ICICI Prudential Asset Management Company Limited

Earnings Conference Call - Quarter ended September 30th, 2026,

October 12, 2026

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Moderator:

Ladies and gentlemen, good day and welcome to ICICI Prudential Asset Management Company Limited's Earnings Conference Call for the quarter ended September 30, 2026. Joining us today on the call are, Mr. Nimesh Shah, MD and CEO; Mr. Naveen Agarwal, Chief Financial Officer; Mr. Vipin Bhandari, Head of Business; and Mr. Harshil Sanghavi, Lead, Investor Relations, who will be available to address your questions following our opening remarks.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star, then zero on your touchtone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Naveen Agarwal, CFO of ICICI Prudential AMC Limited. Thank you, and over to you, sir.

Naveen Agarwal:

Good evening, everyone. Welcome to ICICI Prudential Asset Management Company Limited's earnings conference call for the quarter ended September 30, 2026. I trust you all had an opportunity to review our earnings presentation and the investor materials that have been shared on the stock exchange and on our website.

I will start with an overview of the industry. The industry quarterly average AUM has grown by 13.4% year-on-year and 5.1% sequentially in Q2 FY27, reaching to INR87.49 lakh crores. Out of this, equity and equity-oriented quarterly average AUM stood at INR48.19 lakh crores, reflecting a year-on-year growth of 15.3%. This growth reflects the continued broader trend of financialization of household savings, despite periods of volatility driven by global rate movements, crude oil price, geopolitical tensions, and even subdued market performance in the last two years. In the first half of the fiscal, Nifty 50 has delivered 1.3% return compared to mid cap at 12.5% and small cap at 24.6%.

During this quarter, net flows for the equity category was INR1.06 lakh crores, which marked approximately 7% reduction as compared to previous quarter. Investor preferred categories like mid and small cap, which received highest amount of equity net flows. Their combined net sales share has increased to 36% in H1 FY27 from 22% in FY26.

Hybrid category saw a reduction in net sales in Q2 FY27 as compared to the previous quarter.

September 2026 recorded SIP contribution of INR32,490 crores. Monthly SIP inflows have largely remained stable throughout Q2 FY27. Similar to the net flows, the industry saw increased proportion of SIPs being directed towards small and mid-cap strategies.

Debt segment continue to face marginal reduction with quarterly average AUM at INR11.60 lakh crores. Passive quarterly average AUM grew by 23% year-on-year and 3.1% sequentially to INR15.19 lakh crores.

Industry continues to have positive new customer addition, and it has now reached a count of 6.3 crores customers, which represents an increase of 11.1% year-on-year. I now hand over the call to Harshil for covering the performance of our company.

Harshil Sanghavi:

Thank you, Naveen. Good evening, everyone. For the quarter ended September 2026, our total mutual fund quarterly average AUM reached to INR11.61 lakh crores, which is up 14.4% year-on-year, thereby maintaining our position as the second largest AMC with a market share of 13.3%.

In active schemes, we continue to maintain the highest market share of 13.3% with a quarterly average AUM of INR9.59 lakh crores. As of September 30, 2026, we continued to maintain our leadership position in equity and equity-oriented schemes with a market share of 13.7% and a quarterly average AUM of INR6.59 lakh crores. On a year-on-year basis, we grew by 16.3%, outperforming the industry growth rate. It is important to note that in H1 FY27, we continue to receive one of the highest net flows amongst the industry.

The quarterly average AUM of equity-oriented hybrid schemes grew to INR2.29 lakh crores. This represents the largest market share of 26.4% as of 30th September 2026. For H1 FY27, our margins on an annualized basis stands at 67 basis points for equity, 32 basis points for debt, 12 basis points for liquid, 12 basis points for passive, and 29 basis points for arbitrage.

As of September 30, 2026, we have a unique customer base of 1.78 crores. In September 2026, our systematic transactions, which includes SIPs and systematic transfer plans, moderated to INR4,672 crores from INR4,872 crores in June 2026.

Distribution mix of our mutual fund equity quarterly average AUM is as follows, wherein MFDs account for 36.1%, national distributors accounts for 15.9%, ICICI Bank's share at 7.5%, other banks contributing 10.6%, and direct growing to 29.9%.

On SIF, we continue to see good traction, leading to quarterly average AUM of INR4,948 crores in Q2 FY27 versus INR2,678 crores in Q1 FY27.

In this quarter, we launched NFOs of Balanced Hybrid Fund, Multi Asset Active Fund of Fund, Dynamic Asset Allocation Passive Fund of Fund, BSE Insurance ETF, and three Life Cycle Funds with a maturity of 5, 10, and 15 years, thereby further expanding our product bouquet.

Now let's move to our alternates business, which comprise listed equity-focused PMS and AIF, private credit, real estate, private equity, early stage private equity, and offshore advisory. For the September quarter end, our alternates quarterly average AUM stood at INR80,965 crores. Within alternates, our PMS quarterly average AUM grew by 21.4% year-on-year to INR30,791 crores. Our AIF quarterly average AUM stands at INR24,260 crores.

During the quarter, the Board of the company had approved acquisition of PMS business from ICICI Securities Limited. Integrating the PMS business of ICICI Securities will enable the company to engage with incremental new clients. Also, certain product offerings proposed to be acquired as a part of this transaction are complementary to company's current PMS offerings. We are in the process of obtaining requisite approvals and completion of necessary documentation.

For H1 FY27, on an annualized basis, the gross yield on our PMS and AIF business was 1.92% and the net yield, that is after reducing the fees and commission expenses attributable to PMS and AIF business, was 0.96%. Yield on assets under advisory was at 0.32%.

I now hand over the call to Naveen for covering the financial performance of the company.

Naveen Agarwal:

Thank you. Let's cover the financial performance for the quarter and yields which are presented on annualized basis. Also to clarify, comparative data has been restated by considering the effects of the specific funds that we've acquired from ICICI Venture in April.

Our operating revenue stood at INR1,674 crores, representing a growth of 16.3% year-on-year and 7% sequentially. For quarter ended, our operating net revenue mix from mutual fund was 89.91%, alternates 8.68% and advisory business 1.42%.

Other income of INR16.9 crores reduced when compared to previous quarter, primarily due to mark to market. Operating expenses amounted to INR493 crores, which was an increase by 17.9% year-on-year and 6.2% quarter-on-quarter.

Our operating profit before tax, which indicates the core profitability of the business, reached INR1,181 crores. This represents a 15.7% increase year-on-year and a growth of 7.4% compared to the previous quarter.

Profit after tax stood at INR889 crores, which is up by 6.1% year-on-year and has a degrowth of 7.8% quarter-on-quarter, which is primarily on account of other income, which was affected due to mark to market as I mentioned earlier.

Additionally, the Board of Directors have declared an interim dividend of INR30 per share.

For H1 FY27, our gross yield and net yield on an annualized basis at the company level stood at 53 basis point and 48.8 basis point, respectively. Net yield is arrived at after reducing fees and commission expenses on PMS and AIF business, which is shown as an expense item in the P&L. For H1 FY27, our operating margins on an annualized basis stood at 37.3 basis point as compared to 36.6 basis point for H1 FY26.

Thank you for your attention. I look forward to discussing our performance in more details and addressing any questions you may have.

Moderator:

Thank you very much. We will now begin the question-and-answer session. First question is from the line of Supratim Datta from Jefferies India. Please go ahead. Supratim, may I request to unmute your line and proceed with your question?

Harshil Sanghavi:

Neerav, maybe we can move to the next person in the queue, and we can come back to Supratim.

Moderator:

Thank you. Next question is from the line of Rahil Shah from HSBC. Please go ahead.

Rahil Shah:

Hello. Am I audible?

Moderator:

Yes, go ahead.

Naveen Agarwal:

Yes, Rahil.

Rahil Shah:

Yeah. Good evening. Thank you for the opportunity. So I had two questions. One is on SIP. If I kind of see the book movement, I understand this is as on month. So can you give us some sense on what has been the average SIP book during the quarter and what was it last quarter? And second, can you give us more color around what is driving this decline? Like if I see on a Y-o-Y basis, we have hardly grown anything. However, industry is still growing in a double digit. So some color in terms of how much it is coming from, say, large-cap schemes or any other trends which you have picked up? So that's my first question.

And my second question is, if I see the channel mix of equity AUM, over the last four quarters, the AUM from ICICI Bank has not grown while for other channels, it has grown at a decent pace. So also wanted to understand more about what is happening at your parent bank channel. Like why it is not growing, so basically, what is driving this differential performance versus I-Bank and other distribution channels? So these are my two questions.

Naveen Agarwal:

Rahil, on your first question on SIP, if you see what has happened at the industry level, while there has been a growth in the SIP, but there has been a change in the composition of that SIP and we have seen a large increase in the small and mid-cap category in that. And similar behaviour, we also have multiple investors across products. And we have also seen their

movement, just like it has happened in the net sale as well, shifting towards small and mid-cap.

Plus, as you know, our systematic transaction number that we give comprises of SIP as well as systematic transfer plans. Historically, what we have seen is that during market conditions, in some cases, investors tend to upfront their STPs also, which reduces the momentum and trigger-based flow. So what you see in our SIP number behaviour is a factor of all these things.

Rahil Shah:

Okay. So what would be the, say, contribution of SIP just in your large-cap scheme if you can give some clarification here?

Naveen Agarwal:

We do not give the breakup across the categories, but as I said, directionally I have indicated what's happening with respect to the categories in the SIP flows, both at the industry level as well as us.

Rahil Shah:

Okay. And the average SIP number?

Naveen Agarwal:

Average SIP number is pretty much in in line. That has not seen much change.

Rahil Shah:

Okay. Got it.

Naveen Agarwal:

On your second question, ICICI, it's an important channel. We continue to focus on ICICI Bank as a channel as we do on all other channels. Every distributor, MFD, bank channel is equally important. We work on all of them. Ultimately, it's the factor of what is their strategy with respect to what they sell. Insofar as our effort is concerned, we continue to work on all the **channels equally.**

Rahil Shah:

Okay. And just sorry, just one follow-up question. So what would be our counter market share at ICICI Bank channel? Like in '26, it would be around 70%. So in 1H or in 2Q, what it could be?

Naveen Agarwal:

Yeah, our understanding it's around the same number.

Rahil Shah:

Okay. Got it. Fine. Thank you, sir.

Moderator:

Thank you. Next question is from the line of Himank Sangai from Bernstein. Please go ahead.

Himank Sangai:

Hello. Hello, am I audible?

Naveen Agarwal:

Yes. Yes, Himank.

Moderator:

Yes, sir. Go ahead.

Himank Sangai:

Hi. Thanks for the opportunity. So my question is the flow we are seeing the flow market share across the large AMCs have come under pressure. So I have three questions to it. Can you talk to us about the trends in gross flows over here?

And if it is redemption-driven, should one assume continued pressure till market comes back? And my third question is for SIFs, net flows have been strong. How do you think about your market share and the broader spread flow momentum over here? Yeah, that's my three questions. Yeah.

Naveen Agarwal:

So, Himank, on your first point with respect to gross flows, if we see at the industry level, gross flows numbers have pretty much been in has been consistent. There hasn't been too much of change in the gross flows number. Hence, it's obvious conclusion that the net flows change would be driven by the redemption.

And if you look at the net flows, you know that the contribution of mid-cap and small-cap has grown. Even if you look at it on a quarter-on-quarter basis, mid-cap and small-cap has grown to 43% in this quarter vis-a-vis the previous quarter. Insofar as the redemption, we've also seen the redemption has been more elevated in the categories like BAF and MAF on the hybrid side. So that has also reflected in the net sales.

Nimesh Shah:

See, while the market will see the net flows because that is the figure that you see, the way when we look at business, we see the gross flows separately and we see the redemptions separately. Gross flow is based on what is happening in the market, and that pretty remains the same as it was last year. It is in similar lines.

But what has change is that the redemptions. Redemptions there is no such -- some people track redemptions as a percentage of gross sales, but redemption is not related to gross sales. Redemption is related to the AUM that you have.

So in those cases, in markets like this, sometimes the redemptions increase and then your net sales look smaller. Right? So it's a question of we have seen those cases earlier. So this is what has happened where it is more a factor of redemptions than gross sales per se.

Himank Sangai:

Okay. Okay. Thanks. Thanks.

Moderator:

Thank you. Next question is from the line of Supratim Datta from Jefferies India. Please go ahead.

Supratim Datta:

Hi. Thanks a lot for the opportunity and sorry for the previous hiccup. So starting with maybe on the AIF side, could you help me understand that what would be your committed AUM and what would be the deployed AUM here? And what is the fund strategy now? You during your IPO and post-IPO, you had indicated that there were multiple strategies that you were trying to pursue here. So could you give us some understanding around, you know, what would be the new fund offerings that would come on this side?

Secondly, you know, just drawing this discussion around redemption a bit further, just wanted to understand that is the redemption are the funds getting redeemed and then redeployed in some of your other schemes or is it flowing out of ICICI AMC altogether? And has that trend changed going into October? So, that could be something that I would look for. And lastly, if you could give me the ESOP cost for this quarter, that would be helpful. Thank you.

Naveen Agarwal:

Supratim, on the first question with respect to AIF, frankly, we have multiple AIFs across categories. And what we show as an AUM is the fee-bearing AUM. So there could be an AUM which is committed, which is higher than this, which may be undrawn.

We have got AIFs across all asset classes, private credit, real estate, private equity, early-stage private equity. And there would be numbers of what is undrawn different in each of those categories depending on where that respective fund is in respect of deployment.

Nimesh Shah:

So most of our till date, whenever we have given numbers, it is about what is already drawn because our fees start only when we draw. It is not that we take -- till now whatever the schemes that we have had, the fees start on drawdown. So we do are on -- once we draw

down the amount. Before we draw down the amount, we don't charge fees on commitment. So more or less, we have declared AUM only which has come to us.

About the strategy, I have always said that in addition to the listed space, we are interested in with the RERA in place since number of years. We have always been interested in real estate. And in real estate also, the yield funds where you take ready-made offices, office funds, where the office are already leased out, pre-leased out offices, that fits with our risk parameter very well, the risk that and a business which can be institutionalized and scaled up in a big way.

So on the real estate space, the office funds makes a lot of sense. You know private credit we have come with a third fund. So, equity, private credit, real estate, in real estate, both the yield space as well as the equity space in real estate, that is when you get into partnership with builders, that is also there. But the real scalable business will be the pre-leased offices. That is the scalable business.

Private equity with the acquisition of ICICI Venture is in place. Once they are deploying one of their funds, but we are coming up what does ICICI Prudential AMC and ICICI Venture, which has come into us, gives us the capability. So we have launched a fund on the alternate side which mixes our capability on the listed space and the capabilities that we have acquired on the non-listed space.

We have come with a category where 51% plus will be invested in the private space, and the remaining can get invested in the public space. So that is another mix that we think that we are ready to offer in the market and we are launching that kind of fund.

So, we are pretty much there in the listed -- private listed equity, private credit, real estate, private equity, and early-stage private equity. So, all 5 -- right now, I have got all 5 categories. And the AUM that you see is on drawdown.

Supratim Datta:

Got it. Just one follow-up question on this part. So do you plan to get into infrastructure fund as well, because there is a pretty large pipeline?

Nimesh Shah:

Right now, there are no plans for that. First, let us scale up the businesses that we have started up. Like if you see typical example how we have grown in the private credit side. So we will focus on the category that we have stated just now. Private equity is, while the teams of ICICI Venture are been there for a long period of time, but we'll rather scale up the businesses that I have already mentioned than go into the infra side.

Supratim Datta:

Understood.

Moderator:

Supratim, do you have any follow-up question?

Supratim Datta:

Yeah. And just on my second question on redemptions, could you give us some color on that, whether that redemption is getting recycled back into your own funds or is it flowing out? And is there any change in that behavior?

Nimesh Shah:

That will be always a mix of both. That redemptions, some of them might get switched to our own funds and some of them can go outside also, and new funds also can come in. It is impossible to track that where they're going because sometimes the funds come after, say, 1 month, 2 months. The client would have said that, "I want to get out," and after say 2, 3 months of his call on the market, he might come back again. So it is impossible to track that where the redemptions are going and when they're coming back. So we see the net figures only. So right now the redemptions are slightly higher. Yes, they are slightly higher.

Supratim Datta:

Understood. And lastly, on the ESOP cost?

Naveen Agarwal:

On the ESOP cost, we've indicated that the total ESOP cost for this financial year would be between 64 to 68 crores. So accordingly, the charge happens to the P&L on a pro rata basis, so that guidance continues.

Supratim Datta:

Okay. Okay.

Moderator:

Thank you. Next question is from the line of Shreyas Pimple from Nomura. Please go ahead.

Shreyas Pimple:

Hi. Thank you so much for the opportunity, and congrats on a good set of numbers in this quarter. My first question was on increase in yields that we are seeing, revenue yields, operating revenue yields. I see specifically for our alternates business, we have had a quarter-on-quarter increase of one basis point. Could you explain what are the factors that is driving these increase in yields? That is my first question.

Naveen Agarwal:

See, I think we indicated in the last call as well, you should see the yield in the alternate in a range between net yield between 90 basis point to 95 basis point. This one basis point change can happen due to various factors, including the mixed factors, depending on which

funds have grown more, if there's a difference in the yield in those funds. So broad guidance with respect to, what we mentioned, 90 basis point to 95 basis point, that's what is being maintained this quarter as well.

Shreyas Pimple:

Right, sir. But in the mutual fund revenue as well, we have seen a growth of around 6% to 7% in revenue, while the AUM growth was below that, which means we have seen increase in revenue yields for mutual fund business as well. Would you like to explain what is driving this, please?

Naveen Agarwal:

So there also, I think we mentioned on a quarter-on-quarter basis you're right, and there are various factors that really drive that as well, depending on which fund you are getting the money in, which redemptions have happened, whether an old money or new money, what sort of distribution commission it was tracking, whether the smaller schemes are getting more flows or larger schemes are getting more flow. So all of those factors contribute to what is the net margin that we earn. And the effect that you see is largely on that account as well.

Shreyas Pimple:

Sure. Got it. So, would it be okay to assume that if the flows that are coming in continue in the same direction and same schemes, we might see this continuing, the yields going up?

Naveen Agarwal:

We do not give guidance on what we expect of the yield. It's actually an outcome. See, we're not tracking, we're not trying to target an yield. It's an outcome. It's the question of where the flows happen and what is the yield finally that we end up with.

Shreyas Pimple:

Got it. Got it. That's helpful.

Nimesh Shah:

It's not that we don't want to give, but actually we wouldn't know. Because what are the kind of schemes that will get money in the next 6 months will be different from this. Because the debt, how much will debt grow? How much will equity grow? In equity, which kinds of funds will grow? Will the alternates grow? There are too many open-ended things, which depends on the market levels and how the market goes.

Which whether the mid-caps will grow more or whether the large-caps will grow more. A lot of questions are there. So we are so market linked that no point in we focus. see, what does the company focus on? The company will focus on that once your funds have done well, go and market those funds on an every counter every month and you get your market share.

That's what we can focus on. But we cannot decide what the market will do, which kind of funds will the market will put in money. That can't be decided by us. That the market will decide it. We have to see that we get our market share wherever they are allocating.

Shreyas Pimple:

Sure. Sure. Understood. And fair. My second question was on small and mid-cap scheme inflows that we have seen for the industry as such. Of course, we do not have much exposure in our equity AUM to small and mid-cap schemes because we have always been a conservative AMC in that sense. See, I just wanted to understand in previous cycles when small and mid-cap rallies happened, how these rallies turned out for the AMC? How have we navigated these times when large-cap or multi-asset allocation fund inflows are hard to come by? And what is our strategy in this scenario that we are seeing currently, if you can help me explain that?

Nimesh Shah:

So, frankly, I should accept that -- see, what happens? Frankly, whenever we feel that mid-cap, small-cap should be bought, in the past, we have given buy calls also on mid-cap, small-cap, but when there is blood on the street, that's the time when we'll give calls to buy mid-cap, where frankly people don't buy. And when we say don't buy, that is the time when maximum mid-caps, small-caps have been bought. So, from our numbers, it is very clear that we have not built a big business on that side.

Positioning-wise also, we are seen as a conservative AMC where our market share on hybrid products is more. We'll have to work out slowly over a period of time. It's not going to happen tomorrow. Over the next 5 years to 7 years, we'll have to put together a strategy. And it can't be done today where mid-caps, small-caps have considerably outperformed large caps. Today, we are going on the front foot and saying that please invest in large caps.

But at some point of time, either you can say this is a failure of the company, or you can also say that this is a opportunity that can happen in the next phase. So, I'm waiting for the market to correct and then go on the front foot and then say that this is a good space. But we should get comfortable on the valuation. Small caps, we see the opportunity. So, small-cap fund we have completely opened up. And at some point of time, when we have the call, we'll go and ask the investors to put money in small cap and get money in small cap.

Mid cap, we are slowly opening up on the mid-cap side. And we'll see at the right point of time, we'll go into the market on the front foot. But right now, we are giving a call for large cap because we believe that risk return-wise, large cap is better than mid-cap, small-cap. So, we continue to mention that in all our communication to our investors. But over a period of 5 years, maybe this is a space where we have got an opportunity.

Shreyas Pimple:

Got it. And the last question that I had was within alternate space, PMS and AIF business are doing really well and we expect them to scale up. However, the assets under advisory,

that AUM has been declining since last 4 quarters to 5 quarters. What is the reason behind that, and what will be the strategy going ahead? How do we see this AUM going forward? Can you please explain that?

Nimesh Shah:

See, advisory is mostly international money. Right? And advisory is not within India. It is an international money that we manage. And since last 1.5 years, we have had outflows in that. And that we have to manage the outflows right now. So, we are launching new funds in various geographies, and we are in regular touch with our existing distribution partners internationally.

But when the FII flows will turn back into India, that I cannot give you a figure on that. So, we are creating structures in various parts of the world, and we have kept them ready. When the money will come in and when the FIIs or international investors will get interested in India, that I don't know. That when it will happen, we are ready to take it. The structures have been put in place, that's what I'm saying, whether it is in GIFT City, whether it is in Luxembourg.

Naveen Agarwal:

Yeah. So, across the geographies, we've as you know, Southeast Asia, GIFT City, Luxembourg, other developed markets, we are trying to ensure that, you know, we have the funds in place, but as Nimesh said, difficult to comment when the flows would come.

Nimesh Shah:

So, we do similar to what do we do in India. Let the fund there is small AUM in that. Let us show performance on those, and at some point of time when the tide will turn for India, at that time maybe we have got reasonable performance also. If we believe that our style of fund management will work over the next 3 years, then maybe 2 years, 3 years down the line, we have got a good track record on which we'll be able to market funds. But I don't know when the tide will turn internationally towards India.

Shreyas Pimple:

Fair. Thank you so much for answering my questions. All the best to you.

Moderator:

Thank you. Next question is from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain:

Yeah. Hi. Good evening, everyone. The question is on SIFs. While I understand it's a very nascent stage, but it's been scaling up phenomenally well for the industry. And so, just wanted to understand for I-Pru AMC, the color of customers that are buying SIFs, are these

existing I-Pru AMC customers or they are new to I-Pru AMC customers? How has been the mix? That will be my first question.

And second, possibly, if you could share some unit economics around this business, whether what kind of yields we earn and what's the kind of cost structure allocated to that part of the business? Yeah, those will be my first two questions. I'll come back to the other ones later.

Nimesh Shah:

Yeah. It's good question-by-question. So SIF it is, see, I consider SIF as part of our mutual fund business itself. It's only that minimum ticket size is INR10 lakhs, right? That is the only difference between SIF and all, and the use of derivatives can be done. So what we believe, we are very excited with this category of SIF.

We have launched four funds. We are going to launch fifth fund during the quarter. So we quite like the category. And it gives a lot of freedom. Why I like it? Because it gives us a lot of freedom to and SEBI has created this category quite well.

And there is a lot of freedom for the fund managers to manage it the way they want to manage it, including of course, it is very important. In fact, the last 6 months it has, how do we do risk management in those funds has become very very important for an institution like ours. Like, till now we have not allowed anybody to go short on that. So it is ICICI Prudential risk management which has to work over here very well.

Right now, we would use this whole strategy in a very defensive way. See, this category will have a very many different styles of managing money. Everybody will have a different way of managing money in the SIF category, because as a instrument of defense, derivatives can also be used as a instrument to be aggressive in the funds.

So at different points of time, derivatives will be used differently. Right now, we are using it quite defensively, and it has worked well for us. So we'll build this category and we are bullish on this category. But the margins and everything will be very similar to the way we manage mutual funds.

Please don't think this as a separate category. Everything economics-wise, it is very similar to mutual funds. Only the ticket size is bigger, and the flexibility with the fund manager is quite high. So risk management is important here.

Prayesh Jain:

Yeah. Actually, when I was asking the color of the customers who are, say, existing I-Pru AMC customers or not, because we generally have been seeing very strong inflows on SIF side, while on a lump sum side in the mutual fund, there is a challenge. Is there anything that you've observed that the redemptions are going into SIF as well?

Nimesh Shah:

Very difficult to say that Because we won't know also. We won't know.

Prayesh Jain:

Got that. And on your alternate piece, I think so when you give your total AUM on that, is that the fee-paying AUM or is the entire AUM is being charged or is that the total AUM particularly certain...

Nimesh Shah:

As I said earlier that we have been charging, the difference that we are trying to make in this category is that I want a gross, the difference between gross and net. One of the problems of this category of investment is that there is a huge difference between gross and net. So if you want to decrease that difference, till now, since we are in that 14% to 16% bracket as far as our alternates are concerned, till now whatever funds we are telling you are under management is mostly and is completely...

Naveen Agarwal:

It's only fee-bearing AUM.

Nimesh Shah:

Only fee-bearing AUM, because we take fees when we get the money.

Naveen Agarwal:

Yeah. So we can have a commitment which is a higher amount, but only to the extent the money has been drawn and we are earning fees, that's the money that we are showing as AUM.

Prayesh Jain:

Got that. Thanks. That's helpful.

Moderator:

Thank you. Next question is from the line of Abhijeet Sakhare from Kotak Securities. Please go ahead.

Abhijeet Sakhare:

Hi, good evening, everyone. So my first question was on the opex side. If you would like to offer any guidance or indication as to how should we think about the full year opex growth?

Naveen Agarwal:

So on the opex, if you see what has been -- you must see what has been the run rate vis-a-vis the 6 months of last year and the 6 months to this year. And there, if you see while in the presentation you would see a number which is 14.8%, but that's also because there is fee

and other expenses. And you must look at the increase in the expenses after reducing the fee and expenses because that is related to the alternate business.

The run rate that you see in H1 of FY27 vis-a-vis H1 of FY26, that's pretty much in line with our normal increase.

Abhijeet Sakhare:

Understood. And any sense on like this ex of fee and commission expense, the current quarterly opex run rate of INR360 crores, like what would be the contribution of non-mutual fund businesses here?

Naveen Agarwal:

No, we do not give that break up of across business expenses because many of the expenses would be common in nature from departments and services which serve both the businesses. But you have seen the overall number which is already given.

Abhijeet Sakhare:

Got it. Naveen, during the opening remarks, I just missed one point you mentioned on SIP, something to do with STP and how the current market conditions kind of impact that. If you could repeat that point, please?

Naveen Agarwal:

No, we were just giving the SIP number in our opening remark. We have just mentioned at the industry level.

Nimesh Shah:

One of the points that Naveen mentioned was that in this kind of market, some people who have gone for STPs, right, the total number comprised of SIP as well as STPs, and when the market gets corrected, somebody who has said that, "I will give you money over 6 months," suddenly decides to prepone his this one and tries and gives the money upfront. That then it goes away from STP and becomes part of your AUM.

Abhijeet Sakhare:

Okay. Does that get reflected in the lump sum inflows in that case, is that the right way to look at it?

Nimesh Shah:

Yeah.

Abhijeet Sakhare:

Okay. And the last question was like a broader industry-level question when we think about especially for the larger AMCs, over the last 2 to 3 years, we have seen like two, three rounds of commission cuts. And from a distributor point of view, now you have like a bunch of

smaller mid-tier names, some of them are reasonably well known, probably paying, 20%, 30% higher commission rates.

So one is your view that this is like a cyclical challenge that you would typically face as once in few years or there is something little bit more structural about it that needs to be addressed?

Nimesh Shah:

One year back also, it was the same scenario where the pricing was similar. The difference between smaller AMCs and bigger AMCs was similar, but at that time this question was not been raised. So it is a very simple industry. I think SEBI has created a very simple industry. If you have gone shown performance, right, you get the money, whether it is a small AMC or a big AMC. So I think if an AMC does well, it gets money.

So if your fund performance is in place, so it's a mix of brand, distribution, and fund performance. Right? So if I have got fund performance in some funds, I need to show it to the world that this is where my performance is. we have got a huge set of products and depending on the market conditions, we need to change the products that go into the market.

So maybe in '23, '24, I would have been selling XYZ. In '25, '26, I might be selling ABC. So in '26, '27, depending on the market conditions, I decide the products that I have to sell and I go out in the market and sell those. So irrespective of I think if the customer is looking for a good track record, a trustable AMC, so it's a mix of brand, distribution, and products. If my numbers are there, I will be able to sell better. That is what I believe, and that's what has happened.

So last year also it was the same thing, no, where the bigger AMCs were gaining market share. At that time also that difference was there. So, it all depends on the performance at that point of time. And which products you got performance. And those what is selling in the market, do you have performance in those categories or not?

So, it's a very well-earned AUM even for the smaller AMCs. If they have shown good performance, then they'll get money. If they don't show good performance, they'll not get money. Maybe some advantage we will have for the brand also and the distribution that we have created over the years.

Abhijeet Sakhare:

Got it, sir. And, sir, one follow-up again slightly industry-level question is that when we think about growing SIP, we tend to think of it sticky money, but is it also true that the persistency or the tendency to move money across SIPs or lump sum has actually increased quite a lot over the last 2 years?

Nimesh Shah:

I always told you that it is two types of distribution. The quality of distribution, the quality of sales will decide the persistency. I can go distributor-wise and show you that how persistency amongst different distributors will be different. People who have sold goal-based SIPs, there the redemption is not happening.

But people who have gone and just seen the last 1-year performance or 2-year performance and come up with an SIP, so maybe the distributor-led, where there is an explanation available, the persistency is higher. Maybe the online channels, the persistency is slightly lower. Right? I think so it depends on the channel-wise sales that you will be able to see difference in persistency.

So, we have seen digital sales the persistency is lower, while distributed sales, where there is a responsible distributor who has explained the product and done a goal-based SIP, the persistency is quite high.

Abhijeet Sakhare:

Got it, sir. Thanks a lot.

Moderator:

Thank you. Next question is from the line of Madhukar Ladha from ICICI Life Insurance. Please go ahead.

Madhukar Ladha:

Hello. Sorry, am I audible?

Naveen Agarwal:

Yes.

Madhukar Ladha:

Yeah. So, I think they've got my company name wrong. I'm Madhukar Ladha from JP Morgan.

Nimesh Shah:

We are aware.

Madhukar Ladha:

So, sir, just quickly a couple of questions. One, sir, what is your closing AUM of alternates? I wanted to just get that?

Naveen Agarwal:

Madhukar, we'll get back to you with specifics on that.

Madhukar Ladha:

Okay. Second, if I see your yield has improved on a Q-o-Q basis and on a mix-wise there's no sort of big change very big change in the mix. So, it seems that and you've already given yields across categories. So, except for alternates. So there seems to be quite a decent jump in the alternate's yield. So, what explains that? And second, in your calculation of 67 basis points of equity yield, do you put SIF over there or do you put SIF as part of alternates?

Naveen Agarwal:

No. So, 67 basis point yield would include SIF. We would categorize as Nimesh mentioned, for all practical purposes, SIF is pretty much like equity AUM, except for the minimum ticket size. So, SIF yields have been clubbed with the equity yield.

On your other question, I think I already mentioned with respect to the increase in yield on the alternate, there has been a slight increase. Multiple factors which contribute to that, you would have seen that there has been drawdown in some of our funds in this quarter, especially on the real estate side. And it's largely on account of the mix that you see on a Q-on-Q basis, the change in the yield.

Madhukar Ladha:

Okay. Do you think, I know it's a little difficult to comment, but do you think this is a more sustainable level given the outflow, etc., in the real estate fund and all those things?

Naveen Agarwal:

No, I think there could be variations on a quarter-on-quarter basis due to other factors. On a broad basis, what we've experienced from the past that the yield range has been between 90 to 95 or maybe 90 to 100, that's the range between which the alternate yields have largely been. And that's the broad range within which we expect we've seen in the past the numbers to be.

Madhukar Ladha:

Got it, sir. The other question is when I look at your other income, that's done sort of better than my expectations, especially given the equity drawdown that we've seen in September. And I think some bit you've moved your AUM also from, equity and hybrid to liquid.

So what is our philosophy over here? And how should we think about you managing your treasury? Is it like again more active management? You will continue to move money from liquid to equity and based on what you assess in market conditions? Or gradually, do you think you're moving more towards fixed income over here?

Naveen Agarwal:

See, of the other income, which is basically derived from, you know, the net worth which is invested, a lot of that investment also tracks the need of the seed money. So if you see, that is pretty much inflexible and that allocation happens irrespective of, any decision otherwise.

On the other bit, which is a bit more discretionary, we have been typically conservative in so far as our investment is concerned. We have higher allocations towards debt.

The objective is to have continuity on the other income as much extent as possible. There could be few things few percentage change here and there on a quarter-on-quarter basis, but predominantly it would be debt, as you can see.

Nimesh Shah:

Madhukar, do one thing. Please focus on the operating income. I would In AMC, AMC's operating income, other income the P/E ratios are too high for multiplying other income by the same multiples. I think we will do a good job for the industry if we focus on operating income

Madhukar Ladha:

Yes, sir. No, operating income has largely got covered, I think. Everyone has asked those questions...

Nimesh Shah:

Madhukar, I'm addressing the larger audience, whereby please keep the focus on operating income. We do not have a very active strategy for other income. As Naveen mentioned, whatever compulsory investments we have to do in our funds, we do that. And otherwise, it's not a very active or aggressive strategy to be followed for other income.

Madhukar Ladha:

Got it, sir. Thank you. That's it from my side. All the best, sir.

Moderator:

Thank you. Participants, you may press star and one to ask a question. A reminder to all the participants, you may press star and one to ask a question. Next question is from Pranav Tendulkar from Rare Enterprises. Please go ahead.

Pranav Tendulkar:

Hi, sir. Thanks a lot, sir. Sir, any color on the gross flows and gross SIP? So gross total flows into equity and gross SIP flows into equity. Any color you can give, is the color changing in terms of new users, age, etc.?

Nimesh Shah:

See, there are two channels. One is the traditional channel, one is the digital channels. So digital channels, a lot of money is coming from B30 towns. Whatever number of accounts are coming up, if you see there is a huge growth in the number of investors for ICICI Prudential, and that would come from the B30 towns.

So the only it won't be great in amount today, but the number of accounts come from the digital and from the smaller places. Otherwise, the traditional channels are working more on the T30 side, and that is business as usual. I don't know whether I have replied to your question or not.

Pranav Tendulkar:

Yes, yes, as much as possible, sir. Yeah. Thanks a lot, sir. Thanks a lot.

Moderator:

Thank you. Ladies and gentlemen, we'll take that as a last question. I now hand the conference over to Mr. Naveen Agarwal for closing comments.

Naveen Agarwal:

Yeah, thanks, everyone. We appreciate the interest shown by all of you in the call today. And I wish you a very good evening. Thank you.

Moderator:

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