

ABSLAMCL/PS/25/23-24

May 5, 2023

BSE Limited

Phiroze Jeejeebhoy Towers
Dalal Street Mumbai-400 001
Scrip Code: 543374

National Stock Exchange of India Limited

Exchange Plaza, 5th Floor
Plot No. C/1, G Block,
Bandra Kurla Complex
Bandra (East), Mumbai - 400 051
Symbol: ABSLAMC

Dear Sir/ am,

**Sub: Transcript of the Analyst/ Investor Conference call on Audited Financial Results
for the quarter and year ended March 31, 2023**

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Analyst/ Investor Conference call on Audited Financial Result for the quarter and year ended March 31, 2023, held on Friday, April 28, 2023. The above information will also be available on the website of Company at <https://mutualfund.adityabirlacapital.com>.

We request you to kindly take the aforesaid information on record and disseminate the same on your website.

Thanking you.

Yours faithfully,

For Aditya Birla Sun Life AMC Limited

Hemanti Wadhwa

Company Secretary & Compliance Officer
FCS No. 6477

Encl.: As above

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Aditya Birla Sun Life AMC Limited Q4 FY23 & FY23 Earnings Conference Call

April 28, 2023

**MANAGEMENT: MR. A. BALASUBRAMANIAN – MANAGING DIRECTOR
AND CHIEF EXECUTIVE OFFICE
MR. PARAG JOGLEKAR – CHIEF FINANCIAL OFFICER
MR. PRAKASH BHOGALE – HEAD, INVESTOR
RELATIONS**



Moderator: Ladies and gentlemen, good day and welcome to Aditya Birla Sun Life Asset Management Company Limited, Q4 FY23 Earnings Conference Call hosted by InCred Equities.

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

I now hand the conference over to Mr. Jignesh Shial from InCred Equities. Thank you, and over to you sir.

Jignesh Shial: Thank you, Neerav. And good afternoon everyone. On behalf of InCred Equities, I welcome all to Aditya Birla Sun Life Asset Management Company Limited Conference Call to discuss the Financial Results of Q4 & FY23.

We have along with us Mr. A. Balasubramanian – Managing Director and CEO; Mr. Parag Joglekar – Chief Financial Officer; and Mr. Prakash Bhogale – Head, Investor Relations.

On behalf of InCred Equities, we are thankful to the management for allowing us this opportunity. I would now like to hand it over to Mr. A. Balasubramanian – Managing Director, and CEO of Aditya Birla Sun Life Asset Management Company. Over to you, sir.

A. Balasubramanian: Thank you for the introduction and good evening to everyone. I hope you all had the opportunity to go through the earnings presentation, which is available on the stock exchange and our website.

Let me quickly begin by giving the outlook on the economy and the mutual fund industry and then give an update on Aditya Birla Sun Life AMC’s performance for the quarter ending Q4.

The global economy in our own belief continues to remain uncertain and the recent development in the financial markets of advanced economies have not helped to ease the sentiment. High inflation, financial tightening, and hawkish monetary policy is expected to limit global growth. Central banks worldwide led by the Federal Reserve have shifted away from dovish to accommodative monetary policy and have raised interest rates to curb inflation level and this move has prompted investors and businesses, and markets to re-evaluate and adjust their expectations accordingly. The collapse of a couple of banks has led to turmoil in the banking systems of some advanced economies, with fears of financial contagion, but effective measures by respective policymakers have largely helped containing its impact.

The Indian economy, as you know has remained resilient, surpassing global uncertainty and headwinds. India’s real GDP is expected to grow at about 7% and India’s growth impulse have also been supportive by way of easing of supply chain and rebound in economic activities. Easing inflationary pressures in March 2023 is a positive sign, this is also driven by the softening of food and core inflation, which fell to a 16th-month low.

India's financial system has remained strong, led by a robust banking industry adding further stability to the domestic economy. We have also seen robust tax collections in the GST touching about ₹1.6 lakh Cr. As a result of that and the annual collection for the full year and including direct tax collections hovering at about 17.63% definitely, of course putting India's tax collection at a robust level.

As a result of the higher tax collection the Government of India's borrowing program is also being helped going by, the next year's borrowing program which has been already announced and is well within the target limits and putting less pressure on the interest rate further movement.

RBI's forex reserves have gradually started increasing. Now it's back to about US \$578 billion as of March 31st, 2023, which is again a good sign. And the current account deficit also narrowed to 2.2% from 3.7% in Q2 on account of lower merchandise trade deficit, and robust growth in services exports which is another positive development.

The development in factors such as oil prices, global financial sector uncertainties, and the Indian monsoon season need to be considered to ascertain the future trajectory of the domestic economy as we speak. Our economy is intrinsically better placed, mainly because of its reliance on domestic demand and drivers.

The consumer sentiment index points to a continued recovery. Going ahead the key growth drivers are likely to be a continuously uptick on consumer sentiments, green shoots in rural recovery, and commodity prices relaxing off their previous highs. In the near term, we believe that most of the risks are priced in and there is not much downside in the market that is expected. With valuations having got normalized, the market now should start tracking the earnings growth as we move forward.

With respect to the mutual fund industry, during the quarter the Indian mutual fund industry witnessed flattish growth, with the quarterly average asset under management staying close to about ₹40.49 lakh Cr. as of 31st March 2023.

In FY23, the mutual fund industry witnessed muted growth, with inflows across various equity and index schemes. The industry's SIP book grew from ₹12,328 Cr. as of March 2022 to ₹14,275 Cr. in March 2023, indicating a growth of about 16%. During the year, the total 253 NFOs were launched and raising a total of about ₹62,000 Cr. between the fixed income and equity NFOs.

As of 31st March 2023, the total number of mutual fund investors stood at 14.75 Cr., an increase of 12% year-on-year compared to 13.12 Cr. as of 31st March 2022. The industry witnessed net equity sales of around ₹41,000 Cr. in Q4 FY23 through new fund offerings and existing funds. And within the existing funds, broadly the inflows have been seen in the thematic category, small and mid-cap, and mid-cap and large-cap categories, and a little bit on the large and mid-cap categories have seen inflows during the quarter.

The increase in the number of retail investors is also reflected in higher individual average AUM, which grew by about 12% year-on-year, contributed 58% of the total monthly average AUM. The mutual fund average AUM for March 2023 from B30 cities also accounted for 17% of the total AUM which again remains constant. At the same time, 58% of contributions have been coming from individuals and retail need to be taken into account, the fall in institutional AUM during the same period.

The new SIP registrations were around 65 lakhs in Q4 FY23 and the total number of SIP accounts as of March 31st, 2023, rose to 6.36 Cr.

Over the past few months, the tax amendment in fixed-income schemes and the anticipated regulatory changes has had its own impact on the mutual fund industry. Despite this, we believe that this asset class, especially the fixed income asset class will continue to remain relevant as an one of the alternative to fixed deposit for most of the investors who are looking for asset allocation between equity and fixed income and that we believe that will remain even going forward.

Coming to Aditya Birla AMC's performance: Our total average assets under management including alternate assets for Q4 FY23 stood at ₹2.86 lakh Cr. For the quarter ending March 2023, our mutual fund AUM was at ₹2.75 lakh Cr., remained flattish compared to Q3 of ₹2.81 lakh Cr. size. Our equity mutual fund AUM again remains more or less flat at about ₹1.16 lakh Cr. for the quarter ending March 2023 with the overall equity mix at about 42%.

As a part of our strategy for customer acquisition, we added about 6.7 lakh new folios in FY23, resulting in an overall folio count increasing to about 80.3 lakh folios as of March 2023. Throughout the year, we launched several initiatives aimed at increasing the size of our SIP book, including Turbo STP, Pro-portfolio investing, and Perquisite SIP targeting mid-size corporate employees. And these efforts have resulted in a marginal improvement in making our SIP book to cross 1,000 Cr. which again fell little short of our own expectations however it has crossed the milestone of about 1,000 Cr.

Our multi-channel market initiatives aimed at deepening our presence have yielded positive results. The Virtual Relationship Manager model has activated over 2,900 distributors and through "Sampark", our distributor onboarding initiative, we have empaneled close to about 9,000 distributors during the period.

Regarding our overall asset mix between retail and institutional customers, retail investors as of today account for about 52% of our assets as of March 2023. As part of our overall strategy, we are also focusing on building the retail portion in both the B30 and T30 markets, with increased contribution coming from B30, which today stands at 17%.

Our passive product offering grew by ~3 times to about ₹28,223 Cr. as on March 2023. Our existing passive bouquet has also grown to over 41 products and we have around 7 products in

the pipeline. The overall customer base that has got added in a passive category is close to about 4,96,000 folios we added through the passive category, which we believe can be used for the purpose of cross-selling of the other products as well.

On the PMS and AIF front, we have raised a commitment to the extent of about ₹734 Cr., is the first-ever AIF that we launched in the equity space under the name of India Equity Service Fund under Category-III, leveraging our multi-channel distribution footprint. We are currently at about ₹734 Cr., which is again the beginning of our building AIF success story. We also received a SEBI clearance for another three more schemes which we hope to launch in the current financial year.

Regarding our offshore business, though the overall assets under management in offshore remain flat, we have also received in-principal approval from the International Financial Services Centers Authority which is GIFT City for launching the “India ESG Engagement Fund” domiciled in GIFT City. Additionally, we are also currently in the process of launching two global funds in the GIFT City for raising money in India investing global market. As well as move some of our overseas assets to Gift City soon to cut our cost and offer some management services from GIFT City itself.

On the real estate front, we have successfully deployed the first investment for the Aditya Birla Real Estate Credit Opportunities fund and we are in the process of doing more such deals. Our initial focus now is to create a performance track record to raise more funds in the coming years.

Now just quickly move on to the financial numbers before opening up for Q & A sessions:

In Q4 FY23 revenue from operations is at ₹297 Cr. Vs ₹314 Cr. in Q3 of FY23. Q4 FY23 operating profit before tax had stood at ₹149 Cr. Vs ₹174 Cr. in Q3 FY23. For the year ending March 2023, revenue from operations is at ₹1,227 Cr. as compared to ₹1,293 Cr. And operating profit before tax in FY23 is ₹667 Cr. as compared to ₹753 Cr. in FY22.

We are also happy to announce that the board has proposed ₹5.25 per share dividend as a final dividend for FY23. With this total dividend declared this year per share is about ₹10.25 per share.

With this, I would like to conclude and open the floor for any questions that you may have.

Moderator:

Thank you very much. We now begin the question-and-answer session. The first question is from the line of Devesh Agarwal from IIFL Securities. Please go ahead.

Devesh Agarwal:

My first question is, in the equity segment although you did share multiple things that you are doing to get the market share and increase AUM but still we've been losing market share. So, if you can give us some sense, which are the segments or particularly which investor category we are losing market share?

A. Balasubramanian:

Devesh thanks for this question. As far as the equity is concerned of course our endeavor has been to one, stop the leakages, at the same time improve the overall momentum in the equity in terms of improving the market share. You have seen we have collected close to about ₹1572 crores in the last quarter through the launch of a multi-asset allocation fund, which again reflects our ability to raise funds and improve overall market share. And second, SIP is another route through which we continuously put effort to increase the overall market share in equity, but the segment in which where we have seen, somewhat lower participation is in the HNIs category where we have seen lower participation in the last one and a half, two years, especially in the equity space which we believe that we need to catch up. Second, the category in which we are losing assets are those assets where we have seen the performance-related issue which we have witnessed from last one and a half, two years in two, or three categories which are ELSS and a few of the categories in the equity space where we have seen some bit of outflow with the change of fund management responsibility in the last six months to one year, we are seeing those funds now getting stabilized and coming closer to the benchmark as well as coming closer to the peer group on the near term basis, as we see that improvement coming in, we should see those asset classes which remained relevant and we should see the flows coming back. But as I speak today, more than losing the lack of participation in whatever the growth that is coming in the industry, which has been for the whole year would have been somewhere in the range of about 79,000 to 80,000 Cr. then will be the participation being missing is one which was leading to the market share lag rather than absolute redemptions coming and losing market share.

Devesh Agarwal:

Understood sir. And sir if you see at the distribution side, again I am talking about the equity asset, we see that the share of the banking channel has been going down and in the last year, it has come down by 200 basis points. So, is this a decline that we are seeing across banks or there are selected banks where our sales have slowed down?

A. Balasubramanian:

No, in the case of banking channels because we have all the banking channels whether it is the leading bank, private sector bank, whether HDFC, Axis, we have only seen a marginal improvement in terms of our participation, especially a channel like Axis we have seen increased participation coming in SIPs including HDFC Bank and these assets are largely in the some of these foreign banks used to get a significant market share such as the Citi Bank with the general reduction in the mutual fund flows. And we used to enjoy a very high market share from them, anywhere between 15% - 16% market share. We have seen a marginal dip, which again, I don't see as a big challenge. Of course, some of the banking channels goes by the product recommendation. In fact, some of our products which are not part of the recommendations temporarily would have seen lesser participation coming from that channel compared to their own selling would have happened, but otherwise if you look at historically our market share is about 48% to 50% from IFAs roughly about 23% from banking channels, and roughly about 24% - 25% coming from NDs. The direct channel is one of the channel where general flow is also coming in, where we have seen flat growth under the direct channel as well. These are a combination of things I would say is the dynamics rather than the single channel not giving inflows or something.



Devesh Agarwal: Okay. And lastly, sir if we see that over the last two years, although the share of equity has gone up in the overall mix, our yield has remained under pressure. Now there would be some generic reasons for those. But other than that, specifically I wanted to understand how the distributor's payout intensity changed for you between say FY21 and 23.

A. Balasubramanian: I will ask Parag to answer that once again.

Parag Joglekar: So, Devesh the distributor payout on an overall basis as a general principle remains that we share in the range of around 65% of our overall DTR, that continues, but as you know and we have been mentioning earlier also wherever there are NFOs generally in the first year of NFO the payout is slightly higher than the 65% due to two reasons - one is that there is a B30 brokerage which is there and there is some additional payout which happens in the first year which has the impact of a slightly higher sharing against the normal thing. So that is the only change otherwise some of the NFOs which have happened have just elevated the cost a little bit but otherwise on the normal BAU sales it remains in the range of around 65%.

Moderator: Thank you. The next question is from the line of Lalit Deo from Equirus Securities. Please go ahead.

Lalit Deo: So, the first question is again on the market share, so in this quarter we have seen some improvement in our SIP flow market share now, but in terms of AUM market share, we have been losing market share. So, just wanted to understand in the lump sum flows, we have seen some major dip. So, what could be the reasons for the same as you alluded to that part? And also given that we are looking to launch funds in the PMS and AIF categories in FY24, how is the OPEX trajectory for us in the coming two years?

A. Balasubramanian: Market share loss is largely on account of one or two categories in which flows have come, which I mentioned in my speech as well, which is essentially small and mid-cap space and ELSS category and large & mid-cap space. These are the three spaces that predominantly big flows have come for the industry, infact our flows in these three categories, except we have got money in the small and mid-cap fund during the same period, whereas other schemes we did not get as much as flows which normally get every year. So, to the extent our market share loss was on account of flow coming in, we saw an outflow in a few of those schemes and whatever the flow that came in the big category like small and midcap, our flow was relatively lower than the industry. These are the primary reason but these flows in industry also come through the combination of lumpsum and SIPs. And then SIP flows in these small and mid-caps are also relatively higher than what we historically have seen. Therefore, to the extent our deserving participation was less, which again I would attribute to the reason I just mentioned earlier which is what currently we have only reversing it, which I think should help us in the next few quarters to get back on track.

As for your AIF thing concerns, is that we have planned to line up AIF products there is one which we will be closing in the month of April, and we planned two more AIF this financial year both in equity and fixed income. In terms of team strength, we already have, if at all we

have to add one person, we will add one with the long-short kind of capability, as far as the equity is concerned, we may add one person on the credit side for the launch of our credit fund. Otherwise, you don't see a significant addition in terms of adding people that's the only main part that we have and that will be opex with respect to the AIF would not be anything significant except people may have to just go for a travel to promote this product, which I call it as a business as usual.

Lalit Deo: Sure sir. On the yield side, could you highlight the difference between the stock, yields on the stock basis and the flows which we are getting as an overall segment wise particularly in equities?

Parag Joglekar: Lalit, basically as you know the stock wise little lower on the sharing basis, and the new money which comes in has slightly higher which is in the range of around 65%. So, the yield on the stock is higher than the yield on the new flows, which is coming. I don't have a handy number on the differentiation but that is the case and over maybe the next couple of years that get merged. The differentiation between both of them is not very significantly high there will be some differentiation, but that will merge over maybe the next two or three years period of time.

Lalit Deo: Sure, sir. And sir just last one data keeping question, can you share the SIP AUM as of March 23, the overall SIP AUM?

PrakashBhogale: It's 51,203 Rs Cr

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

Prayesh Jain: Firstly, could you give us the yields that you would have made in FY23 on equity, debt, liquid, and ETF, some ballpark numbers?

A. Balasubramanian: Yes, I will ask Parag to give you the numbers.

Parag Joglekar: So, equity more or less is in the range of around 70-74 odd basis absolute. On debt, debt is in the range of around 25-26 basis, 25 odd basis and on liquid is in the range of around 12 basis.

Prayesh Jain: Okay, that's helpful. Apart from that, if I look at your expenses in this quarter, other expenses in particular, they were higher both on a sequential basis as well as on a Y-o-Y basis, what was the reason for that?

Parag Joglekar: So, the main reason which has contributed to the higher expenses for this quarter is NFO which we launched in the current quarter, the multi-asset allocation fund, on which we spend some of the amounts on marketing and sales promotion on that NFO which is contributed mainly for that, other than that, there are some of the other infrastructure expenses like we opened some of the new branches and all, so that has slightly gone up. Other than that, there are normal regular expenses generally in the last quarter which are slightly higher than the other quarter on

traveling, business promotion or any other spend on marketing. So, those are the expenses that have come up

Prayesh Jain: And how should we think about the expenses from next year's perspective? What kind of growth do you envisage in expenses both on employees and employee costs and other expenses also, if you could throw some light as to, how much of the cost is on the ESOP front and how you see it in FY24?

Parag Joglekar: So, generally we are looking at the expenses to be in-line, growing maybe below the overall AUM growth, which we will have in the next year, that is the intention. Generally, it will be in the range of inflation plus some uptake on employee cost, which we will look at it even on the administration side, similarly on the rentals or any other expenses, which we may have. If there is any depreciation on the rupee-dollar that may have an impact and escalation especially on the technology side, that may have a little bit of impact on the overall expenses because we are highly dependent on these technology platforms and technology service providers. So that is on the expense side we are looking at.

Prayesh Jain: On the ESOP front employee cost?

Parag Joglekar: So, the ESOP plan generally is going down because there are 40, 30, 20, 10 that are generally hit which we get on the ESOP plan. Currently, this year it was around 30 plus odd crore so we can see some drop in the next year on the ESOP side.

A. Balasubramanian: With respect to the employee things, while we have more or less fully in place with respect to our employee goes, a few additions could come in terms of employee addition, most strengthening the team, especially on the investment side, as well as on the sales and alternate investment side which again I guess that there will be of course some compensation will also come in the form of realigning the responsibility of people and so on and so forth, but I don't see a significant increase as far as employees cost is a concern, but of course annual increment that we normally count anyway around 7% to 8% to the extent one can expect.

Prayesh Jain: And Bala sir, while there are no regulations that are out yet, at some point in time SEBI is going to give some clarity on what the TERs are going to be, what costs are going to be subsumed in the TER, what are your thoughts in the sense, how are you guys preparing for this and what could be kind of sharing mechanism this time around, that would kind of and also on this is case of broking is kind of subsumed into the TER, what could be the strategy of Aditya Birla Sunlife AMC, how that kind of payout?

A. Balasubramanian: Yes. Prayesh the way we see it, it is still under discussion stage with SEBI while most of the expected announcements have already been appearing in the newspaper in some form or other, I presume 40%-50% of those expectations would come, and from a business point of view, our overall vision to be scale players, that remains and is not going to be taken away as a result of this. And second is ensuring our product positioning, the investment performance is the key for us, while we are seeing improvement but we still have more work to do which we are currently



driving that. And third is in order to increase our retail penetration while we have been predominantly working with the B2B model, at the same time we are stepping up our engagement in terms of direct customer connect, both through the sales as well as service. And that's something we are putting in place to ensure that direct customers connect and at least the top 10 markets improve quite significantly the efforts help in building our AUM. And fourth, we also identified a few more areas that could support the retail sales, which we call it a VRM model. So far VRM model used to be used only for the activation of IFA. They are moving away from activation to converting into sales so that every activated IFA contributes to the success. That's something we are doing. we are going granular in order to ensure that, that we bring up the overall contribution to us. And an emerging market where we are seeing significant growth created for us for about two, three years back. Once again, we are stepping up our focus in terms of increasing the penetration on the geographical footprint. As far as the distribution-led economic model, I'm sure that will evolve depending on how the entire new TER structure are going to evolve. Again, I would assume the way we currently have a 65-35 kind of model that we have, I would assume we'll have to stick to a similar kind of model to ensure we can maintain somewhat discipline. At the same time, ensure growth comes and at the same time we're able to maintain the profitability. May not be necessary in terms of absolute numbers at least on the basis point level, that's something we will work on it. But again, Prayesh we have to play it as it comes, it's too early to at this point to jump the gun. At the same time, we broadly know what all things would come and we start preparing ourselves as I just mentioned like for example, we have been really good active players on the DMA side which gives us the experience to be prepared for some portion of the trades could go through the market but at the same time, we also believe that intermediation cannot be completely removed even from an equity trading point of view. Therefore, we have to look at that, mix and mix both models, but that's something that will play it as we come closer.

Moderator: Thank you very much. As there are no further questions, I will now hand the conference over to the management for closing comments.

A. Balasubramanian: Thank you. Thanks very much, ladies and gentlemen, for tuning in. With this, we conclude our Q4 FY23 Earnings Call. And do feel free to reach out to Mr. Prakash Bhogale for any query that you may have. And all of you have a nice long weekend and thank you.

Moderator: Thank you very much. On behalf of InCred Equities that concludes this conference. Thank you for joining us, you may now disconnect your lines. Thank you.

This is a transcription and may contain transcription errors. The transcript has been edited for clarity. The Company takes no responsibility for such errors, although an effort has been made to ensure a high level of accuracy.

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