is roughly about INR7 crores in the month of April. So INR84 crores annualized fixed cost.

Ajox Frederick: Very clear, sir. Secondly, on the partner channels proportion, you mentioned it is 90%. So incrementally, how far can this go? Can it go to 95%? You mentioned 1 -- every 1 percentage point move will hit the payout by 60 basis points. So when do you think this will rationalize going forward?

Sanjay Shah: So directionally, if you look at in last 1 year, that ratio has moved in favor of MFD channel by 300 basis points, right? And if you look at the growth, growth is happening only on the MFD side because our traditional old B2C business which we had, we are not growing in that segment. That is number one.

Second is when we acquired Karvy, we got INR8,500 crores from Karvy. Roughly about INR4,000 crores was belonging to MFD and INR4,500 crores was not distributed to anybody. So these are the -- so the Karvy business is not growing at all. It's a steady business. And the B2C, we are not expanding.

So naturally, the -- incrementally, the share of MFD has to grow. To what extent grow, I think it depends on how better the business growth comes from that segment. But ideally, I believe that in the current year itself, you can have a projection of 100 to 150 basis points tilt towards the MFD. So there might be -- because of that, let's assume 100 basis point tilt towards MFD would have a pressure on margin about 65 basis points.

Moderator: We have our next question from the line of Shrishti Jagati from Ambit Capital.

Shrishti Jagati: Congrats on a good set of numbers. I'll just take the previous participant's question ahead. You mentioned about 100, 150 basis points of impact with every 1% shift. Is that right?

Sanjay Shah: No, no, with every 1% shift, 65 basis point impact. So understand that if a rupee comes from mutual fund distributors, I have to pay a 65 basis point as a salary to them, right? So as a cost to them. If I earn a rupee, 65 basis points or 65% of that rupee will go as a brokerage payout cost. So today, my ratio of indirect versus direct is 90% and the 10%.

Now let's say this 90% becomes 91%. Today, my brokerage cost is 64.1%. You need to add another 65 basis points to there. So it will come down to 64.1% plus 65 basis points, it has to be 65.75% my pay-out.

Shrishti Jagati: Completely understood. So the 3% shift, because of the 3% shift, the 150 basis point impact has come in for the current -- in the current quarter. But sir, going ahead, as to when does this become -- the channel mix become a little margin dilutive and then starts to affect the profitability? At what point? Now we are at about a 90% through mutual fund distributors and 10% direct. At what point does it settle going ahead?

Sanjay Shah: So I think it's not going to be margin. So if you look at because this is linked to a growth in business, right? So incrementally, whatever you earn, you pay to them. And today let us assume that at INR1,10,000 crores, if my AUM goes to, let's say, INR150,000 crores, an additional INR40,000 crores, let us assume the 95% business comes from the indirect channel where I'll have payout.

So I don't think it have an impact on the margin. If it comes from B2C, there will be a cost in form of variable and the incentive to the team. It comes from the indirect, then it will be a cost in form of commission payout to them.

But this 90% can -- it's very difficult to say where 90% will go. It can go to 92%, 93%, 94%. But I believe that 2, 3 basis point change over the next 1 or 2 years is possible. So I'm saying in the current year, if somebody is trying to work on the model, you can assume that the -- by end of this year, indirect might be 91% or 92% roughly. I'm just giving my personal estimates.

Shirish Patel: 1% to 1.5%, the mix can shift.

Shrishti Jagati: That's right. Makes sense. Makes sense. Sir, in terms of the inflation and the ESOP-related costs that you've indicated, what sort of internal cost to income do we target over the next couple of years?

Sanjay Shah: I think there is nothing like the target on the cost to income because the salary inflation would depend on how the performance of each and every employee and the market trend on the things, right? So there are 2 major components of our employee cost. One is expansion and the new manpower, which you add, number one.

And number two would be natural salary inflation. Salary inflation is elevated for last 2 years, which I believe, because last 2 years has been significantly better on a business front. And there was a competition pressure was also there. So these are the things.

On the number of employee growth, I think in the current year also, we have, let's say, the overall strength of employee is 1,430 people. We are assuming that in the current year, we'll add about another 100, 115 people. So because of the additional employee which we'll add, I think there's an additional cost of about, let's say, INR40 lakh, INR50 lakh a month, roughly about INR4 crores, INR5 crores a year.

So that also will come. So it depends on how much employees you add and what is the -- and normal inflation should be -- my belief is you can assume in the range of 10% to 12%, 13%. Yes.

Shrishti Jagati: Makes sense. And sir, under the ESOP program that you initiated, what number of employees would be covered under the ESOP program, if you can give us some indication?

Sanjay Shah: I think we just cleared the NRC as far as ESOP policy is concerned. I think the next step would be once it is approved by the shareholders, I think the management will sit and discuss. But it's -- I think we roughly -- I think we have tried and look at what are the industry standards. And roughly, I assume that 10% to 15% of my employee strength might be covered into this, 10% to 12% of my current employee strength would be covered. So nothing has been still decided, but I'm just giving you rough indication.

Moderator: We have our next question from the line of Sanyam Shah from Solidarity Advisors.

Sanyam Shah: So my first question was from a distributor's angle when for the distributor with, say, an AUM of INR100 crores, so how would his income differ if he's working for Prudent or another national distributor like an NJ or with a bank or independently if he is working with AMC?

Shirish Patel: Your voice is not clear, so couldn't understand your question.

Sanyam Shah: Sorry. Yes. Is it audible now?

Shirish Patel: Little better. Yes.

Sanyam Shah: So sir, my question was from a distributor's angle when for the distributor with an AUM of, say, INR100 crores. So how would his income differ, say, if he's working with Prudent or if he's working with another distributor like NJ or with a bank or if he's independently working with the AMC?

Shirish Patel: Okay. So you are saying that if the INR100 crores AUM guy working with Prudent, NJ and AMCs directly, what would be the difference in the income, right?

Sanyam Shah: Yes, sir, yes.

Shirish Patel: Basically, if you look at the platform like we or NJ, we never -- we never had a competition in terms of the pricing. So roughly a distributor working with Prudent or working with NJ would get almost the similar or Prudent maybe 1 or 2 basis points higher than NJ. When a distributor works with AMCs, what would be the difference versus brokerage in terms of AMC and the Prudent, we always communicate to our channel partners that when you work with a platform like us, the percentage commission may be lower by 5% to 10% versus what you work with the AMCs directly.

But at the same time, what they save on a technology development, what they can save on the terms of time -- back office management and everything, other things, definitely, we help them increase the productivity by 30% to 40%. So they compromise on 10% of the revenue, but at the same time, they gain the productivity of 30%, 40% and totality, they gain. So giving the answer, roughly, you can assume 8% to 10% lower commission compared to working with the AMCs.

Sanyam Shah: Got it, sir. And first, if you were to answer this for bank RM, so we have seen many employees shifting from banks and wealth management firms and starting their own firms, right? So how would their income broadly look like if you trust to manage a INR100 crores AUM?

Shirish Patel: Yes. So as you said that if any bank wealth RM is intending to start on his own, where should he work? I think in initial phase, what they need is that I think their entire focus should be on sales. They should not be worried about the back office and the client management. If they spend time in client -- the back office thing and servicing aspect, they will not be able to give more time on the sales side.

So obviously, when anybody starts on their own, I think the platform is the best solution for them. Because they need not to invest on a technology, they can -- they are not worried about their back office management. So obviously for any wealth RM starting on their own by compromising 10% around revenue versus AMCs, but they save a lot of cost also and they can save a lot of time. So obviously I think the platforms are always better.

Sanyam Shah: Got it, sir. Sir, do you think is there a scale at which once a distributor reaches after which for him, it might just make sense to hire 1 or 2 guys to take care of his back office work and just independently work with the AMC. As you said, he might get 10%, 15% extra income if he works directly with AMC.

Shirish Patel: It is not only 1 or 2 persons can manage. I think many other technological advantages benefits multiple product reporting, many other things. It is not only back office management, which you can address with 1 or 2 guys. I think if you study what are the advantages working with AMCs, as I said, I think the 10% higher commission. But what are the advantages of working with Prudent platform, I think you will actually understand that what all things. It is not like I think the same work can be done by recruiting 1 or 2 back office guys.

Sanyam Shah: Okay, sir. Got it. This is helpful.

Sanjay Shah: Sorry, I just want to add one more point. You look at one slide -- we have provided one slide wherein top 1,000 distributor of the industry and top 1,000 distributors are working with Prudent, what growth they have achieved in the last 10 years, and that number is -- itself will give an indication that working with the platform is going to be super, super beneficial and very, very productive. You can have a look at part of my presentation. Yes.

Moderator: We have our next question from the line of Ranbeer Singh from Yashwi Securities Private Limited.

Ranbeer Singh: Yes. I was going to your financials. So in Q2 and Q3 FY '25, your employee benefit expenses were around INR30 crores. And in Q4 FY '25, it was INR25 crores. What was the reason for the difference?

Sanjay Shah: So I think we -- I just say in the early commentary also that we projected the variable cost for the full year and accordingly, we have provided in first 3 quarters. But however, finally, when the year was ended, the -- there was a higher provisioning in the first 3 quarters and the total amount was lower. And that's the reason the last quarter, it got adjusted and hence, the actual cost was lower by INR5 crores compared to previous quarter.

Ranbeer Singh: Okay. So around INR72 crores, you had said INR6.15 crores, approximately INR75 crores is the fixed pay and the rest of the part is the variable pay, which you pay to the employees, correct?

Sanjay Shah: I need to give you the exact number, but the March was INR6.5 crores -- what was the variable pay we have -- what was the total variable, we paid INR23 crores.

Shirish Patel: INR24 crores.

Sanjay Shah: INR24 crores was the variable pay. So if you look at the total cost of INR110 crores, INR25 crores was the variable and rest was the fixed component.

Moderator: As there are no further participants for the questions, I now hand the conference over to the management for closing comments. Over to you, sir.

Sanjay Shah: Thank you very much for all who has joined. And if still you have any query, any questions, we are always available, including Parth, who takes care of our IR and would be happy to address any further questions which you have. Thank you very much. Thank you.

Moderator: Thank you, sir. On behalf of Avendus Spark, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.